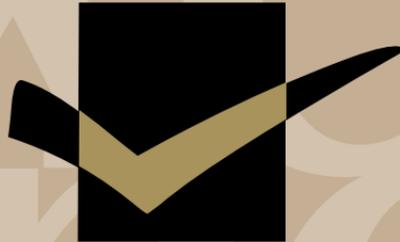


# Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector





## *A publication of the Standards for Excellence Institute*

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# preamble

America's nonprofit sector is committed to public service. Hard at work in communities across the country, nonprofit organizations are serving and meeting the needs of our citizens and strengthening our communities.

The success of nonprofit organizations depends upon public confidence and broad public support. Nonprofits are supported by individuals, corporations and foundations through charitable contributions and volunteer efforts; by government through contracts and grants; by consumers through purchases and fees; and by the general public through state and federal tax laws.

The Standards for Excellence Institute is committed to raising the level of ethical and accountable practices in nonprofit organizations. Therefore, the Standards for Excellence Institute has released these ***Standards for Excellence (Standards)*** to serve as a model for nonprofit organizations to implement in their operations and governance.



Nonprofit organizations must comply with applicable local, state, and federal laws. These **Standards** build upon that foundation, and go a step further. Based on fundamental values - such as honesty, integrity, fairness, respect, trust, compassion, responsibility, and accountability - these **Standards** describe how nonprofits should act to be ethical and accountable in their program operations, governance, human resources, financial management and fundraising. Eight (8) Guiding Principles are provided, along with fifty-five (55) standards - more detailed performance benchmarks that will enable nonprofits to strengthen their operations.

The Standards for Excellence Institute is dedicated to helping individual nonprofit organizations and the nonprofit sector live by the **Standards for Excellence**. The Institute provides educational programming and a voluntary leadership-based certification initiative by which nonprofits are evaluated based on their compliance with the performance indicators outlined in these Standards.

The **Standards for Excellence** are intended to describe how the most well managed and responsibly governed organizations should, and do operate. They provide benchmarks to determine how well an organization is fulfilling its obligations to those who benefit from its programs, to contributors, and to the public. All nonprofit organizations are encouraged to pledge to commit to the Guiding Principles of the **Standards for Excellence** and to work toward implementing the practices and principles outlined.



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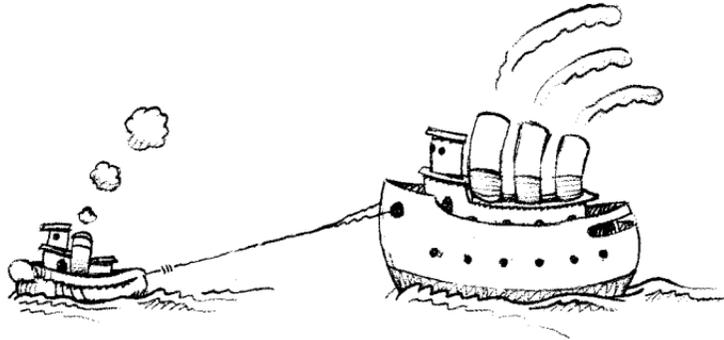
# guiding principles

## I. MISSION AND PROGRAM

Nonprofits are founded for the public good and operate to accomplish a stated purpose through specific program activities. A nonprofit should have a well-defined mission, and its programs should effectively and efficiently work toward achieving that mission. Nonprofits have an obligation to ensure program effectiveness and to devote the resources of the organization to achieving its stated purpose.

## II. GOVERNING BODY

Nonprofits are governed by an elected, volunteer board of directors that should consist of individuals who are committed to the mission of the organization. An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human resources (volunteer and/or paid staff) and financial resources (earned income, government contracts and grants, and charitable contributions) are available, and actively monitor the organization's financial and programmatic performance.



### III. CONFLICT OF INTEREST

Nonprofit board and staff members should act in the best interest of the organization, rather than in furtherance of personal interests or the interests of third parties. A nonprofit should have policies in place, and should routinely and systematically implement those policies, to prevent actual, potential, or perceived conflicts of interest.

