AN EVALUATION OF GRASS-ROOTS PHILANTHROPY
WITH PARTICULAR FOCUS ON THON, THE PENNSYLVANIA STATE UNIVERSITY IFC/PAN-HELLENIC DANCE MARATHON

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Spring 2012

A thesis
submitted in partial fulfillment
of the requirements
for baccalaureate degrees
in Mathematics and Energy, Business, and Finance
with honors in Management

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ABSTRACT

The Penn State IFC/Panhellenic Dance Marathon (THON) is the largest student-run philanthropy in the world, as well as among the highest grossing cancer charities in the United States. This thesis seeks to explore the history and foundation of THON that has allowed it to evolve over the past 40 years into the fundraising force it is today. In addition, it looks to answer the question of how THON has grown from raising $2000 in its first year, $100 thousand in its 11th year, $1 million in its 20th year, and finally surpassing $10 million in its 40th anniversary. The evaluation practices and metrics of the independent charity rating organization Charity Navigator are used to assess THON’s efficiency and efficacy as a philanthropic organization as a whole. This evaluation is then further employed to compare THON to other organizations with similar missions. Finally, each of these components is used to draw a deeper understanding of how THON has achieved so much, and to provide recommendations as to how it can continue to improve.
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Chapter 1

History

Beginnings

In 1973, the Penn State Dance Marathon was born of a Fraternity President’s simple idea to hold a dance marathon for charity. However, the real origin of what we know today as THON came about long before that. Dance Marathon, or THON, is the largest philanthropic organization in the world to be entirely managed and operated by students. As of THON 2012, it has raised more than $89 million for the Four Diamonds Fund to benefit pediatric cancer research and care. The Fund, located at the Pennsylvania State University Hershey Medical Center, uses its annual revenues to support clinical trials and grants, endow research positions, make capital improvements to the Children’s Hospital, and to cover costs to families not covered by insurance associated with the treatment of a child with cancer. Today, THON and the Four Diamonds Fund are so closely intertwined that to speak of one is to speak of the other. Therefore, to fully recount the beginnings of THON, one must first examine the foundation of the Four Diamonds Fund.

In 1969, Charles and Irma Millard were the parents of two perfectly healthy boys, living in Lancaster, Pennsylvania. By the end of that year, their son Christopher had been diagnosed with leukemia, a cancer of the white blood cells, and their journey with pediatric cancer began. Twenty years previously, the Millards’ journey would be foreshadowed by another 12-year old boy who was fighting his own battle with the disease 400 miles away at the Children’s Hospital of Boston, Massachusetts. Einar
Gustafson was a patient of Dr. Sidney Farber’s who was being treated for a rare type of intestinal lymphoma. As fate would have it, Gustafson was selected to speak on a national radio broadcast, “Truth or Consequences,” to promote Farber’s fledgling Children’s Cancer Research Fund aimed to jumpstart research and advocacy around pediatric cancers. The broadcast lasted eight minutes and Gustafson, dubbed “Jimmy” to protect his privacy, spoke only twelve sentences, but the impact of that appeal echoed through the intervening decades.\(^1\) Shortly after the radio broadcast, Farber’s Children’s Cancer Research Fund adopted “The Jimmy Fund” as a more effective title.\(^1\) The Jimmy Fund grew rapidly in the wake of Gustafson’s interview, pulling Farber’s clinic to the forefront of pediatric research and care. Twenty years later when Christopher Millard was diagnosed, the family made the drive to Boston because it was the leading center for children’s cancer care in the United States. It was there that they encountered the Jimmy Fund and learned that the organization helped pediatric cancer patients and their families. The Jimmy Fund helped guide the Millard family through the complicated realm of cancer treatments and the high prices of chemotherapy drugs and other procedures.

Christopher fought his cancer valiantly for three years, during which time the Millards drove back and forth from Lancaster to Boston. In 1972, at the age of 14, Christopher died from leukemia, a cancer that is in many instances curable today. The Millards fought this disease during a significant time for cancer research and advocacy in the United States. The year before Christopher was diagnosed, 1971, US President Richard Nixon succumbed to overpowering national pressure and declared war on cancer by asking Congress for $100 million with more to come for the support of the National Cancer Institute.\(^2\) This marked a turning point in the field of cancer research, as this
decision embodied the first concerted national effort to find a cure for cancer. However, this was also a time when many oncologists and scientists believed there could still exist a “magic bullet” cure for all cancers. At that time, cancer was still largely a black box to scientists, who understood very little about its nature and tendencies, hence there were few treatments for leukemia available. In the years that followed, the theory of a singular and universal cure was one that seemed to grow more and more implausible.

What was clear within the realm of science, though, was that in order to take significant steps forward in any field in a short amount of time, massive amounts of funding and resources needed to be mobilized. After the striking success of the Manhattan Project to create an atomic bomb in under five years, it seemed possible to Americans that any scientific problem could be solved with brute force and enough money. The government was not the only one to pick up on this perceived truth, and around the country small, private charities sprang up to raise money and support for cancer research. In cases where the main focus of the organization was pediatric cancer, the charities were often founded by parents who had lost a child to the disease.

The Millards were one such family who continued to fight cancer beyond Christopher’s death, by choosing to use their experience to help other children and families affected by the disease. One of the wonderful things that came from Christopher’s life was the story of a knight, Sir Millard, and the four diamonds: Courage, Wisdom, Honesty, and Strength. These were the four traits that Christopher believed one needed to overcome cancer. Based on the truths so prodigiously captured by Christopher in his story, as well as their experiences with the Jimmy Fund in Boston, Charles and Irma Millard resolved to create a similar fund and support system for other families
affected by cancer. In 1972, the Millards founded the Four Diamonds Fund, based on Christopher’s story and his dream of conquering childhood cancer. The Fund started as many other charities, with small, local fundraisers and advertised largely via word of mouth and local newspaper. Its fundraising efforts grew slowly, and it did not reach the $200,000 mark until 1984, eleven years after its inception.⁴

Concurrently, The Penn State Dance Marathon was also in its humble beginnings, housed in the Hetzel Union Building (HUB) ballroom of the Pennsylvania State University in State College, Pennsylvania. In 1973, the Inter-Fraternity Council (IFC) President, Bill Lear, proposed that students hold a dance marathon to raise money for a charitable cause as a philanthropic endeavor that could be undertaken by the Greek community. Lear said that the idea of the Dance Marathon came from an effort on behalf of the Inter-Fraternity Council to get back to traditions: “There had been a tradition of Dance Marathons back in the 20s and 30s – we were trying to celebrate traditions and do positive things to promote Greek life and boost IFC’s image on campus.”⁵ In its first year, Dance Marathon was held on February 2nd, 1973, and there were 39 couples that competed for a prize of $300.⁶ It was a grueling and challenging 48-hours, reminiscent of the depression-era dance marathons that went on in the early 1900s; contestants were actually docked points for using the bathroom and for remaining stationary instead of dancing.⁶
When Penn State Dance Marathon began, its goal was to support a different charitable cause every year, and therefore for the first five years, THON’s beneficiary changed annually.* In 1977, THON organizers chose to partner with a fledging cancer charity at the Milton S. Hershey Medical Center in Hershey, PA: The Four Diamonds Fund. Thus was the beginning of what is known today as the largest student-run philanthropy in the world, with its mission of conquering pediatric cancer by providing outstanding emotional and financial support to the children, families, researchers and staff of the Four Diamonds Fund. From that point forward, THON and the Four Diamonds Fund grew unceasingly, each year being able to improve on the last as the foundations and relationships between the two organizations solidified.

