



The Standards for
excellence

An Ethics & Accountability Program for the Nonprofit Sector

SOLICITATION AND ACCEPTANCE OF GIFTS

The Standards for Excellence Institute

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PREAMBLE

America's nonprofit sector serves the public interest and plays an essential role in our society and economy. Hard at work strengthening communities across the nation, nonprofits enrich our lives in a variety of ways by creating a broad array of benefits to society in fields such as charitable, religious, scientific, economic, health, cultural, civil rights, environment, and education.

Public investment and confidence drive the success of nonprofit organizations. Individuals, corporations, foundations, and federal, state, and local governments add value to the services that nonprofits provide by investing time, resources, and funds.

The Standards for Excellence Institute aims to raise the level of accountability, transparency, and effectiveness of all nonprofit organizations to foster excellence and inspire trust. The Standards for Excellence code (Standards, or code) provides a framework and step-by-step guidelines to achieve a well-managed and responsibly governed organization.

The code builds upon the legal foundations of nonprofit management, governance, and operations to embrace fundamental values such as honesty, integrity, fairness, respect, trust, compassion, responsibility, and transparency. The code consists of six Guiding Principles in 27 topic areas with specific performance benchmarks that characterize effective, ethical, and accountable organizations. The Institute helps the nonprofit sector operate in accordance with the Standards for Excellence code by providing educational resources, assistance, and a voluntary accreditation process.

The Standards for Excellence Institute encourages all nonprofit organizations to adopt the Guiding Principles of the Standards for Excellence code. By implementing the performance benchmarks in the code, nonprofit organizations will meet the highest ethical standards for effective service in the public interest.

STANDARDS FOR EXCELLENCE - GUIDING PRINCIPLES

I. MISSION, STRATEGY and EVALUATION

Guiding Principle: 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. LEADERSHIP: BOARD, STAFF, and VOLUNTEERS

Guiding Principle: Nonprofits depend upon effective leadership to successfully enact their missions and programs. Effective leadership consists of a partnership between the board and management, each of which plays an essential role. Understanding and negotiating these shared and complex elements of leadership is essential to the organization's success. A nonprofit's employees and volunteers are fundamental to its ability to achieve its mission.

Board members are in a position of trust to ensure that resources are used to carry out the mission of the organization. An organization's board leadership should consist of volunteers who are committed to the mission and who demonstrate an understanding of the community served. An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human and financial resources are available, and actively monitor the organization's allocation of resources to effectively and efficiently fulfill its mission.

Nonprofits should also have executive leadership which carries out the day-to-day operations of the organization, ensures financial and organizational sustainability, and provides adequate information to the board of directors. An organization's human resource policies should address both paid employees and volunteers and should be fair, establish clear expectations, and provide meaningful and effective performance evaluation.

III. LEGAL COMPLIANCE and ETHICS

Guiding Principle: Nonprofits enjoy the public's trust, and therefore must comply with a diverse array of legal and regulatory requirements. Organizations should conduct periodic reviews to address regulatory and fiduciary concerns. One of a leadership's fundamental responsibilities is to ensure that the organization governs and operates in an ethical and legal manner. Fostering exemplary conduct is one of the most effective means of developing internal and external trust as well as preventing misconduct. Moreover, to honor the trust that the public has given them, nonprofits have an obligation to go beyond legal requirements and embrace the highest ethical practices. Nonprofit board, staff, and volunteers must 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. Ethics and compliance reinforce each other.

IV. FINANCE AND OPERATIONS

Guiding Principle: Nonprofits should have sound financial and operational systems in place and should ensure that accurate records are kept. The organization's financial and nonfinancial resources must be used in furtherance of tax-exempt purposes. Organizations should conduct periodic reviews to address accuracy and transparency of financial and operational reporting, and safeguards to protect the integrity of the reporting systems.

