



GEORGIA CENTER
for NONPROFITS



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



Design: Paul Miller, *Freefall Design* illustrations: Andrew Higdon

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preamble

Georgia's nonprofit sector is committed to public service. All across the state, nonprofits are serving and meeting the needs of our citizens, improving the quality of life in our communities, and partnering with business and government to create a vibrant economy.



The success of nonprofit organizations depends on public confidence and broad public support. Recent studies on philanthropy in Georgia have shown that philanthropy and volunteerism are directly associated with the public's trust in nonprofit organizations. 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 Georgia Center for Nonprofits is committed to bolstering public confidence in and support for the nonprofit sector. To help Georgia's nonprofits demonstrate to their stakeholders and to the public that they are ethical and accountable in their operations, the Center has developed the *Georgia Standards for Excellence (Standards)*. Its three primary components are

(1) principles of good practice that establish specific benchmarks for effective, accountable conduct in nonprofit leadership, management, and operations;

- (2) an array of technical assistance resources—including educational materials, consulting and training—designed to help nonprofits achieve the standards; and
- (3) public education aimed at a broad audience to help stakeholders interested in the nonprofit sector understand the principles and standards.

Of course, nonprofit organizations must comply with applicable local, state, and federal laws. The *Georgia Standards for Excellence* builds on that foundation and goes a step further. Based on fundamental values—such as honesty, integrity, fairness, respect, trust, responsibility and accountability—the *Georgia Standards for Excellence* describes how nonprofits can act to be ethical and accountable in their program operations, governance, human resources, financial management and fund raising. The *Standards* provides eight guiding principles, along with 56 standards—more-detailed performance benchmarks that will enable nonprofits to strengthen their operations.

The Georgia Center for Nonprofits is committed to the *Georgia Standards for Excellence*. We have worked to build its broad acceptance through consensus-building meetings with government, foundation and nonprofit leaders throughout our state. Led by a national *Standards* advisory board, the Maryland Association of Nonprofit Organizations, and other state replication partners, the *Standards* is gaining national acceptance as well.

The *Georgia Standards for Excellence* is intended to describe how the best-managed and most responsibly governed organizations should and do operate. Center members, other nonprofit organizations and foundations in Georgia are strongly encouraged to pledge their commitment to the guiding principles and to work to achieve the standards. We will support these organizations through information, training and consulting.



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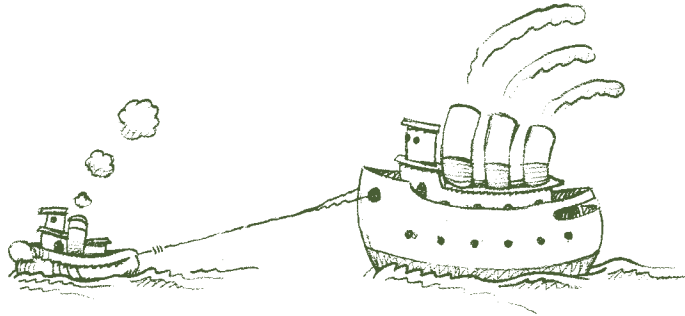
guiding principles

I. MISSION AND PROGRAM

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

II. GOVERNING BODY

A nonprofit is governed by an elected, volunteer board of directors that should consist of individuals who are committed to the mission of the organization. A nonprofit board should determine the mission of the organization; establish management policies and procedures; assure that adequate human resources (volunteer 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 in place policies to prevent actual, potential, or perceived conflicts of interest, and it should routinely and systematically implement those policies.

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 resources policies should address both paid employees and volunteers, be fair, establish clear expectations, and provide for meaningful and effective performance evaluation.

V. FINANCIAL MANAGEMENT AND LEGAL REQUIREMENTS

Nonprofits must practice sound financial management and comply with an 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 purposes with public support. As such, a nonprofit should provide the public with information about its 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. FUND RAISING

Charitable fund raising provides an important source of financial support for the work of most nonprofit organizations. An organization's fund-raising program should be maintained on a foundation of truthfulness and responsible stewardship. Its fund-raising 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

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

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 three to five years, to determine if the need for its programs continues to exist. The organization should evaluate whether its 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, they should be used to strengthen the effectiveness of the organization, and, when necessary, they should be used to make programmatic changes.

D. Program Service

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



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governing body

A nonprofit is governed by an elected, volunteer board of directors that should consist of individuals who are committed to the mission of the organization. A nonprofit board should determine the mission of the organization; establish management policies and procedures; assure that adequate human resources (volunteer 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.

