WHAT YOU SHOULD KNOW ABOUT NONPROFITS

A joint project of the National Center for Nonprofit Boards and INDEPENDENT SECTOR
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If you’ve ever bought a Girl Scout cookie, enjoyed a symphony concert or museum exhibit, been asked to support your alma mater, listened to public radio, been a member of a professional association, or attended a religious service, you’ve seen a nonprofit organization in action. Most Americans are aware of at least a few nonprofits, but would be surprised to learn that nonprofits are a major cultural, social and economic force in our society. Many people even harbor serious misconceptions about what nonprofits do and how they operate. This booklet answers some of the most frequently asked questions about nonprofits and explores the issues and concerns common to the diverse groups that comprise America’s nonprofit sector.
What is the nonprofit sector?

The nonprofit sector is the collective name used to describe institutions and organizations in American society that are neither government nor business. Other names often used include the not-for-profit sector, the third sector, the independent sector, the philanthropic sector, the voluntary sector, or the social sector. Outside the United States, nonprofits are often called nongovernmental organizations (NGOs) or civil society organizations.

These other names emphasize the characteristics that distinguish nonprofits — voluntary sector to acknowledge the importance of volunteers and voluntary action, independent sector to distinguish nonprofits from business and government, and social sector to underscore how the activities of nonprofits enhance the social fabric of our country.

While making a profit is not a primary motivation for nonprofit organizations, that doesn’t mean that the organizations cannot or should not charge fees or generate revenue that exceed expenses (in fact, make a profit). Instead, it means that nonprofits, unlike businesses, do not exist to make money for owners or investors. Instead, these groups are dedicated to a specific mission (see question 3 on page 10).

The nonprofit sector in the United States is vast and diverse and touches all our lives. It includes more than 1.5 million organizations with combined annual revenues of more than $670 billion — more than the gross domestic product of Brazil, Russia, or Australia. About six percent of all organizations in the U.S. are nonprofits, and one in 12 Americans works for a nonprofit. Another 109 million Americans, or 56 percent of adults, volunteer for these organizations. Within this disparate group are many types of organizations. Section 501(c) of the tax code, which outlines the types of organizations eligible for tax exemption, lists more than 25 classifications of nonprofits.

Major subcategories of nonprofit organizations include:

- **Charities.** Nonprofits that are exempt under Section 501(c)(3) are often called charities, but these organizations do far more than provide free care and services to the needy. Hospitals, museums, orchestras, private schools, religious organizations, advocacy organizations, public television and radio stations, soup kitchens, and many other organizations are 501(c)(3) nonprofits. The majority of nonprofits operating in the United States are classified as public charities. More than 700,000 public charities were registered with the IRS in 1997. To be considered a public charity, the organization must be able to show broad public support, rather than funding from an individual source. Individuals and corporations that give money to these organizations can deduct the value of gifts from their taxable income, provided they file itemized tax returns.

- **Foundations.** Many individuals, families, businesses, and communities establish foundations as a way to support causes and programs that benefit society. Foundations, which are also 501(c)(3) nonprofits, are one of the most complex components of the nonprofit sector. Private foundations are subject to more stringent regulation and reporting requirements than other types of nonprofits. They are required to make grants equal to at least 5 percent of their investment assets each year, and generally pay a 2 percent excise tax on net investment earnings. There are nearly 50,000 foundations in the United States. Here are the most common types:
  - **Private foundations** usually have a single source of funding (an individual, a family, or a business), and use income from investments to make grants to charitable nonprofit organizations. The Ford Foundation, The Carnegie Corporation, the David and Lucile Packard Foundation, and the W.K. Kellogg Foundation are well known examples.
Corporate foundations are private foundations that receive funding from and make grants on behalf of a corporation. The Metropolitan Life Foundation, the Starbucks Foundation, and the American Express Foundation are examples. Many corporations have in-house corporate giving programs instead of or in addition to corporate foundations.

Operating foundations are private foundations that use the bulk of their resources to carry out their own charitable programs, rather than by making grants to other nonprofits. The Carnegie Endowment for International Peace and the J. Paul Getty Trust are examples of operating foundations.

Community foundations pool the resources of many donors and focus their grantmaking on a particular city or region. The Cleveland Foundation and the New York Community Trust are examples of community foundations. The Internal Revenue Service (IRS) classifies community foundations as publicly supported charities, not private foundations. Therefore, these groups are not subject to excise taxes or distribution requirements like private foundations, and donations by individuals to community foundations are tax-deductible.