### IV. HUMAN RESOURCES

A nonprofit's relationship to its employees and volunteers is fundamental to its ability to achieve its mission. Volunteers occupy a special place in nonprofit organizations, serving in governance, administrative and programmatic capacities. An organization's human resource policies should address both paid employees and volunteers, and should be fair, establish clear expectations, and provide for meaningful and effective performance evaluation.

### V. FINANCIAL AND LEGAL

Nonprofits must practice sound financial management and comply with a diverse array of legal and regulatory requirements. A nonprofit's financial system should assure that accurate financial records are kept and that the organization's financial resources are used in furtherance of the organization's charitable purposes. Organizations should conduct periodic reviews to address regulatory and liability concerns.

## VI. OPENNESS

Nonprofits are private corporations that operate for public benefit with support from the general public. As such, they should provide the public with information about their mission, program activities, and finances. A nonprofit should also be accessible and responsive to members of the public who express interest in the affairs of the organization.

## VII. FUNDRAISING

Charitable fundraising provides an important source of financial support for the work of most nonprofit organizations. An organization's fundraising program should be maintained on a foundation of truthfulness and responsible stewardship. Its fundraising policies should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors and prospective donors.

## VIII. PUBLIC AFFAIRS AND PUBLIC POLICY

Nonprofits provide an important vehicle through which individuals organize and work together to improve their communities. Nonprofits should represent the interests of the people they serve through public education and public policy advocacy, as well as by encouraging board members, staff, volunteers and constituents to participate in the public affairs of the community.



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# mission and program

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## A. Mission

- (1) The organization's purpose, as defined and approved by the board of directors, should be formally and specifically stated. The organization's activities should be consistent with its stated purpose.

## B. Organizational Evaluation

- (1) A nonprofit should periodically revisit its mission (e.g. every 3 to 5 years) to determine if the need for its programs continues to exist. The organization should evaluate whether the mission needs to be modified to reflect societal changes, its current programs should be revised or discontinued, or new programs need to be developed.

## C. Program Evaluation

- (1) A nonprofit should have defined, cost-effective procedures for evaluating, both qualitatively and quantitatively, its programs and projects in relation to its mission. These procedures should address programmatic efficiency and effectiveness, the relationship of these impacts to the cost of achieving them, and the outcomes for program participants. Evaluations should include input from program participants.
- (2) Evaluations should be candid, be used to strengthen the effectiveness of the organization and, when necessary, be used to make programmatic changes.

## D. Program Service

- (1) In providing its programs or services, a nonprofit should act with the utmost professionalism and treat persons served with respect. Where appropriate, a nonprofit should have policies in place that protect the confidentiality of personal information and should provide a grievance procedure to address complaints. Nonprofits should regularly monitor the satisfaction of program participants.



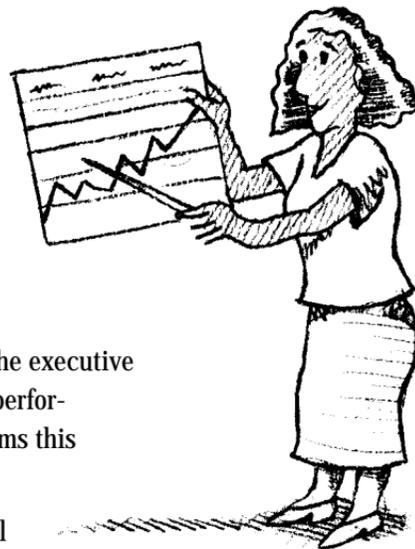
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# governing body

*Nonprofits are governed by an elected, volunteer board of directors that should consist of individuals who are committed to the mission of the organization. An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human resources (volunteer and/or paid staff) and financial resources (earned income, government contracts and grants, and charitable contributions) are available, and actively monitor the organization's management, financial and programmatic performance.*