**Growth**

Although THON began as a small, intimate event in the HUB Ballroom, it soon outgrew that venue and began its journey across campus to its modern day location in the Bryce Jordan Center. The actual dance marathon, or “THON Weekend,” has always been a spectator sport, each year drawing a larger crowd than the last, and this fact has been one of THON’s primary pillars for growth. Many THON Weekend attendees, in attempting to convey the magnitude of feeling and energy one gets from being at THON Weekend, will be at a loss for words: “you have to see it” is the common refrain. And see

* 1973: Butler County Association for retarded children
  1974: American Hearth Association
  1975: Easter Seals Society
  1976: Muscular Dystrophy Association
it they have. THON’s attendance has grown almost as quickly and consistently as its fundraising total over the last 40 years. Allowing more and more people to personally experience THON Weekend has undoubtedly played a role in its fundraising successes, as each new spectator then likely becomes a life-long supporter, advocate, and donor to THON.

It took THON six years to outgrow its original home in the HUB Ballroom, and in 1979, THON Weekend was moved to the Mary Beaver White Building. During this time, as support increased, the number of dancers did as well; a record-breaking 286 dancers participated in that year. At the 10th annual Road to THON Celebration banquet in 1982, Penn State football star and Heisman Trophy winner John Cappelletti spoke about his experience losing his younger brother to cancer, throwing THON into the media spotlight; the next year, THON raised a 6-figure total for the first time. Shortly thereafter in 1984, THON was noted for being the largest philanthropy of its kind, helping it to once again increase awareness and support, as well as garner corporate sponsorship. THON’s popularity was also growing on campus, drawing more and more student involvement each year from primarily the Greek community, but also from small clubs and organizations. With increased involvement, fundraising began to grow rapidly, and on February 16th, 1992 - on the 20th anniversary of THON - the Overall Chairperson used the word “million” when reading the total for the first time. Within six years they had doubled that number.

THON’s next move was made in 1999 from the White Building to Penn State’s recreation building, Rec Hall, a multisport facility on campus with a seating capacity of about 7000 people, more than triple that of its previous home. Also in that year, THON
made its first directed pledge to the Four Diamonds Fund of $5 million over five years, specifically to create an endowed research scholarship to be used at Hershey Medical Center, which would allow the hospital to pay the salary of another scientist solely dedicated to pediatric cancer research. Because of THON’s tremendous success in 2001, the pledge was able to be fulfilled two years early. The next pledge was made in 2004 when THON agreed to contribute $10 million over the next six years to build a Pediatric Cancer Pavilion in Hershey as part of the new Children’s Hospital being built alongside the Medical Center, a pledge that was again fulfilled ahead of schedule.

THON saw its time at Rec Hall coming quickly to a close in 2006 as record-breaking crowds packed into the gymnasium to see that a total of over $4 million had been raised that year alone. The next year marked the “big move” to the Bryce Jordan Center, the largest venue on campus aside from the Penn State varsity football facility, Beaver Stadium. With a capacity of 15,000, the Bryce Jordan Center again doubled the potential capacity of visitors for THON Weekend, and along with that, seemed to do the same for THON’s capacity to fundraise. The first year in Bryce Jordan Center, THON 2007 raised over $5 million. This number was doubled just five years later in 2012 on THON’s 40th anniversary when for the first time, the Overall Chairperson used the words “ten million” in announcing the grand total on Sunday afternoon, February 19th, 2012. See Figure 1-1 for a depiction of the growth of THON over the years.
Table 1-1: Monetary Growth During Each THON Venue.8

<table>
<thead>
<tr>
<th>Venue</th>
<th>Total Increase</th>
<th>Average Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUB Ballroom (1973-1978)</td>
<td>$72,132.00</td>
<td>$8,800.00</td>
</tr>
<tr>
<td>White Building (1979-1998)</td>
<td>$2,458,010.48</td>
<td>$100,787.82</td>
</tr>
<tr>
<td>Rec Hall (1999-2006)</td>
<td>$2,710,242.69</td>
<td>$210,575.71</td>
</tr>
<tr>
<td>Bryce Jordan Center (2007-2012)</td>
<td>$5,446,539.66</td>
<td>$907,756.61</td>
</tr>
</tbody>
</table>

Figure 1-1: Penn State Dance Marathon Totals. This figure depicts THON’s annual fundraising as well as highlights its growth in each venue. A red marker depicts a change of venue, and each venue is shown in text.8
Chapter 2

Charity Navigator Assessment of THON

In its 40 years, THON has maintained a level of growth comparable and often superior to other well respected national philanthropic efforts. Contemporary tax code laws require charities to release financial and operational information to the public in their informational tax returns, or IRS Form 990. Over the last ten years, in the age of transparency and information sharing, people have focused on this fact and revolutionized yet another sector of our lives: philanthropy. Various Internet sites have been created with the goal of compiling the information released by charities, analyzing it, and publishing their findings. Potential donors can then use this information to evaluate if charities are best fulfilling their goals or if they are perhaps losing too much money to inefficiency or corruption. In this way, donors can themselves determine which organization or cause is most deserving of their contribution and support.

This concept of a donor’s right to choose where to bestow his or her support is drastically different from many age-old notions of philanthropy. Even within the last generation there existed the quaint practice of passing around a basket for alms at Church, when the concept of altruism was almost entirely about the act of giving the money itself, and less about who or what one was giving the money for. Once the physical parting with the cash had occurred, the donor could be satisfied with having done his or her part and continue living with a lighter pocket and a fuller heart. But now, with these new tools available, donors are challenged with taking philanthropy past just
the action itself to the point of actively evaluating where the money is going and for what use. In addition, the fact that the marketplace for giving has expanded immensely adds to the need for increased information and differentiation between each charity. Whereas 50 years ago there might have been one or two organizations to which to donate for any one cause, today there could be hundreds for any given issue or social problem that one wished to support.

It is here where the opportunity to quantify, qualify, and evaluate charities becomes important to prospective donors. One of the most comprehensive and renowned sources of this information is Charity Navigator: “Your Guide to Intelligent Giving.” According to the independent evaluator’s website, Charity Navigator “works to advance a more efficient and responsive philanthropic marketplace by evaluating the Finance Health and Accountability and Transparency” of charities across America. The Charity Navigator rating system is widely used; many charities post their ranking and link to their Charity Navigator page directly on their website. THON itself is not evaluated on any website such as Charity Navigator because it is not a 501(c)3 nonprofit organization, which is in all cases a prerequisite for consideration. THON falls under the Tax Identification Number (EIN) of the Penn State University, as a 170(c)1 exempt organization. This designation is equivalent to 501(c)3 for all intents and purposes, but it precludes THON from being evaluated by such organizations as Charity Navigator. Therefore, in the following section I carry out an evaluation of THON using the approach and metrics of Charity Navigator.
THON can be evaluated for Financial Health, and Accountability and Transparency and thereby objectively compared to other national charities supporting cancer. Charity Navigator provides evaluation scales for Financial Health, and Accountability and Transparency, and then these are used to calculate an overall score. I will evaluate and discern THON Financial Health and its components first, followed by an analysis of THON Accountability and Transparency.

