

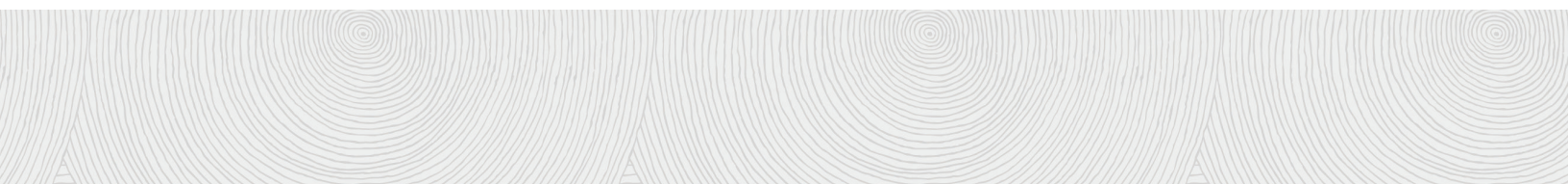



## ***Accountability Standards®***

Charities Review Council is building donor and nonprofit relationships for strong, vibrant and just communities.

The Accountability Standards® are at the heart of our mission; with them, we're building a culture of philanthropy where donors and nonprofits are engaged partners, working together for stronger communities.

The Accountability Standards® are co-created benchmarks of nonprofit governance, finances, fundraising, and public communication, representing a balance of nonprofit sector promising practices, public expectations, and legal requirements.



## Build Strength with the Accountability Wizard®

Based on the Accountability Standards®, the Accountability Wizard® is the Council's innovative and educational online assessment tool for nonprofit capacity-building. The Accountability Wizard® review process provides a risk-free environment for nonprofits to align their governance and management practices, policies and procedures with co-created standards of nonprofit strength.

The Council works one-on-one with nonprofit organizations, providing robust resources, technical assistance, and non-judgmental support throughout the process. Upon completing the review process and meeting all 25 Accountability Standards®, the organization can use the Meets Standards® Seal, a visual marker of nonprofit strength.

Organizations who Meet Standards® not only receive the Meets Standards® Seal, but also join the Council's list of strong and trusted nonprofits. These nonprofits are listed on our website, in our semiannual print publication The Smart Giver Newsletter, in our monthly E-Newsletter, celebrated on social media, and recommended to donors via phone and email inquiries.

To learn more about the Accountability Wizard® nonprofit review process, go to **SmartGivers.org**.



## Understanding the Accountability Standards®



### NONPROFIT SECTOR PRACTICES

Over time, the nonprofit sector has developed shared expectations, promising practices, and knowledge in the areas of governance, management, programming, and fundraising. These practices go beyond legal and regulatory requirements, and are reflected in the standards that share this icon.



### DONOR AND PUBLIC EXPECTATIONS

Donors and the public expect nonprofits to conduct business in a way that honors their mission, their supporters, and their role as stewards of the resources they are trusted with. Standards that reflect donor and public expectations share this icon.



### LEGAL AND REGULATORY ADHERENCE

Nonprofits must be aware of, and adhere to, local, municipal, state, and federal level regulations and legal requirements. Standards that reflect laws and regulations share this icon.



### IRS FORM 990

Some standards contain information required by an organization's IRS form 990. Those Standards share this icon.

## How the Accountability Standards® Work

The Accountability Standards® are co-created benchmarks of nonprofit governance, finances, fundraising, and public communication, representing the shared expectations between donors and nonprofits. The Standards serve as the starting place for conversation and relationship. With them, donors and nonprofits can come together in new and authentic ways.

## Co-Created by Donors & Nonprofits

Community input is a critical component in the creation of the Accountability Standards®. During each review of the Accountability Standards®, the Council ensures that a broad spectrum of nonprofit leaders, donors, funders, and subject-matter experts are engaged. The Council is committed to continuously improving and building shared agreement about which Standards are important to the nonprofit and philanthropic sector, and which Standards lead to true strength and impact.

We welcome your feedback and participation in future reviews of the Accountability Standards®. The process involves research, evaluation, and gathering community input. To join the Standards Review Committee, email **info@smartgivers.org** or call **651-224-7030**.

## ► PUBLIC DISCLOSURE

### *Annual Report & Communication*

#### PHILOSOPHY

Transparency and regular communication about a nonprofit's mission and accomplishments help donors make informed decisions, which leads to greater opportunity and community engagement.