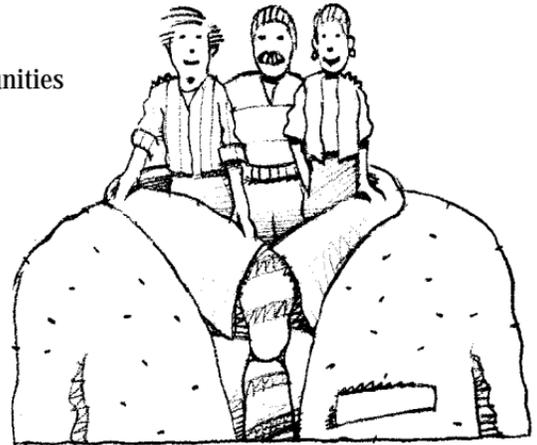
## A. Board Responsibilities

- (1) The board should engage in long-term and short-term planning activities as necessary to determine the mission of the organization, to define specific goals and objectives related to the mission, and to evaluate the success of the organization's programs toward achieving the mission.
- (2) The board should establish policies for the effective management of the organization, including financial and, where applicable, personnel policies.
- (3) The board annually should approve the organization's budget and periodically should assess the organization's financial performance in relation to the budget. As part of the annual budget process, the board should review the percentages of the organization's resources spent on program, administration, and fundraising. The full board should also approve the findings of the organization's annual audit and management letter and plan to implement the recommendations of the management letter.
- (4) The full board or some designated committee of the board should hire the executive director, set the executive's compensation, and evaluate the director's performance at least annually. In cases where a designated committee performs this responsibility, details should be reported to the full board.
- (5) The board should periodically review the appropriateness of the overall compensation structure of the organization.



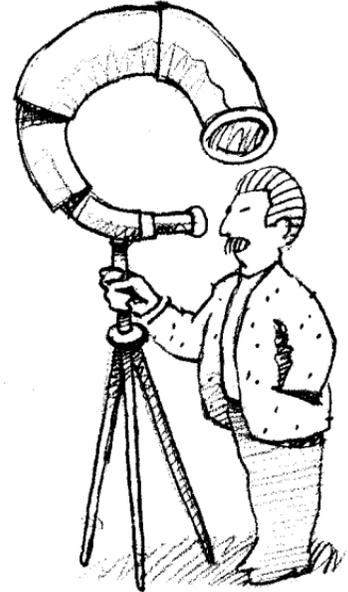
## B. Board Composition

- (1) The board should be composed of individuals who are personally committed to the mission of the organization and possess the specific skills needed to accomplish the mission.
- (2) Where an employee of the organization is a voting member of the board, the circumstances must insure that the employee will not be in a position to exercise undue influence.
- (3) The board should have no fewer than five (5) unrelated directors. Seven (7) or more directors are preferable.
- (4) The organization's bylaws should set forth term limits for the service of board members.
- (5) Board membership should reflect the diversity of the communities served by the organization.
- (6) Board members should serve without compensation for their service as board members. Board members may only be reimbursed for expenses directly related to carrying out their board service.



### C. Conduct of the Board

- (1) The board is responsible for its own operations, including the education, training and development of board members, periodic (i.e., at least every two years) evaluation of its own performance, and where appropriate, the selection of new board members.
- (2) The board should establish stated expectations for board members, including expectations for participation in fundraising activities, committee service, and program activities.
- (3) The board should meet as frequently as is needed to fully and adequately conduct the business of the organization. At a minimum, the board should meet four (4) times a year.
- (4) The organization should have written policies that address attendance and participation of board members at board meetings. These policies should include a process to address noncompliance.
- (5) Written meeting minutes reflecting the actions of the board, including reports of board committees when acting in the place of the board, should be maintained and distributed to board and committee members.





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# conflict of interest

*Nonprofit board and staff members should act in the best interest of the organization, rather than in furtherance of personal interests or the interests of third parties. A nonprofit should have policies in place, and should routinely and systematically implement those policies, to prevent actual, potential, or perceived conflicts of interest.*

## A. Conflict of Interest Policy

- (1) Nonprofits should have a written conflict of interest policy. The policy should be applicable to all board members and staff, and to volunteers who have significant independent decision making authority regarding the resources of the organization. The policy should identify the types of conduct or transactions that raise conflict of interest concerns, should set forth procedures for disclosure of actual or potential conflicts, and should provide for review of individual transactions by the uninvolved members of the board of directors.

## B. Conflict of Interest Statements

- (1) Nonprofits should provide board members, staff, and volunteers with a conflict of interest statement that summarizes the key elements of the organization's conflict of interest policy. The conflict of interest statement should provide space for the board member, employee or volunteer to disclose any known interest that the individual, or a member of the individual's immediate family, has in any business entity which transacts business with the organization. The statement should be provided to and signed by board members, staff, and volunteers both at the time of the individual's initial affiliation with the organization and at least annually thereafter.





