

COMMENTS SUBMITTED FOR THE RECORD OF THE COMMITTEE ON WAYS
AND MEANS HEARING ON AN OVERVIEW OF THE TAX-EXEMPT SECTOR

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On behalf of the Standards for Excellence Institute we appreciate the opportunity to submit comments as the Ways and Means Committee undertakes a broad review of issues concerning the tax-exempt, nonprofit sector in the United States.

The Standards for Excellence Institute is a national initiative that promotes a comprehensive system of nonprofit sector self-regulation. Originated in Maryland, it now includes active programs in six other states with outreach to groups anywhere in the nation. The Institute couples a strong ethics and accountability code – *Standards for Excellence* – with the resources needed to achieve the highest standards in governance, management and operations. The program provides educational resource packets, clinics and person to person technical help to assist groups interested in understanding and implementing the individual standards. There is also a voluntary system of certification, based on an extensive peer review process, leading to the award of a “Seal of Excellence”, which is subject to periodic re-certification. The program was cited as a model in the Finance Committee’s discussion paper last year.

A careful review of the tax-exempt nonprofit community will clearly find some examples of abusive practices, excessive compensation, and areas such as tax shelters and credit counseling that demand examination and corrective action by the Congress and regulators at the federal and state level. What is less clear is how many of these problems require new laws or regulations rather than more effective enforcement of existing rules. It appears that many of these practices are already illegal, and there is uniform support from the nonprofit sector for more rigorous enforcement by the Internal Revenue Service, and a need for more resources for that purpose. We strongly support the work and recommendations of the Panel on the Nonprofit Sector convened by Independent Sector on these issues.

A careful review will also find that the nonprofit sector is extremely diverse, and that “one size fits all” reforms could be a terrible mistake. Simply put, the level of regulation and reporting appropriate and necessary for large national organizations may present an impossible burden for groups that have small staffs, limited resources, and may rely completely on volunteers in serving the community. These make up the vast majority of tax-exempt organizations across the country.

From years of providing assistance to hundreds of organizations, and from our experience implementing the Standards for Excellence program, we have come to understand that better management and accountability cannot be assured simply by new laws and law enforcement.

Adoption of new stringent regulations, new reporting requirements, and new accreditation programs for nonprofits will not change two essential facts. First, tens of millions of well-intended individuals are involved in the management and operation of the nations' charities, and many already know they should be doing more in terms of management, but simply lack the time and resources. Second, for the most part, nonprofits' compliance with legal requirements or with voluntary standards of 'best practice' is essentially self-enforced.

Our research and experience have shown that nonprofit board and staff leaders have high expectations for themselves and their organizations, that unfortunately often exceed the level of performance they are able to achieve with the time and resources available to them.

Any effective program to broadly improve the governance, management and accountability of nonprofit organizations must address the obstacles that prevent them from improving these areas within their organizations.

First, there must be an accessible, user friendly and clear statement of standards that provides guidance and sets high expectations for how nonprofits are governed, managed and operated.

A second significant problem is that we have under-invested in the infrastructure of nonprofit organizations and the nonprofit sector. Facing increasing demands for services they provide, with limited staff and resources to perform core mission activities, few can afford the time, effort and expense that is required to improve their governance and management practices. In fact, most of the incentives at present encourage nonprofits to spend as little as possible on their management and administration.

We need to make clear that it's OK, in fact that it is expected, for board and staff leaders to pay attention to internal organizational health and to invest in building well run, responsibly governed, sustainable nonprofits. And we need to make resources available to support them as they endeavor to do so.

A further major obstacle is that there are limited financial resources available to support those of us who are trying to help the helpers. The assistance that is currently available from state associations of nonprofits, local management support organizations, as well as national groups, is limited by our reliance on members' dues, fees, and already stretched thin philanthropic support.

Improvement and expansion of programs such as the Standards for Excellence, and of training and information to promote basic legal compliance, will require more than is foreseeable from these sources.

This is a logical area for partnership between government and the nonprofit sector. Nonprofit organizations deliver many vital government funded programs and services, and provide programs and services to citizens where government efforts are limited or non-existent.

Just as it made sense years ago to develop federal and state programs to support the development and growth of small businesses, it makes sense now for both federal and state governments to invest in strengthening the capacity of nonprofits to serve the community.

The national version of the *Standards for Excellence* is available on the web at http://www.standardsforexcellenceinstitute.org/public/html/explore_b.html.

