


5-2018

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## Recommended Citation

Atchison, Amanda, "Assessing Nonprofit CEO Compensation: Does the Media Provide a Fair Perspective?" (2018). *Finance Undergraduate Honors Theses*. 45.  
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**Assessing Nonprofit CEO Compensation:  
Does the Media Provide a Fair Perspective?**

**By**

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**An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of  
Science in Business Administration in Finance**

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**May 11, 2018**

## **Introduction**

The media plays an active role in forming external stakeholders' perception of business matters. Online news media in particular (rather than social or print media sources) serves as a platform from which information providers can freely describe and promote their perceptions of important happenings in business. Members of society then access that media and form their own ideas about those happenings, establishing a position and forming a personal opinion on the matter. When it comes to nonprofit business, the media remains a source of information that, in theory, works to bridge the gap between external stakeholders' unfamiliarity with nonprofit regulation and what is actually required of the nonprofit sector. This concept is especially present regarding the topic of nonprofit CEO<sup>1</sup> compensation.

The IRS has standards for how nonprofits should report the compensation of their employees, creating transparency between the organization and the external stakeholders. In Part VII of the Form 990, the nonprofit must report the compensation of all of their current officers, directors, and trustees; up to 20 current key employees who have reportable compensation over \$150,000; the current five top paid employees other than the current officers, directors, and trustees; and former employees with reportable compensation over \$100,000 (irs.gov). The IRS also requires that the nonprofit pay their CEOs "reasonable compensation" defined as, "the value that would ordinarily be paid for like services by like enterprises under like circumstances" (irs.gov). The compensation of employees is presumed reasonable if the amount is determined by a body with no conflict of interest (often a board), is comparable to that of other organizations of similar size and service, and is thoroughly documented.

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<sup>1</sup> For the purposes of this assessment, all Presidents and Executive Directors of nonprofit organizations mentioned will be referred to as "CEO".

Still, the question remains of how to determine the standard CEO compensation rate. Should the compensation be based on financial success or on mission fulfillment? Basing compensation on financial success should, theoretically, align the interests of the CEO and of the stakeholders of the organization, thus alleviating any agency problems that might exist. However, in the case of a nonprofit, the interest of the stakeholders is not financial like it is for a for-profit company. Making success into a financial measure might incline the CEO to disregard the social mission of the nonprofit altogether. Additionally, basing CEO compensation on financial performance might be a breach of the nondistribution constraint, discussed later. If a nonprofit makes more in residual revenue than they have in years past, directly allocating some of that revenue to an “overseer of the organization” would be a violation (Korslin). Does that mean that even as the organization grows, the CEO’s compensation will stay the same? On the other hand, compensating a CEO based on mission fulfillment poses an issue of quantifying progress or accomplishments of the mission. How could a nonprofit compensate its CEO in proportion with mission advancement, if mission advancement is not easily quantifiable? That being said, what is keeping the CEOs of nonprofit organizations around? Is it purely a heart for the mission? Or does compensation play a role in incentivizing and motivating CEOs to perform well and lead their organization towards success?

The goal of this paper is not necessarily to answer the questions above, but to discuss how media answers them and to determine whether or not the media fairly portrays the entire story of nonprofit CEO compensation by assessing current nonprofit CEO compensation along with trends in historical CEO compensations. This study will enter into the discussion of nonprofit CEO compensation and discuss the nature of nonprofits, the requirements of nonprofit CEO compensation, and CEO compensation as it is portrayed by the media and therefore likely

perceived by society. The purpose of the analysis is to determine whether nonprofits actually compensate their CEOs as the media suggests. With this information, external stakeholders will be better equipped to answer the above questions themselves.