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# human resources

*A nonprofit's relationship to its employees and volunteers is fundamental to its ability to achieve its mission. Volunteers occupy a special place in nonprofit organizations, serving in governance, administrative and programmatic capacities. An organization's human resource policies should address both paid employees and volunteers, and should be fair, establish clear expectations, and provide for meaningful and effective performance evaluation.*

## A. Personnel Policies

- (1) A nonprofit should have written personnel policies and procedures, approved by the board of directors, governing the work and actions of all employees and volunteers of the organization. In addition to covering basic elements of the employment relationship (e.g. working conditions, employee benefits, vacation and sick leave), the policies should address employee evaluation, supervision, hiring and firing, grievance procedures, employee growth and development, confidentiality of employee, and client and organization records and information.
- (2) With respect to volunteers, the organization's policies and procedures should also address initial assessment or screening, assignment to and training for appropriate work responsibilities, ongoing supervision and evaluation, and opportunities for advancement.

## B. Employee Performance Evaluation

- (1) A nonprofit should have written job descriptions for each employee that clearly identifies roles and responsibilities.
- (2) Organizations should have a system in place for regular written evaluation of employees by their respective supervisors, which should take place at least annually.

## C. Employee Orientation

- (1) New employees of the organization should receive an orientation, which includes review of the organization's personnel policies and procedures, position description, and an introduction to the ***Standards for Excellence***. Employees should be provided with a copy of the personnel policies and these ***Standards***, and should acknowledge the receipt in writing.



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# financial and legal

*Nonprofits must practice sound financial management and comply with a diverse array of legal and regulatory requirements. A nonprofit's financial system should assure that accurate financial records are kept and that the organization's financial resources are used in furtherance of the organization's charitable purposes. Organizations should conduct periodic reviews to address regulatory and liability concerns.*



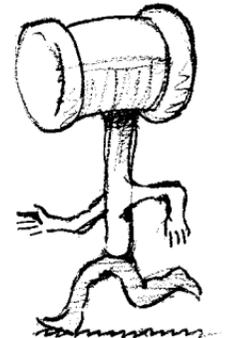
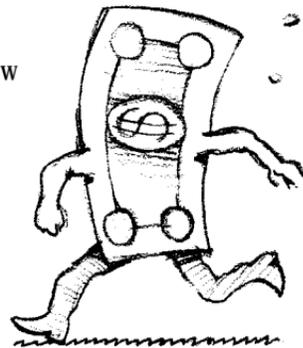
## A. Financial Accountability

- (1) A nonprofit should operate in accordance with an annual budget that has been approved by the board of directors.
- (2) A nonprofit should create and maintain financial reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared no less frequently than quarterly, should be provided to the board of directors, and should identify and explain any material variation between actual and budgeted revenues and expenses.
- (3) For nonprofits with annual revenue in excess of \$300,000, the accuracy of the financial reports should be audited by a Certified Public Accountant.
- (4) Organizations should provide employees a confidential means to report suspected financial impropriety or misuse of organization resources and should have in place a policy prohibiting retaliation against persons reporting improprieties.
- (5) Organizations should have written financial policies adequate for the size and complexity of their organization governing: (a) investment of the assets of the organization (b) internal control procedures, (c) purchasing practices, and (d) unrestricted current net assets.



## B. Legal Compliance and Accountability

- (1) Nonprofits must be aware of and comply with all applicable Federal, state, and local laws. This may include, but is not limited to, the following activities: complying with laws and regulations related to fundraising, licensing, financial accountability, document retention and destruction, human resources, lobbying and political advocacy, and taxation.
- (2) Organizations should periodically assess the need for insurance coverage in light of the nature and extent of the organization's activities and its financial capacity. A decision to forego general liability insurance coverage or Directors and Officers liability insurance coverage shall only be made by the board of directors and shall be reflected in the minutes for the meeting at which the decision was made.
- (3) Nonprofits should periodically conduct an internal review of the organization's compliance with existing legal, regulatory and financial reporting requirements and should provide a summary of the results of the review to members of the board of directors.





