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Nonprofit Ethics Case

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NPA 601: Nonprofit Ethical Leadership

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**Title:** Helpers Community Inc.: The Devil Wears Prada: Socialite is Served - With Justice

### Summary

Founded in 1958, a well known nonprofit in San Francisco, Helpers Community Inc. (formerly known until last year as Helpers of the Mentally Retarded), has recently been put under scrutiny by The SF Chronicle for soliciting charitable funds in the fashion industry, but not directing those funds to their charitable mission. Joy Venturini Bianchi has been a long-standing figure among the city's elite and solicits donations from fashion icons, philanthropists and politicians for her organization. Essentially, the idea is that Helpers Community Inc. sells donated designer apparel at its resale shops (Helpers House of Couture, Helpers Bazaar, and at private shopping parties in the homes which previously housed around 33 residents) for profit, which it then donates to itself and other nonprofits, supposedly.

However, a San Francisco Chronicle investigation has revealed that little charitable work was being done by the nonprofit between 2003 and 2008, which has meanwhile accrued millions of dollars in assets and donations. Bianchi not only travels and lives a lavish lifestyle (appearing at red-carpet galas across the nation), but also is generously compensated around \$200,000 (which is roughly \$100,000 more than the CEOs of about 22 similarly sized human services nonprofits in San Francisco). She has even been known to wear some of the donated clothes that have been given to her for charity, which has deterred many potential designer donors. Bianchi, along with her entire board of directors (only 5 people of as 2016), defends their organization and denies any accusations of mismanaging the charity. The board President, Peggy Bachecki, has pledged to do more with its "targeted grant-making" and to hire outside advisers to help with accounting and finances, but no action has been taken yet. Additionally, only an average 5% of Helper's annual spending (from 2003-2015) has gone to benefitting charitable organizations in the form of grants.

## **Applications**

This case is applicable to the fashion industry, specifically their philanthropy efforts and similar corporate social responsibility programs which need to ensure that the donated goods are actually going to charity, and not for private benefit. This case is also applicable for fundraising practices in an organization. The organization had access to members of high society and donors with a lot of capacity to give. There was an opportunity to use fundraising in a positive, innovative way, but instead the potential of that fundraising revenue is not attainable anymore because of mistrust. This study is also applicable to learning about governance practices and how bad governance policies and procedures (such as conflicts of interest or private inurement) can cost the organization its reputation. The case is applicable towards ethical leadership and ethical business practices as well. The ethics that Joy demonstrated as a leader were selfish and dishonest, and, additionally, there was no transparency in their organization, which further concealed their unethical business practices. Furthermore, this case can be applied toward transparency also, and demonstrates why an organization needs to ensure that they have an adequate system of accounting and documentation (most importantly including a website). The case is not only relevant for transparency, but also for marketing.

An organization is impossible to market well if it has a bad public image or finds itself involved in a scandal. It is even worse if they are found of falsely advertising their charitable work and soliciting goods on behalf of one cause, but the funds are actually for a different, selfish cause. This case is relevant for human resources, and especially for stakeholder interests. Many employees were unhappy under Joy's leadership and ended up speaking out against the organization once their scandal was exposed. Stakeholders and employees alike were upset by the actions of the organization enough to quit and to even pull their financial support. Lastly, this case is applicable towards the subject of nonprofit tax-exempt status. This case illustrates the importance of knowing the legal qualifications for attaining and maintaining tax-exempt status, especially in regards to property taxes. The organization's' homes were used as boutiques, not to house clients, which does not qualify as a tax-exempt purpose and the organization now has to pay huge fines for the misrepresentation of their property usage. There are many subject areas and disciplines that this case is applicable towards. Many different fields of study and types of organizations will benefit from learning the mistakes and unethical example set by this nonprofit organization.

## **Outcomes**

One important fundraising lesson comes from Jack Calhoun's comments, former global president of Banana Republic who now sits on prominent San Francisco fine arts boards, who said he was impressed by Bianchi's commitment to her organization. He expressed, "Seeing Joy-my God, the woman pours her heart and soul into it...She has so much energy and is so passionate about this and anybody who has developmental issues. And it's not fake," (Zinko, SF Chronicle). This comment from fellow elite Jack Calhoun further proves that just because someone can talk about their organizations well and appear passionate about it, donors should still ask questions to see if what the fundraisers and directors are claiming is true. A charitable nonprofit will be more than happy to back up what they say, and have no problem being transparent with the community. Yet Bianchi was able to continue her solicitation of charitable

funds by spreading her personal story narrative continuing to pursue her charitable work, despite her fight with cancer. Unfortunately, for-profits in disguise are a big setback for the nonprofit sector, and instead of completely turning away from and losing trust for the nonprofit sector, donors should do their due diligence and research into an organization to one that makes sense to invest in. There are a lot of honorable nonprofits doing noble work for those in need, and they should not suffer at the expense of the few who abuse donor trust and misuse charitable funds.