V. RESOURCE DEVELOPMENT

Guiding Principle: The responsibility for resource development is shared by the board and staff. Nonprofit organizations depend on an array of sources of financial support. An organization's resource development program should be maintained on a foundation of truthfulness and responsible stewardship. Its resource development policies should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors, prospective donors, and others providing resources to the organization.

VI. PUBLIC AWARENESS, ENGAGEMENT, and ADVOCACY

Guiding Principle: 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 stakeholders to participate in the public affairs of the community. When appropriate to advance the organization's mission, nonprofits should engage in promoting public participation in community affairs and elections. As such, they should communicate in an effective manner to educate, inform, and engage the public.

ABOUT THE STANDARDS FOR EXCELLENCE INSTITUTE

The Standards for Excellence Institute is a national initiative established 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 currently replicated by licensed partners in Alabama, Central Virginia, Colorado Springs, Delaware, Ohio, Oklahoma, and Pennsylvania. The program is also being offered to chapters of The Arc nationwide through The Arc of the United States, to the American Nurses Association, and to Catholic nonprofit organizations nationwide through the National Leadership Roundtable on Church Management.

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 accreditation is available to individual organizations through a rigorous peer review process in selected locations and nationwide through the Standards for Excellence Institute.

For more information about joining the Standards for Excellence Institute or to obtain additional copies of the booklet or educational resource packets visit our website at www.standardsforexcellenceinstitute.org.

SOLICITATION AND ACCEPTANCE OF GIFTS

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

SOLICITATION AND ACCEPTANCE OF GIFTS

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.

All statements made by the nonprofit in its fundraising appeals about the use of a contribution should be honored.

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.

Nonprofits must honor the known intentions of a donor regarding the use of donated funds.

An organization should have policies in place to govern the acceptance and disposition of charitable or in-kind 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.

BENEFITS OF SOLICITATION AND ACCEPTANCE OF GIFTS

Accepting a gift can have profound practical, financial, and/or public relations implications. Organizations lacking a gift acceptance policy may find themselves dealing with the implications when a potentially controversial gift is an imminent possibility. These situations can cause organizational in-fighting, attacks on personal integrity, and strained relationships with donors because of the pressure from the heat of the moment when a decision must be made. A gift acceptance policy will help your organization avoid accepting a gift that is more trouble than it is worth.

In addition, for organizations that accept non-cash contributions, the Internal Revenue Service Form 990 requests whether or not the organization has a gift acceptance policy that requires the review of any non-standard contributions.

LIMITS ON PERSONS OR ENTITIES FROM WHOM THE ORGANIZATION WILL ACCEPT GIFTS

Nonprofits are generally free to solicit and accept any kind of donations (e.g. cash, goods or services) from any donor. However, sometimes accepting a gift from a particular individual or entity can create problems. The source of a donation may conflict with your organization's mission, run afoul of core values, or be perceived in an unfavorable light by important constituents. For example:

- A religious organizations may be troubled by the prospect of accepting money from gambling interests,
- A health charity may wish to avoid donations from tobacco companies,
- A substance abuse program may find it controversial to accept donations from liquor interests,
- A low-income housing developer may be uncomfortable accepting donations from a known slumlord.

In formulating a policy on solicitation and acceptance of gifts, you should seek to identify whether there are any classes of potential donors, grantmaking organizations, or corporations that will create problems for your organization. If so, you should address those issues directly in your policy. If not, you will still want to include a process for addressing such situations in the event they arise in the future. The more clearly you articulate the reasons for excluding certain classes of donors, the easier the decisions are to make when a gift is offered.

In her article, "The Perennial Question of Clean or Dirty Money" in the *Grassroots Fundraising Journal*, Kim Klein relays a true story about a small health center that accepted a large gift from a large known corporate polluter. It was argued that this corporation contributed to serious health problems in the region. The gift so outraged many major donors to the nonprofit that they stopped giving and the organization subsequently went out of business the following year.¹

LIMITS ON THE TYPES OF GIFTS THAT WILL BE ACCEPTED

In tax year 2003, nearly 6 million taxpayers reported \$36.9 billion in non-cash contributions to charitable nonprofits. Of the approximately 14.3 million contributions, corporate stock, real estate and clothing were the most common non-cash gifts reported in terms of value. Corporate stock represented 37.2 percent, real estate represented 16 percent, and clothing represented 15.8 percent of the total value reported.²

¹ Klein, Kim. "The Perennial Question of Clean or Dirty Money" in the *Grassroots Fundraising Journal*, April 2000, volume 19, number 2.

