

# Checklist of Principles for Good Governance and Ethical Practice

*Based on the Guide for Charities and Foundations Published by the Panel on the Nonprofit Sector (a project of INDEPENDENT SECTOR) on October 15, 2007*

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Circle the number that indicates how closely your organization comes to complying completely with each principle (10 is complete compliance; 1 indicates this principle is not observed at all). Then connect the circles. The result will be a graph that shows areas that probably should be discussed and might need work.

<b>Legal Compliance and Public Disclosure</b>	
1. Complies with all applicable laws and regulations, federal, state(s) and local jurisdiction(s). (If conducting programs outside the United States, complies with applicable laws in those jurisdictions.)	1-2-3-4-5-6-7-8-9-10
2. Has a written code of ethics.	1-2-3-4-5-6-7-8-9-10
2A. The code is observed by all directors, staff and volunteers.	1-2-3-4-5-6-7-8-9-10
3. Manages through disclosure, recusal or other means all conflicts of interest.	1-2-3-4-5-6-7-8-9-10
4. Has a published “whistleblower” policy that protects all who make good-faith reports.	1-2-3-4-5-6-7-8-9-10
5. Has a documents retention policy.	1-2-3-4-5-6-7-8-9-10
6. Has adequate plans to protect assets or loss.	1-2-3-4-5-6-7-8-9-10
6A. Has general liability and directors’ and officers’ liability insurance as needed.	1-2-3-4-5-6-7-8-9-10
7. Makes widely available to the public information about governance, finances, programs, and activities.	1-2-3-4-5-6-7-8-9-10
7A. Makes available information on outcomes.	1-2-3-4-5-6-7-8-9-10
<b>Effective Governance</b>	
8. Has a governing body responsible for— <ul style="list-style-type: none"> <li>• approving the mission and strategic direction;</li> <li>• annual budget and key financial transactions;</li> <li>• compensation practices and policies;</li> <li>• fiscal policies; and</li> <li>• governance policies.</li> </ul>	1-2-3-4-5-6-7-8-9-10 1-2-3-4-5-6-7-8-9-10 1-2-3-4-5-6-7-8-9-10 1-2-3-4-5-6-7-8-9-10 1-2-3-4-5-6-7-8-9-10
9. The board meets regularly enough to conduct its business and fulfill its duties.	1-2-3-4-5-6-7-8-9-10
10. The board sets its size and structure and reviews these periodically to be sure there are enough members to allow for full deliberation and diversity of thinking.	1-2-3-4-5-6-7-8-9-10
11. The board includes members with diverse backgrounds and experience, and has the necessary skills.	1-2-3-4-5-6-7-8-9-10
12. The members of the board are independent. <sup>1</sup>	1-2-3-4-5-6-7-8-9-10
13. The board hires, and evaluates the chief executive officer.	1-2-3-4-5-6-7-8-9-10
13A. The board conducts an evaluation prior to any discretionary change in CEO compensation.	1-2-3-4-5-6-7-8-9-10
14. The board ensures that key positions are held by separate individuals.	1-2-3-4-5-6-7-8-9-10
15. The board is aware of legal and ethical responsibilities and can carry out its oversight functions effectively.	1-2-3-4-5-6-7-8-9-10
16. The board evaluates its performance as a group.	1-2-3-4-5-6-7-8-9-10
16A. The board has clear procedures for removing board members who are unable to fulfill their responsibilities.	1-2-3-4-5-6-7-8-9-10
17. The board has policies for the length of time a board member may serve.	1-2-3-4-5-6-7-8-9-10

<sup>1</sup> The Independent Sector text reads: “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.”

18. The board reviews organizational and governing documents.	1-2-3-4-5-6-7-8-9-10
19. The board reviews the mission and goals and evaluates programs, goals and activities to be sure they advance its mission and make prudent use of its resources.	1-2-3-4-5-6-7-8-9-10
20. Board members serve without compensation. <sup>2</sup>	1-2-3-4-5-6-7-8-9-10
<b>Strong Financial Oversight</b>	
21. The organization keeps complete, current, and accurate financial records.	1-2-3-4-5-6-7-8-9-10
21A. The board reviews reports of financial activities.	1-2-3-4-5-6-7-8-9-10
21B. An independent financial expert audits or reviews financials in a manner appropriate to the organization's size and scale of operations.	1-2-3-4-5-6-7-8-9-10
22. The board has policies to ensure that the organization manages its funds responsibly. <sup>3</sup>	1-2-3-4-5-6-7-8-9-10
22A. The board approves the budget and monitors actual performance against it.	1-2-3-4-5-6-7-8-9-10
23. The organization does not provide loans (or equivalent) to directors, officers, or trustees.	1-2-3-4-5-6-7-8-9-10
24. The organization spends a significant percentage of its annual budget on programs that pursue its mission.	1-2-3-4-5-6-7-8-9-10
24A. The organization spends appropriately on administration and fundraising.	1-2-3-4-5-6-7-8-9-10
25. The organization has policies for expenses incurred when traveling on its behalf.	1-2-3-4-5-6-7-8-9-10
25A. Policy requires that travel be cost-effective.	
26. The organization does not pay for travel by anyone accompanying someone conducting its business unless they, too, are conducting such business.	1-2-3-4-5-6-7-8-9-10
<b>Responsible Fundraising</b>	
27. Communications addressed to donors and the public properly identify the organization.	1-2-3-4-5-6-7-8-9-10
27A. Such communications are accurate and truthful.	1-2-3-4-5-6-7-8-9-10
28. Contributions are used consistent with the donor's intent (as described in solicitation materials or as directed by the donor).	1-2-3-4-5-6-7-8-9-10
29. Donors are given acknowledgements of charitable contributions and information to facilitate compliance with tax law requirements.	1-2-3-4-5-6-7-8-9-10
30. The organization has policies about accepting gifts. (Based on its exempt purpose, these policies guide whether accepting a gift would compromise ethics, financial circumstances, program focus or other interests.)	1-2-3-4-5-6-7-8-9-10
31. The organization ensures that solicitors understand their responsibilities and applicable federal, state and local laws.	1-2-3-4-5-6-7-8-9-10
31A. The organization does not allow techniques that coerce, intimidate, or harass donors.	1-2-3-4-5-6-7-8-9-10
32. Internal or external fundraisers are not compensated in proportion to amounts raised.	1-2-3-4-5-6-7-8-9-10
33. The privacy of donors is protected. <sup>4</sup> (Except when permitted by the donor or where disclosure is required by law the organization does not allow others to access donor contact information.)	1-2-3-4-5-6-7-8-9-10
33A. Donors are provided the opportunity to opt out of any use of their names. (This opportunity is provided at least once a year.)	1-2-3-4-5-6-7-8-9-10

The *Principles for Good Governance and Ethical Practice*, an executive summary, and a "reference edition" with citations of many authorities are available online at <http://www.nonprofitpanel.org>

<sup>2</sup> The Independent Sector text adds: "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."

<sup>3</sup> The Uniform Management of Institutional Funds Act (UMIFA) may apply to management of endowments.

<sup>4</sup> The Independent Sector text reads for these two items reads: "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."