

Standards for **II** Institute
excellence 

Starter Kit

*Tier One: Essentials—Adherence to Basic
Legal, Regulatory, and
Governance Practices*



Thank you for requesting the Application Starter Kit for
Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practices

Enclosed you will find the application plus the following supporting materials. *Use the bookmark tab function of your Adobe Reader to access each document.*

1. Letter of Introduction to the Standards for Excellence® Code
2. FAQs about the Tiered Approach Certification Process
3. Tiers at a Glance
4. Description of the Application Review Process
5. Charting a Plan of Action
6. Self Assessment Checklist
7. List of Educational Resource Packets
8. Supplies Order Form
9. Application for *Tier One: Essentials*
10. Suggested Final Check Ups
11. Application Deadlines
12. Benefits of Achieving *Tier One: Essentials*
13. A Sample Letter to Funders
14. *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector (Code Book)*

There is a wealth of information here, plus more available to you if you need it!
Please contact us when you need assistance!

Melissa Sines
Standards for Excellence Certification Manager
msines@standardsforexcellenceinstitute.org

Standards for Excellence Institute

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Thank you for your interest in the Standards for Excellence® *Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practices.*

The Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector provides a model for how well-managed and responsibly governed nonprofits operate. The voluntary certification program is one component of the Standards for Excellence program and provides nonprofit organizations with the opportunity to demonstrate that they have implemented the standards.

Completing the requirements for the Standards for Excellence *Tier One: Essentials* is the first step in a three-tiered approach to certification. Organizations must submit a written application, provide documentation, and pay an application fee. For *Tier One: Essentials*, a thorough review of the submitted materials for completeness is conducted by Standards for Excellence staff. The reviewers assess the organization's practices and determine if they have met the standards. Often, the review process involves several consultations with the applicant organization to clarify submissions or request additional documentation.

Successful organizations will be given permission to advertise that they meet “all the requirements for the Standards for Excellence *Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practices.*” After completing *Tier One: Essentials*, organizations may proceed at their own pace to *Tier Two: Enhanced—Enhancing the Foundations of Nonprofit Management and Governance* and *Tier Three: Certified—Standards for Excellence Seal Holder.*

The three-tiered approach was created to make the path to certification more accessible and affordable. Many organizations will already have the required elements and practices in place. Others may have some work to do to meet all the requirements. It is our expectation that most applicants to *Tier One: Essentials* can complete their applications within a short period of time. Our goal is to work with organizations attempting to implement the standards, so that all interested in participating in all three tiers of the certification program will be successful.

Please contact me at if you have questions or concerns about the Standards for Excellence program or if you would like to access any Standards for Excellence educational materials. Additional information is also available on our website at www.standardsforexcellenceinstitute.org. Thank you for your commitment to ethics and accountability in the nonprofit sector.

Sincerely,

Melissa J. Sines

Standards for Excellence Certification Manager

Direct: 443-438-2337

msines@standardsforexcellenceinstitute.org

Standards for Excellence Institute

1500 Union Avenue, Suite 2500 Baltimore, MD 21211 410.727.1726 FAX: 410.235.2190

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Tiered Approach—Frequently Asked Questions

What is the Standards for Excellence® Tiered Approach?

The Tiered Approach is a new feature of the Standards for Excellence voluntary certification program. This expanded approach creates three levels of recognition:

- *Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practices*
- *Tier Two: Enhanced—Enhancing the Foundations of Nonprofit Management and Governance*
- *Tier Three: Certified—Standards for Excellence Seal Holder*

Tier Three is exactly the same as the original, or traditional, certification process. So two new tiers have been added. The addition of *Tier One: Essentials* and *Tier Two: Enhanced* offers more organizations the opportunity for official recognition by the Standards for Excellence program. Instead of doing months or perhaps years of work to reach the Seal of Excellence, the Tiered Approach allows organizations to take the path towards excellence one step at a time.

What's the difference between the tiers?

Tier One: Essentials attests that approved organizations are adhering to fundamental legal and regulatory rules and essential governance practices. *Tier Two: Enhanced* requires participating organizations to expand management and governance best practices to an intermediate level. *Tier Three: Certified* means the policies and practices of approved organizations encompass all 55 Standards and imparts all the best practices in board governance and staff management. While qualifying organizations may promote compliance at each stage, only *Tier Three: Certified* organizations can display the Seal of Excellence.

How do the tiers fit together?

Each tier builds upon the previous one(s). All the items required in *Tier One: Essentials* are also required in *Tier Two: Enhanced* and *Tier Three: Certified*. There is no wasted effort for applicants.

Why is the Institute offering this initiative?

Enacting a Tiered Approach for the Standards for Excellence program has been discussed since the beginning of the program. After receiving feedback from members over the last several years, we decided it was time. We estimate there are hundreds of nonprofits already using the Standards for Excellence code and resources at any given time. We want them to have the opportunity to gain recognition for their work.

Some nonprofits aren't quite ready to implement the entire Standards for Excellence code, so we want them to have the option to complete the program more gradually, at their own pace. The three-tiered process breaks down implementation into easier-to-manage segments that build on each other. In addition, as organizations complete each tier, they earn recognition for their efforts.

How does my organization apply to *Tier One: Essentials*?

Submit a thumb drive or CD with the application, the checklist, and all the required documents. Simple.

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What's the cost?

Fees have been set on a sliding scale based on each organization's budget size. Standards for Excellence Institute members receive preferential pricing. Here is the current fee schedule:

Tier One: Essentials

Level	Operating Budget		Member		Non Member	
	Low	High	Initial Fee	Annual Fee	Initial Fee	Annual Fee
	A	\$0	\$49,999	\$175	\$25	\$350
B	\$50,000	\$99,999	\$225	\$25	\$450	\$50
C	\$100,000	\$299,999	\$275	\$35	\$550	\$75
D	\$300,000	\$499,999	\$325	\$50	\$650	\$75
E	\$500,000	\$999,999	\$375	\$50	\$750	\$100
F	\$1,000,000	\$4,999,999	\$425	\$50	\$850	\$100
G	\$5,000,000	\$9,999,999	\$450	\$75	\$900	\$100
H	\$10,000,000	\$24,999,999	\$500	\$75	\$1,000	\$100
I	\$25,000,000	\$49,999,999	\$550	\$100	\$1,100	\$250
J	\$50,000,000	-	\$600	\$100	\$1,200	\$250

Tier Two: Enhanced

Level	Operating Budget		Member		Non Member	
	Low	High	Initial Fee	Annual Fee	Initial Fee	Annual Fee
	A	\$0	\$49,999	\$175	\$25	\$350
B	\$50,000	\$99,999	\$225	\$25	\$450	\$50
C	\$100,000	\$299,999	\$275	\$35	\$550	\$75
D	\$300,000	\$499,999	\$325	\$50	\$650	\$75
E	\$500,000	\$999,999	\$375	\$50	\$750	\$100
F	\$1,000,000	\$4,999,999	\$425	\$50	\$850	\$100
G	\$5,000,000	\$9,999,999	\$450	\$75	\$900	\$100
H	\$10,000,000	\$24,999,999	\$500	\$75	\$1,000	\$100
I	\$25,000,000	\$49,999,999	\$550	\$100	\$1,100	\$250
J	\$50,000,000	-	\$600	\$100	\$1,200	\$250

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Tier Three: Certified

Level	Operating Budget		Member		Non Member	
	Low	High	Initial Fee	Annual Fee	Initial Fee	Annual Fee
A	\$0	\$249,999	\$300	\$300	\$900	\$600
B	\$250,000	\$499,999	\$500	\$500	\$1,500	\$1,000
C	\$500,000	\$999,999	\$750	\$750	\$2,250	\$1,500
D	\$1,000,000	\$4,999,999	\$1,500	\$1,500	\$4,500	\$3,000
E	\$5,000,000	\$9,999,999	\$2,500	\$2,000	\$7,500	\$4,000
F	\$10,000,000	\$49,999,999	\$5,000	\$2,500	\$15,000	\$5,000
G	\$50,000,000	\$99,999,999	\$7,500	\$3,000	\$22,500	\$6,000
H	\$100,000,000	+	\$10,000	\$3,500	\$30,000	\$7,000

These fees are current as of August 23, 2011. Please check the website for the most current fees.

What organizations are eligible for the Tiered Approach?

You must be a 501c nonprofit organization and have been in operation for at least one year.

Does my organization have to start at Tier One?

No. You can go straight for *Tier Three: Certified*, or you can start at *Tier One: Essentials* and work your way up through all three levels.

Which is the best option for my organization?

That depends. Some organizations may feel up to the challenge and go straight to full certification at *Tier Three: Certified*. Others may want to move more slowly and receive recognition at each individual tier.

What are the benefits?

