

Independent Sector's Panel on the Nonprofit Sector Principles for Good Governance and Ethical Practice

March Discussion Draft	Final Version	Major Changes
<p>01. A charitable organization should be knowledgeable about and must comply with all applicable federal laws and regulations, as well as applicable laws and regulations of the states and the local jurisdictions in which it is based or operates. If the organization conducts programs outside the United States, it should also abide by applicable international laws, regulations and conventions.</p>	<p>01. A charitable organization must comply with all applicable federal laws and regulations, as well as applicable laws and regulations of the states and the local jurisdictions in which it is based or operates. If the organization conducts programs outside the United States, it must also abide by applicable international laws, regulations and conventions that are legally binding on the United States.</p>	<p>Delete "should be knowledgeable about," add that international laws etc. must be legally binding on the US.</p>
<p>30. A charitable organization should have a formally adopted, written code of ethics with which all of their trustees, staff and volunteers are familiar and to which they adhere.</p>	<p>02. A charitable organization should have a formally adopted, written code of ethics with which all of its directors or trustees, staff and volunteers are familiar and to which they adhere. Adherence to the law provides a minimum standard for an organization's behavior.</p>	<p>Move from #30 to #2. Add "Adherence to the law provides a minimum standard for an organization's behavior. "</p>
<p>03. A charitable organization should adopt and implement policies and procedures to ensure that all conflicts of interest, or the appearance thereof, within the organization and the board are avoided or appropriately managed through disclosure, recusal, or other means.</p>	<p>03. A charitable organization should adopt and implement policies and procedures to ensure that all conflicts of interest, or the appearance thereof, within the organization and the board are appropriately managed through disclosure, recusal, or other means.</p>	<p>Delete "are avoided or"</p>

Where Most Needed Analysis

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<p>04. A charitable organization should establish and implement policies and procedures that enable individuals to come forward with credible information on illegal practices or violations of organizational policies. This “whistleblower” policy must specify that the organization will not retaliate against individuals who make such reports.</p>	<p>04. A charitable organization should establish and implement policies and procedures that enable individuals to come forward with information on illegal practices or violations of organizational policies. This “whistleblower” policy should specify that the organization will not retaliate against, and will protect the confidentiality of, individuals who make good-faith reports.</p>	<p>Delete “credible,” replace “such reports” with “good-faith reports.”</p>
<p>05. A charitable organization should establish and implement policies and procedures to protect and preserve the organization's important documents and business records.</p>	<p>05. A charitable organization should establish and implement policies and procedures to protect and preserve the organization's important documents and business records.</p>	<p>No change</p>
<p>31. A charitable organization's board of directors should ensure that the organization adheres to a risk management plan that protects the organization's assets—its property, financial and human resources, and programmatic content and material. The board should review annually the organization's need for general liability and directors' and officers' liability insurance, as well as take other actions necessary to mitigate risks.</p>	<p>06. A charitable organization's board should ensure that the organization has adequate plans to protect its assets—its property, financial and human resources, programmatic content and material, and its integrity and reputation—against damage or loss. The board should review regularly the organization's need for general liability and directors' and officers' liability insurance, as well as take other actions necessary to mitigate risks.</p>	<p>Move from #31 to #6. Delete reference to “risk management,” add reference to “integrity and reputation,” “against damage or loss.”</p>

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06. A charitable organization must make information about its operations, including its governance, finances, programs, and activities widely available to the public. Charitable organizations should also make information available on the methods they use to evaluate the outcomes of their work and are encouraged to share the results of those evaluations.	07. A charitable organization should make information about its operations, including its governance, finances, programs and activities, widely available to the public. Charitable organizations also should consider making information available on the methods they use to evaluate the outcomes of their work and sharing the results of those evaluations.	Delete "are encouraged to share", add "should consider"
02. A charitable organization must have a governing body that is responsible for reviewing and approving the organization's mission and strategic direction, annual budget and key financial transactions, compensation practices and policies, and fiscal and governance policies of the organization.	08. A charitable organization must have a governing body that is responsible for reviewing and approving the organization's mission and strategic direction, annual budget and key financial transactions, compensation practices and policies, and fiscal and governance policies.	Delete "of the organization"
07. The board of a charitable organization must meet regularly enough to conduct its business and fulfill its duties.	09. The board of a charitable organization should meet regularly enough to conduct its business and fulfill its duties.	Replace "must" with "should"

