

Nonprofits Need to Embrace Transparency, Even if the Supreme Court Rules to Protect Donor Privacy

By [Christina Asquith](#) JUNE 14, 2021



HACK CLUB The youth coding nonprofit Hack Club makes all of its financial transactions publicly available online — from a \$500,000 gift from Elon Musk to a \$22 office fan purchased from Lowe's, as well as all salaries.

This month, the Supreme Court is expected to decide whether to uphold a [California law](#) requiring charities that raise money in the state to report the identities of their major donors. More transparency is always better than less when tax-exempt dollars are at stake. The court, however, appears likely to side with the plaintiffs — led by the Koch-funded Americans for Prosperity Foundation — and allow nonprofits to keep their donors private.

Such a decision would be bad for democracy and out of step with the values of a wave of new donors emerging from the tech industry.

Since its founding in 2014, the youth coding nonprofit I work for, [Hack Club](#), a network of 500 student-led high-school computer coding clubs, has made all its financial transactions publicly available online. We believe Hack Club is the first nonprofit in the United States to operate with real time, fully transparent finances. By clicking right now on bank.hackclub.com/hq, you can scroll through years of our organization's spending and income. You'll see a \$500,000 donation from Elon Musk last year, \$22 spent on an office fan at Lowes, and salaries for everyone on the team, from the executive director to our hourly contractors.

Financial transparency was a radical decision, and staff debated privacy and security concerns, plus the technical challenges of building a platform that would allow all our transactions to appear on our website in real time. But we have seen only benefits,

including more attention from major donors and deepened trust among the teenage coders we support.

So far, 36 student-run nonprofits have made their finances public using our [Hack Club Bank](#) transparency tool. (We provide the tool through a fiscal-sponsorship arrangement that allows small organizations that don't yet have 501(c)(3) status to partner with us for donations and other services.) Among those [using the tool](#) are a group of Pennsylvania teenagers who run the state's largest [high-school hackathon](#); an organization of college student groups called [TechShift](#), which is working to improve technology ethics; and a [small-town journalism outlet](#), which in April became the first nonprofit news operation in the nation to open up its finances to the public.

A New Norm

Greater financial transparency, made increasingly possible by technological innovation and new social norms, is becoming a hallmark virtue of the 21st century for young people raised on social media and smartphones. Their vision for a more transparent world will become the expectation in the years to come — regardless of what the Supreme Court has to say on the matter.

The larger nonprofit world should take note. One-third of Americans now [distrust](#) charities and public institutions. Transparency would help them regain confidence at a critical time.

In 2019, Americans gave [\\$450 billion](#) to charities, up 50 percent from \$300 billion in

2009. In the first half of 2020, charitable giving [grew](#) 32 percent. A handful of mega-donors can wield enormous impact: In late 2020, MacKenzie Scott donated \$4 billion in just four months. And the government doesn't just help boost nonprofit coffers by allowing donors to provide tax-deductible donations, it provides them with direct support — [nearly a third](#) of nonprofit funding comes directly from government grants or contracts.

Awash with billions of tax-exempt dollars, the nonprofit industry would benefit from putting mechanisms in place that ensure it operates for the public good. For now, taxpayers have few tools to hold it accountable.

Most nonprofits must file an informational tax form with the IRS, which summarizes finances and programs. But these forms only provide a limited view and often don't become public record until years after the fact. In most cases, the names and addresses of donors [are not required to be made available for public inspection](#).

This lack of transparency has allowed abuse to go unchecked. Sexual predator Jeffrey Epstein was able for years to [greatly exaggerate](#) the size and accomplishments of his philanthropic organization — the J. Epstein Virgin Islands Foundation — as he courted the rich and powerful and preyed on young women. The Milton Hershey School for underserved children, the nation's wealthiest private school, with an endowment of some \$17 billion, operates with such financial mystery that one of its board members [sued the organization](#) this spring to see its finances.

Making Good Decisions

In addition to allowing the public to hold these organizations accountable, transparent finances help founders and board members make the right decisions in the first place since they know they're operating under public scrutiny. They are motivated to have important conversations about equal pay and racial and gender equity. And they are less likely to be swayed by the outsized and potentially corrupting influence of a few big donors. Surely, most nonprofits would support such outcomes.

Young nonprofit entrepreneurs like Hack Club founder Zach Latta understand all this intuitively. When he founded the organization at age 16, Latta wanted to make the finances public so other teenagers could look under the hood and see how nonprofits are run. This seemed natural to Latta, who started to learn to code when he was 7 using websites where programmers provide open-source access to their code.

Transparency was, and still is, a key component of Silicon Valley's open-source culture, whereby software programmers learn from and iterate on top of code created and published by others.

At first, Latta manually inputted all Hack Club's transactions into an online public ledger. But he eventually began working with other teenagers at the nonprofit to build the software that now allows those finances to be disclosed automatically.

Rather than drive away donors, this commitment to transparency has attracted interest and support from a new generation of young, high-net-worth tech entrepreneurs. In

2019, the Frank Foundation, founded and funded by a group of 30-something Snapchat executives, awarded Hack Club a [\\$1 million prize](#) to support its transparency work. More recently, in May, Ethereum founder Vitalik Buterin, the world's youngest self-made billionaire, made a cryptocurrency donation of \$300,000 to Hack Club.

While Hack Club's transparency tool is only available to nonprofits we fiscally sponsor, some of our teenage coders are working on a new version that could soon be used by any nonprofit. In the meantime, organizations can take the simple, nontechnical step of converting their monthly financial statements into PDFs and publishing them on their website. They can accompany that PDF with a transparency letter from the executive director or founder that provides context for major expenses and donations. Latta published Hack Club's [transparency report](#) last year, and it was hugely popular among high-school students eager to learn how nonprofits work.

Unfair Attacks Could Result

Safety and privacy can be a factor for nonprofits considering financial transparency, especially if staff are under threat. Organizations with political enemies may feel vulnerable to unfair attacks and meddling, and donors may overreach or micromanage in asking questions about spending, although none have so far at Hack Club.

But the potential positive results of transparency are enormous, especially as the nonprofit world's influence grows. If the Supreme Court allows nonprofits that raise money in a state to shield the identity of their major donors, they'll reveal just how

out of touch they are with a younger generation rewriting cultural norms about privacy, wealth, and philanthropy.

We welcome your thoughts and questions about this article. Please email the editors or submit a letter for publication.

Christina Asquith: *Christina Asquith is Chief Operating Officer of Hack Club, and formerly a journalist and founder of the nonprofit news organization The Fuller Project.*