Financial Health Assessment

Financial Health for a charity is evaluated in seven key areas to assess financial efficiency and capacity. One of the most basic metrics of performance is the “program percentage,” which is the portion of donated money that is actually going to the cause supported by the charity. If, for example, a charity were evaluated to have a program percentage of 90%, then $0.90 of every dollar donated would actually go toward the cause it supports. According to the American Institute of Philanthropy, “most highly efficient charities are able to spend 75% or more on programs.”

The source of THON’s financial information is the Summary of Fundraising Activities, an annual financial report first publicly released by THON during the fiscal year 2009. The fiscal year 2011 is used for this analysis as it provides the most recent and accurate picture of THON’s financial details; THON 2012 can be analyzed when the fiscal year ends June 30th, 2012.
Table 2-1: THON Financial Health Evaluation for fiscal year 2011

<table>
<thead>
<tr>
<th>Financial Performance Metrics:</th>
<th>FYE June 30th, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Expenses</td>
<td>96.6%</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>2.4%</td>
</tr>
<tr>
<td>Fundraising Expenses</td>
<td>1.05%</td>
</tr>
<tr>
<td>Fundraising Efficiency</td>
<td>$0.01</td>
</tr>
<tr>
<td>Primary Revenue Growth</td>
<td>13.2%</td>
</tr>
<tr>
<td>Program Expenses Growth</td>
<td>14.3%</td>
</tr>
<tr>
<td>Working Capital Ratio (years)</td>
<td>1.02</td>
</tr>
</tbody>
</table>

Table 2-1 outlines the Charity Navigator Financial Health metrics for THON. The actual calculations of these numbers are available in Appendix A. Here, I discuss the meaning of each metric, how THON’s values compare to other charitable organizations and identify any clear areas for improvement. The most relevant and telling number for any philanthropic organization is the program percentage, as discussed earlier. THON’s program percentage is considered to be the total donation to the Four Diamonds Fund in proportion to its total expenses for one year. In the fiscal year 2011, THON’s total expenses aside from its donation to the Fund were $286,000, and the donation to the Fund itself was $9.26 million, yielding a program percentage of 96.6%. Although this is an admirable performance in and of itself, the number is actually slightly deflated as it only accounts for the donation to the Four Diamonds Fund. One could argue that money spent on lights and sound for THON Weekend, for the facility fees of the carnival thrown for families in the fall, or for costs associated with any of our other family events could
very well also be considered a “program expense” as they embody the “emotional support” clause of THON’s mission statement. In order to remain as objective as possible, I will not attempt to qualify every expense of THON, but this is certainly an interesting question to note when considering THON’s program percentage in comparison to other charities.

The other categories of Financial Performance used by Charity Navigator are much more straightforward. The Administrative Expenses metric is the ratio of expenses spent for administrative or general purposes to total functional expenses. For THON, Administrative Expenses are qualified as any and all expenses beyond fundraising expenses; this includes the Event Management, Operations, and Administrative expense categories from the Summary of Fundraising Activities. In all, this yields Administrative Expenses of 2.4%. An Administrative Expense ratio of between 0% and 15% results in a score of 10, so THON is well within that range.

Fundraising Expenses are calculated in exactly the same way except this time using the “Development” category from the Summary of Fundraising Activities, which encompasses all THON’s fundraising expenses. This results in Fundraising Expenses of 1.05%; a score of 10 is given when Fundraising Expenses are below 10%, so again THON is easily within this range. The majority of THON’s expenses for fundraising are the cost of printed materials and postage for direct mailers. All THONvelope mailings, personalized letters sent by students, are stamped by the students themselves, so for these THON merely needs to pay for the envelopes, which is one example of how costs are kept so low.
**Fundraising Efficiency** gauges how efficiently an organization is using money for the purpose of fundraising; it is defined as the amount a charity spends to raise $1. It is obvious that charities will need to spend some money to attract and collect donations, but this measure gauges a charity’s effectiveness by dividing fundraising expenses by total fundraising revenues. In THON’s case, total fundraising revenues are simply all revenues in a given year, as it has no other source of income such as an endowment or benefactor. THON’s Fundraising Efficiency is $0.01, qualifying it easily for a score of 10 in this category (Charity Navigator gives a score of 10 for Fundraising Efficiencies in the range $0.00 - $0.10). Again, this is remarkably low, as THON does not need to pay for any of the manual work of fundraising or processing of donations.

The final group of metrics is designed to determine the long-term financial health of a charitable organization, or their financial capacity. Here again, it is important to note crucial differences between THON and other charities: namely, the fact that from year to year, THON has no *fixed* costs. THON is staffed entirely by student volunteers, housed within the University infrastructure, and not engaged in any long-term contracts, so there would be no long-term financial ramifications if it raised absolutely no money next year. It would not be able to hold any normal THON events or THON Weekend, but it would not cease to exist as an organization. Therefore, this section of metrics, while still interesting and informative to analyze, is less valuable than others because THON does not have to consider long term asset planning. **Primary Revenue Growth** measures the growth of contributions over the past four fiscal years, and is an indicator of recent and sustained growth. THON’s Primary Revenue Growth is 13.2%, putting it at a score of 10 (fundraising organizations need only to be higher than 2% in this category to earn 10).
Primary Program Growth measures the growth of Program Expenses over the last three fiscal years, and for THON is 14.3% (fundraising organizations need to be higher than 6% to earn a score of 10). This statistic shows that THON’s donation to the Four Diamonds Fund is growing faster than its expenses, meaning it consistently is able to raise more while spending less. It also demonstrates that THON has negligible variable costs associated with fundraising. There are no additional costs to with having more students involved, collecting more cash or check donations, receiving more online or corporate donations, or having more people attend THON Weekend. As so many services are donated and all workers are volunteers, THON will surely continue to maintain it’s Primary Program Growth for years to come.

Finally, the Working Capital Ratio is measured by determining how long a charity could sustain its current programs without generating new revenue. This measure is important for many organizations that depend on their reserves of liquid assets to survive economic downturns. However, as noted above, THON does not face this challenge and therefore saves only a very small amount of money to carry over each year. THON’s Working Capital Ratio is 1.02 years, meaning each year it makes enough to support it’s programs for one year, as all money is donated at year end. This results in a score of 10, which is given by Charity Navigator when the ratio is anything greater than 1. Charity Navigator’s Overall Financial Health score is then a summation of the score for each category, resulting in a score for THON of 69.66 out of 70, which is equivalent to four stars in the Financial Health category.
Accountability and Transparency Assessment

The second sector on which Charity Navigator rates organizations is Accountability and Transparency. When examining Accountability and Transparency, the basic questions to be answered are:

1. Does the charity follow good governance and ethical best practices?

2. Does the charity make it easy for donors to find critical information about the organization?

It is clear that organizations who are accountable and transparent are more likely to display integrity in their actions as they have gone to some lengths to let donors and stakeholders know that they are trustworthy. Confirming that a charity is following best practices is a good step in ensuring that it does not partake in irresponsible or unethical activities in its relationships or operations.

Both of these areas are normally evaluated using information available in the IRS Form 990 filed by the charity as well as information available on the organization’s website. For an evaluation of THON, which does not file an IRS Form 990, equivalent information will be used, as recorded and reported by THON, from www.THON.org as well as the Summary of Fundraising Activities. In cases where the evaluation refers to the Form 990, we consider the Summary of Fundraising Activities as an equivalent report.
**Table 2-2: Charity Navigator Accountability and Transparency Table, THON 2011.** A “check” indicates that THON has fulfilled this item, and an “ex” indicates that it has not.