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<p>08. The board of a charitable organization should establish and review periodically its size and structure to ensure effective governance and to meet the organization's goals and objectives. The board should have a minimum of five members.</p>	<p>10. The board of a charitable organization should establish its own size and structure and review these periodically. The board should have enough members to allow for full deliberation and diversity of thinking on governance and other organizational matters. Except for very small organizations, this generally means that the board should have at least five members.</p>	<p>Insert provision to allow exceptions for minimum membership requirement</p>
<p>09. The board of a charitable organization should include members with the diverse skills, background, expertise, and experience necessary to advance the organization's ability to fulfill its mission. The board should include some individuals with financial literacy.</p>	<p>11. The board of a charitable organization should include members with the diverse background (including, but not limited to, ethnic, racial and gender perspectives), experience, and organizational and financial skills necessary to advance the organization's mission.</p>	<p>Add specific mention of ethnic, racial, and gender diversity, replace reference to "financial literacy" with "financial skills"</p>

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<p>10. A substantial majority of the board of a public charity should be independent-- that is, they should be individuals (1) who are not compensated by the organization as an employee or independent contractor; (2) whose compensation is not determined by individuals who are compensated by the organization; (3) who do not receive, directly or indirectly, material financial benefits from the organization except as a member of the charitable class served by the organization; and (4) who are not related to (as a spouse, sibling, parent or child), or do not reside with, any individual described above.</p>	<p>12. A substantial majority of the board of a public charity, usually meaning at least two-thirds of the members, should be independent. Independent members should not: (1) be compensated by the organization as employees or independent contractors; (2) have their compensation determined by individuals who are compensated by the organization; (3) receive, directly or indirectly, material financial benefits from the organization except as a member of the charitable class served by the organization; or (4) be related to anyone described above (as a spouse, sibling, parent or child), or reside with any person so described.</p>	<p>Add definition of substantial majority as two-thirds</p>
<p>11. The board should hire, supervise, and annually evaluate the performance of the chief executive officer of the organization, as well as approve annually and in advance the compensation of the chief executive officer unless there is a multiyear contract in force or there is no change in the compensation except for an inflation or cost-of-living adjustment.</p>	<p>13. The board should hire, oversee, and annually evaluate the performance of the chief executive officer of the organization, and should conduct such an evaluation prior to any change in that officer's compensation, unless there is a multi-year contract in force or the change consists solely of routine adjustments for inflation or cost of living.</p>	<p>Change wording to more closely tie executive compensation to annual review</p>

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<p>12. The board of a charitable organization that has paid staff should ensure that the positions of chief executive officer, board chair, and treasurer are held by separate individuals. Organizations without paid staff should ensure that the positions of board chair and treasurer are held by separate individuals.</p>	<p>14. The board of a charitable organization that has paid staff should ensure that the positions of chief staff officer, board chair, and board treasurer are held by separate individuals. Organizations without paid staff should ensure that the positions of board chair and treasurer are held by separate individuals.</p>	<p>Change "treasurer" to "board treasurer"</p>
<p>13. The board should establish an effective, systematic process for educating and communicating with board members to ensure that the board carries out its oversight functions and that individual members are aware of their legal and ethical responsibilities and are familiar with the programs and activities of the organization.</p>	<p>15. The board should establish an effective, systematic process for educating and communicating with board members to ensure that they are aware of their legal and ethical responsibilities, are knowledgeable about the programs and activities of the organization, and can carry out their oversight functions effectively.</p>	<p>Replace "ensure that the board carries out its oversight functions" with "ensure that they are aware of" ethical responsibilities and the programs of the organization so that they can "carry out their oversight functions effectively."</p>
<p>14. Board members should evaluate their own performance as a group and as individuals no less frequently than every three years. The board should establish clear policies and procedures on the length of terms, the number of consecutive terms a board member may serve, and the removal of board members.</p>	<p>16. Board members should evaluate their performance as a group and as individuals no less frequently than every three years, and should have clear procedures for removing board members who are unable to fulfill their responsibilities.</p>	<p>Move reference to term limits to a separate principle.</p>