## **Background and Development**

### *Nonprofit Organizations*

The function of a nonprofit organization is to fulfill a need of society, by means of society, essentially leaving their success to the perception of society. It is a common misconception that nonprofits are not allowed to make a profit. In actuality, as with any other type of business, having enough revenue to cover expenses is a reasonable goal. The allocation of that residual revenue is what distinguishes nonprofit organizations from for-profit companies. The IRS code that defines nonprofits hints at the requirements for the handling of excess earnings in a nonprofit organization, and a common presentation of this requirement is known as the nondistribution constraint ([irs.gov](http://irs.gov)). The nondistribution constraint outlines this requirement as follows: “A nonprofit organization is prohibited from distributing its net earnings among individuals who oversee the organization” and must reinvestment them back into the company (Korslin).

The IRS also specifies that the stated mission of nonprofit organizations must have purposes that are “charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, [or] preventing cruelty to children or animals” ([irs.gov](http://irs.gov)). As compared to for-profit organizations, the mission statement of a nonprofit is more public and it more obviously captures the reason for the organization’s operations. Nonprofits are founded with a mission in mind, and therefore, their purpose and mission should be reflective of the impact that they hope of have on society, rather than on the

money they hope to earn. Since the required mission of a nonprofit is to serve society in some capacity, society's perception of a nonprofit is particularly important.

That being said, success for a nonprofit organization can be difficult to define. Since the goal of a nonprofit is not to make a profit, but rather to advance a mission, quantifiably substantiating and measuring the advancement of that mission is a challenging task for both internal and external stakeholders.

Even the internal aspects and responsibilities of a nonprofit must be explained to the external stakeholders, making the role of the media a particularly important consideration for nonprofits. It is important for a nonprofit to prove its social and financial responsibility to the media so that it will be viewed in a positive light. Potential volunteers, donors, customers, and communities look to the media for insight into the nonprofit world and who to work for, donate to, or go to for service, and are not likely to support or become involved with an organization that they do not think will be worth the investment. Therefore, it is the job of the nonprofit to prove their responsibility in the media in order to receive support, donations, and customers, in order to remain operational.

Perhaps one of the most prominent ways that nonprofits have been acknowledged in the media is on the topic of CEO compensation. This topic encompasses all aspects of nonprofit responsibility, as the CEO often serves as the overseer of internal operations (such as finances) as well as the external representative of the organization to society (Robbins).

### ***Media Attention on Nonprofit CEO Compensation***

There are a number of recent articles that address the topic of excessive nonprofit CEO compensation, of which includes a few lists of specific nonprofit executives. For example, in 2012, the Fiscal Times put out a list of "10 Insanely Overpaid Nonprofit Execs" that includes

John Seffrin of the American Cancer society, who earned \$2.1 million at the time, Roxanne Spillett of the Boys & Girls Clubs of America at \$1.8 million, and the CEOs of many arts associations and institutions. The lowest number on this list is Edwin Feulner of the Heritage Foundation, who was reportedly compensated \$1.1 million. More recently, in 2014, The Street released an article by Kurumi Fukushima that lists “9 Nonprofit Executives [that] Made over \$1-Million”. This list includes mostly directors of arts associations and presidents of various universities. These two articles are similar in nature and opinion. They seem to agree that CEOs of nonprofit arts organizations are compensated too much.

Similarly, Matthew Walberg and Joe Mahr of the Chicago Tribune wrote an article in June of 2012 that argues that development-oriented nonprofit executives should not be paid such high salaries, since they are subsidized by tax dollars. The authors contend that such high raises (4% - 15%) during such low economic times are not ethical. The concession is made, however, that there is demand for CEO talent that requires attractive compensation, but the authors want more transparency about how the compensation for nonprofit executives is determined.

Jim Martin of The Daily Camera wrote an article in 2014 that asserts his belief that nonprofits should implement salary limits. He references a(n unknown) study that reports the CEO compensations of organizations and lists the names and compensations of the organizations that he thinks are spending “lavish” amounts on their CEOs, including the American Red Cross, UNICEF, and Goodwill. Martin also mentions nonprofits that pay their CEOs “little or nothing”, which to him, is a good thing. His list includes the Salvation Army, Disabled American Veterans, Make a Wish, and St. Jude’s. He warns his reader to consider CEO compensation before deciding which nonprofit organization to donate to. This article especially focuses on dollar amount paid to CEOs as an adequate measure of nonprofit reliability.