#### STANDARD

Annually, the nonprofit will keep the following information available to the public via its website and/or a written report:

- Mission statement
- Definition of geography and populations served
- Description of each major program with related accomplishments
- Description of outstanding outcomes and/or significant unexpected events/incidents
- List of the Board of Directors
- List of key employees/volunteer staff
- Financial information including:
  - Balance sheet (with liabilities and assets)
  - Income statement (with income and expenses)
  - Functional expense allocation
  - Total expense for each major program

### *Impact on the Community*

#### PHILOSOPHY

By evaluating program goals and measuring progress toward achieving stated goals, donors can determine how well a nonprofit's goals and objectives align with their giving philosophy.

#### STANDARD

The nonprofit will make available its accomplishments from the previous year and goals for the current year in alignment with its mission and community impact.

### *Financial Transparency*

#### PHILOSOPHY

Public disclosure of financial information demonstrates a nonprofit's commitment to transparency that allows donors and potential partners to see that an organization is committed to building trust.

#### STANDARD

The nonprofit will publicly disclose their financial information, as required by the Annual Report & Communication and Legal Compliance Standards. If its revenues exceed \$750,000, the nonprofit will conduct an independent audit of its finances and receive an unqualified opinion.

### *Legal Compliance*

#### PHILOSOPHY

A nonprofit's commitment to comply with relevant laws and regulations establishes an important first step with donors, by promising to protect their assets, honor intent, and establish trust in the communities they serve.

#### STANDARD

The nonprofit will comply with federal and state laws and regulations. Examples of this include:

- Maintaining a board-approved Document Retention Policy that outlines clear timelines for retaining governing, legal, audit and financial documents, as well as destruction requirements once documents have exceeded their retention period,
- Registering to solicit with the Attorney General in any state where required,
- Providing donors with written acknowledgment letters as required by law,
- Providing public documents (such as the IRS Form 990, IRS Form 1023/24, and IRS Determination Letter) upon request,
- Adhering to the regulations on political campaign activities.

NOTE: If operating internationally, the nonprofit will comply with international laws (e.g. the General Data Protection Regulation, GDPR).



## GOVERNANCE

### **Monitoring Mission and Strategy**

#### PHILOSOPHY

Regular board member reviews of the nonprofit's mission and strategy assure both donors and partners that a nonprofit's finances are used responsibly and that the strategy is consistent with accomplishing its mission.

#### STANDARD

Annually, the Board of Directors will review the nonprofit's mission and supporting strategies, which connect to a longer-term plan that clarifies program effectiveness and community impact.

### **Governing Document Review**

#### PHILOSOPHY

The governing documents of a nonprofit formalize many of the policies, procedures, and structures that demonstrate effective governance. By regularly reviewing the organization's governing documents, a board assures relevance and alignment with current practices.

#### STANDARD

Every three years, the Board of Directors will review the nonprofit's bylaws and organizational policies.

### **Diversity, Equity, and Inclusion**

#### PHILOSOPHY

Nonprofits are stronger when they include a variety of experiences, perspectives, and skills, and utilize practices that nurture creativity and equity.

Diversity includes many dimensions, including but not limited to race, ethnicity, age, gender, cultural traditions, religion, sexual orientation, mental or physical ability, educational background, socioeconomic status, work experience, and so on. Being representative and inclusive of the population identified by a nonprofit's mission is key to maintaining public trust.

Nonprofits should build equity on every level and within every facet of their organization.

#### STANDARD

Every three years, the nonprofit's board and key staff will:

- Collect information about its participants, volunteers, vendors, staff, partners, board, practices, and programs,
- Review (in a documented conversation) the collected information and ensure the organization itself and the strategies it uses are reflective of who it serves, and
- Identify related goals, opportunities, gaps, and progress around diversity, equity, and inclusion efforts.

### **Board Orientation and Assessment**

#### PHILOSOPHY

An effective Board of Directors is engaged in the nonprofit's mission and possesses a sound knowledge and understanding of its operations and finances. It is committed to assessing and improving its capacity to govern.

#### STANDARD

The nonprofit will provide an orientation to new board members within one year of an initial election that includes a review of board roles and responsibilities.

Additionally, the board will conduct an annual self-assessment to ensure its effectiveness and capacity to govern.

