



# How Nonprofits Can Partner with State Regulators

Here's how one state began a dialogue with regulators to strengthen nonprofits.

By Valerie Lies

In 2001, the *Donors Forum of Chicago* advocated to create a permanent body to advise the Illinois Attorney General on nonprofit issues. This advocacy effort was successful, and the result was the *Charitable Advisory Council (the Council)*.<sup>1</sup>

In a remarkably short time, the Council has accomplished a great deal, including the following objectives:

- **Create a searchable database** of all public charities and private foundations registered in Illinois.
- **Make resources on informed charitable giving available** to the public.
- **Provide tools** to help nonprofits comply with filing and registration requirements.

Another promising result of the partnership between the nonprofit sector and Attorney General is the creation of a guide to help nonprofits strive for excellence in realizing their missions, managing resources, and governing well.<sup>2</sup> This guide outlines principles designed to assure adherence to the high ethical standards expected of nonprofits. It also lists “best practices” – specific, concrete steps organizations can take to activate the principles.

For example, one principle states: **The full membership of the governing body is responsible for the organization, and each member acts at all times in an ethical manner and in the best interest of the organization and the public.**

Best practices to implement this principle include:

- **Maintain policies** and practices, including a written code of ethics and a conflict-of-interest policy, to

ensure the governing body and staff act in an ethical and legal manner.

- **Educate the governing body and staff** about what constitutes a conflict of interest. Prevent or manage any conflicts of interest.
- **Adhere to policies preventing inappropriate influence** where one or more employees of the organization are voting members of the governing body.



The goal is to build a positive relationship between nonprofits and regulators.

- **Provide a confidential way to handle good-faith complaints** from the employees and governing body about violations of the organization's policies, suspected misuse of organization resources, or any other unethical or inappropriate conduct of organization personnel.

- **Establish and adhere to a document-retention policy** that provides for safekeeping of key organization documents and prevents their destruction upon receiving notice of a legal inquiry into the organization's operations.

Resources to support the guide include how-to tips, which offer even more practical advice. For instance, a how-to tip with the best practice of maintaining a written code of ethics and conflict-of-interest policy describes what such documents should include, where to find samples, and how to locate further resources and workshops on the subject.

The guide, available on the Donors Forum and Illinois Attorney General Web sites and in booklet form, is a useful tool for all nonprofits, regardless of their financial and staff resources, experience, or governance structures. It goes a long way toward fulfilling the Council's goal of building a positive relationship between nonprofits and regulators through mutual promotion of a healthy, effective nonprofit sector.

## Footnotes

<sup>1</sup>The Council, staffed by the Donors Forum, is composed of nonprofit, civic, and community leaders from communities throughout Illinois.

<sup>2</sup>The guide, *Illinois Nonprofit Principles and Best Practices*, is a key component of the Preserving the Public Trust Initiative, launched in 2004 by the Donors Forum. A copy of the guide is available at [www.donorsforum.org](http://www.donorsforum.org). ■

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