Perhaps the most pronounced example of a negative perception of nonprofit CEO compensation was found in a Boston Globe article by Sacha Pfeiffer written in December of 2016. In the article, Pfeiffer names off examples of CEO executives who received lofty bonuses or retirement benefits. The article argues that while CEO bonuses and large benefit packages may be legally acceptable by the IRS, they do not look good to the public. Pfeiffer also often quotes James Abruzzo of the Institute for Ethical Leadership at Rutgers Business school, saying, “There are times when nonprofit executives should not act like for-profit executives.” This author argues that though certain compensation amounts may be legal, it is the responsibility of the nonprofit to go beyond this standard and convince society of its ethical integrity, as shown by their CEO’s compensation.

There are, however, examples of media on the other side of the argument. In 2004, Peter Manzo of the Stanford Social Innovation Review wrote an article that addresses the negative light that is often shed on nonprofit CEO compensation. The article mentions the competition that nonprofits face for CEOs in a for-profit playing field and the sacrifices that nonprofit CEOs must make as a result of and for the sake of their organizations and the missions that they pursue. He argues that in actuality, nonprofit executives are often underpaid and lack the funds they need to succeed in their civic duties.

In 2014, nonprofitaf.com released an article that explains the significant pay cut that nonprofit employees receive when they switch over from a for-profit job. The author sarcastically relates the exorbitant pay of celebrities and athletes who receive millions of dollars for their jobs to the relatively miniscule pay of nonprofit professionals who are working for public benefit. The article then makes suggestions for nonprofits to rectify this issue, including uniformity, internal analysis, and plans for increased benefits. This author does not focus on the



CEO alone and seems to be putting the responsibility of disimpassioned staff on the nonprofit itself, instead of on the system regulations or on society. However, the basic idea that nonprofit employees are paid too little is apparent in this article.

In an article by Long Island Business News posted in 2015, author Bernadette Starzee explains the general determination of nonprofit CEO compensation as being a factor of “the size and budget of the organization, its location and, to some extent, its mission”. She also points out that universities and healthcare professionals are normally paid more because their jobs are demanding. She then explains the IRS code applied to these larger organizations and addresses the general argument that nonprofit CEOs are underpaid. She states that nonprofits usually are not capable of awarding their executives large salaries because they are not earning a ton of money to begin with. Starzee ends the article with statistics from a Charity Navigator study that support her claim and remind her reader that people who work for nonprofit organizations are usually in the business of improving the world, not manipulating it.

In 2016, Jonathan Timm of The Atlantic posted an article that explains a new overtime policy that includes nonprofit employees. Timm explains that nonprofits are under extreme stress to meet the demands of society and those who expect them to make very little profit, so they cut overhead costs, like salaries, to assuage them. As a result, employees are overworked and underpaid, and in serious danger of burnout. According to the article, nonprofits are in favor of this new policy, but might have trouble financially supporting it without increased government funding.

Similarly, Ron Lieber, in a 2016 New York Times article, describes the challenges that nonprofit employees face in retirement. Since nonprofits are under pressure to keep

administrative costs low, few smaller nonprofits actually supply their employees with a retirement account, limiting their ability to attract CEO talent, according to Lieber.

Generocity.com's Tony Abraham posted an article this year that explains the cycle that nonprofits face during tax season. For a period after tax forms are released to the public, there is fuss about overpayment of executives, then after a few weeks, it all dies down, only to repeat again next year. Abraham states that, according to PayScale, "nonprofit CEOs make upward of 25 percent less than their for-profit counterparts" and then goes on to explain the leadership skills required to manage a nonprofit organization and how those skills require competitive salaries that nonprofit organizations can rarely support. Furthermore, Abraham explains the wage gap between executives and employees of nonprofit organizations, claiming that many nonprofit employees live at or below the poverty line. Overall, this article expresses that while nonprofit executives should be compensated well, a fair amount should be determined by the organization's mission and ability to pay all employees equitably.