The Standards for Excellence program is known statewide as the highest level of nonprofit ethics. Meeting the Standards attests to your organization's professionalism and accountability and is valued by both constituents and the public. Each tier allows you to display and promote your achievement.

Organizations that have gone through the entire certification process have reported back on improvements in their board, in their management, in their staff's attitude, and in funding.

How does the review work?

For *Tier One: Essentials*, Standards of Excellence staff will complete an official review. For *Tier Two: Enhanced* staff will complete the official review with approval by National Ethics Standards Committee. At *Tier Three: Certified*, staff completes an initial review for completeness of the application. Then, all of the materials are reviewed by a team of anonymous peer reviewers. Based on the peer reviewers' recommendations, The Ethics Standards Committee then makes a final ruling as to whether the Seal of Excellence may be awarded.

If we are already certified, up for recertification, or already preparing for certification, will this change what we're already doing?

Not at all. The current certification program will simply become *Tier Three: Certified*.

Won't all these tiers just add more work?

Going through all three tiers should add very little workload to you staff. Each tier builds upon the previous ones. So, all the requirements in *Tier One: Essentials* are included in *Tier Two: Enhanced*, and all the requirements for *Tier Two: Enhanced* are included in *Tier Three: Certified*. You do the same work, no matter what. The question is whether you want to do everything at once or take the step-by-step route.

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This seems like it will cost more money?

You will have to pay fees for both *Tier One: Essentials* and *Tier Two: Enhanced* because of the additional reviews required. If you were to go straight for *Tier Three: Certified*, you wouldn't pay those fees. But taking the slightly longer, more gradual path to the Seal of Excellence also gives you the right to promote completion of *Tier One: Essentials* and *Tier Two: Enhanced* along the way.

In addition, if your organization moves through the tiers relatively quickly, you can earn the following discounts on the published fees:

- A 20% discount on the published fee when the organization submits its application for the next tier within 3 months of earning the previous tier
- A 15% discount on the published fee when the organization submits its application for the next tier within 6 months of earning the previous tier
- A 10% discount on the published fee when the organization submits its application for the next tier within 1 year of earning the previous tier

Will this help fundraising efforts?

We've had numerous organizations report how their funders were pleased to see they had earned the Seal of Excellence. Also, part of our efforts with launching this feature is to build more relationships between foundations and the Standards for Excellence® program.

I'm ready! What's the next step?

Just give us a quick call or email. We will provide you with a starter kit. Here's the information: Melissa Sines, Standards for Excellence Certification Manager, 443-438-2337 or email msines@standardsforexcellenceinstitute.org.

<i>Standards for Excellence Tiered Recognition - Tier by Tier Requirements</i>		<i>Tier One</i>	<i>Tier Two</i>	<i>Tier Three</i>
Mission & Program	Have a board-approved and periodically reviewed mission statement	X	X	X
	Have a board-approved policy in place protecting participant confidentiality	X	X	X
	Have a framework for evaluating programs in place	X	X	X
	Board has reviewed mission within past 5 years		X	X
	Have procedures for evaluating at least 40% of individual programs in place that addresses programmatic efficiency and effectiveness, include qualitative and quantitative methods, are cost effective, and include participant input		X	X
	Have standards in place for measuring program participant satisfaction and addressing program participant complaints		X	X
	Have grievance procedures in place for program participants		X	X
	Current activities and percentage of organizational effort are consistent with mission			X
	Have procedures for evaluating all programs that involves the board in a feedback loop that addresses programmatic efficiency and effectiveness, include qualitative and quantitative methods, are cost effective, and include participant input			X
Governing Body	Board consists of at least 5, preferably more than 7, members	X	X	X
	Board serves without compensation	X	X	X
	Board members are independent	X	X	X
	Board approves budget, audit and management letter (audit required for organizations over \$500K)	X	X	X
	Board evaluates the executive director annually and sets compensation	X	X	X
	Have written expectations and term limits in place for board members	X	X	X
	Board has attendance, participation, and noncompliance policies in place	X	X	X
	Board reviews the percentages of the organization's resources spent on program, administration, and fundraising annually		X	X
	Board reflects the diversity of the community served		X	X
	Have standards for orienting and educating new board members		X	X
	Board periodically reviews the overall salary structure of the organization			X
	Board engages in long term and short term planning for the organization			X
	The board has a recruiting strategy in place			X
	Board has procedures in place for evaluating its own performance			X

<i>Standards for Excellence Tiered Recognition - Tier by Tier Requirements</i>		<i>Tier One</i>	<i>Tier Two</i>	<i>Tier Three</i>
Conflict Of Interest	Have a board-approved conflict of interest policy in place that is applicable to board members, staff, and volunteers and that identifies transactions that raise conflicts of interest, outlines procedures for actual or potential conflicts, and provides a review of transactions by uninvolved members of the board	X	X	X
	Have a conflict of interest statement that provides a space for disclosing financial interests		X	X
	Have a process in place to ensure that the conflict of interest statement is signed by staff, volunteers, and board members annually		X	X
Human Resources	Have board approved personnel policies	X	X	X
	Have position descriptions for all employees outlining work and responsibilities	X	X	X
	Have board approved volunteer policies in place that address initial screening and assessment, training for responsibilities, ongoing supervision and evaluation, and advancement opportunities		X	X
	Have method in place for regularly evaluating employee performance		X	X
	Provide orientation for new employees		X	X
	Have process to ensure employee acknowledgement that they have received information including personnel policies, written position description, written copy of Standards for Excellence code		X	X
	Can demonstrate that all annual performance reviews are up to date			X
Financial & Legal	Timely filing of Form 990	X	X	X
	Provide a copy of audit and management letter (for organizations over \$500,000)	X	X	X
	Internal financial statements provided at least quarterly to the Board indicating variation between actual & budgeted expenditures and revenues	X	X	X
	Have whistle-blower policies in place that provide confidential means to report suspected financial impropriety:	X	X	X
	Have board approved financial policies for internal control procedures	X	X	X
	The organization monitors changes in legal and regulatory and financial	X	X	X
	Have process for assessing Insurance need (general liability, D&O)	X	X	X
	Have a board approved document destruction/retention policy	X	X	X
	Board approved financial policies for purchasing polices		X	X
	Board approved financial polices that address investment of the organization's assets and unrestricted net assets (reserves)			X



<i>Standards for Excellence Tiered Recognition - Tier by Tier Requirements</i>		<i>Tier One</i>	<i>Tier Two</i>	<i>Tier Three</i>
Openness	Make an annual report available to the public including required information		X	X
	Have at least one individual responsible for assuring compliance with nonprofit disclosure laws		X	X
Fundraising	Can provide solicitation materials and fundraising receipts and demonstrate that they comply disclosure laws	X	X	X
	Have policies in place that address donor privacy	X	X	X
	Demonstrate proper use and registration of any fundraising consultants (if applicable)	X	X	X
	Have board approved gift acceptance policy		X	X
	Can demonstrate that fundraising and development revenue is on average three times as large as fundraising expense			X
	Have robust donor relationship and privacy policies in place that address confidentiality, anonymity, and removal of name from solicitation and mailing lists			X
	Have procedures in place for monitoring any parties who are soliciting contributions on organization's behalf (if applicable)			X
Public Affairs & Public Policy	Report any advocacy or lobbying the organization takes part in	X	X	X
	Have policies in place for ensuring that all activities are non-partisan	X	X	X
	Have a board approved advocacy policy			X
	Have process in place for reviewing information provided to the public for factual accuracy and sufficient information			X
Other Required Disclosures	Disclose any lawsuits involving the organization	X	X	X
	Provide a copy of IRS determination letter and Articles of Incorporation	X	X	X
	Disclose any unfavorable print or media in the last year			X
	Documentation that organization is in good standing with state office that regulates nonprofits			X



Tier One: Essentials –Adherence to Basic Legal, Regulatory, and Governance Practices
The Application Review Process

After submitting your application for the Standards for Excellence® *Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practices*, your application package is reviewed by a team of Standards for Excellence staff.

A member of the staff team will read the application and check for completeness and adherence to the Standards for Excellence standards. In this initial review, the staff member may consult with the applicant, requesting additional information and establishing deadlines for submission of any additional materials. When the application is deemed complete, the staff team meets to review and deliberate over the application. Here, reviewers read, discuss, and make final comments on the application.

If required, staff will work with the applicants to gather additional information. Staff will then write a brief report outlining the results of the team’s evaluation and notify the applicant about the decision.

The entire approvals process for *Tier One: Essentials* will likely take only a couple months, depending on the queue of applications in the process.