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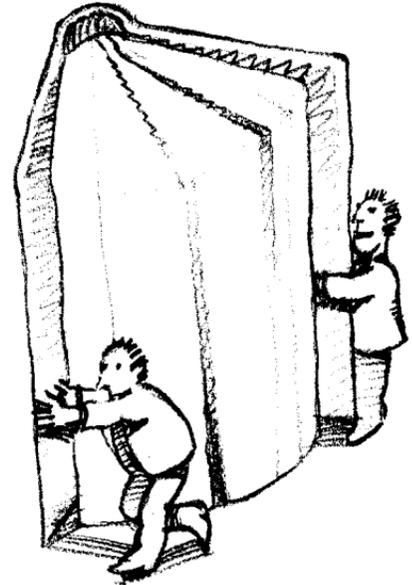
*Nonprofits are private corporations that operate for public benefit with support from the general public. As such, they should provide the public with information about their mission, program activities, and finances. A nonprofit should also be accessible and responsive to members of the public who express interest in the affairs of the organization.*

## A. Annual Report

- (1) Nonprofits should prepare, and make available annually to the public, information about the organization's mission, program activities, and basic audited (if applicable) financial data. The report should also identify the names of the organization's board of directors and management staff.

## B. Public Access

- (1) Nonprofits should provide members of the public who express an interest in the affairs of the organization with a meaningful opportunity to communicate with an appropriate representative of the organization.
- (2) Nonprofits should have at least one staff member who is responsible to assure that the organization is complying with both the letter and the spirit of Federal and state laws that require disclosure of information to members of the public.





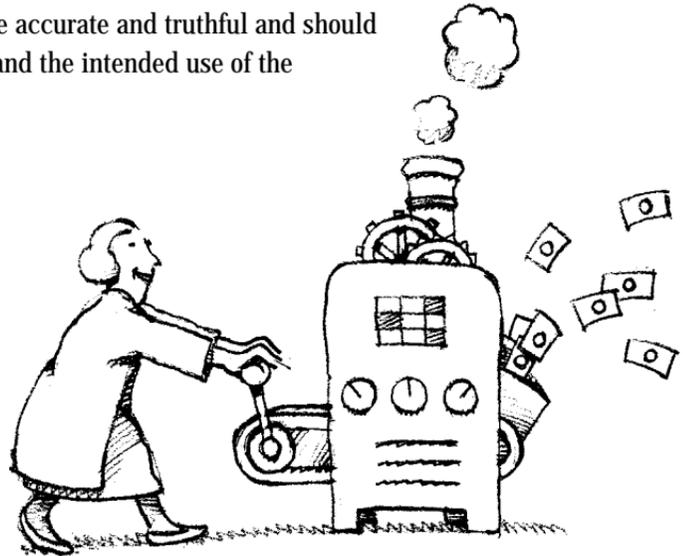
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# fundraising

*Charitable fundraising provides an important source of financial support for the work of most nonprofit organizations. An organization's fundraising program should be maintained on a foundation of truthfulness and responsible stewardship. Its fundraising policies should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors and prospective donors.*

## A. Fundraising Activities

- (1) A nonprofit's fundraising costs should be reasonable over time. On average, over a five (5) year period, a nonprofit should realize revenue from fundraising and other development activities that are at least three times the amount spent on conducting them. Organizations whose fundraising ratio is less than 3:1 should demonstrate that they are making steady progress toward achieving this goal, or should be able to justify why a 3:1 ratio is not appropriate for the individual organization.
- (2) Solicitation and promotional materials should be accurate and truthful and should correctly identify the organization, its mission, and the intended use of the solicited funds.
- (3) All statements made by the nonprofit in its fundraising appeals about the use of a contribution should be honored.
- (4) Nonprofits must honor the known intentions of a donor regarding the use of donated funds.



## B. Donor Relationships and Privacy

- (1) Nonprofits should respect the privacy of donors and safeguard the confidentiality of information that a donor reasonably would expect to be private.
- (2) Nonprofits should provide donors an opportunity to state that they prefer to remain anonymous and that their name, the amount of their gift, or other information not be publicly released.
- (3) Nonprofits should provide donors an opportunity to have their names removed from any mailing lists which are sold, rented, or exchanged.
- (4) Nonprofits should honor requests by a donor to curtail repeated mailings or telephone solicitations from in-house lists.
- (5) Solicitations should be free from undue influence or excessive pressure, and should be respectful of the needs and interests of the donor or potential donor.