Also quite recently, a January 2018 article by J.B. Wogan of *Governing the States and Localities: Health & Human Services* explains and supports the financial despair of nonprofits. He argues that nonprofits are underfunded, but also poorly budgeted. While it is the responsibility of the nonprofit to steward their funds responsibly, they do not get the opportunity to do so if they are not being properly supported.

Out of the articles assessed for this study, there are more that support the notion that nonprofit CEOs are underpaid than those that argue that nonprofit CEOs are overpaid. The articles that criticize nonprofits are more quick to name specific organizations or executives, while the articles that argue in favor of nonprofits argue more in favor of the sector as a whole than they do for individual organizations. Additionally, the articles that advocate for nonprofits

are from nonprofit organizations themselves, so the diversity of thought and opinion put into these articles is lower.

## **Research Design**

Now that we have an understanding of the general media consensus concerning nonprofit CEO compensation, the remainder of this paper will focus on two organizations that seem to be popular amongst different media outlets: The American Red Cross and Goodwill Industries, Inc.. In the articles assessed, as well as in others, the Red Cross and Goodwill were the most mentioned out of any other organization. For the remainder of this paper, these two organizations will be analyzed and discussed. First, media specifically concerning these organizations will be summarized and analyzed, then Form 990 data will be discussed in comparison to peer organizations of similar nature and in comparison to information from years past. To gain a media perspective of this topic, simple searches on Google News were used to find recent and substantial media opinions of nonprofit CEO compensation. The findings are described below.

In order to assess CEO's compensation in comparison to other nonprofits, the most recent Form 990s were pulled from five nonprofits in a similar sector or with similar mission statements. CEO compensation was expressed as a percentage of revenue. Next, it is also important to consider the history of CEO compensation within the same organization. For this analysis, reported CEO compensations for Goodwill and the Red Cross have been traced back to the early 2000s and assessed over time.

## **Analysis and Results**

### ***The American Red Cross in the Media***

The American Red Cross has been criticized for over-paying its CEO, Gail McGovern, who earned about \$550,000 in salary and benefits in 2014 (as reported in the Red Cross 2014

Form 990). The Red Cross has received much objection for this number, as many media sources and donors feel as though they cannot trust that their donations are going towards the Red Cross's mission rather than into the pocket of Gail McGovern.

This controversy was addressed in an article by Mark Robison in the Reno Gazette, published in 2012. The article reports testimonies of many reputable sources that express their hesitation to donate to the Red Cross because of how much McGovern is compensated. Robison uses the rest of the article to defend McGovern and the Red Cross, using nonprofit industry averages and refuting false claims. He also brings in examples of other nonprofit executives who earn more than McGovern, even though their respective organizations earn less in revenue than the Red Cross does. Robison also brings in a comparison to for-profit companies; he argues that since McGovern is handling millions of dollars in expenses, she should be compensated similarly to her for-profit counterparts.

In 2017, McGovern was still being highlighted in the media for her high salary. In an interview with PJ Media, the Red Cross's chief public affairs officer, Suzy DeFrancis, defends the Red Cross and McGovern's compensation. DeFrancis frames her argument around a "middle ground" position and goes further to state that McGovern even donates much of her compensation back to the Red Cross. When asked about the public's perception of McGovern's salary, DeFrancis reassures the audience that donors still trust the Red Cross brand, as shown by donations, and that she is not worried about negative media. DeFrancis focuses the interview on how the Red Cross is doing well in assisting disaster relief, rather than on the numbers behind the scenes.

## ***Goodwill in the Media***

Goodwill also has a prominent media presence. However, since Goodwill is a franchise, many of the articles found for this paper relate to a specific Goodwill location, not the organization as a whole. For example, a 2011 article written by Jesse Bogan of the St. Louis Post published a piece about the successes and downfalls of the Goodwill stores in the St. Louis region. The article praises local CEO Lewis Chartock for growing the business and being personable with employees, but scolds his excessive income, expressing that the salaries of other nonprofit directors in the area are lower than Chartock's. Bogan also touches on an incident that happened in 2003, where a store manager (not an executive) lied about going to law school and had Goodwill pay for tuition and expenses, when the money was actually going straight to him - the employee was not ever in law school. The article concludes with more statistics about other local nonprofit executive compensation, all of which are lower than Chartock's.

