

STANDARDS FOR EXCELLENCE:

An Ethics and Accountability Code for the Nonprofit Sector

Mission, Strategy, and Evaluation

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.

A. MISSION AND IMPACT

1. A nonprofit should have a mission statement that is a clear and formal statement of the organization's purpose as defined and approved by the board of directors. The organization's activities should be consistent with its stated purpose.
2. A nonprofit should be able to articulate how its mission is supported by a statement of the organization's vision and strategic goals.

B. PLANNING STRATEGICALLY

1. Nonprofits should engage in ongoing 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. A nonprofit should periodically revisit its mission (e.g. every 3 to 5 years) to determine whether the need for its programs or services continues to exist. In light of societal changes and critical strategic issues, the organization should evaluate whether its programs should be modified, expanded, or discontinued to meet the mission.
3. Nonprofits engaging in strategic partnerships and formal alliances with other organizations should do so within the context of a board-approved policy outlining the goals and parameters of such partnerships. Depending on the type of strategic partnership, nonprofits should ensure that proper due diligence, agreements, memoranda of understanding, or similar documentation, has been thoughtfully reviewed and considered.

C. ORGANIZATIONAL EVALUATION

1. A nonprofit should engage in organizational evaluation to ensure that all financial resources and human capital are being used in line with fulfilling its mission.

D. 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, outcomes for program participants, and the relationships of these outcomes to the cost of achieving them. Evaluations should include input from program participants, and should monitor the satisfaction of participants.
2. Evaluations should be candid, and should be used by leadership to strengthen the organization's effectiveness, and, when necessary, be used to make programmatic changes.

Leadership: Board, Staff, and Volunteers

Nonprofits depend upon strong leadership to successfully enact their missions and programs. Effective leadership consists of a balance between governance and management, each of which play an essential role. Understanding and negotiating these shared and complex elements of leadership is essential to the organization's success. A nonprofit's employees and volunteers are fundamental to its ability to achieve its mission.

Board members are in a position of trust to ensure that resources are used to carry out the mission of the organization. An organization's board leadership should consist of volunteers who are committed to the mission and who demonstrate an understanding of the community served. An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization's allocation of resources to effectively and efficiently fulfill its mission.

Nonprofits also have executive leadership which carries out the day-to-day operations of the organization, ensures financial and organizational sustainability, and provides adequate information to the board of directors. An organization's human resource policies should address both paid employees and volunteers and should be fair, establish clear expectations, and provide meaningful and effective performance evaluation.

A. LEADERSHIP AND GOVERNANCE

(1) GOVERNANCE AND FIDUCIARY RESPONSIBILITY

1. (a) The board should be composed of individuals who are personally committed to the mission of the organization and who understand their role as fiduciaries in performing the legal duties of a governing body.

(b) Board members should understand their duties of loyalty, care, compliance and fiscal accountability.

(c) The board should establish and periodically review the bylaws and policies to ensure the effective governance and management of the organization

(2) EXECUTIVE SUPERVISION, PERFORMANCE, AND COMPENSATION

2. (a) The board should appoint the chief executive, set the executive's compensation, and annually evaluate the executive's performance. In cases where a designated committee performs one of these responsibilities, the decision should be ratified by the full board.

(b) The board is responsible for supporting the functions of the executive, granting sufficient authority, and helping to ensure his or her success in managing the organization.

(3) BOARD EFFECTIVENESS

3. (a) The board is responsible for its own operations, including periodic (i.e., at least once every two years) evaluation of its own performance.

(b) The board should have stated performance expectations and hold board members accountable for attendance at meetings, participation in fundraising activities, committee service, and involvement in program activities.

(c) The board should establish a rigorous board development strategy for recruiting and selecting new members and ensuring that the board has an appropriate mix of talent, connections to the community, and diversity.

(d) Board policies should include limits on the number of consecutive terms a board member may serve.

(e) The board is responsible for the orientation, education, and (where appropriate) the removal of board members. New board members should receive an introduction to the Standards for Excellence code.