Some nonprofits, such as hospitals and public colleges, create related or supporting 501(c)(3) organizations that are called foundations; these groups are fund-raising (rather than grantmaking) organizations, and typically raise money from a broad range of donors and then distribute the proceeds to the parent organization. In addition, some other charities include the word foundation in their names even though they are not considered foundations according to legal definitions, such as the Epilepsy Foundation or the Points of Light Foundation.

Social welfare organizations. Nonprofits such as the NAACP, the National Rifle Association, and the National Organization for Women are exempt under Section 501(c)(4) of the tax code.

These nonprofits are often called social welfare or advocacy organizations. Contributions to 501(c)(4) organizations are not tax-deductible, and 501(c)(4) nonprofits have greater latitude to participate in legislative advocacy, lobbying, and political campaign activities. Some 501(c)(3) organizations establish 501(c)(4) subsidiaries whose income may be dedicated to supporting greater lobbying and political activities.

Professional and trade associations. Chambers of commerce, business leagues, and other organizations that promote the business or professional interests of a community, an industry, or a profession generally qualify for tax-exemption under Section 501(c)(6) of the tax code. Although contributions to these organizations are not tax-deductible, membership dues may be deductible as business expenses.

In addition to receiving private contributions, many nonprofits (hospitals and universities are good examples) generate revenue by charging fees for the services they provide, earning interest on investments, or producing and selling goods. Many organizations also receive funding from government, either in the form of grants or as contracts for providing services.

While the nonprofit sector’s role may be abstract and poorly understood, the thousands of organizations that make up the sector provide services that are tangible and easily recognized. Freed from the profit motive that dominates business and from the constraints of government, the nonprofit sector serves as a forum for the creation and dissemination of new ideas, an efficient vehicle for delivering social services, and a guardian of our environment, values, and heritage.
All nonprofits are exempt from federal corporate income taxes. Most also are exempt from state and local property and sales taxes (sometimes professional associations and social welfare organizations do not meet local and state exempt requirements). Nonprofits are, of course, not exempt from withholding payroll taxes for employees, and they also are required to pay taxes on income from activities that are unrelated to their mission. A university that owns a commercial office building, for example, would probably pay taxes on rental income. Similarly, private foundations pay substantial excise taxes on their investment income.

The notion that religious organizations, charities, and other organizations that operate for the public good should be tax exempt can be traced back through medieval England to ancient times. When nonprofits were excluded from the first federal income taxes, for example, Congress didn’t even debate the issue. Here are some of the most common explanations offered by scholars and leaders within the nonprofit sector as to why nonprofit organizations are tax-exempt:

- **Nonprofits relieve government’s burden.** Private schools and hospitals, day care centers, homeless shelters, and other nonprofits provide services that government might otherwise be required to offer. Through tax-exemption, government supports the work of nonprofits and receives a direct benefit in return.

- **Nonprofits benefit society.** Even when nonprofits do things that government wouldn’t be required to do in their absence, they still provide valuable services to society. Nonprofits encourage civic involvement, provide information on public policy issues, encourage economic development, and do a host of other things that enrich society and make it more vibrant. Even though government benefits from these services only indirectly, the public benefits overall.

- **Taxing nonprofits would be difficult and counterproductive.** Lawyers and economists have pointed out problems that could arise if government attempted to tax nonprofits. These include the difficulty of determining what qualified as taxable income and the adverse effects taxation might have on the viability of many worthwhile organizations.

- **Exemption for religious nonprofits preserves separation of church and state.** Tax-exemption for religious nonprofits limits government’s ability to use tax policy as a tool to promote one religion over another or to tax a church out of existence.

Over the years, as the nonprofit sector has grown and distinctions between nonprofits and for-profits have become less clear, an increasing number of state and local governments have launched challenges to the tax-exempt status of nonprofits. A number of states — Pennsylvania is a good example — have attempted to establish narrow criteria for tax-exemption so that far fewer nonprofits would qualify. These initiatives, in turn, have challenged nonprofits to do a better job of explaining their partnership with government, why they deserve exemption, and how they benefit society.
Can a nonprofit make a profit?