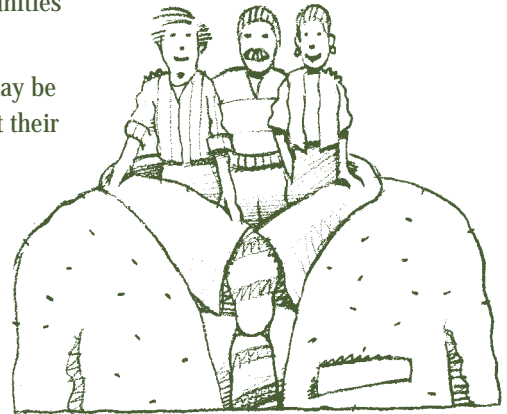
A. Board Responsibilities

- (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) Annually, the board should approve the organization's budget. Periodically, it should assess the organization's financial performance in relation to the budget. As part of the annual budgeting process, the board should review the percentages of the organization's resources spent on programs, administration, and fund raising. The full board should also approve the findings of the organization's annual audit and management letter and plan to implement the recommendations in the letter.
- (4) The full board or a designated committee of the board should hire the executive director, set the executive's compensation, and—at least annually—evaluate the executive director's performance. In cases where a designated committee performs these responsibilities, details should be reported to the full board.
- (5) The board should periodically review the appropriateness of the overall compensation structure of the organization.



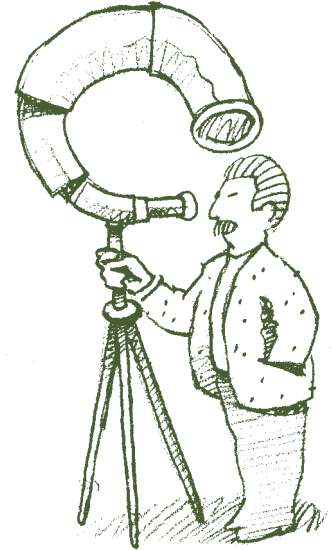
B. Board Composition

- (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 lead the organization.
- (2) If an employee of the organization is a voting member of the board, the circumstances must ensure that the employee will not be in a position to exercise undue influence.
- (3) The board should have no fewer than five unrelated directors. Seven 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. They may be reimbursed only 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 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 fund-raising 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 times a year.
- (4) The organization should have written policies that address attendance and participation of board members at board meetings. Those policies should include a process for addressing noncompliance.
- (5) Written meeting minutes reflecting the actions of the board, including reports of board committees 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 in place policies to prevent actual, potential, or perceived conflicts of interest, and it should routinely and systematically implement those policies.

A. Conflict of Interest Policy

- (1) A nonprofit should have a written conflict of interest policy. The policy should be applicable to board members, staff, and 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, set forth procedures for disclosure of actual or potential conflicts, and provide for review of individual transactions by the members of the board of directors who are not involved with the transaction.

B. Conflict of Interest Statements

- (1) Nonprofits should provide board members, staff and volunteers with a conflict of interest statement that summarizes 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 financial interest that the individual, or a member of the individual's immediate family, has in any business entity that transacts business with the organization. The statement should be provided to and signed by board members, staff and volunteers, at the time of their 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 resources 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; confidentiality of employee, client and organization records and information; and employee growth and development.
- (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, for all employees, written job descriptions that clearly identify roles and responsibilities.
- (2) A nonprofit should have a system in place for regular, written evaluation of employees by their respective supervisors. The evaluations should take place at least annually.

C. Employee Orientation

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



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financial management and legal requirements

Nonprofits must practice sound financial management and comply with an 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. The organization should conduct periodic reviews to address regulatory and liability concerns.



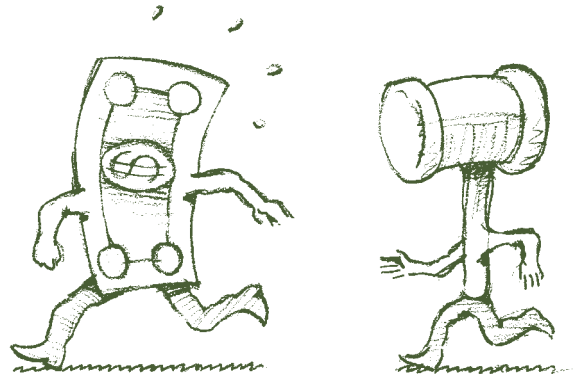
A. Financial Accountability

- (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, on a timely basis, financial reports that accurately reflect the financial activity of the organization.
- (3) The accuracy of the financial reports of nonprofits with annual revenue in excess of \$300,000 should be subject to audit by a Certified Public Accountant.
- (4) 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.
- (5) An organization should provide employees a confidential means to report suspected financial impropriety or misuse of organization resources.
- (6) A nonprofit should have written financial policies that are adequate for its size and the complexity of the organization and its operations 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 and regulations. This accountability may include, but is not limited to, complying with laws and regulations related to fund raising, licensing, financial accountability, human resources, lobbying and political advocacy, and taxation.
- (2) An organization should periodically assess the need for insurance coverage in light of the nature and extent of its activities and its financial capacity. A decision to forego general liability insurance coverage or directors and officers liability insurance coverage should be made only by the board of directors and should be reflected in the minutes of the meeting at which the decision was made.
- (3) A nonprofit should periodically conduct an internal review of its 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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openness