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Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practices **Charting a Plan of Action**

1. Designate a staff member as the Standards for Excellence® coordinator.
2. Review *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector®* at our website. Order extra copies as needed. See the Order Form in this packet.
3. Complete the self-assessment checklist to help identify areas of strength and areas that may need improvement.
4. Confer with other staff members and board members as necessary to complete the checklist.
5. Make a preliminary list of areas where adjustments are necessary to implement the Standards for Excellence *Tier One: Essentials—Adherence to Basic Legal, Regulator, and Governance Practices*.
6. Refer to the Standards for Excellence *Tier One: Essentials* Application Package and Checklist to refine your list of areas for improvement. Pay special attention to policies or procedures that may be in place informally but may require formal board approval. Start working first on the Standards that will be the easiest to implement.
7. Look at the List of Educational Resources Packets in this Starter Kit. These materials have been specifically developed by experts in the nonprofit world to help you meet the standards. The Education Packets contain sample policies, procedures, evaluation models, and more. Order what you need, using the enclosed form. Also, to help you keep your application materials organized, it's a good idea to order our Custom Binder Tabs, on the same form.
8. Taking your organizational work plan, existing commitments, and meeting schedules (board, staff, and committees) into consideration, develop a manageable work plan to address those areas you have targeted for improvement. Also, leverage the professional expertise of the members of your board. Each of these factors, and the number and complexity of the standards-related items to address, contribute to the time it will take your organization to meet the requirements for *Tier One: Essentials*.
9. The appointed Standards for Excellence coordinator should delegate responsibility for achieving targeted standards improvements to appropriate committees, staff, task forces, and/or working groups. For instance, the fundraising committee of the board might be charged with reviewing the donor privacy policies before recommending full board approval.
10. Begin to collect and assemble your application and accompanying materials, labeling each document. As you work, we encourage you to contact us for assistance. Please contact Melissa Sines, Standards for Excellence Certification Manager email: msines@standardsforexcellenceinstitute.org, call 443-438-2337, or visit the website at www.standardsforexcellenceinstitute.org.

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Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practices **Organizational Self-Assessment Checklist**

- √ if the organization has met the standard,
- X if the organization has not met the standard, and
- O if the organization may be meeting the standard or is partially in compliance

I. Mission and Program

A. Mission

____(1) Have a board-approved mission statement consistent with stated purpose.

B. Organizational Evaluation

____(1) Board periodically reviews the mission.

C. Program Evaluation

- ____(1) The organization has a plan or framework for how each of the organization's programs will be evaluated:
- ____ Procedures will address programmatic efficiency and effectiveness
 - ____ Will include qualitative and quantitative methods
 - ____ Procedures should be cost effective
 - ____ Will include input from program participants

D. Program Service

____(1) Organization acts with professionalism and treats program participants with respect.

Comments on Areas for Improvement or Areas of Excellence:

II. Governing Body

A. Board Responsibilities

- _____ (1) Board assesses organization's financial performance in relation to the budget.
 - _____ Board approves the organization's budget.
 - _____ Board approves audit and management letter (for organizations with annual revenue in excess of \$500,000).
- _____ (2) Board evaluates the executive director annually and sets the executive's compensation.

B. Board Composition

- _____ (1) Board members are personally committed and possess specific skills needed to accomplish the mission.
- _____ (2) No undue influence of employees serving on the board
- _____ (3) Size of board is at least 5; preferably greater than 7
- _____ (4) Board serves without compensation (exception: reimbursement for direct expenses)

C. Conduct of the Board

- _____ (1) Term limits for board members in place
- _____ (2) Written expectations for board members provided
- _____ (3) Board has policies on attendance, participation, and noncompliance

Comments on Areas for Improvement or Areas of Excellence:

III. Conflict of Interest

A. Conflict of Interest Policy

- ____(1) Have a board approved conflict of interest policy
 - ____Applicable to staff, board, and volunteers
 - ____Identifies transactions that raise conflicts of interests
 - ____Outlines procedures for actual or potential conflicts
 - ____Provides a review of transactions by uninvolved members of the board

Comments on Areas for Improvement or Areas of Excellence:

IV. Human Resources

A. Personnel Policies

____ (1) Board approved personnel policies governing:

- ____ Working conditions
- ____ Vacation
- ____ Sick leave
- ____ Employee benefits
- ____ Supervision
- ____ Hiring and firing
- ____ Grievance procedure
- ____ Growth and development
- ____ Confidentiality of employee records

____ (2) All employees have position descriptions outlining their work and responsibilities.

Comments on Areas for Improvement or Areas of Excellence:

V. Financial and Legal Issues

A. Financial Accountability

- ____ (1) Form 990 filed in compliance with IRS regulations
Operate in accordance with board-approved budget
- ____ (2) Internal financial statements with material variation between actual and budgeted expenses and revenues identified prepared at least quarterly
- ____ (3) Audit for organizations with annual revenue in excess of \$500,000
- ____ (4) A confidential means for reporting known or suspected financial improprieties is in place.
- ____ (5) The board has a policy that addresses internal controls adequate for the size and complexity of the organization.

B. Legal Compliance and Accountability

- ____ (1) Compliance with federal, state, and local laws
- ____ (2) Assessment of need for insurance coverage (general liability and Directors and Officers liability insurance)
- ____ (3) Internal review of the organization's compliance with known existing legal, regulatory and financial reporting requirements
- ____ (4) Board approved document destruction/retention policy

Comments on Areas for Improvement or Areas of Excellence:

VI. Openness (This Principle is not addressed in *Tier One: Essentials.*)

VII. Fundraising

A. Fundraising Activities

____(1) Solicitations include all required disclosure statements.

____(2) Receipts include all required disclosure statements.

B. Donor Relationships and Privacy

____(1) The organization has procedures or policies in place that address donor privacy.

C. Donor Relationships and Privacy

____(1) The organization has procedures or policies in place that address donor privacy.

Comments on Areas for Improvement or Areas of Excellence:

VIII. Public Affairs and Public Policy

A. Public Policy Advocacy

____(1) Advocacy policy that has been approved by the board.

____(2) If the organization uses lobbyists, they are registered with the applicable federal, state, and local lobbying registration agencies.

B. PROMOTING PUBLIC PARTICIPATION

____(1) Activities are strictly nonpartisan.

Comments on Areas for Improvement or Areas of Excellence:



Tier One: Essentials--Adherence to Basic Legal, Regulatory, and Governance Practices
Educational Resource Packets Available

The Standards for Excellence® program has developed a collection of 24 Educational Resource Packets that are intended to assist individual organizations with implementing specific standards. These materials are available free of charge to all members of the Standards for Excellence Institute and include helpful tools to help nonprofits implement specific standards addressed in the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector*.

The Educational Resource Packets generally include information on the importance of implementing specific standards, justification for the standards, best practices associated with the issue, model procedures and sample policies. Structurally, they include a narrative memo and attachments. The attachments contain both original materials created by Standards for Excellence program, as well as articles and other copyrighted documents from other sources.

Collectively, the 24 Educational Resource Packets cover each of the 55 Standards in the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector*®. The following Educational Resource Packets are available by emailing msines@standardsforexcellenceinstitute.org.

- 1. Mission Development and Revision**
- 2. Program Evaluation**
- 3. Program Service**
- 4. On-Going Planning by Organization's Board of Directors**
- 5. Compensation and Employee Evaluation**
- 6. Board Composition**
- 7. Conduct of the Board**
- 8. Conflict of Interest**
- 9. Personnel Policies and Employee Orientation**
- 10. Volunteer Policies**
- 11. Financial Planning and Monitoring - Budget, Audit and Internal Financial**
- 12. Reporting Financial Improprieties**
- 13. Financial Policies**
- 14. Legal Requirements Checklist**
- 15. Legal Compliance - Liability**
- 16. Openness**
- 17. Fundraising Costs**
- 18. Fundraising Practices**
- 19. Solicitation and Acceptance of Gifts**
- 20. Employment of Fundraising Personnel**
- 21. Public Policy Advocacy, Promoting Public Participation**
- 22. Public Education**
- 23. IRS Form 990 Governance and Management Policy Compendium**
- 24. Information Technology Planning**



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

From the Standards for Excellence Institute®

The Standards for Excellence Institute® has created an innovative and nationally recognized *Ethics and Accountability Code for the Nonprofit Sector®*. The *Standards for Excellence®* code is compiled in a comprehensive, spiral bound booklet, that outlines the eight "Guiding Principles" and the 55 performance benchmarks that assist nonprofits in strengthening their leadership, governance, and operations:

- **Mission and Programs:** Mission, organizational and program evaluation, program services
- **Governing Body:** Board responsibilities, composition, and conduct
- **Conflict of Interest:** Conflict of interest policies and statements
- **Human Resources:** Personnel policies, employee performance evaluation, employee orientation
- **Financial and Legal**
Accountability: Financial and legal accountability and legal compliance
- **Openness:** Annual report and public access
- **Fundraising:** Fundraising activities, donor relationships and privacy, acceptance of gifts, employment of fundraising personnel
- **Public Affairs and Public Policy:** Public Policy advocacy, public education, promoting public participation

Every nonprofit staff and board member should have a copy of the Standards for Excellence® Code. Discounts available for bulk orders. Order copies today!