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	17. The board should establish clear policies and procedures setting the length of terms and the number of consecutive terms a board member may serve.	Created from part of principle 14 of public discussion draft.
15. The board should review organizational and governing instruments no less frequently than every five years.	18. The board should review organizational and governing instruments no less frequently than every five years.	No change
16. The board should establish or review goals for implementing the organization's mission on an annual basis and evaluate no less frequently than every three years the organization's programs, goals, and activities to be sure they advance the mission and make prudent use of the organization's resources.	19. The board should establish and review regularly the organization's mission and goals and should evaluate, no less frequently than every five years, the organization's programs, goals and activities to be sure they advance its mission and make prudent use of its resources.	Change period of review from "annually" to "regularly" for mission and goals and from "every three years" to "every five years" for match of programs to mission.

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<p>17. Board members are generally expected to serve without compensation, other than reimbursement for expenses incurred to fulfill their board duties. Charitable organizations that provide compensation to board members should have it reviewed by an independent, external source and should, upon request, make available to anyone relevant information that will assist in evaluating the reasonableness of such compensation.</p>	<p>20. Board members are generally expected to serve without compensation, other than reimbursement for expenses incurred to fulfill their board duties. A charitable organization that provides compensation to its board members should use appropriate comparability data to determine the amount to be paid, document the decision and provide full disclosure to anyone, upon request, of the amount and rationale for the compensation.</p>	<p>Replace reference to "independent, external source" with "appropriate comparability data." Replace "that will assist in evaluating the reasonableness of such compensation" with "full disclosure ... of the amount and rationale for the compensation."</p>
<p>19. A charitable organization must keep complete, current, and accurate financial records. Its board should receive and review timely reports of the organization's financial activities and should have a qualified, independent financial expert audit or review these statements annually in a manner appropriate to the organization's size and scale of operations.</p>	<p>21. A charitable organization must keep complete, current, and accurate financial records. Its board should receive and review timely reports of the organization's financial activities and should have a qualified, independent financial expert audit or review these statements annually in a manner appropriate to the organization's size and scale of operations.</p>	<p>No change</p>

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<p>18. The board of a charitable organization should institute policies and procedures to ensure that the organization (and, if applicable, its subsidiaries) manages and invests its funds responsibly and prudently. The full board should review and approve the organization's annual budget and should monitor actual performance against the budget.</p>	<p>22. The board of a charitable organization must institute policies and procedures to ensure that the organization (and, if applicable, its subsidiaries) manages and invests its funds responsibly, in accordance with all legal requirements. The full board should review and approve the organization's annual budget and should monitor actual performance against the budget.</p>	<p>Replace "should" with "must," add "in accordance with all legal requirements."</p>
<p>20. A charitable organization should not provide loans (or the equivalent) to directors, officers or trustees</p>	<p>23. A charitable organization should not provide loans (or the equivalent, such as loan guarantees, purchasing or transferring ownership of a residence or office, or relieving a debt or lease obligation) to directors, officers, or trustees.</p>	<p>Spells out loan equivalents.</p>
<p>21. A charitable organization should spend a significant percentage of its annual budget on programs in pursuance of its mission. An organization should also provide sufficient resources for effective administration of the organization, and, if the organization solicits contributions, for appropriate fundraising activities.</p>	<p>24. A charitable organization should spend a significant percentage of its annual budget on programs that pursue its mission. The budget should also provide sufficient resources for effective administration of the organization, and, if it solicits contributions, for appropriate fundraising activities.</p>	<p>Replace "the organization should" with "the budget should"</p>

