

## Are You Meeting the Standards?

What fundamental standards should every charity follow?

**Q:** Several of our donors have asked us if there is a group that tells whether charities meet certain basic standards, especially in regard to their fundraising practices. Since dishonest fundraising practices have been much in the news, I believe many people would be interested in knowing about any such standard-setting group.

Also, if there is such a group, what sort of standards have they set up? We would like to have a list of such standards to follow in our organization.

**A:** There are two groups which set standards and provide consumer information on charities—the National Charities Information Bureau (NCIB) and the Council of Better Business Bureaus' Philanthropic Advisory Service (PAS). These two private organizations report on whether charities meet standards for fundraising, governance, financial management, and public information. Many donors use the NCIB and PAS ratings as criteria for awarding philanthropic funds, goods, and services.

The standards set by the two groups are quite similar. In essence, they include the following:

- The organization should apply a reasonable percentage of public contributions to the programs and activities described in its solicitations, in accordance with donor expectations.
- Fundraising and administrative costs should be reasonable.
- The organization should prepare complete financial statements in conformity with generally accepted accounting principles (GAAP), accompanied by a report of an independent CPA.
- The organization should be willing to disclose, on request, all relevant financial information, including a functional allocation of expenses.
- The organization should prepare a detailed annual budget.
- The organization should provide an annual report on request.
- Organizations receiving a substantial portion of their income through the fundraising activities of controlled or affiliated entities should provide on request an accounting of all income received by and fundraising costs incurred by such entities.
- The organization should establish and exercise adequate controls over disbursements.
- The organization should substantiate on request that solicitations and informational materials are accurate and not misleading.
- Solicitations should include a clear description of the programs and activities for which funds are requested.
- Direct contact solicitations, including personal and telephone appeals, should identify (1) the benefiting organization or cause, (2) the relationship of the solicitor to the benefiting organization, and (3) the programs and activities for which funds are requested.
- Solicitations in conjunction with the sale of goods, services, or admissions should identify at the point of solicitation (1) the benefiting organization, (2) a source from which written information is available, and (3) the actual or anticipated portion of the sales or admission price to benefit the organization.
- The organization should establish and exercise controls over fundraising activities, including commitment to writing of all fundraising contracts and agreements.
- The organization should honor donor requests for confidentiality and should not publicize the identity of donors without prior written permission.
- Fundraising should be conducted without excessive pressure. Such pressure includes solicitations in the guise of invoices; failure to inform recipients of unordered items that they are under no obligation to pay for or return them;

and strongly emotional appeals which distort the organization's activities.

- The organization should have an active governing board. The board must meet formally at least three times annually, with meetings evenly spaced over the course of the year, and with a majority of members in attendance.
- The organization's governing board should be independent. Organizations whose directly or indirectly compensated board members constitute more than 20 percent of the total voting membership of the board will not meet this standard. Nor will any organization engaged in transactions in which board members have conflicting interests resulting from any relationship or business affiliation.

Both NCIB and PAS routinely distribute reports on national charitable organizations that are the subject of consumer complaints or inquiries, indicating whether these organizations meet or do not meet their standards. For more information, contact NCIB, 19 Union Square West, New York, N.Y. 10003-3395 (212-929-6300) and PAS, c/o Council of Better Business Bureaus (CBBB), 4200 Wilson Boulevard, Arlington, Virginia 22203 (703-276-0100).

Also, a new book, *The Giver's Guide: Making Your Charity Dollars Count*, includes the NCIB and PAS standards, along with advice on recognizing fraudulent charities. Published by Catbird Press, the book is available from The Society For Nonprofit Organizations, 6314 Odana Road, Suite 1, Madison, Wisconsin 53719.

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