Also in 2011, the Washington Post released an article by Thomas Heath, in which Goodwill is praised for how it grows its business and empowers and enables its employees. Heath explains how Catherine Melow, the Goodwill executive in the Greater Washington area, has changed the look and feel of the stores in the area, making it a more enjoyable place for employees to work, shoppers to browse, and donors to give. This article does not mention Melow's salary, but it is obvious that the author approves of Goodwill's financial practices.

In response to accusations of certain Goodwill stores paying their disabled workers less than minimum wage, Henry Cordes of the World-Herald defends the Goodwill stores in Iowa City, which had, in fact, paid significantly disabled workers less than minimum wage, which was a legal act. Now, Cordes reports, this region of Goodwill stores pays disabled workers well above the legal minimum wage, and stores in other areas are following suit. Again, this article

does not focus on CEO compensation, but Cordes does mention Goodwill of Omaha's CEO, Frank McGree's "lucrative salary" of "more than \$400,000 a year". His article is echoed by Ruth McCambridge of NonProfit Quarterly. McCambridge agrees that while Goodwill is making steps towards paying its employees fairly, it should also focus on limiting expenses that go towards CEO compensation.

On the topic of Goodwill Omaha's CEO compensation, an article by the AP English News reports that Frank McGree made a total of \$933,444 in 2014, most of which was a one-time bonus. The author of the article includes statistics of other nonprofit executives, including other Goodwill executives, and states that even without the bonus, McGree's salary is far above the others'. The tone of this article also sets the idea that Goodwill allocates its funds irresponsibly.

### ***Summary***

Out of the articles mentioned, it can be perceived that most of the media attention that the American Red Cross and Goodwill Industries, Inc. receive concerning CEO compensation and financial allocation is negative. As explained above, donors look to these media opinions for guidance in donation decisions. Though the Red Cross might not have seen any dips in donations, the negative attention surrounding these organizations has an impact on their social perception, which is foundational to their sustainability.

### ***Compensation Trends Over Time***

#### ***Goodwill CEO Compensation through Recent History***

Since the year 2000, Goodwill has employed two CEOs, George Kessinger from 2001 to 2008, and James Gibbons from 2008 to the present. As shown below, Goodwill's revenue increased from 2002 to 2010, and was on a slight decline until 2015. The dollar amount of

compensation paid to Goodwill’s CEOs increased steadily until 2008, when there was a sharp drop, but then corrected itself and continued along the linear increase. Considering the economic crisis in 2008, the rise and fall of these numbers is predictable.

Compensation as a percent of revenue, however, was more interesting. George Kessinger’s compensation saw a drastic increase in 2002, and then slowly fell until 2008 when James Gibbons took over. Gibbons was immediately compensated almost 0.8% less in revenue. Since then, Gibbons’s compensation has grown slightly, averaging about 1.5% of revenue. See below:

<b>Goodwill</b>				
<b>Year</b>	<b>Revenue</b>	<b>CEO</b>	<b>Total Compensation</b>	<b>Percent of Revenue</b>
2015	\$44,941,304	James Gibbons	\$712,202	1.585%
2014	\$42,792,561	James Gibbons	\$689,418	1.611%
2013	\$46,058,697	James Gibbons	\$639,085	1.388%
2012	\$50,770,992	James Gibbons	\$633,078	1.247%
2011	\$52,682,395	James Gibbons	\$725,286	1.377%
2010	\$52,977,363	James Gibbons	\$510,947	0.964%
2009	\$37,631,570	James Gibbons	\$457,289	1.215%
2008	\$31,457,056	George Kessinger	\$633,000	2.012%
2007	\$28,292,934	George Kessinger	\$476,379	1.684%
2006	\$19,421,348	George Kessinger	\$451,480	2.325%
2005	\$17,566,054	George Kessinger	\$419,558	2.388%
2004	\$19,182,559	George Kessinger	\$383,294	1.998%
2003	\$15,717,854	George Kessinger	\$391,419	2.490%
2002	\$14,474,114	George Kessinger	\$356,527	2.463%
2001	\$21,308,701	Samuel Cox: VP	\$232,071	1.089%
2001	\$21,308,701	George Kessinger	\$192,386	0.903%

