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, Pennsylvania, and West Virginia. 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
**Topical Bulletin: Developing a Code of Ethics**

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

E. Ethics

Nonprofits should ensure that they have explicit and clear ethical principles and, as appropriate, operational or program standards that have been discussed by their board and staff and that are transparently clear to all stakeholders.

A code of ethics is a statement of how to put your values into practice.¹ Nonprofit agencies develop codes of ethics and ethics programs as a means of upholding high standards, and to share the agencies’ vision and values. Ethical codes can also help shape the organizational culture around particular areas identified by the agency.

Establishing a code of ethics sets the tone of the agency both internally and externally anchored by the organization’s values. Public trust is an important factor in relation to the bond created between agencies and individuals. Although a code of ethics may not always prevent ethical wrongdoing, it does ensure all involved know what the ethical rules are and fosters a positive climate encouraging ethical behavior of an organization’s staff, board, and volunteers.

A code of ethics can shape the ethical culture of an organization and the conduct of employees and directors. According to the Ethics Resource Center’s National Business Ethics Survey, “When companies value ethical performance and build strong cultures, misconduct is substantially lower.”² In strong, positive ethical cultures, everyone is influenced to make better decisions.

In order to share the agency’s vision and values, a code of ethics must be developed and communicated. Elements of the code of ethics are individually tailored to each organization but

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¹ Independent Sector. “Checklist for Developing a Statement of Values and Code of Ethics.” [https://www.independentsector.org/code_checklist#sthash.meVfv1SK.dpbs](https://www.independentsector.org/code_checklist#sthash.meVfv1SK.dpbs)

there may be common elements that ethical codes share. The code of ethics should consider focusing on respect, beneficence, and trust.

An organization’s code of ethics should reflect its culture. The culture of the agency generally refers to the shared mission and values as accepted by employees, executive directors, and board members. Culture is reflected in the way things get done and the way decisions are made. Culture can range from the dress code of the agency, to the way in which employees interact among themselves and customers, and the expectations of achieving the organization’s mission.

Ethical codes can be aspirational, performance-based or a combination of both. Aspirational benchmarks are based on values and performance benchmarks are based on conduct. The Standards for Excellence preamble provides examples of aspirational benchmarks. It states, “The Standards for Excellence Institute aims to raise the level of accountability, transparency and effectiveness of all nonprofit organizations to foster excellence and to inspire trust.”³ The Standards for Excellence code also offers examples of performance-based benchmarks; for instance sections on maintaining legal compliance, including required public disclosure statements, reporting misconduct and avoiding conflicts of interest are all examples of performance-based benchmarks. In this case, the performance benchmarks provide a detailed outline that supports one of the guiding principles of the Standards for Excellence code.

**Developing a Code of Ethics**

**Step 1: Recruit a Working Group**
The development of a code of ethics should not be delegated solely to one or two employees. Rather, a working group tasked with developing the code of ethics should bring together staff, board members, other volunteers, and/or stakeholders. Together, the group should provide a broad representation of the entire organization. This work group can consult with staff members and review existing models as a means to draft the code. The work group should conduct a thorough review of the organization’s “values, issues, conflicts, and challenges to which any successful code must relate.”⁴

**Step 2: Research Other Codes of Ethics**
This research may include reviewing codes from similar nonprofit entities, reviewing codes by professions in your field or from other businesses or government, or looking more in-depth at targeted content areas and assessing the features that are most relevant to your agency.

While researching other codes of ethics, avoid utilizing other codes verbatim unless the code fits perfectly with your aims and you have received permission from the agency. For example, the Donor Bill of Rights, created by the Association of Fundraising Professionals (AFP), the Association of Healthcare Philanthropy (AHP), the Council for Advancement and Support of Education (CASE), and the Giving Institute: Leading Consultants to Non-Profits, has a process

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(involving the submission of a request form) in place for nonprofits that wish to reprint or reproduce the document for their work. Numerous organizations have endorsed the document. It is rare that two organizations have the same needs for ethical codes, so it is vital to tailor your code of ethics to the specific needs and culture of your organization. And, of course, remember to carefully respect copyrighted materials. When in doubt, always seek the permission from the author of a code of ethics or other document for needed permissions.

Independent Sector provides a terrific resource for ethic codes and can be accessed at [www.independentsector.org](http://www.independentsector.org), including one hundred standards, codes, and principles for nonprofit and philanthropic organizations, and allows for other organizations to submit information for inclusion in this compendium. Here is information on the organization of the Compendium of Standards, Codes, and Practices: [http://www.independentsector.org/compendium_of_standards#sthash.c1SgjNwe.dpbs](http://www.independentsector.org/compendium_of_standards#sthash.c1SgjNwe.dpbs).