### **Board Length of Service**

#### PHILOSOPHY

A well-governed nonprofit provides a way to recruit members with new and different expertise and allows for greater participation by the communities it serves.

#### STANDARD

Each board member will serve for no more than five years without standing for re-election. The organization's bylaws will set a limit on the number of consecutive terms a board member can serve.

### **Board Meetings**

#### PHILOSOPHY

A nonprofit's board is responsible for the organization's mission and programs. It is important that a board meets regularly to assure that members can make informed decisions.

#### STANDARD

The board of directors will meet at least four times each year while:

- Maintaining a quorum at each meeting, and
- Taking written minutes for each board meeting

### **Conflict of Interest Policy**

#### PHILOSOPHY

Conflict of Interests within a nonprofit can cause real or perceived public, financial and legal issues. A board's deliberations should be independent and free of bias from directors or key employees who have or may be perceived to have financially benefited from the outcome and to foster inclusive management practices.

## STANDARD

The nonprofit will consistently address director, officer, and key employee conflicts of interest in all facets of the organization by maintaining a board-approved policy that:

- Defines a conflicted relationship or transaction,
- Requires full disclosure when conflicts arise,
- Prohibits an interested party from approving or voting on a conflicted transaction,
- Requires annual written disclosure of real or perceived conflicts, and
- Is consistently enforced.

Additionally, the nonprofit will not provide loans to or relieve debts of any of its directors.

## *Separation of Roles*

### PHILOSOPHY

The ability of a board and its officers to act independently is compromised when key officer positions are simultaneously held by the same person and/or there is too great a presence of paid staff on the board.

## STANDARD

It is important that a board of directors is free of real or perceived conflicts of interest. For that reason,

- Only one paid staff member will serve on the board at any given time,
- Paid staff members will not serve as the board chair, and
- No board member will simultaneously serve as both the board chair and board treasurer.

## *Voluntary Board Service*

### PHILOSOPHY

With public trust and transparency in mind, board members will serve voluntarily, not receiving compensation or payment for board service.

## STANDARD

The nonprofit will not compensate board members for board service other than reimbursement of reasonable and accountable expenses directly related to their board service.

## *Chief Executive Assessment & Compensation*



### PHILOSOPHY

An important duty of a nonprofit's board includes regular discussion of the chief executive's goals and compensation. Annual goal setting and year-end assessments against

the goals establishes trust and understanding and identifies strengths and areas of opportunity in leadership development. Likewise, it builds public trust to assure that compensation decisions are carefully considered, and that pay is reasonable.

## STANDARD

Annually, the Board of Directors will set performance goals with the Chief Executive, (whether paid or unpaid). The Board of Directors will set goals for itself if there is no acting Chief Executive.

Additionally, the Board, or a committee to which it has delegated compensation authority, will obtain and review compensation data for comparable positions and consider whether the compensation is reasonable. This conversation will be documented in board or committee meeting minutes.

Note: Only individuals free of a conflict of interest in the compensation decision may participate in the discussion.

## *Federal Tax Filing Review*

### PHILOSOPHY

A nonprofit's success starts with its leadership. When a board takes responsibility for the accuracy and transparency of a nonprofit's annual financial filing, nonprofits showcase their strength.

## STANDARD

The board will conduct an annual review of the complete IRS Form 990 and all attachments within one year of its completion.

## *Whistleblower Policy*

### PHILOSOPHY

To demonstrate accountability to donors and constituents and to prevent abuse, a nonprofit should provide a means for reporting on perceived or possible illegal practices or violations of organizational policies.

## STANDARD

The nonprofit maintains a board-approved policy that:

- Communicates procedures for the reporting and investigation of complaints about perceived or possible illegalities, questionable practices, or policy violations,
- Provides for the confidentiality of the individual who reports the complaint,
- Protects the reporting individual from retaliation by the organization, and
- Allows staff to go directly to the board with any concerns that are within the board's purview.

## ▶ FINANCIAL ACTIVITY

### **Board Fiduciary Oversight**

#### PHILOSOPHY

Quarterly reporting and two-way board communication around financials creates important dialog between the governing board and the nonprofit, allowing for better financial management and a future of greater possibilities.

#### STANDARD

The Board of Directors will approve an operating budget (or draft budget) before the end of the first month of the fiscal year.

The Board of Directors will review quarterly financial reports that compare actual to budgeted revenue and expenses.