*The American Red Cross CEO Compensation through Recent History*

The Red Cross, on the other hand, has not had such a smooth succession of leadership. Elizabeth Dole became the CEO of the Red Cross in 1991 and served until she retired and was succeeded by Bernadine Healy in 1999 (The American Red Cross; U.S. National Library of Medicine). Almost immediately, the Red Cross was met with criticism from the media in how it

managed its funds, especially following the 9/11 attacks two years later (Strom). Healy soon after left the Red Cross (CNN). For the next seven years, the Red Cross would have five CEOs, including two interim CEOs. In 2008, Gail McGovern obtained the position of CEO and has been leading the Red Cross ever since (The American Red Cross). Though this CEO turnover significantly skewed the numerical data for this study, it proves the media's influence over nonprofit CEO perception. It was only after the initial incident that the Red Cross became infamous in the media, resulting in rapid CEO turnover for the next seven years.

Numerically, the income of the CEO, as a percent of revenue, has remained fairly consistent, with a significant spike in 2005, as shown in the table below. From 2012 to 2015, the Red Cross saw a decrease in revenue of 0.23%. Compensation in dollars saw a longer and more steady decrease, leveling out to a decrease of 0.142% from 2012 to 2015. Compensation as a percent of revenue saw a slight dip after 2008, and then remained fairly constant from 2011 to 2015.

Red Cross					
Year	Revenue	CEO	Total Compensation	Percent of Revenue	
2015	\$2,615,203,252	Gail McGovern	\$ 533,994	0.0204%	
2014	\$2,726,672,819	Gail McGovern	\$ 556,772	0.0204%	
2013	\$2,974,133,836	Gail McGovern	\$ 597,961	0.0201%	
2012	\$3,412,238,741	Gail McGovern	\$ 622,361	0.0182%	
2011	\$3,154,538,043	Gail McGovern	\$ 628,508	0.0199%	
2010	\$3,452,960,387	Gail McGovern	\$ 561,210	0.0163%	
2009	\$3,587,775,430	Gail McGovern	\$ 1,032,022	0.0288%	
2008	\$3,301,803,766	James Hrouda	\$ 642,286	0.0195%	
2007	\$3,183,957,741	Mark Everson (P&CEO)	\$ 280,637	0.0088%	
		Gail McGovern (P&CEO)	\$ 47,005	0.0015%	
2006	\$3,155,280,471	John McGuire (EVP & Interim CEO)	\$ 1,050,044	0.0333%	
		Mark Everson (P&CEO)	\$ 29,277	0.0009%	
2005	\$5,861,509,376	Marsha Evans (P&CEO)	\$ 1,183,811	0.0202%	
		John McGuire (EVP & Interim CEO)	\$ 476,365	0.0081%	
2004	\$3,888,172,726	Marsha Evans (P&CEO)	\$ 533,904	0.0137%	
2003	\$3,065,541,356	Marsha Evans (P&CEO)	\$ 468,599	0.0153%	
2002	\$3,018,783,874	Marsha Evans (P&CEO)	\$ 635,039	0.0210%	
		Ramesh Thadana (Exec VP & CEO, Biomedical Services)	\$ 651,957	0.0216%	
2001	\$4,087,431,368	Harold Decker (Interim President & CEO, Interim CEO)	\$ 265,990	0.0065%	
		Bernadine Healy (President)	\$ 352,283	0.0086%	
		Ramesh Thadana (Exec VP & CEO, Biomedical Services)	\$ 623,976	0.0153%	
2000	\$2,711,606,718	Dr. Bernadine Healy	\$ 528,758	0.0195%	