It may sound like an oxymoron, but it is acceptable — even desirable — for a nonprofit to make a profit (although nonprofits usually use the terms surplus or net revenue). Not everyone understands or agrees with this, and some people believe that nonprofits should spend every penny they generate immediately in pursuit of their charitable mission. Many nonprofits do just that, and many others actually spend more than they take in and operate at a deficit. In a National Center for Nonprofit Boards survey of more than a thousand nonprofits, nearly 20 percent reported an operating deficit in their most recent fiscal year.

For many reasons, operating a nonprofit at a deficit is not good policy. The most successful and responsible organizations find ways to generate an annual surplus and build up a reserve fund to insulate the organization from the inevitable ups and downs that any organization faces. Donors sometimes do not fulfill their pledges, governments unexpectedly terminate programs and contracts, direct mail solicitations generate far less income than expected, and unforeseen events can cause increased demand for programs and services. To survive these unpredictable changes, most nonprofits need a reserve fund, and the easiest way to build such a fund is to operate at an annual surplus, generating net revenue which can then be added to reserves. A healthy reserve fund also gives a nonprofit the flexibility to research and develop new programs and to respond to sudden opportunities or emergencies.

Determining whether operating to generate a surplus is appropriate is a question nonprofit boards and chief executives answer by looking at the nature of their mission. Although generating a surplus may be wise for organizations that intend to operate over the long haul; it may be inappropriate for organizations with short-range goals or those that have nearly accomplished their missions.

What distinguishes nonprofits is not whether they can make a profit, but what happens to profits. A for-profit company that generates net revenue can choose to distribute those profits to owners and shareholders, executives, and employees. Nonprofit organizations, in contrast, are prohibited from distributing profits or from any type of private inurement; they don't exist to earn money for owners and shareholders (there are none) or employees. This distinction, not the ability to generate a profit, is a major difference between nonprofits and businesses.
How are nonprofits monitored, regulated, and governed?

The overwhelming majority of nonprofits in the United States operate in an ethical and accountable manner. However, nonprofits are not immune to damage that can be caused by unscrupulous and fraudulent solicitors, financial improprieties, and executives and board members who care more about their own financial welfare than the mission of the organization. Because nonprofits are held to such high standards, when problems do arise, they are particularly disturbing because of the nature of nonprofits themselves — organizations created to provide some public benefit.

Most people are familiar with the mechanisms that safeguard the integrity of government and business. Disenchanted voters can throw politicians out of office, and the branches of government view each other with watchful eyes. Businesses have shareholders or owners and are monitored by government agencies such as the Securities and Exchange Commission and the Occupational Safety and Health Administration. The media monitor both sectors and are quick to point out cases of corruption and poor performance.

Far fewer people understand how nonprofits are monitored and regulated. For much of its history, the nonprofit sector has operated outside the realm of close public scrutiny. Many government agencies monitor different parts of the nonprofit sector's activities, however, no single government agency exists exclusively to monitor the activities of nonprofits. Nonprofits aren't required to hold public meetings, and few journalists report on nonprofits with the same depth and focus devoted to business and government.

Nevertheless, nonprofits have many lines of defense against fraud and corruption:

- **Boards.** All nonprofits are governed by a board of directors or trustees (there's no real difference), a group of volunteers that is legally responsible for making sure the organization remains true to its mission, safeguards its assets, and operates in the public interest. The board is the first line of defense against fraud and abuse.

- **Private watchdog groups.** Several private groups (who are themselves nonprofits) monitor the behavior and performance of other nonprofits. Some see their mission as serving as advisors to donors who want to ensure that their gifts are being used effectively; others are industry or “trade” groups that provide information to the public and encourage compliance with generally accepted standards and practices. These watchdog groups include The National Charities Information Bureau, the Council of Better Business Bureaus’ Philanthropic Advisory Service, and the American Institute on Philanthropy.

- **State charity regulators.** The attorney general’s office or some other part of the state government maintains a list of registered nonprofits and investigates complaints of fraud and abuse. Often the state attorney general serves as the primary investigator in these cases. Almost all states have laws regulating charitable fund-raising.

- **Internal Revenue Service.** A division of the IRS (the Tax Exempt/Government Entities division) is charged with ensuring that nonprofits are complying with the requirements for eligibility for tax-exempt status. IRS auditors investigate the financial affairs of thousands of nonprofits each year. As a result, a handful have their tax-exempt status revoked; others pay fines and taxes. In 1996, legislation supported by INDEPENDENT SECTOR and other national groups authorized the IRS to penalize individuals who abuse positions of influence within public charities and social welfare organizations. Formerly the only weapon available to the IRS was to revoke tax-exemption, which resulted in the denial of service to the clients and constituents.
the organization was created to help. Because they fall short of revocation of tax-exempt status, these new provisions are often called “intermediate sanctions.”