Shipping & Handling Charges

- 1 Codebook - \$1.50
- 2 Codebooks - \$2.00
- 3-5 Codebooks- \$5.00
- 6-12 Codebooks- \$8.00
- 13-15 Codebooks- \$10.00
- 16-20 Codebooks- \$15.00
- 20+ - \$.75 for each copy

Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector® Codebook Order Form

<u>Member</u>	<u>Quantity</u>	<u>Price</u>
\$8.00 per copy	_____	\$_____
<u>Non-member</u>		
\$14.00 per copy	_____	\$_____
15% discount for >50 Copies		\$_____
Shipping and Handling (see pricing below)		\$_____
Maryland Sales Tax 6% (out of state, no sales tax)	Tax	\$_____
		Total \$_____

*** Pre-Payment is Required

- Please send me information about how my organization can join the Standards for Excellence Institute®.
- Please send me information about other Standards for Excellence® publications.

Name _____

Title _____

Organization _____

Address _____

City _____ State _____ Zip _____

Phone _____ Fax (____) _____

E-mail _____

Please make checks payable to: Standards for Excellence Institute
Send to: **Standards for Excellence Institute, 1500 Union Ave., Suite 2500
Baltimore, MD 21211**

Phone: 410-727-1726 Fax 410-235-2190
www.standardsforexcellenceinstitute.org



TIER ONE: ESSENTIALS: ADHERENCE TO BASIC LEGAL, REGULATORY,
AND GOVERNANCE PRACTICES

APPLICATION PACKAGE AND CHECKLIST

© 2011-2012 Standards for Excellence Institute

The application package and checklist for the Standards for Excellence® Institute *Tier One: Essentials-- Adherence to Basic Legal, Regulatory, and Governance Practices* voluntary certification program consists of this form and attachments that the organization will supply and label according to these instructions. The Standards for Excellence Institute may request additional documentation or information for clarification purposes.

Please read the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* and this application package thoroughly before beginning the application process. For questions and concerns, please call Standards for Excellence Institute staff at (410) 727-1726.

Name of organization: _____

Is the organization known by other names or acronyms? _____

Address _____

City, State, Zip _____

Phone: _____ Fax: _____

Website address: _____

Number of full time paid staff: _____ Number of volunteers (not including board members): _____

Total expenditures (last fiscal year completed): _____

Organization's fiscal year runs from: _____ to _____

How did you learn about the Standards for Excellence voluntary certification program? Check all that apply:

- Standards for Excellence Partner) _____
(Visit <http://www.standardsforexcellenceinstitute.org> for a list of partners)
- A Standards for Excellence Institute training or presentation
- Standards for Excellence Institute website
- Other (please specify) _____

Individual primarily responsible for assembling this application package and checklist:

Name Email address

STANDARDS FOR EXCELLENCE INSTITUTE®

CERTIFICATION STATEMENT

We certify that the information provided in this Standards for Excellence *Tier One: Essentials* application Package and Checklist is true and correct, policies outlined are followed, and all licenses, permits, insurance, and governmental approval necessary for operations have been obtained.

Chair of Board

Signature Date

Print name

Address

City, State, Zip

Phone Fax

Email

Executive Director/Chief Professional Officer

Signature Date

Print name

Address

City, State, Zip

Phone Fax

Email



Tier One: Essentials--Adherence to Basic Legal, Regulatory, and Governance Practices

The Standards for Excellence Institute encourages organizations to contact Institute staff for assistance in implementing the policies and practices described in the Standards for Excellence code. Training programs and extensive written educational materials are available. Our intent is that every applicant will ultimately be successful in achieving compliance with all aspects of the Standards for Excellence code and earn the Seal of Excellence.

WHO IS THIS BEST FOR

Any nonprofit that wishes to take a guided incremental approach to implementing the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector*. Organizations can be of any size or age provided that they have been in existence for one year or more.

TRAINING RECOMMENDATIONS (online or in person)

The Executive Director/CEO and one Board Member will be encouraged (but not required) to participate in one of the following Standards for Excellence related one hour to half-day courses.

- Introduction to Standards for Excellence course; or
- Best Practices in the Nonprofit Sector Course; or
- Board Excellence/The Board's Fiduciary Role.

To see our current training calendar, visit our website at www.standardsforexcellenceinstitute.org.

APPLICATION INSTRUCTIONS

1. Read the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector*.
2. Read and complete the application package and checklist and assemble requested documents.
3. Send a copy of the completed application package and requested attachments to the Standards for Excellence Institute. See below submission instructions.
4. Please enclose the application fee payable to the Standards for Excellence Institute. The current application fee schedule can be found on the website, www.standardsforexcellenceinstitute.org.
*** Additional fees could be charged if an organization has multiple entities and/or if a site visit is deemed necessary during the review process.
5. We recommend that organizations interested in participating in this program appoint a Standards for Excellence committee or task force made up of board members and key staff to work together in assembling this Tier One application. Please see the codes in parenthesis following each question in the application for a reference to the relevant portion of the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector*.
6. Applicants are invited to use this application and the accompanying documents to illustrate the organization's implementation of the standards addressed in *Tier One: Essentials*.
7. For questions which request a narrative answer, please keep responses to one page or less (with the exception of the program evaluation section that may require longer responses).
8. To speed the application process, carefully check to be sure that all attachments are enclosed. See last page of application package for a complete list of requested attachments.
9. ***Please note, the numbering system for this application reflects the complete Standards for Excellence Code in the application for Tier Three: Certified.***

STANDARDS FOR EXCELLENCE INSTITUTE®

APPLICATION SUBMISSION INSTRUCTIONS

1. Place a signed application checklist, all narratives, and supporting documents onto a thumb drive or re-writable CD (CD-RW).

Please remember to provide all of the information requested on the application checklist, including the answers to yes/no questions, dates, and page numbers where requested.

2. Create electronic folders on the thumb drive as they are organized in the application checklist. There should be nine folders, representing each section. Please use the corresponding Roman numeral in the folder name:

- I. Mission and Program
- II. Governing Board
- III. Conflict of Interest
- IV. Human Resources
- V. Financial and Legal Accountability
- VI. Openness (**not required for Tier One: Essentials**)
- VII. Fundraising
- VIII. Public Policy and Public Affairs
- IX. Other Disclosures

3. Clearly name your supporting documents and narrative statements according to the corresponding Roman numeral in the application checklist. For example, the files in section VIII-Public Affairs and Public Policy would be named:

- VIII-a Lobbyist activity and registration
VIII-e Explanation: how organizations ensures that its efforts are strictly nonpartisan

Other Notes

- If the answers to a particular question can be found elsewhere in the application, create and label a separate document for that question and refer reviewers to where the answer can be found on the thumb drive.
- If one or more of the standards is not appropriate for the organization, please write “n/a” in the space provided on the application package checklist and provide a detailed explanation of the special circumstances that preclude the applicant from implementing the standard. In some cases, a special written waiver request will be required.

4. Submit a copy of the thumb drive or CD to The Standards for Excellence Institute, Attn: Melissa Sines, Certification Manager, 1500 Union Ave., Suite 2500, Baltimore, MD 21211.

STANDARDS FOR EXCELLENCE INSTITUTE®

APPLICATION REVIEW PROCESS

Staff Review

Once an application package is received by the Standards for Excellence Institute, staff will conduct a thorough review of the materials. Staff will contact the applicant organization if additional information or clarification is needed.

Applications will remain open up to one year from the date of submission. After one year has passed, and if the applicant has not successfully completed the tier, the organization will be asked to submit an additional application fee to keep the application active for an additional year. Applicants may also withdraw their application and re-apply at a later date.

Staff reviewers will adhere to a strict confidentiality policy that safeguards the confidentiality of all aspects of the application submitted and applicant organization.

Every effort will be made to avoid conflicts of interest in the review process.

Applicants should keep a copy of the completed application and accompanying materials for future reference.

STANDARDS FOR EXCELLENCE PROGRAM

Materials submitted will not be subject to public inspection and will be viewed only by Institute staff and individuals involved in the review process, unless permission is granted by the applicant organization.

No public announcement will be made unless an organization successfully completes the review process.

This application requests many different policies and written descriptions of organizational procedures and practices. The board of directors must approve some of the policies requested. For board-approved policies, the date of board approval is generally requested. Other policies requested may be management or operational policies. For these policies, applicants should note that policies have been implemented or enacted in the organization and provide documentation.