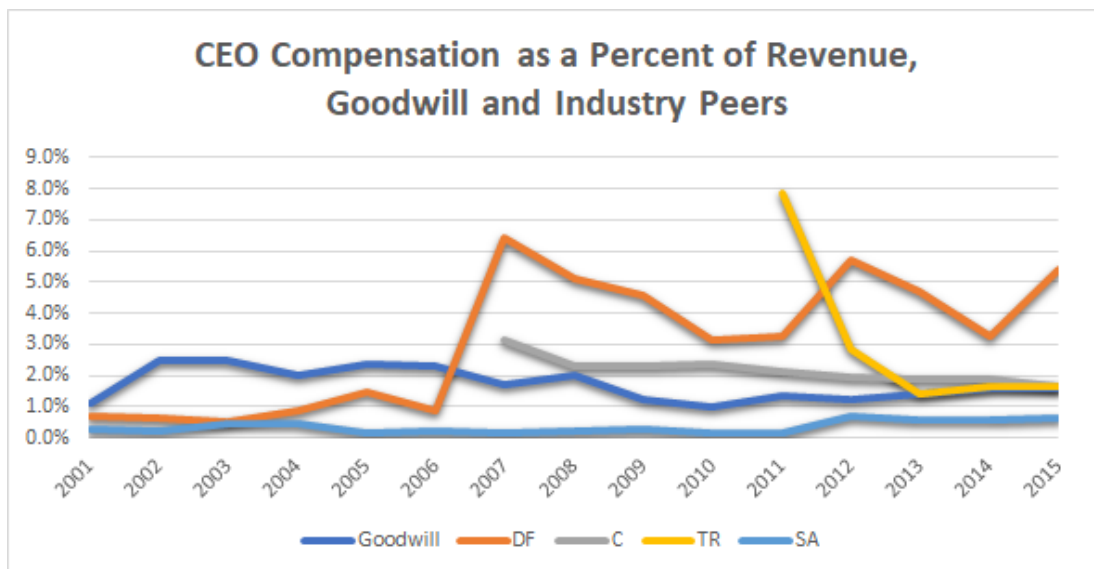
## Compensation Relative to Peers

### Goodwill and Industry Peers

In order to assess Goodwill Industry’s standing in comparison to other similar nonprofits, Goodwill was categorized into the “job-creation” sector and was compared to the Doe Fund, Chrysalis, Team Rubicon, and the Salvation Army. It should be noted that the Salvation Army reports their financials differently, since they are a religious organization and are therefore not required to file a public Form 990 or CEO compensation amounts. Below are the most recently reported revenue and compensation data from each of the five peers.

Name:	CEO	Revenue	CEO Compensation	Percent of Revenue	Year
<b>Goodwill Industries</b>	<b>James Gibbons</b>	<b>\$44,941,304</b>	<b>\$712,202</b>	<b>1.585%</b>	<b>2015</b>
Doe Fund	George T McDonald	\$7,563,391	\$448,414	5.929%	2016
Chrysalis	Mark Loranger	\$12,389,746	\$235,326	1.899%	2015
Team Rubicon	Jake Wood	\$8,013,149	\$130,987	1.635%	2015
Salvation Army	Bram Bailey	\$21,765,759	\$131,847	0.606%	2014

The figure above shows that, in terms of revenue, Goodwill was the largest in this sample. Next closest to Goodwill was the Salvation Army, followed by Chrysalis, then Team Rubicon, and lastly, the Doe Fund. The graph below demonstrates the CEO compensation in terms of percent of revenue of each peer as it has changed over time.