*Note:* Members of the Standards for Excellence Institute and licensed Standards for Excellence replication partners may endorse the preamble and guiding principles of the Standards for Excellence with attribution, but modifications are not permitted. The citing organization must also receive written permission from the Standards for Excellence Institute or a licensed replication partner and include a specific disclaimer statement with the code in all instances.

**Step 3: Preliminary Decisions about the Focus and Structure of the Code of Ethics**
Ethical codes cover organizations as well as professions. Social workers, doctors, and lawyers have professional ethical codes. Organizations should take great care to ensure that their own codes of ethics are supportive of, rather than in opposition to, codes of ethics for professions relevant to their work.

**Step 4: Drafting the Code of Ethics**
There are several steps involved in drafting a code of ethics. These steps may be altered depending on the drafting documentation process of your organization.

a) In the working group, review the codes of ethics you have gathered as examples from other organizations. Determine the general length and level of detail you would like your code to emulate. Determine what headers or main categories you want to include in the code and develop a rough outline for your code. Consider the content of the organization’s code as essential in reflecting the organization’s culture. Allow for separate documents for special content areas that may require in-depth treatment. (This may include policies such as conflict of interest policy, whistleblower policy, gifts policies).

b) Share what you learned from other codes and draft an outline with a larger group – perhaps at a staff meeting – to get general input on the direction for the code and what areas are most important to address.

c) Assign volunteers from within the working group to draft different sections of the code.

d) Assign one editor to unify the language and style of all the sections. The level of detail should be consistent throughout the code. Consistency of detail will help to minimize any gray areas or prevent information from being vague.

e) Meet as a working group to refine the draft.
Step 5: Testing the Code of Ethics
Once a draft of your code is developed it should be tested before the final code is adopted. Ethical codes may be tested in multiple ways, including surveys or small group discussions. This will allow an opportunity for all employees to provide input. Remember the code of ethics reflects the culture of the organization so it is important that there is buy-in from employees to follow the code. With broad employee input, the ethics code will be comprehensive and reflects the whole culture of the agency not just management. Meet as a working group to discuss staff input and make adjustments to the final draft.

Step 6: Approval by Leadership
The final draft of the code of ethics should be presented to the board of directors for approval much like the mission statement and other agency policies. The board of directors should also complete an annual review of the established code for potential revisions. This will assure your organization that the language will continue to serve the expectations and needs of the organization.

Step 7: Dissemination and Education
An ethics code holds its value as a living, breathing document which employees should be able to easily access as a resource. A plan should be established to implement and enforce the code of ethics as well as provide ongoing training so that all staff is familiarized with the code. Some agencies hold mandatory trainings/discussions periodically to keep the code of ethics on the mind of staff. The key is to ensure that the values within the code are put into practice.

A strong compliance program may be useful in the prevention of fraud in an organization as discussed here in the Nonprofit Quarterly https://nonprofitquarterly.org/management/23330-keeping-your-nonprofit-safe-from-fraud.html. Each organization has to decide whether signing the code is mandatory or voluntary. The code should be the shared values of the organization therefore employees should have a broad acceptance of the code. Enforcement mechanisms may vary by agency but may include: Ombudsman service, ethics officer hotline, informal educational opportunities, and a confidential means to report improprieties. One resource of nonprofit ethics case studies is the Institute for Global Ethics www.globalethics.org.

Step 8: Maintenance
The ethics code is just like any other key policy of your organization. Once the code of ethics has been developed, approved, and implemented, a maintenance plan should be developed to review and revise the code periodically. A timeline can be set in order to determine how and when the code will be reviewed and revised. This timeline may also include periods when suggestions are collected about the code of ethics. Periodic reviews of the content may help to ensure that the language of the code addresses the day-to-day needs of the organization.

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6 Kolb, 1999.
Selected Resources for Developing an Ethics Code

Sample code of ethics that may be reviewed and adapted for your organizations code of ethics:

Charles Stewart Mott Foundation
http://www.mott.org/about/values/codeofethics.aspx

Websites to review for developing an ethical code:

Ethics Resource Center www.ethics.org
Ethics & Compliance Officer Association (ECOA) http://www.theecoa.org/
Ethisphere Institute http://ethisphere.com/
Independent Sector http://www.independentsector.org/
Institute for Global Ethics www.globalethics.org
National Council of Nonprofits http://www.councilofnonprofits.org/

“A Guide to Developing Your Organization’s Code of Ethics” by Ethics Resource Center
http://www.shrm.org/about/Documents/organization-coe.pdf


Books to review for developing an ethics code:


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