REQUIREMENTS

1. Completion and successful review of this Application.

What happens after recognition is received:

- Organizations that successfully complete these steps will be able to state that they have completed the requirements for the Standards for Excellence *Tier One: Essentials*.
- Recognized organizations will pay an annual licensing fee during each year they hold recognition in this program. A schedule of current annual fees is available on the website, www.standardsforexcellenceinstitute.org.
- Organizations can remain in this tier for a term of three years at which point they can re-submit certain documentation and remain at this tier for an additional term (fee applies). There is no limit to the amount of time an organization may remain in the first tier of the program.
- In the years between recognition and re-application, Tier participants may be required to respond to annual requests for updated information and documentation. Organizations are required to provide the Institute with updates in a timely fashion.
- Once the organization has completed the requirements for this tier, program staff will provide an informal list of recommendations and suggestions for future improvement.

Notes on the checklist below

The numbering system reflects the application for full certification at Tier *Three: Certified*.

STANDARDS FOR EXCELLENCE INSTITUTE®

I. MISSION AND PROGRAM

A. MISSION

- I-a _____ Attach the organization's written mission statement. (Standard IA1)
Provide the board minutes documenting the board's most recent review of the mission statement.
Date ___/___/_____ Page _____ (Standard IB1).

B. PROGRAM EVALUATION

- I-d _____ Describe the framework for how each of the organization's programs will be/are evaluated. Show how your organization has introduced basic data collection strategies for all programs. (Standard IC1, IC2)

Describe the board's involvement in the evaluation process.

Applicants are encouraged to attach any evaluation tools (reports, questionnaires, templates) that provide further evidence of the organization's program evaluation efforts. (Please use discretion with the number of pages submitted.) (Standard IC1, IC2)

D. PROGRAM SERVICE

- I-e _____ For organizations serving individuals and/or families, attach a copy of the organization's policies regarding program participants and treatment of participants' confidential information. (Standard ID1)

II. GOVERNING BODY

A. BOARD RESPONSIBILITIES

- II-a _____ Attach copies of board minutes from the last 12 months. Please be sure that your submission of a year's worth of minutes includes board minutes from a full fiscal year. You may need to provide board minutes for a period of time longer than a calendar year in order to include a full fiscal year or to illustrate approval of a policy. (Standard IIC5)

Indicate date and page of minutes reflecting the following:

- Board's resolution indicating that the organization will apply for Standards for Excellence Institute *Tier One: Essentials* recognition. _____ / _____ / _____ page _____
- Board's approval of the organization's most recent budget. _____ / _____ / _____ page _____ (Standard IIA3)
- Board's approval of the organization's most recent audit. _____ / _____ / _____ page _____ (If the organization has annual revenue in excess of \$500,000) (Standard IIA3)
- Board's most recent evaluation of the executive director. _____ / _____ / _____ page _____ (Standard IIA4)
- Board's most recent approval of executive director's salary. _____ / _____ / _____ page _____ (Standard IIA4).
- Who is responsible for the board minutes? _____ (Standard IIC5)
- Where are the board minutes kept? _____ (Standard IIC5)

- YES NO Has the board delegated decision making authority to a committee in any specific subject areas? If so, what areas? _____
- YES NO Are decisions made by committees with decision-making authority reported to the full board? (Standard IIC5)

STANDARDS FOR EXCELLENCE INSTITUTE®

II-b ____ Attach copies of minutes for the following committees from the last 12 months: executive, finance, audit, and other committees which have been delegated decision making authority by the board in areas that otherwise would be a board responsibility. (Standards IIA, IIC)

II-d _____ Attach the organization's most recently approved budget. (Standard IIA3)

II-e _____ Indicate date (year) current executive director was hired. _____ (Standard IIA4) Enclose a copy of the executive director's contract (if one exists) and description of the executive director's compensation package.

- If the board hired an executive director in the last three years, describe the process.

Please note: Personnel policies and financial policies covered in Standard IIA2 are requested in Section IV-Human Resources and Section V-Financial and Legal.

B. BOARD COMPOSITION

II-g _____ Attach a list of current board members with the following information for each member: name, and the date each board member's term expires. Clearly mark the board officers and any employees who serve on the board. (Standard IIB1, IIB3)

YES NO Are any board members related by blood or marriage? If so, please explain. (Standard IIB3)

YES NO Are any board members related to staff members by blood or marriage? If so, please explain. (Standard IIB3)

YES NO Are any staff related by blood or marriage? If so, please explain how your organization ensures that no supervisory relationship exists between related staff members. (Standard IIB3)

II-j _____ YES NO Do board members receive compensation for serving as board members (not including out of pocket expenses directly related to their board service)? If so, provide details of compensation arrangement. (Standard IIB6)

C. CONDUCT OF THE BOARD

II-n _____ Attach a copy of the organization's by-laws. Indicate below page numbers for the following:

- Term limits for board members - page _____ (Standard IIB4)
- Attendance for board members - page _____ (Standard IIC4)
- Participation for board members - page _____ (Standard IIC4)
- Consequences for noncompliance with board policies - page _____ (Standard IIC4)

II-o _____ Provide any documents that outline expectations for board members (i.e. board member job description or board manual). (Standard IIC2)

III. CONFLICT OF INTEREST

A. CONFLICT OF INTEREST POLICY

III-a _____ Attach a copy of the organization's conflict of interest policy which covers board, staff and volunteers with significant independent decision making authority and identifies conduct or transactions that raise concerns, outlines procedures for disclosure of actual and potential conflicts and provides for transaction review by uninvolved members of the board. (Standard IIIA1)

IV. HUMAN RESOURCES

If organization has employees, complete the following:

A. PERSONNEL POLICIES

- IV-a _____ Attach a copy of the organization's personnel policies. (Standards IVA1, IIA2)
- Indicate the date these personnel policies were last reviewed and approved by the board of directors. _____ / _____ / _____. Provide board minutes.
 - Indicate pages in personnel policies that address the following topics:
 - Working conditions - page _____ (Standard IVA1)
 - Employee benefits - page _____ (Standard IVA1)
 - Vacation - page _____ (Standard IVA1)
 - Sick leave - page _____ (Standard IVA1)
 - Employee evaluation - page _____ (Standard IVA1, IVB1)
 - Grievance procedures - page _____ (Standard IVA1)
 - Confidentiality of employee, client and organization records and information page _____ (Standard IVA1)
 - Growth and development - page _____ (Standard IVA1)
- IV-e _____ Do all employees have position descriptions outlining their work and responsibilities?

V. FINANCIAL AND LEGAL

A. FINANCIAL ACCOUNTABILITY

The organization's most recent annual budget was requested in the Governing Board section. (Standard IIA3, VA1)

- V-a _____ Attach copies of the organization's Form 990 Internal Revenue Service filing for the past three fiscal years, if applicable. If the organization has been in existence for less than three years, provide those 990s that are available (minimum of one 990 submitted).
- V-b _____ If the organization has annual revenue in excess of \$500,000, provide a copy of the organization's audit for the past year (including management letter, if any) conducted by a Certified Public Accountant. (Standard VA3). Describe management's response to any recommendations offered in the most recent management letter.
- V-c _____ Attach the four most recent internal financial statements or reports. Explain how material variation between actual and budgeted expenditures and revenues is reported to the board. Include document(s) which reflect that this reporting takes place. (Standard VA4)
- V-d _____ Describe how the organization provides employees, board members and volunteers with a confidential means to report known or suspected financial improprieties or misuse of organization funds. (If this is included in the employee handbook or personnel policies, label the document V-d and indicate page _____.) (Standard VA5)
- V-e _____ Attach the board-approved financial policy addressing internal controls (Standard VA6). Provide minutes when the board approved or revised this policy.

Financial policies, such as the requested internal control policy, should be adequate for the size and complexity of the organization's operations
If financial policies are addressed in by-laws or other requested documents, provide copies here.

STANDARDS FOR EXCELLENCE INSTITUTE®

B. LEGAL COMPLIANCE AND ACCOUNTABILITY

V-f _____ Describe how the organization monitors changes in legal and regulatory requirements. (Standard VB1)

V-g _____ YES NO Does the organization have general liability insurance? (Standard VB2) If so, provide a copy of the declaration page.

V-h _____ YES NO Does the organization have directors and officers' liability insurance? (Standard VB2) If so, provide a copy of the declaration page.

If the organization does not have general liability or directors and officers liability insurance, provide a copy of board minutes indicating that the board specifically considered and elected not to obtain such coverage.

V-i _____ Describe how the organization internally reviews its compliance with existing legal, regulatory, and financial requirements. (Standard VB3)

V-j _____ Provide a copy of the organization's document destruction/retention policy.