<table>
<thead>
<tr>
<th>Accountability &amp; Transparency Performance Metrics:</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Independent Voting Board Members</td>
<td>✓</td>
</tr>
<tr>
<td>2. No Material diversion of assets</td>
<td>✓</td>
</tr>
<tr>
<td>3. Audited financials prepared by independent accountant</td>
<td>✓</td>
</tr>
<tr>
<td>4. Does Not Provide/Receive Loan(s) From related parties</td>
<td>✓</td>
</tr>
<tr>
<td>5. Documents Board Meeting Minutes</td>
<td>✓</td>
</tr>
<tr>
<td>6. Provided copy of Form 990 to organization’s governing body in advance of filing</td>
<td>✓</td>
</tr>
<tr>
<td>7. Conflict of Interest Policy</td>
<td>✓</td>
</tr>
<tr>
<td>8. Whistleblower Policy</td>
<td>✓</td>
</tr>
<tr>
<td>9. Records Retention and Destruction Policy</td>
<td>✓</td>
</tr>
<tr>
<td>10. CEO listed with salary</td>
<td>✓</td>
</tr>
<tr>
<td>11. Process for determining CEO compensation</td>
<td>✓</td>
</tr>
<tr>
<td>12. Does Not Compensate Any Board Members</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Does the charity’s website include readily accessible information about the following:**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Donor Privacy Policy</td>
<td>✓</td>
</tr>
<tr>
<td>14. Board Members Listed</td>
<td>✓</td>
</tr>
<tr>
<td>15. Audited Financials</td>
<td>✓</td>
</tr>
<tr>
<td>16. Form 990</td>
<td>✓</td>
</tr>
<tr>
<td>17. Key staff listed</td>
<td>✓</td>
</tr>
</tbody>
</table>

Table 2-2 lists the Accountability and Transparency metrics as given by Charity Navigator and the evaluation for THON. Each item on this list represents an important aspect of running an effective and legitimate organization, so in any case where there is an X mark, there is either a reason that THON does not operate in that way, or else it is an area where THON could improve. This information is usually culled from the
organization’s submission of the Form 990 as well as a review of the website. In place of
the Form 990, this report relies on the Summary of Fundraising Activities as well as an
internal knowledge of THON’s workings; the second section is graded purely from a
review of THON’s website.

The first item, **Independent Voting Members**, checks whether an independent
voting board of at least five members makes the organization’s major decision. THON
does fulfill this requirement as all major decisions are made by the Overall Committee,
consisting of 14 Committee Overall Chairs* and the one THON Overall Chairperson.
This system works well for THON as it allows for a diversity of opinions and
perspectives as well as a yearly turnover of motivations and ideas, give that the Overall
Committee changes each year.†

**Diversion of Assets** is defined as any unauthorized conversion or use of the
organization’s assets other than for authorized purposes. THON, like all Penn State
student organizations, is held to strict and secure financial standards; no recorded
diversion of assets has occurred within THON’s history. Additionally, the only two
people authorized to release any of THON’s money are the Overall Chairperson and the
Overall Finance Chairperson in any given year.

**Audited Financials** is the first category in which THON does not meet the
Accountability and Transparency standard of Charity Navigator. Although THON is

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* The 14 committees of THON are: Communications, Donor and Alumni Relations,
Entertainment, Family Relations, Finance, Hospitality, Merchandise, Morale, Operations,
Public Relations, Rules and Regulations, Special Events, Supply Logistics, and
Technology. See Appendix D for a complete structure of THON.
† Although as a note, the Overall Chair is almost always one of the previous year’s
Overall Committee Chairs.
audited by an internal university audit periodically, an independent accountant does not prepare THON’s financial information for report each year. Part of the reason for this is that as a 170(c)1 organization, THON’s financial information is not public record, and it is not required to be released. However, this would still be a good practice, and a possible solution could be to ask Penn State to provide a more regular or ongoing audit service to THON, even if the results were not publically released.

Moving forward, loans are never provided to or from any party by THON. Being a student organization means THON would have no necessity for funds if for some reason more were needed, so this is again something that THON does not deal with. Therefore, THON satisfies the condition of not providing loans to or from a related party.

Documentation of Overall Committee Meeting Minutes is a category in which THON could improve. Currently, there is no record-keeping done of Overall Committee meetings except the meeting agendas and individual notes taken, but the keeping of minutes is an important task that could be undertaken by the Overall Chair or else rotated between Overalls in future years. Although these would not be released, it is good practice to ensure that such documents exist for future reference.

For the next item, providing a copy of the Form 990 to the organization’s governing body before filing, our symmetrical comparison yields a “yes” for THON. If we consider THON’s Summary of Fundraising Activities to be equivalent to the IRS Form 990, and the governing body to be the Overall Committee, then THON does provide the Summary of Fundraising to the Overall Committee before releasing it to the public. This gives the committee a chance to critique the document and to verify its content.
We now move to a group of criteria in which THON could improve (Table 2-2). The first is that THON does not currently have a documented “Conflict of Interest” policy. Charity Navigator defines a Conflict of Interest policy as one that “protects the organization when it is considering entering into a transaction that may benefit the private interest of an officer or director of the organization.” Although it may be farfetched that one of THON’s officers would be in a position for personal gain from any decision or action of THON, there is certainly no reason for THON not to have such a policy. Charities are not required to share their conflict of interest policies, but merely report that they have one documented.

THON also does not have a “Whistleblower policy” in place. Such a policy would clearly outline procedures for formal handling of employee - or in this case volunteer - complaints, as well as provide a confidential way for volunteers to report any financial mismanagement. THON does currently have an anonymous reporting system on the THON Information Network (THINK) for the purpose of volunteers to report canning incidents and citations. Such a system should also be created for volunteer complaints as well as reports of mismanagement.

Finally, THON does not have a formal policy for Records Retention and Destruction, which would establish protocol for the handling, keeping, archiving, and destruction of relevant organizational documentation. On the whole, this is an area in which THON has historically struggled; with an annual change in leadership, many important records are often not transitioned correctly and become lost over time. This could call to question the integrity of THON’s reporting. In order to normalize the overall process of data and record keeping, THON should create a standard template with which
each committee will track its information and data year to year. This method should also be applied across all areas of its financials so that cross-year comparisons and trends could be easily identifiable. In all, these fairly simple steps would help THON make major strides in strengthening its accountability profile.

The final categories completed from an internal knowledge of THON are those relating to workers compensation: “CEO listed with salary,” “Process for determining CEO compensation,” and “Compensates board.” Fortunately, as all workers for THON are volunteers, each of these three categories can be marked as “yes” because THON does not compensate any person who is a direct administrator. Only those who provide goods or services to THON are paid for their contributions, and often at a highly discounted rate.