### **Use of Funds**

#### PHILOSOPHY

Strong nonprofits strive to efficiently and effectively use funds to achieve their mission while investing in infrastructure, administrative capacity, and the communities they serve.

The Council recognizes that the optimal balance point between program, administrative, and fundraising expenses will be different for every nonprofit.

#### STANDARD

65% or more of the nonprofit's three-year average annual expenses will be used to directly support programming. The Board of Directors will monitor this ratio and make adjustments to achieve the optimal balance for their organization.

65–70% — Meets Standard, provides an explanation

70–90% — Meets Standard, no explanation needed

90–100% — Meets Standard, provides an explanation

### **Financial Health Management**

#### PHILOSOPHY

Successful nonprofits navigate through different kinds of economic circumstances and demonstrate healthy financial management to donors.

#### STANDARD

The nonprofit will manage revenue and expenses to demonstrate financial sustainability including:

- Having positive unrestricted net assets at the end of the most recently completed fiscal year, and

- Demonstrating a surplus, or a deficit no greater than -5%, of unrestricted net assets for at least one of the three most recently completed fiscal years.

### **Balanced Reserves**

#### PHILOSOPHY

While a nonprofit should maintain a reasonable level of cash to safeguard against unexpected financial challenges, maintaining excess unrestricted reserves indicates a nonprofit is not maximizing the use of its resources in pursuit of its charitable mission. In such cases, it may not be appropriate to continue soliciting from the public unless it is clear that donations could be held in reserve.

#### STANDARD

The nonprofit's unrestricted net assets (for current use) will not be more than three times the current or next year's budgeted operating expenses.

### **Expense Reimbursement Policy**

#### PHILOSOPHY

Well-written policies help promote transparency within a nonprofit, especially when it comes to all administrative expenses, including travel and entertainment.

#### STANDARD

The nonprofit will maintain a board-approved policy, applicable to both board and staff, that describes acceptable expenses while setting reasonable limits and procedures for reimbursement, including if board members are not reimbursed.

# FUNDRAISING

## **Fundraising Disclosures**

### PHILOSOPHY

The future of equitable, successful philanthropy depends on strong donor–nonprofit relationships. Fundraising should always be honest and voluntary.

### STANDARD

A nonprofit’s print, email, and electronic solicitations will include:

- The purpose or programs for which the contributed funds will be used,
- Tax-deductibility language, and
- The name and address or phone number of the nonprofit.

## **Donor Financial Information Security**

### PHILOSOPHY

By protecting the personal and financial information of donors, nonprofits build trust with their supporters and community.

### STANDARD

Donor financial information is kept safe through established internal controls and secure methods of online giving (if applicable).

## **Donor Privacy**

### PHILOSOPHY

By protecting the privacy of donor information, a nonprofit fosters deeper communication and forges greater public trust.

### STANDARD

By request or on its website, a nonprofit will provide a donor privacy policy that describes:

- What donor information is collected,
- How donor information is collected,
- How that donor information is used by the organization, and
- How to contact the organization in order to edit their information.

Additionally, the policy will allow donors to opt out of making their private information publicly available or shared.

Nonprofits will have a board-approved discontinue contact policy allowing donors to opt out of receiving further communications from the organization, by oral or written request.

## **Soliciting Practices**

### PHILOSOPHY

By engaging in transparent soliciting practices, nonprofits can foster trust, create stronger relationships, and connect more deeply with donors.

### STANDARD

Solicitors who are not staff or volunteers of the nonprofit will:

- Identify themselves as professional fundraisers in each solicitation,
- State the name and location by city and state of the charitable organization he/she is soliciting for,
- Declare the tax-deductibility of the contribution,
- Describe the charitable program or purpose for which the solicited funds will be used.

Nonprofits will have both a signed contract with the professional fundraiser hired and proof of that fundraiser’s current and active registration with the Attorney General (in any states where required).

Additionally, when nonprofits engage in cause-related marketing, both the nonprofit and its for-profit partner will clearly state the amount being contributed to the nonprofit in promotional materials.



## ***Thank You, Standards Review Committee!***

Thank you to all who participated in the 2018 review of the Accountability Standards®. Your dedication of time, talent, and treasure made this process possible.

## ***Interested in participating in the Standards Review Committee in the future?***

Email [info@smartgivers.org](mailto:info@smartgivers.org) or call 651-224-7030.