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<p>22. A charitable organization should establish and implement policies that provide clear guidance on its rules for paying or reimbursing expenses incurred by anyone conducting business or traveling on behalf of the organization, including the types of expenses that can be paid for or reimbursed and the documentation required. Such policies should require that travel on behalf of the organization is to be undertaken in a cost-effective manner. Charitable organizations should not pay for nor reimburse travel expenditures (not including de minimis expenses of those attending an activity such as a meal function of the organization) for spouses, dependents, or others who are accompanying individuals conducting business for the organization unless they, too, are conducting business for the organization.</p>	<p>25. A charitable organization should establish clear, written policies for paying or reimbursing expenses incurred by anyone conducting business or traveling on behalf of the organization, including the types of expenses that can be paid for or reimbursed and the documentation required. Such policies should require that travel on behalf of the organization is to be undertaken in a cost-effective manner.</p>	<p>Split out reference to travel by spouse and dependents to separate principle.</p>
	<p>26. A charitable organization should neither pay for nor reimburse travel expenditures for spouses, dependents or others who are accompanying someone conducting business for the organization unless they, too, are conducting such business.</p>	<p>Created from part of principle 22 of public discussion draft.</p>

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23. Solicitation materials and other communications with donors and the public must clearly identify the organization and be accurate and truthful.	27. Solicitation materials and other communications addressed to donors and the public must clearly identify the organization and be accurate and truthful.	No change
24. Contributions must be used for the purposes described in the relevant solicitation materials, in the way specifically requested by the donor, or in a manner that reflects the donor's intent.	28. Contributions must be used for purposes consistent with the donor's intent, whether as described in the relevant solicitation materials or as specifically directed by the donor.	Reword to put "donor's intent" first
25. Charitable organizations must provide donors, in accordance with IRS requirements, with clear, accurate acknowledgments of charitable contributions, and should provide donors with information to facilitate compliance with tax law requirements.	29. A charitable organization must provide donors with specific acknowledgments of charitable contributions, in accordance with IRS requirements, as well as information to facilitate the donors' compliance with tax law requirements.	Replace "clear, accurate acknowledgments" with "specific acknowledgments"
26. Charitable organizations should implement clear policies, based on the organization's exempt purpose, to determine whether accepting a gift would compromise the ethics, financial circumstances, program focus, or other interests of the organization.	30. A charitable organization should adopt clear policies, based on its specific exempt purpose, to determine whether accepting a gift would compromise its ethics, financial circumstances, program focus or other interests.	Change "implement" to "adopt," delete repeated references to "the organization"

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<p>27. A charitable organization should provide appropriate training and supervision of the people soliciting funds on its behalf to ensure that they understand their responsibilities and applicable federal, state and local laws, and that they do not employ techniques that are coercive, intimidating, or intended to harass potential donors.</p>	<p>31. A charitable organization should provide appropriate training and supervision of the people soliciting funds on its behalf to ensure that they understand their responsibilities and applicable federal, state and local laws, and do not employ techniques that are coercive, intimidating, or intended to harass potential donors.</p>	<p>Slight change in wording</p>
<p>28. Organizations should not compensate internal or external fundraisers based on a commission or a percentage of the amount raised.</p>	<p>32. A charitable organization should not compensate internal or external fundraisers based on a commission or a percentage of the amount raised.</p>	<p>Add "charitable" to "organization"</p>
<p>29. A charitable organization should respect the privacy of individual donors and, except where disclosure is required by law, should not sell or otherwise make available the names and contact information of its donors without providing them an opportunity at least once a year to opt out of the use of their names.</p>	<p>33. A charitable organization should respect the privacy of individual donors and, except where disclosure is required by law, should not sell or otherwise make available the names and contact information of its donors without providing them an opportunity at least once a year to opt out of the use of their names.</p>	<p>No change</p>