Appended to these comments is additional information on the Standards for Excellence Institute and its national programs.

Submitted by

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Standards for **excellence** Institute 



*Our nonprofits have
standards you can trust.*

*Tired of headlines about another
nonprofit abusing the public's trust?*

*Worried that government will
regulate you out of business?*

*Believe that the nonprofit community
should define itself rather than
letting others do it for us?*

*Then stand up and speak out for
excellence in the nonprofit sector.*

*Join the Standards for Excellence
Institute today!*

The Standards for Excellence Institute is a 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 self-regulation originated by the Maryland Association of Nonprofit Organizations and now replicated by nonprofit associations in Ohio, Pennsylvania, Georgia, Louisiana, North Carolina and Illinois.

The Standards for Excellence program has been developed to strengthen nonprofit organizations' ability to act ethically and accountably in their management and governance, therefore enhancing the public's trust in the nonprofit sector. The program promotes widespread application of a comprehensive system of self-regulation in the nonprofit sector – the first of its kind in the United States.

The Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector (Standards, Standards for Excellence) is the centerpiece of the program. The *Standards* are based on the fundamental values of honesty, integrity, fairness, respect,

trust, compassion, responsibility and accountability, and provide a guideline for how nonprofit organizations should act to be ethical and accountable in their program operations, governance, human resources, financial management and fundraising.

“PREVENT BLINDNESS OHIO ELECTED TO PARTICIPATE IN THE STANDARDS FOR EXCELLENCE PROGRAM BECAUSE OF OUR DESIRE TO INCREASE AND ENHANCE THE PUBLIC’S TRUST IN OUR ORGANIZATION AND OHIO’S NONPROFIT SECTOR, IN GENERAL.”

– Sherrill K. Williams, *Prevent Blindness Ohio*

The *Standards for Excellence* set a high benchmark, exceeding the minimum legal requirements by establishing a new standard to quantify how well managed and responsibly governed nonprofit should operate.

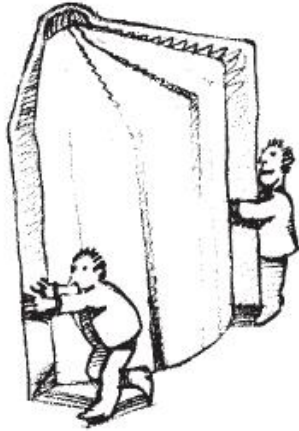
The *Standards* cover eight areas of nonprofit governance and operations:

- Mission and Program
- Governing Board
- Conflict of Interest
- Human Resources
- Financial and Legal Accountability
- Openness
- Fundraising
- Public Affairs and Public Policy

The *Standards* cover a broad range of topics such as: how many times each year an organization’s board of directors should meet, what subjects should be covered in an organization’s personnel policies, and when audited financial statements should be prepared. The *Standards* also encourage organizations to have procedures in place to evaluate their programs and require board member, staff and volunteers to disclose any conflicts of interest.

The Standards for Excellence Institute Helps Nonprofits Achieve the *Standards*

The Standards for Excellence Institute works with its affiliates to implement the *Standards* in their organizations in a number of ways. The Institute provides affiliates with extensive written educational materials detailing best practices, outlining model policies, and providing user-friendly samples. Specialized training seminars are available on a range of topics that are pertinent to implementing the *Standards* in your organization. Ongoing one-on-one technical assistance is also accessible, allowing your organization to personally contact the Institute to address any questions that might emerge during the implementation process.



**WE HELP YOU ACHIEVE
EXCELLENCE.**

The Standards for Excellence Institute helps nonprofits, no matter the size, to implement the *Standards* in their organizations in a number of ways.

Start out by purchasing copies of the Standards for your Board of Directors and management staff. Benchmark your organization's practices against the *Standards for Excellence* and examine the strengths and weaknesses in your governance and management practices. And then make plans to use the Standards to improve your organization.

The Standards for Excellence Institute provides members with extensive written educational materials to help you implement the Standards. We believe that no nonprofit should have to reinvent the wheel. Take advantage of our model policies, descriptions of best practices, user-friendly samples and other educational tools.

Specialized training seminars are available on a range of topics that are pertinent to implementing the *Standards* in your organization. Ongoing one-on-one technical assistance is available from our expert staff to help you make changes and improve your governance and management practices. The Institute is the first place to provide you with all the help you need to achieve excellence. We're here for you!

