

71% of King's Pay Not Listed as Overhead

As its leader's compensation rose, United Way classified more of it as 'program services,' or direct charitable work.

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Charlotte's United Way earns praise from charity watchdogs for keeping administrative costs down and getting more of donated dollars to those in need.

But its overhead appears higher than what the agency claims.

An Observer analysis shows that United Way of Central Carolinas excluded far more of former CEO Gloria Pace King's salary and benefits from its administrative overhead than 16 of its peers nationwide.

An earlier Observer analysis showed King to be one of the top-paid United Way executives in the country.

The board relieved King of her duties last week, the result of a two-month controversy surrounding her board-approved pay. Public anger that fueled the board's decision now threatens the agency's ongoing campaign.

Concerns about administrative overhead fuel donor skepticism that their contributions are being spent wisely, experts say.

Among the Observer's latest findings:

On 2006 tax forms, Central Carolinas classified 71 percent of King's \$1.2million in salary and

benefits as “program services,” a category that covers direct charitable work and doesn't count as overhead. The programs include tasks such as staffing a 24-hour call line and recruiting volunteers.

The rest of King's pay was classified as management and raising money. That suggests King spent less than a third of her time on what her board said she does best.

As King's compensation increased during the past decade, so did the percentage that was cut from overhead reported on its taxes.

Nonprofits of all types have felt pressure in recent years to shift expenses to lower overhead, said Aaron Dorfman with the National Committee for Responsive Philanthropy. He said there are no industry standards for how nonprofits should classify CEO compensation on tax forms.

In addition, if all of King's pay were classified as overhead, it would increase the group's overhead by at most 2 percent, boosting the overhead to no more than 16 percent of its budget, experts estimate. Rates of less than 20 percent are considered acceptable.

Dorfman called it “disingenuous” to suggest that a manager of a \$44 million operation would spend most of her time managing programs that use a fraction of the agency's overall budget.

Of the United Way agencies the Observer analyzed, United Way of Central Maryland had the next highest share of CEO pay – 55 percent – classified under programs. Seven of the agencies counted no CEO pay as a program expense.

Former board chairman Ned Curran praised King's fundraising and management style after reports of her pay surfaced in June. He pointed to statistics showing the Charlotte agency raises more money annually than all but 17 of the more than 1,300 United Ways in the country.

The Observer asked Dorfman and another expert to review King's duties. Dorfman said some of

her tasks, such as identifying community needs and providing leadership among local nonprofits, could count as a program expense.

Still, he said it was “unlikely” the agency should classify such a large percentage of King's pay to programs, unless someone else was raising most of the donations.

Michael Smith, Charity Navigator's chief operating officer, said King's accounting of her time seems to contradict the priority the agency placed on developing donations, meeting financial goals and donor stewardship, as stated in King's job description.

In 2001, the agency classified all of King's \$283,000 compensation as overhead. The next year, it fell to 50 percent. It went down from there, as her pay rose.

In a written response to questions about how Central Carolinas classified King's pay on tax filings, Chief Financial Officer Shelley White said the agency used an online time-management system to track King's time.

Asked to comment on critics' speculation that the agency may have understated overhead, White said in an e-mail: “The organization allocated Ms. King's compensation based upon the proportion of time she spent in each functional area.”

It's not the first time the agency has been questioned over how it accounted for King's time. In 2002, the Observer reported how the United Way shrank its overhead by a third by moving about \$2 million – much of it salaries and benefits from King and other employees.

United Way officials told the Observer in 2002 they would do time studies in the future to better account for employees' time on tax filings.

White said the group began tracking King's time in 2003. The 2007 tax records were compiled based on information King's executive assistant entered into the computer, White said.

Photo: Gloria Pace King.

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