Charities Review Council
resources for smart givers

ACCOUNTABILITY STANDARDS

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PUBLIC DISCLOSURE

Public Information and Annual Reporting

Philosophy

Nonprofits that provide information to prospective donors and other constituents promote informed and responsible philanthropy. Donors are better able to make decisions when they can learn a nonprofit's purpose, who governs it, how it manages its financial resources, whom the nonprofit serves, and what progress it has made toward achieving its mission.

Standard

The nonprofit complies with the legal requirements for public disclosure of the following:

- Three years of IRS Form 990, 990-EZ or 990T;
- IRS Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

The nonprofit also provides the following information on an annual basis:

- Mission statement;
- A list of the Board of Directors;
- Annual financial statements, prepared in conformance with Generally Accepted Accounting Principles (GAAP);
- A summary of the total cost of each major program and the nonprofit's fundraising and administrative costs, as defined by either GAAP or IRS guidance for completing IRS Form 990;
- Descriptions of its programs, activities and accomplishments in relation to its mission for at least the most recent fiscal year;
- Description of the communities or populations and geographic area served.

If the nonprofit has a website, it also includes the above information, preferably in one place.

Impact on the Community

Philosophy

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

Standard

The nonprofit describes on an annual basis, using specific objective information, its accomplishments in the previous year in relation to its mission and its community impact. The nonprofit also states its goals for the current year.

Financial Transparency

Philosophy

Public disclosure of financial information demonstrates a nonprofit's commitment to transparency that builds public trust.

Standard

The nonprofit is independently audited as required by state law and receives an unqualified opinion. If the nonprofit operates in a state without applicable laws, it nevertheless has an annual independent audit if its revenues exceeded $750,000.

Legal Compliance

Philosophy
To uphold the public's trust, a nonprofit should comply with relevant federal and state laws and regulations. This is essential to protect assets and safeguard the public against fraud.

Standard
For the previous three years (including the year under review), the nonprofit has not violated any federal law or state law where it is registered to raise funds. If the nonprofit raises funds outside of its home state, it monitors and ensures compliance with the other states' charitable registration laws.

GOVERNANCE

Monitoring Mission and Strategy

Philosophy
A nonprofit board is responsible for determining and monitoring the mission of the organization and the strategy that supports it. Regular reviews of the nonprofit's mission and strategy assure that resources are used responsibly and that the strategy is consistent with accomplishing its mission.

Standard
The Board of Directors at least annually reviews the nonprofit's mission and supporting strategies, which connect to a longer-term plan that reviews 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
The Board of Directors reviews the nonprofit's bylaws and other governing documents at least every three years.

Diversity and Inclusivity

Philosophy
The nonprofit sector plays a unique and critical role in our society, including providing an avenue for individual involvement to better society and offering equal access to opportunity and services. As such, an inclusive nonprofit seeks and embraces diversity in all its forms and is responsive to the changing demographics of the larger society. By striving to be diverse and inclusive, a nonprofit strengthens its ability to achieve its mission by bringing together individuals with varied experiences, perspectives and skills.

Standard
The nonprofit completes a written assessment to:

- Identify the community and constituents served by the organization in meeting its mission;
- Evaluate whether the composition of the organization (including, for example, board, staff, volunteers, donors, vendors and partners) reflects the diversity of the community it serves.

Using the written assessment, the nonprofit determines how it can best serve the broadest possible constituency given the organization's mission.

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. A process to orient and to assess the board's effectiveness is important to a nonprofit's success. A nonprofit should plan for the future and regularly use board evaluation tools to plan and manage succession and assess capacity and expertise to govern effectively.

Standard

The nonprofit provides an orientation to new board members within one year of initial election that includes a review of board roles and responsibilities. In addition, the board annually assesses its effectiveness and capacity to govern.

Board Length of Service

Philosophy

A well-governed nonprofit uses a deliberate board nominating process that does not perpetuate the status quo. This provides a way to recruit members with new and different expertise, as circumstances change, and allows for greater participation by the communities served.

Standard

No elected voting member of the board serves for more than five years without standing for re-election. Organizational bylaws set a certain number of consecutive terms that can be held by a board member or provide for a limit on the number of consecutive years served.

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 it is able to make informed decisions.

Standard

The Board of Directors meets at least four times per fiscal year with a quorum, and maintains written minutes for each board meeting and each meeting of any committee with authority to act on behalf of the board.

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 there is too great a presence of paid staff on the board.

Standard

Not more than one voting member of the board is a paid staff person of the nonprofit. No paid staff person serves as board chair, and no board member serves as both board chair and treasurer simultaneously.

Voluntary Board Service

Philosophy

Voluntary board service affirms that the nonprofit exists to provide a public good and not to personally benefit an individual or group of individuals outside the scope of its mission. Most donors and nonprofits expect that board members will serve without compensation. A nonprofit also should take steps to ensure that any expense reimbursements for board service are reasonable.

Standard

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

Chief Executive Assessment & Compensation

Philosophy

An important duty of a nonprofit's board includes regular discussion of chief executive goals and setting the annual compensation of the chief executive. 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

The Board of Directors annually sets performance goals with the chief executive or management company and assesses the individual or management company against those goals and other relevant criteria. The board, or a committee to which it has delegated compensation authority, obtains and reviews compensation data for comparable positions and considers whether the compensation is reasonable. Only individuals free of a conflict of interest in the compensation decision may participate. The compensation deliberations are documented in meeting minutes.