Another important governance lesson to be learned is that nonprofit boards need to be accountable, transparent, and free of any conflicts-of-interest. Helpers Community Inc. only had 5 board members (one of which was Bianchi herself and her longtime friend Peggy Bachecki), which led to huge conflicts of interests. No one on your board should be getting paid, and there should be term limits so people like Bachecki cannot be on the board for 21 years without oversight. Board members should be chosen based on their expertise and skills that they can bring to an organization, not just simply because of their relationship to current board members. Also, executive salaries should be decided upon based upon external equity (including researching market rate, salary surveys, and/or hiring a consultant). It is important to remember that executive compensation will be scrutinized by members of the public at some point, or by a concerned third party (Editorial, Lessons from the Helpers Community Charity Scandal, 2017).

It is also important to have an adequate documentation system of revenue and expenditures. When asked about the reported \$100,000 a year spent on “outreach, advocacy, and education,” the board simply replied that it “does not have sufficient resources to detail those activities.” That is not an excuse for having undocumented expenses, so nonprofits need to ensure that they are keeping detailed records of spending. This not only keeps you out of trouble with the IRS and Attorney General, but also helps keep you in good standing in the community, especially among your donors. Even though Helpers Community Inc. has never been publicly sanctioned by any oversight agency (which it should have been), it lost many donors after the San Francisco Chronicle’s investigation became public. A damaged reputation is almost more detrimental than monetary sanctions imposed by any oversight agency, because donors are losing trust in the organization and can easily pull out their funding. To retain consistent donor funding and growth, nonprofits need to ensure that they have adequate record-keeping practices.

Lastly, Helpers Community Inc. does not have a website to date. That is one of the most important aspects of a nonprofit’s health and credibility. Not having a website is a huge red flag to donors and potential partners. Websites are important to help an organization remain transparent with the community, their constituents, and their donors. Not having one signals that you have something to hide or nothing to report about all the great work you are doing as an organization. Graphic design work could be expensive, but not having a functioning website can be even more costly. There are often discounted rates that graphic designers offer, or even consider having a board member or any of their contacts donate the services. Get creative in your thinking and use of social media, but unlike Helpers Community Inc., do not use your only social media outlets to only solicit donations. People do not want to only be asked to give money all the time, but also want to give of their time and talents to the causes that they care about most. A website is an important way to communicate the impactful work that your organization is doing, so make sure to utilize your website wisely by first making sure that your organization has one.

## Video

“I’m A Fashion Icon.” Glam Inc. *YouTube*. Retrieved from <https://www.youtube.com/watch?v=TRpDIyAXz74>.

## Description

Helpers of the Mentally Retarded was founded in 1958 as a 501(c)(3) nonprofit organization. Their organization housed people living with developmental disabilities in a collection of four stately homes located at 2750 -2626 -2614 and 2608 Fulton Street, within the Golden Gate Park neighborhood. Their mission statement defines its “most and important goal is supporting quality residential care for the developmentally disabled.” In 2015, the name of the organization was changed to Helpers Community Inc. From 2003 to 20016 the organization was exempt from paying property taxes, totaling over \$100,000, because of their nonprofit status. Before the investigation, Helpers Community Inc. had already closed its homes, and the executive director Joy Venturini – Bianchi, a San Francisco socialite, began soliciting donations of high-end apparel from fashion designers and philanthropist for resale. She used the charity’s homes for storage and private shopping parties, instead of providing services to people with developmental disabilities. Based on The SF Chronicle’s investigation, The City and County of San Francisco Assessor-Recorder’s Office removed the tax-exempt status, and demanded a payment of more than \$30,000 back in property taxes.

According to a Nonprofit Quarterly article by Ruth McCambridge (2017), the mission changed under the direction of Joy Venturini Bianchi. Bianchi “made the social enterprise a nationally recognized couture resale operation,” (Sweeney, *Haute Living: Secrets*). The article continues, “in light of the new mission, and as a prominent figure in San Francisco’s fashion and social scene, Bianchi does not seem to have been very motivated to give away the money Helpers was raising through the resale operations.” The San Francisco Chronicle’s investigation conducted on this organization’s public financial records “showed that \$6 million in charity indeed appeared to have strayed from its cause, pursuing questionable practices with scant oversight from a small board of directors that includes the director, Bianchi, and her longtime friend,” (Zinko, *The San Francisco Chronicle*, 2016).

