

SEPTEMBER 19, 2010

A chill in the (nonprofit) air?

■ **Some local nonprofits fear a cooler reception from supporters to pledging, now that the Pennsylvania Academy of Music has sued to collect an unpaid donation.**

BY TIM MEKEEL
Business Editor

When Stanley Grand asks for donations to the Lancaster Museum of Art this fall, there's one thing he won't request:

A signature on a pledge card.

The museum has canceled plans to use the traditional cards. It won't even refer to the commitments as pledges.

Why the switch?

The museum is concerned that its supporters might be skittish about signing pledges.

That's because the Pennsylvania Academy of Music has sued two donors over an unpaid pledge the couple had signed.

"We, the museum, are not interested in adding another layer of fear and uncertainty on the people on whose good will we depend," said Grand, the museum's executive director.

At least one other local nonprofit is altering its fundraising approach, too, for the same reason.

"I put myself in their place," said John Jascoll, director of development and communications at the YWCA Lancaster.

"If I was a donor who traditionally gave a large amount of



The former Pennsylvania Academy of Music headquarters on North Prince Street in Lancaster.

money to nonprofits in the community, how would I feel?

"It might not stop my philanthropic giving, but it might make me hesitant to sign a pledge," he said.

While the YWCA is still using pledge cards, Jascoll is "giving an increased measure of reassurance" to donors that the YWCA is "a viable organization" with "a really sound business plan."

He's also adjusted his word choice.

"When I talk to donors, I find myself using the word 'agreement' instead of 'pledge.' It's a subtle change."

PAM, after warning for weeks that it might sue donors who had past-due, unpaid pledges, did just that on Aug. 23.

The academy, which is in bankruptcy, sued a Pequea couple for the \$150,000 that was past due on their multiyear, \$240,000 pledge.

More suits will follow, PAM has promised.

The couple, Karyn and William Regitz, defended their decision to withhold the money.

They said the pledge was given to support PAM's 42 N. Prince St. building, which PAM has vacated.

They acknowledged that they might feel differently if PAM had presented them with a business plan, outlining a path to fiscal health.

But their requests to be shown such a plan went unheeded, the Regitzes said.

PAM replied that being in bankruptcy gives it a legal duty to collect past-due pledges to help

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repay its creditors.

The academy added that it did develop the \$32 million building and name a room in the structure in honor of the couple, both as promised.

While it's impossible to measure the impact of the PAM suit on nonprofit fundraising here, the effect appears small so far, judging from the organizations contacted for this story.

Of nine organizations contacted, seven reported no change in their practices or their donors' attitudes.

The seven are Hospice of Lancaster County, Water Street Ministries, the Pennsylvania College of Art & Design, Theater of the Seventh Sister, Fulton Theatre, Ephrata Performing Arts Center and the Lancaster Symphony Orchestra.

"At first, when (news of the lawsuit) was breaking, you heard a lot of speculation in the nonprofit world about what the fallout might be," said Todd Lindsley, a Lancaster-based fundraising consultant. "But there's very little evidence early on" of the lawsuit triggering changes,

There is a little, though.

Lindsley, who represents 75 clients on the East Coast, told of attending a meeting last week between a local nonprofit and a couple wishing to donate to it.

As a possible pledge agreement was being discussed, the couple asked that it include language letting them opt out of their payments, or defer them, if their financial circumstances changed.

While the couple didn't mention the PAM suit as the reason for the request, "it was pretty clear to all of us" what had prompted it, Lindsley said.

That's exactly what concerns the Lancaster Museum of Art.

Grand said its adjusted approach will be used for a \$50,000 fundraising campaign this fall, to be matched by \$50,000 from an anonymous donor.

"Originally, we had drawn up little pledge cards. But as a direct result of this publicity (of the PAM suit), we decided not to use them. It's become a potentially toxic thing ...," he said.

"We're not going to ask people to sign a pledge card, because those waters have become a little polluted," Grand said.

Instead, the North Lime Street museum will ask donors for just a verbal commitment. The museum will follow up with a thank-you letter.

It will continue to be transparent about its finances, he said, as it was with donations to help fund its since-scuttled move to North Queen Street.

Donors got a written "complete accounting" of how those dollars were used.

Grand emphasized that the museum's new stance should not be taken as criticism of PAM's action, though he noted that PAM's action is "obviously having a ripple effect in the community."

Jascoll agreed.

"The whole philanthropic community is abuzz about it. They're following the PAM litigation with close attention," he said.

Jascoll said he's heard the topic raised by both YWCA donors and leaders of other local charities.

How does the YWCA respond?

"We're speaking with our donors about what's taking place at PAM and assuring them that the money they agreed to give us will be spent on the purpose for which it was given," Jascoll said.

Jane Holahan contributed to this article.

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