The next section of criteria in Table 2-2 is scored based on a review of THON’s website; only information that is accessible online is used for this analysis. The first category is one in which THON does not do well, and that is the documentation of a formal Privacy Policy. Charity Navigator and other national organizations note that donors have expressed increasing concern for privacy in all aspects of their donation and contact information. For this reason, charities should have a written policy published on their website to reassure donors. Charity Navigator states that the policy should encompass issues such as: 1) sharing or selling donor’s personal information, 2) mail or direct contact on behalf of another organization, and 3) conditions under which personal information would be shared once the donor had given the charity specific permission to do so. It seems clear that THON should draft such a policy and publish it on its site as another step towards becoming an even better organization.
The next two categories, board members and key staff listed, are fulfilled because THON’s site clearly lists the names and contact information of all Overall Chairs as well as all 300+ THON Captains, who as a whole take care of THON’s day to day operation. In the contact information section, each of these people is listed with position description and e-mail contact.

Moving to line 15 of Table 2-2, this area is tougher to qualify for THON, but ultimately is a no, THON does not publish audited financials on its website. For the reasons outlined previously, THON does not currently have an independent auditor prepare its financial statements annually, as this is done via an internal process. In future years, audited financials is certainly something THON should work toward, and at that time publish the results on its website. As for THON’s Form 990, this is published as we have equated it to the Summary of Fundraising Activities, which is easily available on the site.

Once each category is marked as “yes” or “no,” the rating table provided by Charity Navigator is used to determine the final score in this category. This calculation is shown in Appendix B, and results in THON’s overall Accountability and Transparency score is 31, or one star.

**Overall Score Evaluation**

With each category of Financial Performance and Accountability and Transparency ranked and evaluated, we are able to give THON an objective numerical score with which we can assess its efficacy as a charitable organization, and perhaps morevaluably, measure it against other similar charities. Charity Navigator assigns two
separate overall scores for each category, as well as a combined overall score. In the Financials section, THON’s score for each category are added together to provide the overall score: 69.66, which is equivalent to the highest rating of four stars.\textsuperscript{12} In the Accountability and Transparency category, the charity starts with a base score of 70, and then points are deducted based on the results in each category. The calculation is shown in Table B-1 of Appendix B and results in a score of 31, which is equivalent to one star. The Overall Score for a charity is then based off the scores in each area; it is not, however, a simple addition. The Overall Score calculation is based on the belief that the highest performing charities are those that score well in both categories and is therefore designed in a way such that a charity that does poorly in one category cannot score well overall.\textsuperscript{13} The calculation is shown in Appendix C, and results in THON’s Overall Score being 42.42, which is equivalent to two stars.

It is clear that THON can improve in the area of Accountability and Transparency. Working to accomplish just a few of these new policies or procedures would not only increase THON’s Charity rating, but more importantly, lead to improved operation and long-term potential. Although THON is entirely run by students, there is no reason that it cannot take on such adult policies and responsibilities, and it will need to do so if it is to continue to grow at its historical rate (Figure 2-1).
Comparison

The following section compares THON’s Charity Navigator evaluation side by side with three other similar cancer-fighting organizations, varying in size and purpose: The American Cancer Society, Alex’s Lemonade Stand, and the Childhood Leukemia Foundation. The first organization against which we will compare THON is The American Cancer Society (ACS), which is perhaps the most well known and well respected charitable organization focused on fundraising and advocacy for cancer treatment and care. Although both THON and ACS fundraise for cancer, they are markedly different. THON’s “Program Expenses” is a pure donation of money to another organization, the Four Diamonds Fund, which then uses the money for research and care. On the other hand, ACS engages in heavy fundraising itself, and then also maintains and operates advocacy initiatives, research, wellness programs, and other services that are all classified as part of its “Program Expenses.” Unlike THON, ACS is both the procurer and employer of its funds. Additionally, an important difference to note is that while THON speaks in millions of dollars, ACS fundraises in units of hundreds of millions of dollars, so the scales of these two organizations are very different. ACS has an overall score of three stars. In the financial category, it has a score of two stars, and in Accountability and Transparency, it scores four stars. It is immediately clear that ACS is much sounder than THON in the accountability category, but that THON is much stronger by the financial metrics. However, as THON does so poorly in Accountability and Transparency, the calculation of Overall score leads the American Cancer Society to score markedly better overall.
The second organization against which we will measure THON is Alex’s Lemonade Stand. This pediatric cancer charity is more similar to THON in that it is a grass-roots organization with the mission of “raising money and awareness of childhood cancer causes, primarily research into treatments and cures.” Its fundraising is also about on par with that of THON, raising $50 million over the course of the last 12 years. However, Alex’s Lemonade Stand is different in that it also directly uses its fundraising revenue to fund pediatric cancer research programs, a travel program to help families on active treatment, and create resources for the use of families affected by cancer everywhere. Alex’s Lemonade Stand is the most effective charitable organization between the four evaluated here, earning four stars in both sub-categories, as well as overall. This is a great indicator for THON because it shows that a smaller, grass-roots organization can certainly get to that status, but it has perhaps taken THON longer because it is student-run with year-to-year turnover in leadership.

The final organization that THON is compared with is the Childhood Leukemia Foundation (CLF). This organization was founded in 1992 by Barbara Reid-Haramis with the goal of easing the treatment process for pediatric leukemia patients by providing them with toys and programs to support them through their fight. CLF is another charity that is on the same playing field of THON in terms of fundraising; in 2010, CLF netted $2.8 million. In contrast to the other three organizations here, CLF focuses on helping children and families through treatment and not on research or clinical trials for new cures. This organization works with more than 140 treatments centers across the country and serves over 15,000 people with free program and services while they are going through active treatment. CLF is again very much a grassroots organization, but it has not grown
financially nearly as fast as THON or Alex’s Lemonade Stand until the past few years. However, CLF has still been able to maintain an Accountability and Transparency rating of four stars to make it a very legitimate foundation. With a Financial Performance score of two stars, CLF has an Overall score of three stars, still higher than THON.

It is clear that regardless of fundraising size or efficiency, it is still possible and important to maintain the accountability of an organization, and this is something THON needs to consider carefully going forward. In the Accountability and Transparency section of the Charity Navigator evaluation, there are four key improvements that THON should focus on: 1) document Overall Committee meeting minutes, 2) create policies for records retention and destruction, 3) whistleblowers, and 4) conflict of interest. In addition, audited financials is something THON should discuss with the University, or perhaps outside sources. Given the reach of the THON and Penn State communities, it may indeed be feasible to have this service donated and verified for publication on the THON web site.
Table 2-3: Overall Score Comparison\textsuperscript{16,17,18}

<table>
<thead>
<tr>
<th>Overall Score Comparison</th>
<th>THON</th>
<th>ACS</th>
<th>Alex's Lemonade Stand</th>
<th>CLF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Rating</td>
<td>★ ★</td>
<td>★ ★★★★</td>
<td>★ ★★★★</td>
<td>★ ★★★★</td>
</tr>
<tr>
<td></td>
<td>(42.42)</td>
<td>(53.85)</td>
<td>(66.99)</td>
<td>(55.32)</td>
</tr>
<tr>
<td>Financial Rating</td>
<td>★ ★★★★</td>
<td>★ ★</td>
<td>★ ★★★★</td>
<td>★ ★</td>
</tr>
<tr>
<td></td>
<td>(69.66)</td>
<td>(47.97)</td>
<td>(68.56)</td>
<td>(49.25)</td>
</tr>
<tr>
<td>A&amp;T Rating</td>
<td>★</td>
<td>★ ★★★★</td>
<td>★ ★★★★</td>
<td>★ ★★★★</td>
</tr>
<tr>
<td></td>
<td>(31.00)</td>
<td>(64.00)</td>
<td>(66.00)</td>
<td>(70.00)</td>
</tr>
</tbody>
</table>