² IRS Issues Spring 2006, Statistics of Income.

These statistics further indicate the need for a gift acceptance policy. As gifts of all kinds are increasingly donated, organizations need to have procedures and policies in place to govern any gift situation.

Limits on the types of gifts that will be accepted may be influenced by some of the same considerations discussed above with respect to donors. It may be, for example, that your mission, core values, or concerns about public perceptions will affect your decision about whether to accept a particular type of property. An organization, for example, which is opposed to accepting a donation from a tobacco company, may have a similar concern about accepting a donation of tobacco company stock. Again, the more clearly you articulate the reasons for excluding certain types of gifts, the easier the decisions are to make when a gift is offered.

LIMITS BASED ON THE PRACTICAL OR FINANCIAL IMPLICATIONS OF ACCEPTING A GIFT

Often limits on the types of property that will be accepted arise from concerns about the practical and financial implications of accepting a particular piece of property. In reviewing the practical and financial considerations of whether to accept a gift or not, a nonprofit must assess what costs or burdens will be associated with the acceptance of the gift. For example:

- A donated building may be encumbered by a mortgage, require extensive maintenance or repairs to meet building standards, or require environmental cleanup;
- A donated car may not be operational or may have been the subject of an odometer rollback (Donated vehicles may also be turned down due to the long list of special laws and regulations surrounding the acceptance of automobiles, trucks, and boats);
- Donated furniture may simply not be needed and may be difficult to dispose of;
- Gifts of securities, stocks, life insurance, charitable gift annuities, deferred gift annuities, charitable trusts or bequests may require a level of sophistication that your organization does not have access to; and
- Rare or unusual collectibles may have the potential to be sold by the nonprofit organization for needed income, but it may be very difficult to locate a collector willing to pay top-dollar for the items.

Where an organization plans to solicit gifts of these or other types of property, the gift acceptance policy should spell out in detail any limits or conditions that are applicable. If

such gifts are not anticipated, then the gift acceptance policy should describe the process that should be followed if they are, nevertheless, offered, or received.

LIMITS ON THE PURPOSES FOR WHICH A GIFT WILL BE USED

Sometimes donors want to designate terms for use of their donation. A donor may restrict his/her donation to be used for specific purposes, or to benefit a defined class of beneficiaries. Here too, the restrictions may conflict with the organization's mission, run afoul of core values, or create concerns about public perceptions.

Most common is the scenario where fulfilling the donor's restriction will lead the organization to change its programmatic course. For example:

- An art museum may be offered a collection of works that are incompatible with the institution's artistic objectives; or
- A research institute may be offered a donation to host a conference on a topic that it hadn't planned to pursue.

More rare are situations where the restrictions a donor wishes to place on a gift or illegal or morally objectionable. For example:

- A donor may wish to restrict the gift only to program participants of a defined (not protected) class of individuals; or
- A donor may wish to designate one person as the sole beneficiary of the gift; or
- A donor to a private school may restrict his/her gift only to students in the same class or grade level as his/her son/daughter.

ANTICIPATING THE UNEXPECTED

To the extent possible, a gift acceptance policy should anticipate and address these types of issues. At a minimum, the policy should provide a procedure, or a list of criteria to be considered, to address gift compatibility issues as they arise.

A gift acceptance policy can be helpful to address unanticipated gifts by defining the organization's process that will be used to determine whether a particular gift will be accepted. The process should be clearly defined, taking into account existing staff, board, and committee structures and assignments. Some decisions may be left to the Development Director or the Executive Director, while others may be taken to a board committee, executive committee, or even the full board. The board should approve the final version of the gift acceptance policy.