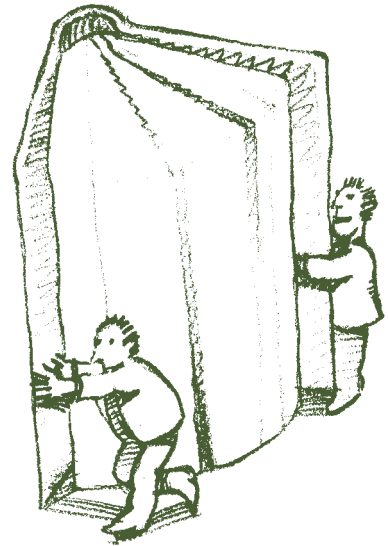
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A. Annual Report

- (1) A nonprofit should prepare, and make available annually to the public, information about its 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) A nonprofit should provide to members of the public who express an interest in the affairs of the organization a meaningful opportunity to communicate with an appropriate representative of the organization.
- (2) Nonprofits should make at least one staff member responsible for assuring 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.





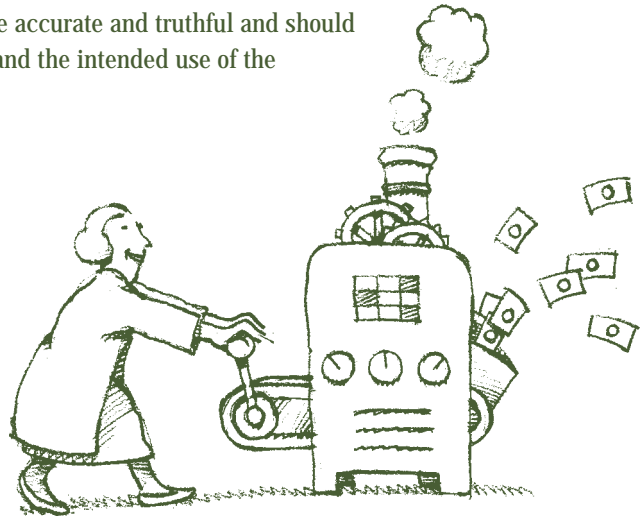
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fund raising

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

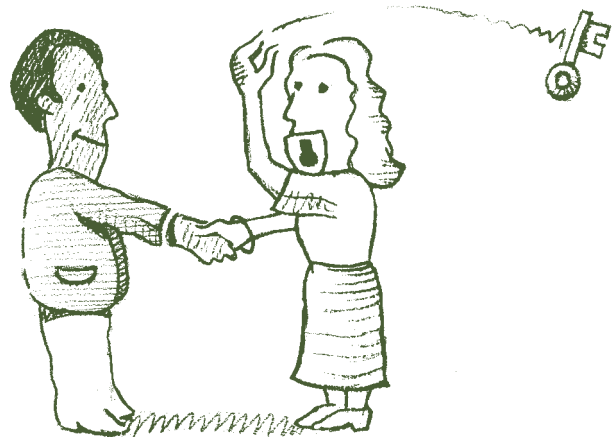
A. Fund Raising Activities

- (1) A nonprofit's fund-raising costs should be reasonable over time. On average, over a five-year period, a nonprofit should realize, from fund raising and other development activities, revenue that is at least three times the amount spent on conducting those activities. An organization whose fund-raising ratio is less than 3:1 should demonstrate that it is making steady progress toward achieving this goal, or should be able to justify why a 3:1 ratio is not appropriate for that particular 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 fund-raising appeals about the use of a contribution should be honored.
- (4) Nonprofits should honor the known intentions of donors regarding the use of donated funds.



B. Donor Relationship 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 opportunities to state that they prefer to remain anonymous and that their names, the amounts of their gifts or other information not be publicly released.
- (3) Nonprofits should provide donors opportunities to have their names removed from any mailing lists that are sold, rented or exchanged.
- (4) Nonprofits should honor requests by donors 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 fund-raising 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 or types of property that will be accepted, and whether to accept an unusual or unanticipated gift in light of the organization's mission and organizational capacity.

D. Employment of Fund-Raising Personnel

- (1) Fund-raising 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 paid, professional, fund-raising consultants, organizations should use only the services of professional solicitors and fund-raising counsel who are properly registered with the Office of the Secretary of State of Georgia.
- (3) A nonprofit should exercise control over any staff, volunteers, consultants, contractors, other organizations, or businesses that are known to be soliciting contributions on behalf of the organization.



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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.

A. Public Policy Advocacy

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

B. Public Education

- (1) A nonprofit 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 should 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 member, as designated by the leadership of your organization.*

Sponsored by the Georgia Center for Nonprofits

An all-in-one resource for and about Georgia's nonprofit sector, the Georgia Center for Nonprofits works to serve, strengthen and support nonprofit, charitable organizations statewide. The Center provides nonprofits with the resources and tools they need to be most effective; promotes partnerships between nonprofits and foundations, businesses and government to further nonprofit endeavor; and helps state and local policymakers and the public understand and support the work of nonprofits.

The Georgia Center for Nonprofits thanks the leadership and staff of Maryland Association of Nonprofit Organizations, who have helped the Center develop and implement the *Standards for Excellence* program in Georgia.



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