Over the last decade, filings to the Internal Revenue Service revealed the nonprofit has done little charitable work, while amassing millions of dollars in assets and donations, and generously compensating Bianchi. She also travels to red-carpet galas from Beverly Hills to Manhattan appearing alongside celebrities and receiving an annual salary of about \$200,000. Five accounting experts worked with The SF Chronicle on the investigation and upon reviewing 18 years of financial records that the organization submitted to IRS, the group questioned the legitimacy of the designation of Helpers Community Inc. as a nonprofit organization. Even with these findings the board of directors refused to acknowledge any financial mismanagement by the organization, or Bianchi in particular. Lastly, many disability rights advocates (including Disability Rights California) have questioned Bianchi’s approach to the vulnerable population her organization claims to serve. This resulted after her “Mouse Couture” fundraiser launched which equated the developmentally disabled to mice. People who knew Bianchi well (including her previous assistants) describe her as also somewhat emotionally destructive, and would

routinely require her employees to perform personal, inappropriate tasks for her in her private life (Spotswood, SFist).

Following several additional newspaper articles being published about Helpers Community Inc. financial controversies, Joy Venturini-Bianchi was forced out as executive director by the board of directors (Spotswood, *SFist*, 2017). In order to recover from this exposed unethical behavior, “Helpers Community Inc. will have to get back in the public’s good graces. Going forward, it needs to focus on grant-making, improving the board’s professionalism and developing oversight procedures – based on the best practices of the industry.” In the meantime, experts are calling upon the state attorney general’s office and the IRS to investigate further as well.

## Questions

### *Personal (Leadership):*

What were the best characteristics that Joy-Venturini Bianchi possessed as the executive director? In what ways did she have integrity?

### *Organizational (nonprofit):*

What actions should have been taken by the board of directors to address the unethical practices exposed by the San Francisco Chronicle?

### *Systemic (sectors):*

An organization’s leader often develops a sense of entitlement to the organization. When does it become unhealthy for the organization, and how do we keep this in check?

### *Ethical Theory (perspective):*

Considering that the stakeholders come from fairly wealthy backgrounds, how does that change your perspective in this incident as an ethics issue?

Which normative leadership theory best applies to Joy Bianchi leadership? How did the adoption of this theory allow her to cast shadows?

### *Stakeholder (perspective):*

Since Bianchi’s departure, Helpers Community Inc. has disbursed \$1 million worth of grants to several Bay Area nonprofits serving the elderly and disabled. But is it enough to gain back the trust of their lost donors, or is it too little too late? Do you believe in the sincerity of their desires for a “new direction” as an organization considering that Peggy Bachecki is still running the board?

## Resources

Helpers Community Inc. does not currently have an organization website. The endnotes section includes links to the newspaper and online articles that we found in our research. Specifically, the The San Francisco Chronicle article, “S.F. Charity Told To Pay Back Taxes, Weighs Major Changes” on March 10, 2017, gives a helpful graphic detailing the total unpaid

property taxes of Helpers Community Inc. from 2003-2016. In conducting research for this case analysis, the first articles that come up are the most recent articles, which relate to the recent San Francisco Chronicle investigation and the recent scandal uncovered. Prior to that investigation in late 2016, features and articles that highlight Joy Bianchi praise her for her amazing work.

For example, the YouTube video by Glam Inc. praises Joy Bianchi for helping the developmentally challenged, and calls her “one of San Francisco’s proudest treasures.” Other feature stories praising Joy and her work include 7x7 article, “Behind the Lenses of SF’s Best-Dressed Philanthropist.” There are mixed responses from community members about recent events within the organization, but the facts are indisputable that she was not directing a majority of the funds raised for charitable purposes to the charitable mission that she promoted. There are numerous testimonies from previous employees applauding the recent investigations into the organization calling it “long overdue justice.” The resources listed below offer a variety of the differing views, a compilation of the accusations and report done by the Office of the Assessor-Recorder in San Francisco, and a video which features Joy Bianchi’s passion for fashion.

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## **Endnotes**

Lessons from the Helpers Community charity scandal (2017, August 9). [Editorial] *The San Francisco Chronicle*.

On Helpers Community Inc. Charity Watch (2017, August 18). [Editorial] *The San Francisco Chronicle*.

McCambridge, Ruth. (2017, March 13). Another Social Enterprise Swallows Nonprofit - This Time, in Socialite San Francisco. *Nonprofit Quarterly*. Retrieved from <https://nonprofitquarterly.org/2017/03/13/another-social-enterprise-swallows-nonprofit-time-socialite-san-franisco/>.

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