### C. Acceptance of Gifts

- (1) An organization should have policies in place to govern the acceptance and disposition of charitable gifts that are received in the course of its regular fundraising activities. These policies should include procedures to determine any limits on individuals or entities from which the organization will accept a gift, the purposes for which donations will be accepted, the type of property which will be accepted, and whether to accept an unusual or unanticipated gift in light of the organization's mission and organizational capacity.

### D. Fundraisers

- (1) Fundraising personnel, including both employees and independent consultants, should not be compensated based on a percentage of the amount raised or other commission formula.
- (2) When using the services of a paid professional fundraising consultant, organizations should only use the services of professional solicitors and fundraising counsel who are properly registered with applicable regulatory authorities.
- (3) Organizations should exercise control over any staff, volunteers, consultants, contractors, other organizations, or businesses who are known to be soliciting contributions on behalf of the organization.



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# public affairs and public policy

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### A. Public Policy Advocacy

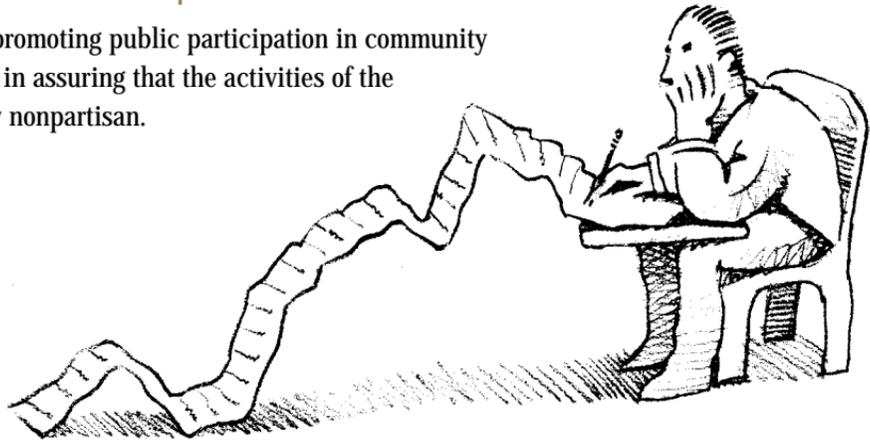
- (1) Nonprofits should have a written policy on advocacy defining the process by which the organization determines positions on specific issues.

### B. Public Education

- (1) Nonprofits should assure that any educational information provided to the media or distributed to the public is factually accurate and provides sufficient contextual information to be understood.

### C. Promoting Public Participation

- (1) Nonprofits engaged in promoting public participation in community affairs shall be diligent in assuring that the activities of the organization are strictly nonpartisan.



# Receipt and Acknowledgment

I acknowledge that I have received a copy of Standards for Excellence: an Ethics and Accountability Code for the Nonprofit Sector.

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Nonprofit Organization: \_\_\_\_\_

Check one:      Board Member      Staff Member

Date: \_\_\_\_\_

**Note:** *This Acknowledgment Form is for the use of your organization. It is intended to be completed and then turned in to the appropriate Board or staff representatives, as designated by the leadership of your organization.*

## About the Standards for Excellence Institute

The Standards for Excellence Institute is a new national initiative to promote the highest standards of ethics and accountability in nonprofit governance, management and operations, and to facilitate adherence to those standards by all nonprofit organizations. The Institute uses as a vehicle the Standards for Excellence program, a system of nonprofit sector industry self-regulation originated by the Maryland Association of Nonprofit Organizations and initially replicated by state nonprofit associations in Ohio, Pennsylvania, Georgia, Louisiana and North Carolina.

The centerpiece of the Institute's program is the ***Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector***. The Institute also makes available to member organizations a comprehensive system of educational tools to enable individual nonprofit organizations to improve their governance and management practices. Standards for Excellence certification is available to individual organizations through a rigorous peer review process in selected locations.

For information about joining the Standards for Excellence Institute or to obtain additional copies of the booklet visit our website at [www.standardsforexcellenceinstitute.org](http://www.standardsforexcellenceinstitute.org).

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