**"WE REALIZED WE WERE SUDDENLY GETTING FUNDING FROM
FOUNDATIONS THAT HAD NEVER LOOKED AT US BEFORE."**

Marti Worshtil, Prince Georges Child Resource Center*

* Quotation reprinted with permission of the Chronicle of Philanthropy, <http://philanthropy.com>

“THE STAFF HAS A WONDERFUL FRAME OF REFERENCE FOR UNDERSTANDING WHAT OUR CORE VALUES ARE. I CAN GIVE THE STANDARDS FOR EXCELLENCE BOOK TO ANYONE AND SAY, ‘HERE IS WHAT WE’RE ALL ABOUT.’ IT’S THE MOST ELOQUENT STATEMENT I CAN MAKE.”

– Bill Ewing, *Maryland Food Bank**

* Quotation reprinted with permission of the Chronicle of Philanthropy, <http://philanthropy.com>

THE SEAL OF EXCELLENCE: YOUR SYMBOL OF TRUST

A Voluntary Certification Program

The Standards for Excellence offers a voluntary, leadership-based, certification program for nonprofit organizations interested in demonstrating that they abide by the *Standards for Excellence*.

Currently, the voluntary certification program is available to nonprofit organizations in Maryland, Ohio, Pennsylvania, and Louisiana and will soon to be available in other states and jurisdictions.

To participate, organizations must submit a written application including extensive documentation, and pay a reasonable application fee. A panel of independent, trained peer reviewers assesses the applicant’s practices to determine if they have met the *Standards*. Those organizations that meet all of the *Standards* are given permission to proudly display the **Seal of Excellence**, a symbol of trust for the public and donors alike.



To find out more information about getting certified in your state, visit www.standardsforexcellenceinstitute.org or call us at 410-727-1726. A waiting list is forming for nonprofits that would like to be certified as part of our national certification program.

Putting The Standards for Excellence Program to Work

If you are a nonprofit organization you can...

- Set a new benchmark for your organization by implementing the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector*, with the support of your Board of Directors and Staff;
- Show a copy of the Standards for Excellence Introductory Video to your Board of Directors and Staff; or
- Apply for the Seal of Excellence through the Standards for Excellence voluntary certification program (Now available in Maryland, Ohio, Pennsylvania, and Louisiana).

If you are a foundation or a grantmaker you can...

- Distribute copies of the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* to the nonprofits in your area as a blueprint for well managed, responsible governed organizations.
- Encourage and/or underwrite the organizations you support to use the Standards for Excellence as a tool for strengthening operations.
- License the Standards for Excellence Program and launch a full-scale Standards program in your region.
- Support the Standards for Excellence programs operating in your region.
- Sponsor a Standards for Excellence Institute training for nonprofits or grantees in your region.

If you are an association you can...

- Purchase copies of the *Standards for Excellence: An Ethics and Accountability Code for the Nonprofit Sector* to distribute to nonprofits in your area as a blueprint for well managed, responsible governed organizations.
- Contract with the Standards for Excellence Institute to provide training for nonprofits or grantees in your region.
- Apply for the Seal of Excellence through the Standards for Excellence voluntary certification program (Now available in Maryland, Ohio, and Pennsylvania). Soon to be available in additional states and jurisdictions.
- Become a supporter of the Standards for Excellence program by partnering with current or potential Standards replication partners.

Affiliation to the Standards for Excellence Institute provides your organization and/or you, as an individual, access to a wealth of knowledge and support that will enable you to abide by the highest level of standards set forth by the nonprofit sector.

Affiliate packages are available for:

Nonprofit Organization - 501(c)(3), 501(c)(4), or 501(c)(6)

Individual Associates - not employed by a nonprofit

Foundations/ Federated Funding Agencies/ Grantmaking Organizations

Full Time Students

Affiliate Benefits include:

- Discounts on purchases of Standards booklets
- Access to the Standards Educational Resource packages and permission to make additional copies of the materials
- Contacting Standards For Excellence Institute's expert staff through telephone technical assistance
- Access to information from our comprehensive nonprofit management library
- Participation in online forums with other members
- Discounts on customized Standards training programs

Fees are determined by the type of membership and are based on a sliding scale. To receive more information about membership please refer to www.standardsforexcellenceinstitute.org.