VI. OPENNESS (NOT INCLUDED IN TIER ONE: ESSENTIALS)

VII. FUNDRAISING

A. FUNDRAISING ACTIVITIES

VII-b _____ Attach one copy of a sample fundraising solicitation including all required disclosure statements. (Standards VIIA2, VIIA3)

VII-c _____ Attach one copy of a sample fundraising receipt including all required disclosures. (Standards VIIA2, VIIA3)

B. DONOR RELATIONSHIPS AND PRIVACY

VII-d _____ Provide copies of the organization's fundraising policy or describe the organization's fundraising procedure that addresses donor privacy (Standard VIIB1) (the policy may be a management policy rather than a board-approved policy).

D. FUNDRAISERS

VII-f _____ If you have engaged fundraising consultants or professional solicitors in the past 3 years, other than grant writers, provide their names and a description of the task provided. (Standard VIID2)

YES NO Are the organization's fundraising personnel, either employees or independent consultants, compensated based on a percentage of the amount raised or other commission formula? (Standard VIID1)

STANDARDS FOR EXCELLENCE INSTITUTE®

VIII. PUBLIC AFFAIRS AND PUBLIC POLICY

A. PUBLIC POLICY ADVOCACY

- VIII-a YES NO Does the organization engage in advocacy? Keep in consideration that advocacy is defined as “active support...(for)...a cause, idea, or policy.” (American Heritage Dictionary) while lobbying is considered a special type of advocacy. Lobbying is specifically defined by federal, state, and local laws and generally consists of communications that are intended to influence specific legislation (Please consult applicable laws and regulations for details).
- YES NO Does the organization engage in lobbying?
- YES NO Does the organization have a paid lobbyist? Provide an explanation of lobbying activities for the past fiscal year.
- YES NO Does the organization’s executive director, senior staff, or board members, lobby on behalf of the organization? Provide an explanation of their lobbying activities for the past fiscal year.
- YES NO Are all the lobbyist for the organization registered with applicable federal, state, local lobbyist registration agencies? Provide documentation/proof of registration.

C. PROMOTING PUBLIC PARTICIPATION

- VIII-e If the organization engages in promoting participation in community affairs, describe how the organization assures that its activities are strictly nonpartisan. (Standard VIIC1)

IX. OTHER DISCLOSURES

- IX-a YES NO Are there currently, or has there been in the last five years, any lawsuits or formal administrative complaints (such as Equal Employee Opportunity Commission, complaint pending before a regulatory body) brought against the organization? Please describe such lawsuits or administrative complaints (or any pending administrative complaints or lawsuits). Address the following: (1) involvement of senior staff as subjects of lawsuit(s); (2) board involvement responding to the lawsuit(s); and (3) finding of liability or guilt.
- IX-b YES NO Has your organization been subject of any negative or unfavorable print or electronic media in the last year? If so, please attach.
- IX-c YES NO Is there any other information that the Standards for Excellence staff should know about the organization which may affect if it will continue to stay in business in the future? If so, please describe.
- IX-d YES NO Enclose a copy of the organization’s IRS determination letter.
- IX-e YES NO Enclose a copy of the organization’s Articles of Incorporation.
- IX-f YES NO Provide contact information and letter of recommendation from one of the largest funders (i.e. state, local government, or foundations).
- IX-g YES NO Is the organization a member of a state association of nonprofits, subsector association, or an affiliate of a national organization? Provide contact information and details of the affiliation.

STANDARDS FOR EXCELLENCE INSTITUTE®

IX-h YES NO Provide contact information for one organizations within your community that are familiar with the work of your organization (not listed in IX-e or IX-f).

IX-i YES NO Provide documentation the organization is in good standing with the local Secretary of State or State Attorney General office that regulates nonprofits, if applicable.

IX-j _____ Date the organization completed the online Standards for Excellence self assessment exercise
_____/_____/_____

STANDARDS FOR EXCELLENCE INSTITUTE®

Standards for Excellence *Tier One: Essentials* requested documents/policies:

	Mission and Program		Fundraising
I-a	Mission Statement	VII-b	Sample or template fundraising solicitation
I-d	Description of program evaluations framework and basic data collection strategies for all programs	VII-c	Sample or template fundraising receipt
I-e	Program participant policy (confidentiality)	VII-d	Fundraising policies or procedures on donor privacy
	Governing Board	VII-f	List of fundraising consultants or professional fundraisers and declaration that fundraisers are not paid on a commission or percentage basis
II-a	Board minutes from the last 12 months Board resolution to apply for Standards for Excellence Tier One: Essentials Board's approval of budget Board's approval of audit Evaluation and salary setting for the executive director Board minutes: location and person responsible		
II-b	Committee minutes from the last 12 months		
II-d	Most recently approved budget		
II-e	Description of executive director search and hire process; executive director's contract	VIII-a	Lobbyist activity and registration
II-g	List of current board members (name, position, term-end date)	VIII-e	Explanation: how organization insures that its efforts are strictly nonpartisan
II-j	Details of board member compensation arrangement		
II-n	Organization by-laws		
II-o	Board member expectations/job description		
	Conflict of Interest		
III-a	Conflict of interest policy		
	Human Resources		
IV-a	Personnel policies		
IV-e	Statement about existence of position descriptions for staff		
	Financial and Legal		
V-a	Most recent form 990s		
V-b	Audit and management letter for most recently completed fiscal year		
V-c	Four most recent internal financial statements		
V-d	Explanation of how employees can confidentially report financial improprieties/misuse of funds, whistle blower protection policy		
V-e	Financial policy covering internal controls		
V-f	Description of monitoring changes in legal and regulatory requirements		
V-g	General liability insurance declaration page or minutes from meeting at which general liability insurance was discussed		
V-h	Directors and officers liability insurance declaration page or minutes from meeting at which directors and officers insurance was discussed		
V-i	Description of internal review of compliance with existing legal, regulatory, and financial requirements		
V-j	Document retention policy		
			Public Affairs and Public Policy
			Other Disclosure
		IX-a	Lawsuit disclosure
		IX-b	Media disclosure
		IX-c	Sustainability disclosure
		IX-d	IRS determination letter
		IX-e	Articles of Incorporation
		IX-f	Funder's Recommendation
		IX-g	State/sub-sector association
		IX-h	List of community organizations
		IX-i	Certification of good standing with charity regulator
		IX-j	Date applicant completed Standards for Excellence online self assessment exercise



Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practices
APPLICATION DEADLINES FOR 2012 - 2013

The Standards for Excellence® program promotes the highest standards of ethics and accountability in nonprofit governance, management, and operations, and facilitates adherence to those standards by all nonprofit organizations. The centerpiece for the program is the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector*, a model for how well-managed and responsibly governed nonprofits operate. The Standards for Excellence program provides an array of written educational materials to help nonprofits implement the standards.

Beginning in July 2011, the Standards for Excellence program was expanded to include a three-tiered approach to certification for organizations that want to illustrate their adherence to the standards. The certificate program allows nonprofits to choose whether they will take the Tiered Approach (starting with *Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practice*) or Traditional Approach (going directly to *Tier Three: Certified—Standards for Excellence Seal Holder*) on their path to certification.

Deadlines in 2012 to apply for The Standards for Excellence *Tier One: Essentials—Adherence to Basic Legal, Regulatory, and Governance Practices* are:

July 12, 2012

October 10, 2012

January 16, 2013

**If you would like more information about the certification program, please contact
Melissa Sines
Standards for Excellence Certification Manager
Email msines@standardsforexcellenceinstitute.org or call 443-438-2337.**

Standards for Excellence Institute

excellence

Tier One: Essentials –Adherence to Basic Legal, Regulatory, and Governance Practices **Benefits**

Recognition of Accountability

- Attest to donors and the public that you have laid a strong foundation for your organization’s growth.
- Increase donor and public confidence in your organization.
- Promote positive public relations.
- Attract prospective employees, board members, and volunteers.

Safeguard Against Improper Behavior, Affirmation of Good Work

- Create an environment of openness and honesty.
- Enhance knowledge and professionalism of board and staff.
- Ensure that the board is upholding its fiduciary responsibility.

Method of Self-Improvement, Measure for Appropriate Behavior

- Examine your organization to promote organizational growth.
- Holds certification out as a goal, starting your organization on the right track and following best practices in the field.
- Gain insight from experts in nonprofits on how to improve your operations.
- Understand and follow legal and financial requirements for nonprofits.
- Encourage continuous improvement and self-assessment.

Framework for a Sustainable Organization That Is Proactive and Solves Problems

- Institute procedures that promote sustainability in your organization.
- Learn and implement what is needed to meet challenges of present and future.
- Follow a roadmap that leads to organizational excellence.