SELECTED RESOURCES FOR SOLICITATION AND ACCEPTANCE OF GIFTS

Attachments

- Attachment: Template Standards for Excellence Institute Policy on Solicitation and Acceptance of Gifts , Standards for Excellence Institute.

Other Helpful Resources:

Internal Revenue Service Publication 561: Determining the Value of Donated Property, www.irs.gov.

Klein, Kim. "The Perennial Question of Clean or Dirty Money" *The Grassroots Fundraising Journal*, April 2000, Volume 19, number 2.

Breckon, Donald J. and Snapp, Terry. "Gift Acceptance Policies: Is it the Source or Use that Matters?" *Fundraising Management*, April 1995.

**ATTACHMENT
STANDARDS FOR EXCELLENCE INSTITUTE**

MODEL GIFT SOLICITATION AND ACCEPTANCE POLICY³

ABC NONPROFIT solicits and accepts gifts that are consistent with its mission and that support its core programs, as well as special projects.

ABC NONPROFIT solicitations will be accurate, truthful, and candid. Solicitation materials shall follow all federal and state requirements for solicitations.

Donations will generally be accepted from individuals, partnerships, corporations, foundations, government agencies, or other entities, without limitations—unless acceptance of gifts from a specific source is inconsistent with the mission of ABC NONPROFIT.

In the course of its regular fundraising activities, ABC NONPROFIT will accept donations of the following: money, securities, real property, and personal property.

Certain types of gifts must be reviewed prior to their being accepted because they will create liabilities or impose special obligations on ABC NONPROFIT. The types of gifts that will require review, and the review process, are as follows:

- Gifts of real property – land and/or buildings may only be accepted upon approval of the Board of Directors or its designated committee;
- Gifts of personal property – personal property such as automobiles, furniture, business equipment, may only be accepted upon approval of the Executive Director;
- Gifts of securities – stocks, bonds, or other securities may only be accepted upon approval of the Executive Director;
- Restricted gifts – gifts that may only be used for restricted purposes may only be accepted upon approval of the Executive Director;
- Unusual gifts – gifts that are out of the ordinary, such that they differ significantly from the amounts or types of gifts that are routinely received by the organization, may only be accepted upon approval of the Executive Director.

ABC NONPROFIT may elect to refuse gifts of cash, securities, real estate or other items of value if there is reason to believe that such gifts are incompatible with the mission of the organization, conflict with its core values, or would create a financial, administrative, or programmatic burden. The Executive Director is directed to refer questionable gifts to the Executive Committee or the Board of Directors for guidance on a case-by-case basis.

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Employees of the organization are encouraged to bring to the attention of the Executive Director, or the senior development executive, any concerns they may have about the appropriateness of accepting any gift.

ABC NONPROFIT may elect to refuse gifts of any type if the potential gift poses a conflict of interest – including but not limited to real conflicts of interests, appearances of conflicts of interest, or perceived conflicts of interest.

ABC NONPROFIT follows the Donor Bill of Rights (developed by American Association of Fund Raising Counsel, Association for Healthcare Philanthropy, the Council for Advancement and Support of Education, and the Association of Fundraising Professionals).

When funds are accepted with restrictions, restrictions will be honored.

Requests by donors to remain anonymous, have their names removed from mailing lists, or to restrict appeals will be honored. Information about donors that should be private will not be made public. Donors will not be subject to excessive pressure when solicited for contributions.

ABC NONPROFIT does not pay fundraisers based on a percentage of the amount raised or other commission formula. ABC NONPROFIT only hires fundraisers and fundraising counsel who are properly registered with the APPLICABLE STATE AUTHORITIES.

ABC NONPROFIT Development Directors and/or Executive Director will approve all fundraising activity conducted by any staff, volunteers, consultants, contractors, board members, and others soliciting on behalf of the organization.