

Charities Review Council (the Council) works to mobilize engaged, informed donors and strong, accountable nonprofits for the greater good.

Accountability Standards

Approved April 1, 2014

The Accountability Standards® serve as a framework for building trusting, productive relationships between nonprofits, donors, and the general public, who deliver the greater good in partnership.

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



Build Nonprofit Strength with the Accountability Wizard®

Based on the Accountability Standards®, the Accountability Wizard® is an online tool for nonprofit capacity building and assessment. The only web-based product of its kind, the Accountability Wizard® is a time tested tool, elevated by nationally recognized capacity building practitioners and philanthropic thought leaders. The Accountability Wizard® leads organizations to greater strength, efficacy, and to the achievement of the Meets Standards® seal.

The Accountability Wizard® is a risk free learning assessment where organizations partner with the Council to measure and build policies, processes and practices. The Council works one-on-one with organizations to help them Meet Standards®. When they earn the Meets Standards® seal they join the Council's list of strong and trusted nonprofits. Their review report is published on our website at smartgivers.org. These nonprofits are also listed in our bi-annual print publication, the Smart Giver; they are celebrated on social media, and are recommended to donors during phone and email inquiries. The Meets Standards® seal is a visual marker of nonprofit strength, and a great way for nonprofits to differentiate themselves, communicating their strength and impact to funders, donors, and the public.



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.



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.



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.



IRS Form 990

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

ACCOUNTABILITY STANDARDS

How the Standards Work

The Accountability Standards® are co-created benchmarks of nonprofit governance, finance, fundraising, and public communication. A balance of nonprofit sector promising practices, public expectations, and legal/regulatory requirements, the standards represent the shared expectations between donors and nonprofits. The Accountability Standards® create a common ground across the nonprofit sector, building a foundation of strength in our community. Donors use the Accountability Standards® as a way to assess the internal strength of the causes they care about and as a starting place for engagement and conversation with their favorite organizations. When donors are confident in their support of strong, trustworthy nonprofits, they are able to partner in authentic ways that advance the greater good.

Co-Created by Nonprofits and Donors

Diverse community input is a critical component in the creation of strong and forward-thinking standards. For that reason, the Council ensures that a broad spectrum of experts, nonprofits, funders, and donors from many backgrounds and talents have a voice in creating the Accountability Standards®. 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. All are welcome to contribute to the creation of the Accountability Standards®.

The process involves research, evaluation, and community input. The Council recognizes that nonprofit and philanthropic work is changing; nonprofits are calling for new solutions. Donors want to engage with causes in exciting ways. The Council uses the widely respected Accountability Standards® as a foundation for community conversation, assessment, and innovation in this bi-annual review and development process.

**To learn more about the Accountability Standards®,
please visit smartgivers.org/standards.**

**To participate in the creation and design of the
Accountability Standards®, or to support the Council's work,
please email info@smartgivers.org or call 651-224-7030.**

Annual Report & Communication



Philosophy

Transparency and regular communication about a nonprofit's mission and accomplishments build trust, increase visibility and provide the opportunity for nonprofits to engage with the community. An annual report is a tool for nonprofits to share their story and for donors to make informed decisions, which leads to responsible philanthropy.

Standard

The nonprofit annually keeps 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 (including liabilities and assets)
 - › Income statement (including income and expenses)
 - › Functional expense allocation
 - › Total expense for each major program

Note: Annual communications can exist in various formats including: web-based, video and/or printed report. However, this information should be easy to access online requiring less than three web clicks.

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

A nonprofit's commitment to comply with relevant laws and regulations is essential to protect its assets, honor donor intent and establish trust in the community.

Standard

To the best of its knowledge, the nonprofit does not violate any federal or state laws or regulations.



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, Equity, and Inclusion



Philosophy

Nonprofits are stewards of our collective resources. A majority of support for nonprofits comes directly or indirectly from the public. Therefore, being representative and inclusive of the population identified by a nonprofit's mission and goals is key to: maintaining public trust, supporting organizational sustainability, and fostering effectiveness.

A diverse, equitable, and inclusive nonprofit strives to serve its community, by incorporating the diversity of those impacted by their work in solutions; it also tracks gaps, progress, and successes of inclusion efforts.

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

Standard

The nonprofit's board and key staff:

- Collects information about its participants, volunteers, vendors, staff, partners, board, practices, and programs;
- Reviews information comparing its internal composition and practices (e.g. board, staff, volunteers, hiring, and or program development) to its external composition (e.g. population served, and stakeholders); and
- Identifies related goals, opportunities, gaps, and progress.

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 and 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

Conflict of Interest 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 consistently 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 financial conflicts. Additionally, the nonprofit does not provide loans to or relieve debts of any of its directors.

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.



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 Management



Philosophy

To pursue its mission, a nonprofit must successfully navigate through different kinds of economic circumstances and be able to demonstrate healthy financial management to donors.

Standard

The nonprofit organization manages revenue and expenses to demonstrate financial sustainability.

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.

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

Donors are entitled to know who is soliciting their gifts and what portion of their gifts a nonprofit will receive.

Standard

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.



Thank You!

Thank you to all who participated in the 2013 review of the Accountability Standards®.
You have given your time, your talent and your treasure to this process.
Here's to engaged donors and strong nonprofits, and all the good
that will come from partnership between the two!

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please email info@smartgivers.org or call 651-224-7030.

To tell us which standards you'd like to see included in 2016,
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