Table 2-4: Financial Health Comparison\textsuperscript{16,17,18}

<table>
<thead>
<tr>
<th>Financial Performance Comparison</th>
<th>THON</th>
<th>ACS</th>
<th>Alex's Lemonade Stand</th>
<th>CLF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Expenses</td>
<td>96.6%</td>
<td>71.6%</td>
<td>85.6%</td>
<td>67.5%</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>2.4%</td>
<td>6.1%</td>
<td>7.7%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Fundraising Expenses</td>
<td>1.1%</td>
<td>22.2%</td>
<td>6.6%</td>
<td>26.3%</td>
</tr>
<tr>
<td>Fundraising Efficiency</td>
<td>$0.01</td>
<td>$0.25</td>
<td>$0.07</td>
<td>$0.25</td>
</tr>
<tr>
<td>Primary Revenue Growth</td>
<td>13.2%</td>
<td>-2.4%</td>
<td>7.4%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Program Expenses Growth</td>
<td>14.3%</td>
<td>3.7%</td>
<td>26.2%</td>
<td>39.6%</td>
</tr>
<tr>
<td>Working Capital Ratio (years)</td>
<td>1.02</td>
<td>1.10</td>
<td>1.11</td>
<td>0.66</td>
</tr>
</tbody>
</table>
Table 2-5: Accountability and Transparency Comparison\textsuperscript{16,17,18}. A “check” indicates that the charity has fulfilled that item, and an “ex” indicates that it has not.

<table>
<thead>
<tr>
<th>Accountability &amp; Transparency Comparison</th>
<th>THON</th>
<th>ACS</th>
<th>Alex’s Lemonade Stand</th>
<th>CLF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Independent Voting Board Members</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>2. No Material diversion of assets</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>3. Audited financials prepared by independent accountant</td>
<td>✖</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>4. Does Not Provide/Receive Loan(s) From related parties</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>5. Documents Board Meeting Minutes</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>6. Provided copy of Form 990 to organization’s governing body in advance of filing</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>7. Conflict of Interest Policy</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>8. Whistleblower Policy</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>9. Records Retention and Destruction Policy</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>10. CEO listed with salary</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>11. Process for determining CEO compensation</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>12. Does Not Compensate Any Board Members</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Does the charity’s website include readily accessible information about the following:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. Donor Privacy Policy</td>
<td>✖</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>14. Board Members Listed</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>15. Audited Financials</td>
<td>✖</td>
<td>✔</td>
<td>✖</td>
<td>✔</td>
</tr>
<tr>
<td>16. Form 990</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>17. Key staff listed</td>
<td>✔</td>
<td>✖</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

\textsuperscript{1} The yellow circle means that the charity has a written privacy policy that gives donors the option of having their contact information be kept private, but does not automatically do so.
Figure 2-1: Overall Score Comparison. The yellow dots represent an organization’s Overall Score based on the Financial and Accountability and Transparency score. The zone in which the dot falls represents the amount of stars given for those scores. The four organizations discussed above are compared here.
Chapter 3

Analysis of Historical and Future Growth

From the pairing of THON and the Four Diamonds Fund 35 years ago, the duo has been unstoppable in its growth and success in the fight against pediatric cancer. Although THON’s move to increasingly larger venues on the Penn State Campus has certainly been a key contributor, several factors have played a role in growth. Here, I focus on THON’s growth in the context of fundraising components and analyze the methods of fundraising that have accounted for such great expansion.

THON has always depended on the passion of its volunteers, who are the reason for its success. THON does not consist of a small number of people with ingenious fundraising strategies, but on the contrary, enormous numbers of people with a few, tried and true methods of getting THON’s message out to potential donors. It does not retain a small number of lucrative gifts, but rather a huge amount of modest ones. In any of the last five years, the single largest monetary donation has not come close to amounting to even 1% of THON’s total fundraising in that year.

Canning

A cornerstone of THON’s financial means, and a fundamental contributor to THON’s broad-based fundraising strategy is canister solicitation, or “canning.” During four designated weekends throughout the year, students go out across Pennsylvania and surrounding states and stand on street corners with signs and cans collecting money for
THON. Although at first glance this may not seem like a profitable method of fundraising, what is not evident to the casual observer is the sheer number of Penn State students willing to give up these four weekends out of the year to go do something as selfless as standing in the cold for children with pediatric cancer. During the second canning weekend of THON 2012, a record number of students took to the streets as more than 8,000 volunteers went out canning. Over the course of the three canning weekends held during THON 2012, the average canner raised $208 during the weekend.¹⁹

Canning is a special form of fundraising because it is a physical activity that has no limit on participation. It allows huge numbers of people to get involved and to feel they are doing a tangible thing for THON and for the kids. Additionally, canning has the function of raising awareness for THON and pediatric cancer in all the locations that students visit, and the footprint of canning has increased over the years. Overall, canning is among the areas that have the most potential for growth because it simply means involving more students to participate.

**THONvelopes**

A second primary fundraising method is a letter writing campaign where students send personalized letters, called “THONvelopes” to friends and family. A THONvelope contains a form appeal letter from THON, a personal paragraph at the bottom from the sender, as well as a pre-addressed and pre-stamped return envelope for the potential donor. As with canning, one barrier that this method of fundraising faces is that it centralizes solicitation around Pennsylvania because most students at Penn State are from the close surrounding area. Expanding beyond the mid-Atlantic region is one of the main
challenges THON faces in moving from a locally to a nationally renowned philanthropy. Figure 3-1 shows the distribution of individual gifts (checks and online donations) from THON 2012 up until THON Weekend, and it clearly shows the concentration of gifts around PA, NJ, and NY region.

Figure 3-1: THON 2012 Giving by State. This figure depicts the number of gifts (including check donation and online donations) originating in each state for the majority of the THON 2012 season, July 1st, 2011 until February 19th, 2012.
During THON 2012, a subset of THONvelopes was sent out with a survey to collect demographic information about THON’s donors. Nearly 8,000 of these surveys were filled out and returned, providing information about whom THON’s donors are and why they chose to donate. The results of these surveys showed that the mean age of donors was 48 and that 70% of donors were female.\textsuperscript{20} These results are consistent with national trends; a study done by Bank of American shows that women now control the majority of America’s personal wealth and are consistently more likely than men to oversee a household’s budget for philanthropy.\textsuperscript{21} The results of the question “Reason For Donating Today” were equally telling, with 79% of donors listing “Friend/Family of a Penn Stater” as the reason. Behind that, 12% had a “Personal Interest in Curing Cancer,” 9% were “Penn State Alumnus,” and 1% had a “Relation to a Four Diamonds Family.”\textsuperscript{20} These results demonstrate how the sheer size and loyalty of the Penn State network contribute to THON’s success, as well as the fact that people donate to THON to support the student who sent them a THONvelope, and not primarily to support THON. Many charitable organizations use this concept of “peer-to-peer giving,” but none perhaps to the effect or extent of THON.