Promote Achievement

- Organizations meeting *Tier One: Essentials* requirements will be entitled to promote the following:

“NAME OF YOUR ORGANIZATION has completed all the requirements to meet the Standards for Excellence® Tier One: Essentials–Adherence to Basic Legal, Regulatory, and Governance Practices.”

This template letter can be used to help attract funders to underwrite the costs of applying for and implementing the Standards for Excellence® program.

Insert Date Here

Mr./Ms John/Jane Doe
Grant Administrator
XYZ Foundation
1234 First Avenue
Any City, XY 12345

Dear Mr./Ms. Doe:

I would like to thank you for your continued support of ABC Nonprofit. We appreciate the significant investment you have made in our mission to <Insert Goal of Mission>.

ABC Nonprofit is interested in starting the process to become certified by the Standards of Excellence® certification program offered by the Standards of Excellence Institute. The Standards of Excellence program provides benchmarks for ethical and accountable nonprofit operations. The Institute recently introduced a Tiered Approach to certification that makes applying easier and more affordable. I am writing this letter to explore your potential interest in supporting ABC Nonprofits' application to Standards of Excellence *Tier One: Essentials—Adherence to Legal, Regulatory, and Governance Practices*.

This application would start us on the path to full certification. After completing *Tier One: Essentials*, we would progress to *Tier Two: Enhanced Nonprofit Governance and Management* and *Tier Three: Certified—Standards for Excellence Seal Holder*, ultimately attaining full certification for compliance with all eight guiding principles and 55 performance indicators that make up the Standards for Excellence certification. Specifically, the Standards for Excellence code outlines guidelines as to how a responsibly governed and well-managed nonprofit should act in conducting program operations, governance, human resources, financial management, and fundraising.

By participating in this program, ABC Nonprofit is seeking to improve the way in which we operate and serve the public. Complying with the standards will help us improve upon our efforts to create a more sustainable organization and enhance our fundraising ability. The Standards for Excellence program is a way for ABC Nonprofit to increase public trust and to show our stakeholders that we have high expectations for our performance.

ABC Nonprofit already implements many of the requirements for *Tier One: Essentials*, but needs to make improvements in some areas, including <Insert Areas to Work on>. We have already completed a comprehensive self-assessment of our organization, and estimate that it will take <Insert Weeks or Months> to implement the standards and apply for certification. We anticipate the expenses for implementing the standards program to be <Enter Amount>. We are requesting support from XYZ Foundation in the amount of <Enter Amount> in order to be able to carry out this initiative. This money will specifically go toward <Insert Specific Use for \$ (Ex: pay application fee, get materials copied, hire a consultant, etc.)>.

In order to participate, ABC Nonprofit will need to submit a written application, provide requested documentation, and pay an application fee. After the Institute's professional staff completes a review of our submitted materials, we will receive an award letter. In addition, we will earn the right to promote for up to three years that we have met the requirements for *Tier One: Essentials*, using language approved by the Standards of Excellence Institute.

We hope that XYZ Foundation will want to be a part of this great opportunity. I welcome the opportunity to discuss how XYZ Foundation can support ABC Nonprofits path toward full certification under the Standards for Excellence code. I will contact your office in the next couple of weeks to discuss this opportunity further. In the meantime, if you should need to contact me I can be reached at <Insert Number> or <Insert E-Mail Address>. I look forward to speaking to you.

Sincerely,

Mr./Ms. ABC Nonprofit Representative
Title

ENCLOSURES

<*Standards Brochure*>

<*Benefits of Certification*>

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





A publication of the Standards for Excellence Institute

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preamble

America's nonprofit sector is committed to public service. Hard at work in communities across the country, nonprofit organizations are serving and meeting the needs of our citizens and strengthening our communities.

The success of nonprofit organizations depends upon public confidence and broad public support. 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 Standards for Excellence Institute is committed to raising the level of ethical and accountable practices in nonprofit organizations. Therefore, the Standards for Excellence Institute has released these ***Standards for Excellence (Standards)*** to serve as a model for nonprofit organizations to implement in their operations and governance.



Nonprofit organizations must comply with applicable local, state, and federal laws. These **Standards** build upon that foundation, and go a step further. Based on fundamental values - such as honesty, integrity, fairness, respect, trust, compassion, responsibility, and accountability - these **Standards** describe how nonprofits should act to be ethical and accountable in their program operations, governance, human resources, financial management and fundraising. Eight (8) Guiding Principles are provided, along with fifty-five (55) standards - more detailed performance benchmarks that will enable nonprofits to strengthen their operations.

The Standards for Excellence Institute is dedicated to helping individual nonprofit organizations and the nonprofit sector live by the **Standards for Excellence**. The Institute provides educational programming and a voluntary leadership-based certification initiative by which nonprofits are evaluated based on their compliance with the performance indicators outlined in these Standards.

The **Standards for Excellence** are intended to describe how the most well managed and responsibly governed organizations should, and do operate. They provide benchmarks to determine how well an organization is fulfilling its obligations to those who benefit from its programs, to contributors, and to the public. All nonprofit organizations are encouraged to pledge to commit to the Guiding Principles of the **Standards for Excellence** and to work toward implementing the practices and principles outlined.



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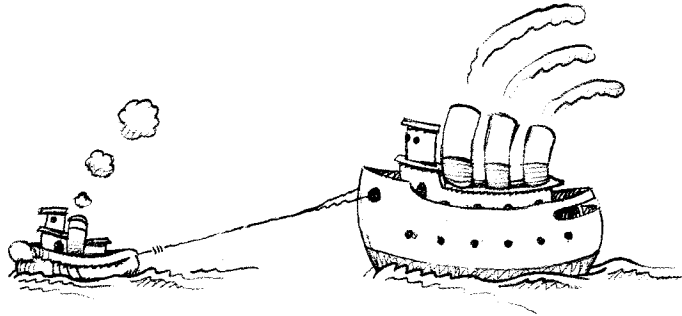
guiding principles

I. MISSION AND PROGRAM

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.

II. GOVERNING BODY

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

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

V. FINANCIAL AND LEGAL

Nonprofits must practice sound financial management and comply with a diverse 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 benefit with support from the general public. As such, they should provide the public with information about their 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. FUNDRAISING

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

- (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 3 to 5 years) to determine if the need for its programs continues to exist. The organization should evaluate whether the 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, be used to strengthen the effectiveness of the organization and, when necessary, be used to make programmatic changes.

D. Program Service

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



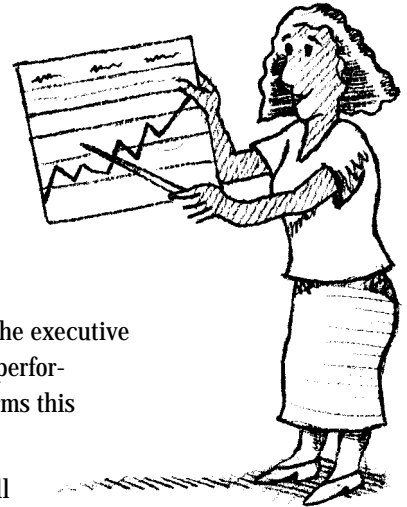
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governing body

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

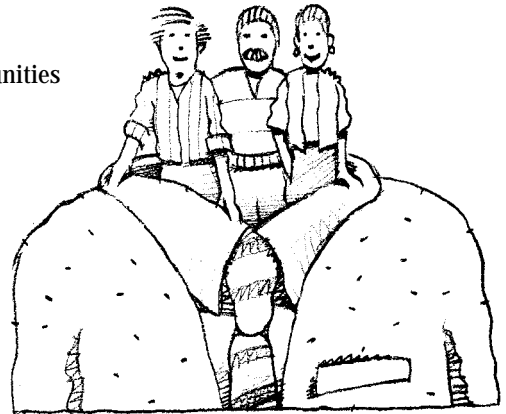
A. Board Responsibilities

- (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) The board annually should approve the organization's budget and periodically should assess the organization's financial performance in relation to the budget. As part of the annual budget process, the board should review the percentages of the organization's resources spent on program, administration, and fundraising. The full board should also approve the findings of the organization's annual audit and management letter and plan to implement the recommendations of the management letter.
- (4) The full board or some designated committee of the board should hire the executive director, set the executive's compensation, and evaluate the director's performance at least annually. In cases where a designated committee performs this responsibility, 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 accomplish the mission.
- (2) Where an employee of the organization is a voting member of the board, the circumstances must insure that the employee will not be in a position to exercise undue influence.
- (3) The board should have no fewer than five (5) unrelated directors. Seven (7) 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 for their service as board members. Board members may only be reimbursed 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 (i.e., at least every two years) 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 fundraising 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 (4) times a year.
- (4) The organization should have written policies that address attendance and participation of board members at board meetings. These policies should include a process to address noncompliance.
- (5) Written meeting minutes reflecting the actions of the board, including reports of board committees when 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 policies in place, and should routinely and systematically implement those policies, to prevent actual, potential, or perceived conflicts of interest.