(4) SUCCESSION PLANNING AND TALENT MANAGEMENT

4. (a) The board, in partnership with the executive, should engage in coordinated succession planning and leadership development to ensure a thorough process for recruiting and developing new board, executive, staff, and volunteer leaders.

(5) BOARD MEMBER INDEPENDENCE

5. (a) Board members of public charities should serve without compensation for their service as board members. They may be provided reasonable reimbursement for expenses directly related to performing their board service.

(b) The board should have no fewer than five (5) independent and unrelated directors. Seven (7) or more directors are preferable.

(c) Where an employee of the organization is a voting member of the board, the board is responsible for ensuring that the employee will not be in a position to exercise undue influence.

(6) BOARD MEETINGS

6. (a) 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.
- (b) Board agendas should be strategically structured around decision-making in a way that facilitates efficient, effective, and engaging meetings. Accurate minutes reflecting board and committee actions should be kept and distributed to all board and committee members.
- (c) Committees with decision-making authority should report any committee actions or decisions to the full board. Those decisions must be reflected in the board minutes.

B. LEADERSHIP AND OPERATIONAL MANAGEMENT

(1) EXECUTIVE FUNCTIONS

1. (a) The executive is responsible for the day-to-day management and operations of the organization. The executive should be committed to the mission of the organization and have the skills necessary to manage the paid and volunteer talent, and financial resources of the organization.

(2) SUPPORTING THE BOARD

2. (a) The executive should support the board's policy and oversight function by providing accurate and timely information and resources to the board.
- (b) The executive should periodically prepare for the board an overview of the compensation structure of the organization and the value of volunteer investments in the organization.

(3) ORGANIZATIONAL AND FINANCIAL SUSTAINABILITY

3. (a) The executive should consider what human (staff) and financial resources are necessary for organizational sustainability and mission fulfillment. The executive should also assist the board in planning for the organization's future.

(4) MANAGING EMPLOYEES AND VOLUNTEERS

- 4.(a) Staff and volunteers should be recruited, screened (including background checks if applicable), selected, trained, supervised, evaluated, and recognized appropriately. Staff and volunteers should be oriented to their positions, the organization, and the Standards for Excellence code, and should be provided with appropriate professional development opportunities.

C. CULTURAL COMPETENCY

1. A nonprofit's leadership should ensure that the organization has a policy, plan, or strategies in place that enables the organization to effectively serve and interact with people it serves, taking into account different cultures and backgrounds.

Legal Compliance and Ethics

Nonprofits enjoy the public's trust, and as such, must comply with a diverse array of legal and regulatory requirements. Organizations should conduct periodic training and reviews to address regulatory and fiduciary obligations. One of leadership's fundamental responsibilities is to ensure that the organization governs and operates in a legal and ethical manner. Fostering exemplary conduct is one of the most effective means of developing internal and external trust, as well as preventing misconduct. Moreover, to honor the trust that the public has given them, nonprofits have an obligation to go beyond legal requirements and embrace the highest ethical practices. Nonprofit board, staff, and volunteers must 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. In this way, ethics and compliance reinforce each other.

A. MAINTAINING LEGAL COMPLIANCE

1. Nonprofits must be aware of and comply with all applicable federal, state, and local laws. This may include, but is not limited to complying with laws and regulations related to IRS filing requirements, governance, human resources, licensing, financial accountability, taxation, valuation of in-kind gifts, unrelated business income, document retention and destruction, related entities, data security, accessibility, fundraising, lobbying, and advocacy.
2. Nonprofits should periodically conduct an internal review of the organization's compliance with known existing legal, regulatory, and financial reporting requirements, and should provide a summary of the results to the board of directors.

B. REQUIRED PUBLIC DISCLOSURES

1. Nonprofits should have at least one designated representative who is responsible for ensuring that the organization is complying with both the letter and the spirit of federal and state laws that require disclosure of information to the public.

C. REPORTING MISCONDUCT AND WHISTLEBLOWER PROTECTION

1. Organizations must provide employees, board members, and volunteers a confidential means to report suspected misconduct, impropriety, or misuse of organizational resources. Organizations should have in place a policy prohibiting retaliation against persons reporting improprieties.