\textbf{Online}

Online donations have been another area of growth over the past five years, and they especially contributed to the great success of THON 2012, which faced the cancellation of one canning weekend. Although the final numbers for the fiscal year 2012 will not be finalized until June 30\textsuperscript{th}, 2012, online giving up until February 19\textsuperscript{th}, 2012 was already 100% higher than the total of online gifts in FYE 2011. Figure 3-2 shows the
dramatic increase in online giving over the past five years since THON Weekend was relocated to the Bryce Jordan Center. Although the move to a larger venue was certainly a factor, this increase was likely also due in part to the overall growth of the online marketplace during this period. During THON 2012, the online donation page was altered to include a question asking how a person had heard about THON to make their donation. This question surveyed over 24,000 people, and the results are displayed in figure 3-3.

![THON Online Giving](image)

**Figure 3-2: THON Online Giving Over Time.** This graph depicts the total of online giving for fiscal years 2007-2012. The value for 2012 only includes online giving through THON Weekend (Feb. 19 2012), which accounts for most, but not all, of the online gifts THON will receive in fiscal year ending June 30th, 2012.
Each of these methods is a main contributor to the success of THON as a fundraising organization. Aside from canning, THONvelopes, and online donations, THON also fundraises in a variety of other smaller ways. One of these is “alternative fundraisers,” which are small events held by THON volunteers to raise money; these fundraising are commonly such things as hot chocolate stands, bake sales, auctions, etc. Additionally, Penn State sends out various generic direct mailers to past THON donors asking for donations, and this campaign brings in a moderate amount of money although much less than THONvelopes. Finally, the University also sponsors THON in its telephone solicitation campaigns are a few points throughout the year, and will allow

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**Figure 3-3: THON 2012 Online Giving Breakdown.** This figure shows the number of online donation from 7/1/2011 – 2/19/2012 for each answer to “How did you hear about THON?” on the online giving page. “Other” was clearly overused, which suggests the question should be altered, but donors’ responses in this field often denoted how the person had a relation to THON, either through a student volunteer, Committee Member, dancer, etc..
people to make donations over the phone with credit card. Each area has grown slowly but consistently in recent years, and certainly potential areas for future expansion.

**Sustainability and Risk**

In order for THON to continue this remarkable rate of growth for years to come, the sustainability of fundraising must be analyzed as well as potential risks that THON faces. Each of the main ways that THON fundraises relies primarily on the continued dedication of its student volunteers and their ability and willingness to fundraise. The two issues to be considered then are the sustainability of the current level of student involvement and the sustainability of the *growth* in student involvement.

The past few years have seen huge increases in the number of students looking to volunteer for THON as a Captain or Committee Member as well as the number of student organizations that fundraise for THON. The current level of involvement, and therefore the current level of fundraising, is sustainable because there is no evidence to suggest that student interest in THON is waning. The second question, on the other hand, is something THON will need to carefully consider in future years. The internal THON structure of Captains and Committee Members (see Appendix D) has long since been saturated, but the capacity for student organizations to be involved is theoretically limitless. In the past five years, dozens of student organizations have been established solely with the mission of fundraising for THON. In order for THON to sustain its
current level of growth, these are the groups of volunteers with which it will need to foster relationships and make every effort to facilitate their fundraising efforts.

A final, less tangible factor to consider when gauging the sustainability of THON’s efforts is the sustainability of the root cause and need that it fills. Unless there are profound breakthroughs in cancer research in the coming years, it seems that pediatric cancer is an evil that will persist into the foreseeable future. Unlike adult cancers, pediatric cancers strike without cause, irrespective of lifestyle, gender, race, or socioeconomic status. Therefore, research focuses not on prevention, but on treatment and care, and as with adult cancers, the treatment often necessitates the care. Aside from making a significant contribution to pediatric cancer research each year, THON is also there to support the families through the financial and emotional turmoil that accompany such a diagnosis. This is a need that will never be filled until no parents have to hear that their child has cancer.

Along with challenges to sustained growth, THON also faces certain risks that may intensify as it grows. THON faces the risks involved in the operation of any large and heavily staffed organization, and these are perhaps magnified by the fact that THON is run entirely by students. There are extremely large amounts of money that are handled by THON volunteers over the course of a year, and certain security measures should be considered in order to mitigate the risk of financial mishandling. Many companies perform background checks on its employee, and this is something THON should consider for the Finance Captains, Finance Overall, and the Overall Chairperson. Additionally, access to checks should be restricted to only the Finance Committee as they contain donors’ sensitive personal information. In the end, THON volunteers are
scrupulously chosen, and the cause is strong enough that the moral hazard is most likely small compared to in other organizations, but it is still prudent to take measures to limit risk.

Aside from mismanagement, there are limited other serious risks facing THON’s continued operation, and this is again a function of THON being a student organization, which does not face many of the financial concerns of typical philanthropic organizations. Whereas economic recession could be a risk to a charity with fixed annual costs such as rent and employees’ salary, a low fundraising year for THON would not pose any financial threats. Although some have speculated that a lower fundraising year would impede THON’s current momentum, many others firmly believe that the spirit of THON volunteers would overcome the setback. Additionally, regardless of THON’s fundraising total, it will always support the Four Diamonds families by holding family events throughout the year and facilitating the relationships between students and families, which in itself is THON’s greatest success. There is no peril that would stop THON from supporting the children and families at Hershey Medical Center and working, as ever, for the kids.
Appendix A

Charity Navigator Financial Health Performance Calculations

This assessment uses the tools provided by Charity Navigator and adheres strictly to their methodology, as given on their website; THON is considered a “Fundraising Organization.” The resource for all financial information is the THON 2011 Summary of Fundraising Activities.

Program Expenses
Percent of total functional expenses spent on programs and services

\[
\frac{\text{Program Expenses}}{\text{Total Functional Expenses}} = \frac{9,266,841.14}{9,594,880.17} = .9658 \rightarrow \text{Score: 10}
\]

Administrative Expenses
Percent of total functional expenses spent on management/general

\[
\frac{\text{Administrative Expense}}{\text{Total Functional Expenses}} = \frac{($41,615.13 + $170,337.15 + $14,608.52)}{9,594,880.17} = 2.36\% \rightarrow \text{Score: 10}
\]

Fundraising Expenses
Percent of total functional expenses spent on fundraising

\[
\frac{\text{Fundraising Expense}}{\text{Total Functional Expenses}} = \frac{101,478.23}{9,594,880.17} = .0105 \rightarrow \text{Score: 10}
\]

Fundraising Efficiency
Amount a charity spends to raise $1.

\[
\frac{\text{Fundraising Expense}}{\text{Total Fundraising Revenue}} = \frac{101,478.23}{9,594,880.17} = .0105 \rightarrow \text{1.05¢ to raise $1} \rightarrow \text{Score: 10}
\]
Primary Revenue Growth
Measures growth of contributions over the past four fiscal years, 2008 to 2011. Uses formula: $\left(\frac{Y_n}{Y_0}\right)^{\frac{1}{n}} - 1$, where $Y_0$ is the value measured in the first year of the interval (2008), $Y_n$ is the value measured at the end of the interval analyzed (2011), and $n$ is the length of the interval in years (3). For “Fundraising Organizations,” a Primary Revenue Growth greater than 2% results in a score of 10.

\[
\frac{9,594,880.17}{6,615,318.04}^{\frac{1}{3}} - 1 = 13.2\% \rightarrow \text{Score: 10}
\]