A. Conflict of Interest Policy

- (1) Nonprofits should have a written conflict of interest policy. The policy should be applicable to all board members and staff, and to 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, 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. Conflict of Interest Statements

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

C. Employee Orientation

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



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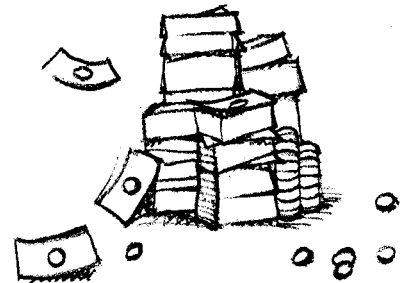
financial and legal

Nonprofits must practice sound financial management and comply with a diverse 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.



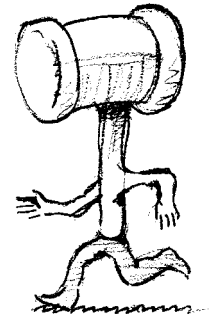
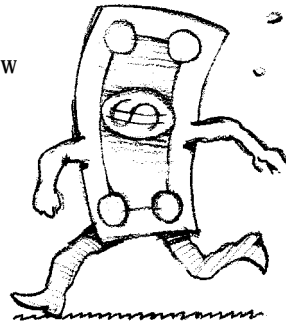
A. Financial Accountability

- (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 financial reports on a timely basis that accurately reflect the financial activity of the organization. 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.
- (3) For nonprofits with annual revenue in excess of \$300,000, the accuracy of the financial reports should be audited by a Certified Public Accountant.
- (4) Organizations should provide employees a confidential means to report suspected financial impropriety or misuse of organization resources and should have in place a policy prohibiting retaliation against persons reporting improprieties.
- (5) Organizations should have written financial policies adequate for the size and complexity of their organization 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. This may include, but is not limited to, the following activities: complying with laws and regulations related to fundraising, licensing, financial accountability, document retention and destruction, human resources, lobbying and political advocacy, and taxation.
- (2) Organizations should periodically assess the need for insurance coverage in light of the nature and extent of the organization's activities and its financial capacity. A decision to forego general liability insurance coverage or Directors and Officers liability insurance coverage shall only be made by the board of directors and shall be reflected in the minutes for the meeting at which the decision was made.
- (3) Nonprofits should periodically conduct an internal review of the organization's 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

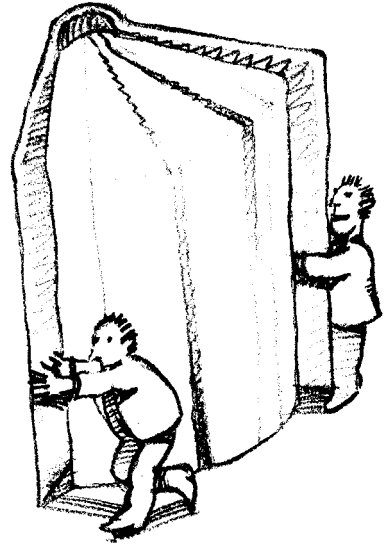
Nonprofits are private corporations that operate for public benefit with support from the general public. As such, they should provide the public with information about their mission, program activities, and finances. A nonprofit should also be accessible and responsive to members of the public who express interest in the affairs of the organization.

A. Annual Report

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





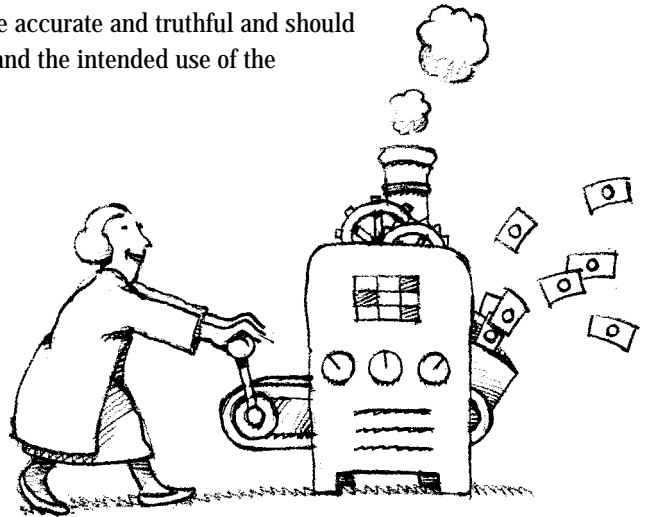
standards for excellence

fundraising

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

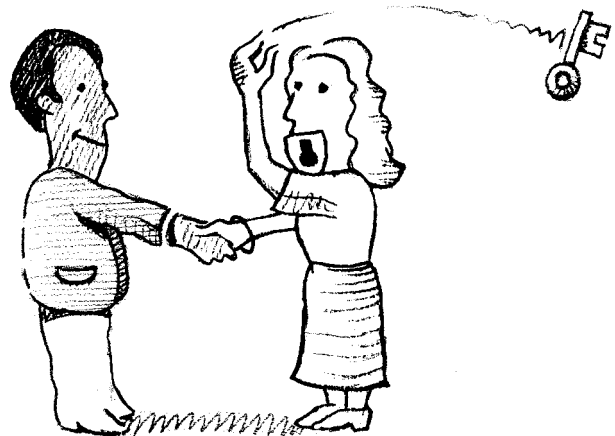
A. Fundraising Activities

- (1) 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 spent on conducting them. 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 the individual 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 fundraising appeals about the use of a contribution should be honored.
- (4) Nonprofits must honor the known intentions of a donor regarding the use of donated funds.



B. Donor Relationships 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 an opportunity to state that they prefer to remain anonymous and that their name, the amount of their gift, or other information not be publicly released.
- (3) Nonprofits should provide donors an opportunity to have their names removed from any mailing lists which are sold, rented, or exchanged.
- (4) Nonprofits should honor requests by a donor 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 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.

D. Fundraisers

- (1) Fundraising 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 counsel who are properly registered with applicable regulatory authorities.
- (3) Organizations should exercise control over any staff, volunteers, consultants, contractors, other organizations, or businesses who 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

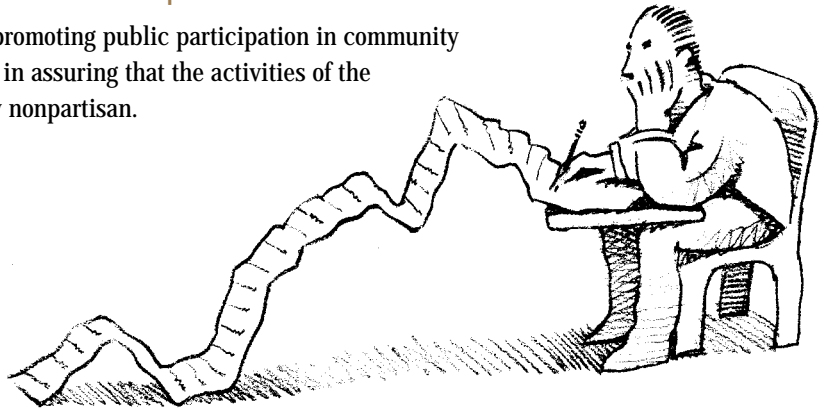
- (1) Nonprofits should have a written policy on advocacy defining the process by which the organization determines positions on specific issues.

B. Public Education

- (1) Nonprofits 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 shall 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 representatives, as designated by the leadership of your organization.*

About the Standards for Excellence Institute

The Standards for Excellence Institute is a new national initiative to promote the highest standards of ethics and accountability in nonprofit governance, management and operations, and to facilitate adherence to those standards by all nonprofit organizations. The Institute uses as a vehicle the Standards for Excellence program, a system of nonprofit sector industry self-regulation originated by the Maryland Association of Nonprofit Organizations and initially replicated by state nonprofit associations in Ohio, Pennsylvania, Georgia, Louisiana and North Carolina.

The centerpiece of the Institute's program is the ***Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector***. The Institute also makes available to member organizations a comprehensive system of educational tools to enable individual nonprofit organizations to improve their governance and management practices. Standards for Excellence certification is available to individual organizations through a rigorous peer review process in selected locations.

For information about becoming a member of the Standards for Excellence Institute or to obtain additional copies of the booklet visit our website at www.standardsforexcellenceinstitute.org.

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Standards for Excellence Institute

190 West Ostend Street. Suite 201 Baltimore, MD 21230
410.727.1726 fax 410.727.1914

www.standardsforexcellenceinstitute.org