Federal Tax Filing Review

Philosophy

The board should take responsibility for the accuracy and transparency of a nonprofit's annual financial filing.

Standard

The board conducts a timely review of the complete IRS Form 990 and all attachments.

Conflict of Interest Policy

Philosophy

A board's deliberations should be independent and free of bias from board members or key employees who may have a personal interest in the outcome.

Standard

The nonprofit addresses director, officer and key employee conflicts of interest through a written policy that prohibits an interested party from approving or voting on a conflicted transaction and requires annual disclosure of potential conflicts. The nonprofit consistently enforces compliance with the policy.

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 policy and communicates procedures for the reporting and investigation of complaints about perceived or possible illegalities, questionable practices or policy violations. The policy provides for the confidentiality of the individual who reports the complaint and protects him/her from retaliation by the organization.

Document Retention Policy

Philosophy

Proper protection and destruction of important organizational documents is symbolic of a nonprofit's dedication to governance and accountability. A nonprofit should ensure that its document retention practices comply with legal requirements.

Standard

The nonprofit maintains a policy describing the retention and destruction requirements for its key governing, legal audit and financial documents.

FINANCIAL ACTIVITY

Board Fiduciary Oversight

Philosophy
A governing board is responsible and accountable for the financial management of the nonprofit.

Standard
The Board of Directors approves an operating budget prior to the beginning of each fiscal year and receives financial reports, at least quarterly, comparing actual to budgeted revenue and expenses.

Use of Funds

Philosophy
A nonprofit should strive to efficiently and effectively use funds to achieve its mission, balancing the need to expend the majority of its funds on current programs with the need to invest in the infrastructure and administrative capacity necessary to carry out its mission over the long-term.

The Council recognizes that there is no optimal balance point between program, administrative and fundraising expenses for all nonprofit organizations.

Standard
At least 65% of the nonprofit's three-year average annual expenses are used to directly support programming (ideal range is 70% to 90%). On an annual basis the board monitors this ratio and, if necessary, develops a plan to address any shortage of investment in programs, infrastructure or administrative capacity.

Range
65-70% - Meets standard, provides explanation
70-90% - Meets standard, no explanation needed
90-100% - Meets standard, provides explanation

Financial Health

Philosophy
A nonprofit should use its resources prudently and maintain a healthy financial picture, including positive unrestricted net assets, which is a leading indicator of financial health. When making a contribution, donors want to know that the organization has the financial strength to pursue its mission on a long-term basis.

Standard
The nonprofit organization:

- Has a gain in unrestricted net assets at least once in the three most recently completed fiscal years;
- Has a positive balance of unrestricted net assets (for current use) at the end of the most recently completed fiscal year.

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
Unrestricted net assets (for current use) are not more than three times the current or next year's budgeted operating expenses.

Prohibition of Loans

Philosophy
The financial resources raised and invested by a nonprofit should be used only in support of its mission and not any other purpose. Thus a nonprofit should not provide loans to directors or officers, even if it is legally acceptable.

Standard
The nonprofit neither provides loans or loan guarantees nor relieves a debt or lease obligation for its directors or officers.

Travel and Entertainment Reimbursement Policy

Philosophy
Travel and entertainment expenses should serve a business purpose, be cost-effective, and be properly documented.

Standard
The nonprofit maintains a board and staff policy that describes acceptable travel and entertainment expenses, sets reasonable limits, and sets procedures for reimbursement.

FUNDRAISING

Fundraising Disclosures

Philosophy
The responsible actions of both donors and nonprofits promote and sustain a climate of giving. Fundraising methods therefore should be ethical and honest and encourage donors to give voluntarily, based on their interest and knowledge of the purpose, programs and achievements of a nonprofit. All information provided in connection with solicitations is accurate and not misleading.

Standard
Print, email and electronic solicitations identify the nonprofit that will receive the contribution and clearly describe the purpose or programs for which the contributed funds will be used. The donor also is provided with the address or phone number of the nonprofit.

Donor Financial Information Security

Philosophy
A nonprofit should protect the financial information of donors.

Standard
The nonprofit provides a secure environment for collecting donations and maintains internal controls governing the safekeeping of all confidential donor financial and personal information.

Donor Privacy

Philosophy
By protecting the privacy of donor information, a nonprofit helps build public trust.

Standard
The nonprofit provides a privacy policy on its website or by request that describes how donor information is collected and used. It allows donors to “opt-out” of making their private information available or shared. Also, the nonprofit has a board-approved discontinue contact policy guaranteeing that donors can be removed from solicitation and other mailing lists.

Soliciting Practices

Philosophy	*Standard*
Donors are entitled to know who is soliciting their gifts and what portion of their gifts a nonprofit will receive.	Solicitors who are not staff or volunteers of the nonprofit: • Identify themselves as professional fundraisers; • Upon request, provide the name and address of their employer or contracting party. If the nonprofit is engaged in cause-related marketing or its name is used in connection with an event or the sale or marketing of goods or services, upon request, the nonprofit or a person authorized by the nonprofit to use its name provides accurate information about the percentage of gross revenue that the nonprofit receives.