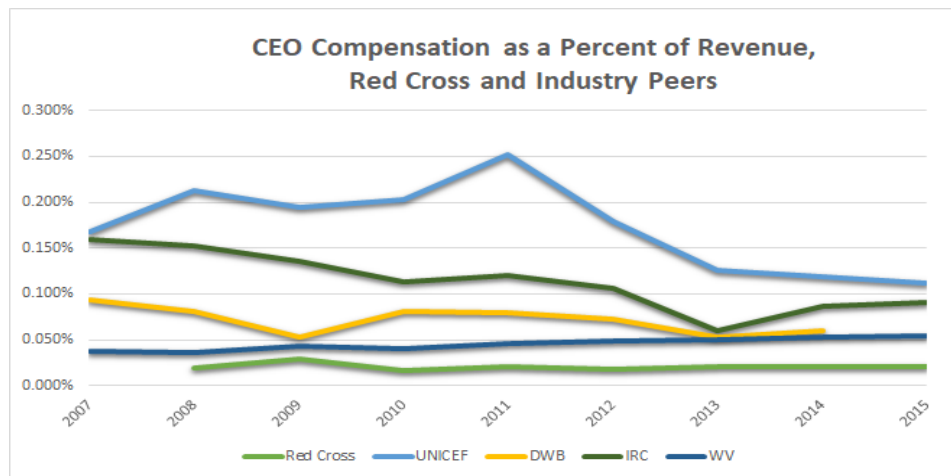
As shown, Goodwill has remained on the lower end of its industry. The only organization that was consistently below it was the Salvation Army. After 2006, the Doe Fund, though it reported the smallest revenue in this sample, consistently compensated their CEO around three times the percentage of revenue of Goodwill.

*The American Red Cross and Industry Peers*

After defining the Red Cross’s sector as “humanitarian”, its financials were compared to UNICEF, Doctors Without Borders, the International Rescue Committee, and World Vision. The most recently reported revenue and compensation data from each organization are shown below:

Name:	CEO	Revenue	CEO Compensation	Percent of Revenue	Year
<b>American National Red Cross</b>	<b>Gail McGovern</b>	<b>\$2,726,672,819</b>	<b>\$556,772</b>	<b>0.020%</b>	<b>2014</b>
UNICEF	Caryl M Stem	\$553,250,245	\$618,244	0.112%	2016
Doctors Without Borders USA, Inc.	Deane Marchbein	\$351,312,022	\$65,457	0.019%	2015
International Rescue Committee	David Miliband	\$736,803,408	\$671,749	0.091%	2015
World Vision	Richard E Steams	\$1,012,357,269	\$555,535	0.055%	2015

The Red Cross was the largest organization in this sample in terms of revenue. Of the other organizations listed, World Vision was the closest to the Red Cross in size, followed by the International Rescue Committee, UNICEF, and lastly, Doctors Without Borders. The graph below shows each organization’s reported CEO compensation as a percent of its revenue over time, as it compares to the other organizations in the sample.



In the graph above, since much of the Red Cross's CEO data was skewed as a result of such high CEO turnover, only data from 2008 to 2015 is shown. Still, it is obvious that the Red Cross's CEO compensation was consistently lower than that of its peers. In particular, UNICEF, though it had the second-smallest revenue, paid their CEO the largest percent of revenue.

### **Summary and Conclusions**

As demonstrated, the data shows that Goodwill Industries and the American Red Cross compensate their CEO's fairly when compared to nonprofits of similar size in a similar industry, and reasonably consistently when compared to past CEO's within the organization. The media, however, seems dissatisfied with the way these organizations are allocating their funding. The reality is that while Goodwill and the Red Cross do have the burden of proving their responsibility to society, the media has the responsibility of presenting these organizations to society in a way that captures all of the knowledge and information available to them.

Unfortunately, as shown by the examples of Goodwill and the Red Cross in this study, nonprofit CEO compensation information is often mistaken and distorted by the media, and then produced to unknowing members of society who judge these organizations based on decontextualized information. As a result, organizations such as Goodwill and the Red Cross are left with a bad reputation, while other organizations commit the "crime" of which Goodwill and the Red Cross are being convicted.

Now, the responsibility of information-gathering must be placed upon members of society themselves. Since the media does not provide a fair assessment of nonprofit CEO compensation, it is up to individuals to inform themselves, determine their own idea of "appropriate compensation", and decide which nonprofits are stewarding their resources fairly.

With the type of information provided in this study, there is hope that society can be equipped to make that decision with the proper tools needed for discernment.

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