- **Donors and members.** One of the most powerful safeguards of nonprofit integrity are individual donors and members. By giving or withholding their financial support, donors and members can cause nonprofits to reappraise their operations.

- **Media.** While the media has increased its attention to the nonprofit sector, this coverage has brought the bad with the good — including an occasional scandal. Many nonprofit leaders may feel misunderstood or even maligned by negative media coverage, however, this media watchdog role has resulted in increased awareness and accountability throughout the sector.

Most nonprofits are corporations, which means they are legal entities distinct from the individuals who founded them. Like their for-profit counterparts, nonprofit corporations are governed by boards of directors with legal and ethical responsibilities that cannot be delegated. The board’s responsibilities fall into the following broad categories.

- **Legal and fiduciary.** The board is responsible for ensuring that the organization meets legal requirements and that it is operating in accordance with its mission and for the purpose for which it was granted tax-exemption. Individual board members must exercise the duty of care (meaning they must attend meetings, be prepared to make informed decisions by reading the information provided and requesting additional information if necessary, and carry out their duties in a reasonable and responsible manner). As safeguards of a public trust, board members are responsible for protecting the organization’s assets.

- **Oversight.** The board is responsible for ensuring that the organization is well run. It moderates the power of management, and has the power to hire and remove the chief executive, usually called the executive director or president.

- **Fund-raising.** As part of their fiduciary responsibility, many board members are actively involved in making sure that the organization has the money it needs. This may include making a personal contribution; serving as an advocate with a foundation, corporation, or government entity; organizing a fund-raising event or hosting a benefit; or face-to-face solicitation of other individuals.

- **Representation of constituencies and viewpoints.** Often, board members are chosen so that they can bring to the board the
experience or perspective of a particular group or segment of the organization’s constituency. Boards are not inherently democratic institutions, but they do provide an opportunity for the groups and communities that a nonprofit serves to have a voice in its governance. However, representing a constituency or viewpoint takes a back seat when voting — all board members are expected to vote with the nonprofit’s best interest in mind.

What is the auditor’s role in ensuring financial propriety?

An auditor is an outside accountant engaged by the board of a nonprofit to review the financial statements prepared by the organization’s staff. The auditor’s main job is to judge the accuracy of the financial statements and report back to the board. To do this, auditors usually examine some typical transactions and review internal controls, accounting procedures, and financial reporting systems. Through the management letter, auditors also help nonprofits develop effective financial controls.

An audit is a spot check of information, not an exhaustive review of all financial transactions. Further, auditors are charged with determining the accuracy of the financial statements only “in all material respects.” A clean bill of health from an auditor means that the auditor is convinced that the financial statements do not misrepresent the organization’s financial position in any significant way; it does not guarantee 100 percent accuracy.

Auditors are not charged specifically with uncovering fraud. Since they rely heavily on management to provide information and documentation, small-scale fraud is extremely difficult for auditors to detect, particularly if it is being perpetuated by more than one key staff person within the organization.

An important final point: all firms are not equally qualified to audit a nonprofit organization. Nonprofits follow accounting conventions that are distinct from those of business and government. A firm that is unfamiliar with these guidelines or has little experience auditing nonprofits will be especially unlikely to uncover financial malfeasance.
What level of reserves is appropriate?

Nonprofits — like businesses, families, and individuals — need to save for a rainy day. While few would dispute that assertion, disagreements sometimes arise over what level of reserves is appropriate. Often the level of reserves depends on the mission and type of organization. Nonprofit organizations created to run a specific event or those that do not intend to operate in the long-term may not be as concerned with developing reserve funds.

Those who argue for a low level of reserves point out that an organization with a particularly imperative mission — the eradication of a disease, for example — has an ethical and moral obligation to use all its resources to carry out that mission as swiftly as possible. Others have questioned the ethics of an organization soliciting the public for donations while maintaining reserves that would allow it to operate for many months, or even years, without any additional public support. Many of the national watchdog organizations listed earlier in this publication have standards that specify the level of reserves they find acceptable. The National Charities Information Bureau, for example, suggests that charities should not have more than two years’ expenses in reserve — a level that few nonprofits attain.