Program Expense Growth
Measures growth of program expenses over the past three fiscal years, 2009 to 2011. Uses formula: $\left(\frac{Y_n}{Y_0}\right)^{\frac{1}{n}} - 1$, where $Y_0$ is the value measured in the first year of the interval (2009), $Y_n$ is the value measured at the end of the interval analyzed (2011), and $n$ is the length of the interval in years (2). For “Fundraising Organizations,” a Program Expense Growth of greater than 6% results in a score of 10.

\[
\frac{9,266,841.14}{709,3777.66}^{\frac{1}{2}} - 1 = 14.3\% \rightarrow \text{Score: 10}
\]

Working Capital Ratio
Determines how long (in years) a charity could sustain its level of spending using only its net available assets. From year to year, THON keeps a certain amount of money in its account and does not transfer this amount to the Four Diamonds Fund. In 2011, this amount was $170,000.

\[
\frac{\text{Working Capital}}{\text{Total Expenses}} = \frac{9,594,880.17 + 170,000}{9,594,880.17} = 1.02 \text{ years} \rightarrow \text{Score: 10}
\]

Total Financial Health Rating
The total score is simply an addition of the score in each category.

\[
9.66 + 10 + 10 + 10 + 10 + 10 + 10 = 69.66
\]
Appendix B

Charity Navigator Accountability and Transparency Evaluation

This assessment uses the tools provided by Charity Navigator and adheres strictly to their methodology, as given on their website.  

Table B-1: Charity Navigator Accountability and Transparency Metrics

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Deductions from Score</th>
<th>THON’s Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 independent voting members of the board; or independent members do not constitute a voting majority.</td>
<td>15 points</td>
<td>0 points</td>
</tr>
<tr>
<td>Material diversion of assets within the last two years, without a satisfactory explanation</td>
<td>15 points</td>
<td>0 points</td>
</tr>
<tr>
<td>Material diversion of Assets within the last two years, with a satisfactory explanation</td>
<td>7 points</td>
<td>0 points</td>
</tr>
<tr>
<td>Audited financial statements are not prepared or reviewed by an independent accountant</td>
<td>15 points</td>
<td>15 points</td>
</tr>
<tr>
<td>Audited financial statements are prepared or reviewed by an independent accountant, but that accountant is not selected and overseen by an internal committee.</td>
<td>7 points</td>
<td>0 points</td>
</tr>
<tr>
<td>Loans to or from officers or other interested parties</td>
<td>4 points</td>
<td>0 points</td>
</tr>
<tr>
<td>Organization does not keep board meeting minutes</td>
<td>4 points</td>
<td>4 points</td>
</tr>
<tr>
<td>Forms 990 not distributed to the board before filing</td>
<td>4 points</td>
<td>0 points</td>
</tr>
<tr>
<td>No Conflict of Interest policy</td>
<td>4 points</td>
<td>4 points</td>
</tr>
<tr>
<td>No Whistleblower policy</td>
<td>4 points</td>
<td>4 points</td>
</tr>
<tr>
<td>No Records retention and destruction policy</td>
<td>4 points</td>
<td>4 points</td>
</tr>
<tr>
<td>Does not properly report CEO compensation on form 990</td>
<td>4 points</td>
<td>0 points</td>
</tr>
<tr>
<td>Does not have a process for reviewing CEO compensation</td>
<td>4 points</td>
<td>0 points</td>
</tr>
<tr>
<td>Compensates board members for participation</td>
<td>4 points</td>
<td>0 points</td>
</tr>
</tbody>
</table>

A Review of the Charity’s Website

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Deductions from Score</th>
<th>THON’s Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does not publish board members on website</td>
<td>4 points</td>
<td>0 points</td>
</tr>
<tr>
<td>Does not publish senior staff on website</td>
<td>3 points</td>
<td>0 points</td>
</tr>
<tr>
<td>Does not publish latest Audited Financial Statements on website</td>
<td>4 points</td>
<td>4 points</td>
</tr>
<tr>
<td>Does not publish latest form 990 on website</td>
<td>3 points</td>
<td>0 points</td>
</tr>
<tr>
<td>No donor privacy policy</td>
<td>4 points</td>
<td>4 points</td>
</tr>
<tr>
<td>Opt-out donor privacy policy</td>
<td>3 points</td>
<td>0 points</td>
</tr>
</tbody>
</table>

Final Deduction (From base score 70)
Leaving THON with a final score of 31

39 points
Appendix C

Charity Navigator Overall Score Calculation

Charity Navigator Overall Score evaluation for THON, fiscal year 2011. The Overall Score is a measure of the distance of the two component scores from the perfect scores of 70 and 70; a smaller distance to the ideal score yields a better Overall Score, according to the following formula.

\[ \text{Overall Score} = 70 - \sqrt{\frac{(70 - \text{Financial})^2 + (70 - A&T)^2}{2}} = 70 - \sqrt{\frac{(70 - 69.66)^2 + (70 - 31)^2}{2}} \]

Overall Score = 42.42
Appendix D

THON Structure

COMMITTEES
Communications, Donor and Alumni Relations, Entertainment, Family Relations, Finance, Hospitality, Merchandise, Milieux, Operations, Public Relations, Rules and Regulations, Special Events, Supply, Logistics, and Technology

OVERALL CHAIR
Chairperson who oversees the operations of all Committees and chairs the Overall Committee

OVERALL CHAIRPERSONS (1-4)
Chairperson will oversee the operations of the 4 Committees, and serve as the Captains of each Committee

COMMITTEE MEMBERS (1-400)
Committee Members play a key role in helping THON 2023 in the mission of conquering pediatric cancer. Chosen and led by Captains, Committee Members help to plan for and attend THON events.

COMMONWEALTH COMPANIES (19)
Any of Penn State’s Commonwealth Companies

INDEPENDENT DANCERS
Physical groups who fundraise for any THON year in hopes of winning the lottery, and raising awareness and funds for THON Weekend

GREEK (15)
An organization recognized by one of the four Greek Councils: the Interfraternity Council, Panhellenic Council, Public Relations Greek Council and National Panhellenic Council

SPECIAL INTEREST (21)
An organization recognized by Penn State that was founded for the purpose of participating in THON

ORGANIZATIONS
Commonwealth Companies, Independent Dancers, General Greek, Special Interest, and Special Mission

THON Structure
Works Cited


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VITA

Victoria Marone

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Education:
Bachelor of Science Degree in Mathematics, Penn State University, Spring 2012
Bachelor of Science Degree in Energy, Business, and Finance, Penn State University, Spring 2012
Minor in Economics
Honors in Management and Organization
Thesis Title: An Evaluation of Grass-roots Philanthropy, With a Particular Focus on THON, the Pennsylvania State University IFC/Pan-Hellenic Dance Marathon.
Thesis Supervisor: Dr. Augustus Colangelo

Related Experience:
Overall Finance Chairperson, 2012 Penn State IFC/Panhellenic Dance Marathon

Awards:
President’s Freshman Award
Student Leadership and Service Award
President’s Sparks Award
USA Today Student Leadership Award
Hess Award for Academic Excellence in Earth and Mineral Engineering
Kermit Anderson Memorial Award
Jane Reno Memorial Scholarship
National Society of Collegiate Scholars
Phi Eta Sigma National Honors Society
Phi Beta Kappa National Honors Society

Presentations/Activities:
Penn State IFC/Panhellenic Dance Marathon, 2008 - 2012
Parmi Nous Senior Honors Society