D. CONFLICTS OF INTEREST

1. Nonprofits should have a written conflict of interest policy and statement. These should be applicable to board members and staff, as well as volunteers who have significant, independent decision-making authority regarding the resources of the organization. The policy and statement should be reviewed at the time of an individual's initial affiliation with the organization and at least annually thereafter.

(a) The conflict of interest 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) Each board member, employee and, volunteer should complete and sign annually the conflict of interest statement, which provides space to disclose any known interests that the individual, or a member of the individual's immediate family, has in any business entity which transacts business with the organization or other situation which could give rise to a conflict or appearance of a conflict.

E. ETHICS

(1) Nonprofits should ensure that they have an explicit and clear set of ethical principles and, as appropriate, operational or program standards that have been discussed by their board and staff and that are transparent and clear to all stakeholders.

(2) In rendering its programs or services, a nonprofit should act with the utmost professionalism and treat persons served with respect.

(3) Nonprofits should provide an effective procedure for problem solving or reporting grievances, including but not limited to, legal and ethical misconduct by the organization's employees and volunteers. The procedure should include actions for addressing and resolving complaints effectively.

(4) Nonprofits should have policies in place that protect the confidentiality and privacy of personal information.

Finance and Operations

Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and non-financial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems.

A. FINANCIAL BUDGETING, REPORTING, AND MONITORING

(1) The board should annually approve the organization's budget and the organization should be operated in accordance with this budget.

(2) The organization should periodically assess the organization's financial performance in relation to the budget. A nonprofit should create and maintain reports on a timely basis that accurately reflect the financial activity of the organization. Internal financial statements should be prepared at least 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) The board should annually review the percentage of the organization's resources spent on programs, administration, and fundraising.

(4) For nonprofits with average annual revenue in excess of \$500,000, the annual financial statements should be subject to audit by a Certified Public Accountant. The board should hire the auditor. The full board should approve the audited financial statements and receive a copy of the management letter (if any). The board should monitor the implementation of the recommendations of the management letter, if applicable.

B. INTERNAL CONTROLS AND FINANCIAL POLICIES

(1) Nonprofits should have written financial policies that are adequate for the size and complexity of the organization. These policies should address investment of the assets of the organization, internal controls, purchasing, and unrestricted current net assets.

C. PERSONNEL

(1) A nonprofit should adopt written, board-approved personnel policies and procedures that govern the work, employment and conduct of employees and volunteers in the organization. Personnel policies are to comply with all applicable employment laws and regulations, and cover the terms and conditions of employment with the nonprofit in matters covering, but not limited to: equal employment opportunity and diversity, performance expectations and evaluations, employee conduct and work rules, communications, hiring processes including job references, criminal background checks and drug testing, new employee orientation processes; staff training and development; sexual, racial and other forms of harassment, workplace ethics. Likewise, confidentiality of client, employee and organizational records and information; safety and health, drug and alcohol policies and testing, use of computers and social networking, compensation and overtime, expense terms and reimbursement, benefits and leaves; discipline, layoffs and resignations, grievance resolution procedures and other policies must also be covered within the organization's personnel policies.

(2) A nonprofit should also adopt policies for its volunteers that establish the terms and conditions of volunteer service, including volunteer appointments, selection, orientation/training, supervision, evaluation, and opportunities for advancement. Volunteer policies may appropriately include some policies that are also applicable to paid employees, such as harassment and non-discrimination, safety and health, drug and alcohol testing and other policies applicable to both volunteers and employees, but should exclude policies solely applicable to paid employment, such as benefits, paid leaves and other policies.

a) Nonprofits should establish a process for upholding all current state and federal laws, regulations, and human resources practices. Policies for both employees and volunteers should be regularly updated.

b) Nonprofits should adopt a process for creating and retaining documentation such that the personnel policy manual and any newly adopted or revised policies have been reviewed and understood by each new and current employee. Likewise, nonprofits should adopt a similar process for retaining policy review and understanding documentation for each current and new volunteer.