The distinction between reserves and endowment is significant. An endowment is a pool of money that is invested so that the income can be used to support the nonprofit. Often, donors or board members have restricted these funds so that the principal cannot legally or ethically be used to cover day-to-day expenses. Reserve funds are more flexible. Reserves come from the accumulated surpluses of the organization over time, and can usually be designated or allocated by the board. Reserves can be spent to expand programs and run the organization, while endowment usually can’t. Many large institutions, such as universities and museums, have endowments that are many times their annual budgets.

What is conflict of interest?

Conflict of interest is difficult to define, yet many people think they know it when they see it. The legal definition of conflict of interest, usually set out in state laws governing nonprofit corporations, is very specific and covers relatively few situations. Most conflicts fall into a gray area where ethics and public perception are more relevant than statutes or precedents.

Conflict of interest arises whenever the personal or professional interests of a board member are potentially at odds with the best interests of the nonprofit. Such conflicts are common: A board member performs professional services for an organization, or proposes that a relative or friend be considered for a staff position. Such transactions are perfectly acceptable if they benefit the organization and if the board made the decisions in an objective and informed manner. Even if this is not the case, such transactions are usually not illegal. They are, however, vulnerable to legal challenges and public misunderstanding.

Loss of public confidence and a damaged reputation are the most likely results of a poorly managed conflict of interest. Because public confidence is important to most nonprofits, boards should take steps to avoid even the appearance of impropriety. These steps may include:

- Adopting a conflict-of-interest policy that prohibits or limits business transactions with board members and requires board members to disclose potential conflicts.
- Disclosing conflicts when they occur so that board members who are voting on a decision are aware that another member’s interests are being affected.
- Requiring board members to withdraw from decisions that present a potential conflict.
- Establishing procedures, such as competitive bids, that ensure that the organization is receiving fair value in the transaction.
How much money should an organization spend on overhead or fund-raising?

Because most donors want to ensure that their gifts are well spent, many are concerned about the level of expenditures on overhead and fund-raising. In other words, how much money is spent providing programs and services, and how much is spent on renting an office, paying staff, and sending out fund-raising appeals.

The question is obvious and important; the answer is far from simple, for several reasons: First, there is no universal formula for calculating overhead. The chief executive’s salary is a good example. Many people would consider it overhead; others would argue that since the chief executive deals primarily with program-related issues and is essential to the success of the organization, the executive’s salary is a program expense. Second, there are no generally accepted standards for what levels are acceptable. Many organizations boast that they spend only 5 or 6 percent of their funds on overhead; other well-known and effective nonprofits spend 25 or 30 percent on overhead.

Cost-effectiveness is an important consideration for all nonprofits. Here are some additional factors to consider when evaluating overhead and fund-raising expenditures:

- **What is the mission of the nonprofit?** Some activities, such as employment counseling or collecting and distributing blood, are labor-intensive and require a high level of staffing. It’s not necessarily more efficient to use volunteers to provide such services, since volunteers require management and supervision. When evaluating effectiveness, it’s important to understand the organization’s nature and purpose.

- **What environment does the organization operate in?** Two organizations with identical missions might have very different cost structures if one operates downtown and the other serves a distant suburb. Does the organization’s level of overhead expenses seem reasonable given its location, the number of people it’s serving, and the manner in which it’s providing services?

- **How does the organization raise money?** Some methods of fund-raising are simply more expensive than others. An organization that raises most of its money through direct mail or special events may have higher fund-raising costs than a nonprofit that relies primarily on large grants. In evaluating fund-raising effectiveness, keep in mind that some activities are important for their educational value and their ability to involve greater numbers of people with the organization — intangible benefits that won’t show up on a balance sheet.
In recent years, excessive executive compensation has become an issue for many nonprofits. Those who believe that the nonprofit sector has become too professionalized and "corporate" cite excessive compensation as an example of how many organizations are losing sight of their mission and their distinctiveness as nonprofits.

Because revelations of inordinately high compensation can erode donor confidence and cause increased public skepticism, board members should pay close attention to compensation decisions. The compensation of the five highest-paid officers or managers of the organization is included on the IRS Form 990, an informational tax form that most nonprofits must file each year. The 990 is a public document that must be made available by mail, at the organization's office, or on the Internet when requested by members of the public — including journalists. For this reason, compensation can't be considered a private matter, and all board members should be aware of its implications.