D. ADMINISTRATIVE POLICIES

(1) A nonprofit should have written, board-approved administrative policies that are periodically reviewed by the board. These policies should address issues such as: information technology, crisis and disaster planning, and communications, and social media.

E. RISK MANAGEMENT AND INSURANCE

(1) Organizations should make every effort to reduce risk and periodically assess the need for insurance coverage in light of the organization's activities and its financial capacity. A decision to forego general liability insurance coverage or Directors and Officers liability insurance coverage should only be made by the board of directors and should be reflected in the minutes for the meeting at which the decision was made.

Resource Development

The responsibility for resource development is shared by board and staff. Nonprofit organizations depend on an array of sources of financial support. An organization's resource development program should be maintained on a foundation of truthfulness and responsible stewardship. Its resource development policies should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors, prospective donors, and others providing resources to the organization.

A. RESOURCE PLAN

(1) Nonprofits should have a resource development plan in place. The plan should outline a framework for ensuring appropriate financial resources for the organization, and a reasonable process to evaluate cost effectiveness of all resource development activities. Ideally, the resource development plan should include all diversified income sources to avoid dependence on a single source. The resource development plan should be board-approved, regularly reviewed, and in accordance with the organization's budget.

(2) 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 accounted for as fundraising costs. 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 their organization.

B. SOURCES OF INCOME

(1) When determining what types of income sources are pursued by a nonprofit to meet its mission, the organization should carefully consider their impact on the population served, its demographics, and overall mission alignment. The organization should also assess these sources of income for feasibility and any associated risk.

C. DEVELOPMENT ACTIVITIES

(1) Solicitation and promotion materials should be accurate and truthful and should correctly identify the organization, its mission, and the intended use of the solicited funds.

(2) All statements made by the nonprofit in its fundraising appeals about the use of a contribution should be honored.

(3) 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.

D. DONOR RELATIONSHIPS AND PRIVACY

(1) Nonprofits should respect the donor's right to determine how their name and contact information is used, including providing opportunities to: remain anonymous; request that the organization curtail repeated mailings or telephone solicitations from in-house lists; and have their names removed from any mailing lists which are sold, rented, or exchanged.

(2) Nonprofits must honor the known intentions of a donor regarding the use of donated funds.

E. ACCEPTANCE OF GIFTS

(1) An organization should have policies in place to govern the acceptance and disposition of charitable or in-kind 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.

(2) Valuation of goods donated and in-kind services received are recorded in the financial reports of the organization following IRS and GAAP guidelines. Among the key concepts used for valuing goods and services received are the market value at the time of receipt placing particular emphasis in identifying goods and services that enhance the value of the organization.

F. FUNDRAISING ON BEHALF OF THE ORGANIZATION

(1) Resource development 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 consultants who are properly registered with the appropriate state authorities.

(3) Organizations should exercise control over any staff, volunteers, consultants, contactors, other organizations, or businesses who are known to be soliciting contributions on behalf of the organization.

Public Awareness, Engagement, and Advocacy

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 stakeholders to participate in the public affairs of the community. When appropriate to advance the organization's mission, nonprofits should engage in promoting public participation in community affairs and elections. As such, they should communicate in an effective manner to educate, inform, and engage the public.

A. EDUCATING AND ENGAGING THE PUBLIC

(1) Information about the organization's mission, program activities, finances, board members, and staff must be easily accessible, accurate, and timely (i.e., updated at least annually).

(2) Nonprofits should provide a meaningful opportunity for the public to communicate with a representative of the organization.

(3) Nonprofits should assure that any educational or advocacy information provided to the media, policy-makers, or distributed broadly is factually accurate and provides sufficient contextual information to be understood.

B. ADVANCING THE MISSION THROUGH PUBLIC POLICY AND ADVOCACY

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

(2) Working independently and in partnership, nonprofits should strive to influence public policies that affect the organization's ability to achieve its mission.

C. LOBBYING AND POLITICAL ACTIVITY

(1) In promoting public participation in community affairs, charitable nonprofits must be diligent in assuring they do not participate or intervene in any political campaign on behalf of or in opposition to any candidate for public office.