The compensation of nonprofit executives usually lags far behind the compensation of leaders in business and government. The real challenge many boards face is not how to reign in excessive compensation but rather how to find the resources to pay appropriate salaries.

To evaluate the appropriateness of executive compensation, consider:

- The size and complexity of the nonprofit.
- The mission area, geographic location, and financial condition of the organization.
- The qualifications required for the job.
- Compensation at comparable organizations.

A new factor has been added to the challenge of determining appropriate compensation. In 1996 Congress passed legislation that enables the IRS to impose excise taxes and other penalties on nonprofit executives who are over-compensated. When determining appropriateness, the IRS evaluates whether the compensation was decided by an independent board, if appropriate comparable compensation data was obtained, and if the basis for determining compensation was documented. This new power allows the IRS to penalize individuals receiving more compensation than their positions warrant in addition to requiring them to pay the excessive portion back to the organization, rather than resorting to revoking the tax-exempt status of the organizations.
Can nonprofits lobby?

Because nonprofits often work in partnership with government and serve as advocates for a cause or constituency, many organizations have a legitimate interest in the formation of public policy. Nonprofits often speak out in an attempt to influence public perception and government action on specific issues, such as welfare reform, AIDS research, or environmental protection. For some nonprofits, this advocacy role is the most important service they provide.

One important way to affect public policy is to engage in lobbying, or direct contact with legislators in an attempt to influence specific legislation. Private foundations are not permitted to lobby, but public charities, social advocacy groups, labor unions, trade associations and professional societies are. Congress indicated its support for lobbying when it enacted the 1976 Lobby Law, which makes generous provisions for nonprofit lobbying. The same message came from the Internal Revenue Service in regulations issued in 1990 that support the spirit and intent of the 1976 legislation. Together, the law and new regulations provide significant leeway for lobbying by charitable organizations.

Public charities (501(c)(3)) are allowed to lobby provided the activity is insubstantial in relation to the overall organization, and must report their lobbying expenditures to the IRS. The lobbying activities of social welfare organizations (501(c)(4)) and trade associations (501(c)(6)) are not similarly restricted. Nonprofits cannot use funds from government grants or contracts for lobbying activities.

Charitable organizations are not allowed to participate in or attempt to influence political campaigns; if they do, they risk losing their tax-exempt status. However, public charities may educate voters during political campaigns, including getting statements from candidates, conducting public forums, giving testimony on party platforms, and providing issue briefings for candidates. Social welfare organizations and trade associations have much greater latitude in both lobbying and in participating in political campaigns.

How can you get information about nonprofits?

The best source of information is usually the organization itself. Many nonprofits have websites that are rich with information about their programs and finances.

Most nonprofits publish an annual report that is distributed to supporters, members, and other key constituents. Annual reports typically include a statement of the organization’s mission and a summary of its programs, a list of board members and key staff, and financial information (often a summary of the audited annual financial statements).

Another key source of information is the IRS Form 990, an annual information form that most nonprofits must file with the Internal Revenue Service each year. Nonprofit organizations with annual revenue less than $25,000 and religious congregations are not required to file. The Form 990 summarizes the organization’s finances, lists the salaries of the highest paid officials, includes the names of board members, and provides a general snapshot of the organization. Nonprofits are required by law to share their 990 forms with members of the public who ask to see them. They must make the form available during regular business hours or on the Internet. Journalists also can request copies of the 990 from the IRS Exempt Organization center in Ogden, Utah, under the Freedom of Information Act.

Several national watchdog groups evaluate nonprofits and advise donors on making contributions. These groups are most likely to provide information about large, national nonprofits — especially those that raise funds from individual donors.
Links and Resources

Organizations
The Alliance for Nonprofit Management provides leadership for management support organizations, individual professionals, and a range of national/regional, umbrella, research, academic, publishing, and philanthropic organizations that provide training and consulting to nonprofits. Write or call the Alliance, 1899 L Street, NW, 6th Floor, Washington, DC, 20036; 202-955-8406. The website address is www.allianceonline.org.

The American Society of Association Executives (ASAE) is a membership association for the association management profession; its mission is to increase the effectiveness of associations and promote excellence in association management. Write or call ASAE, 1575 I Street, NW, Washington, DC 20005-1168; 202-626-2723. The website address is www.asaenet.org.

The Council on Foundations is a nonprofit membership association of grantmaking foundations and corporations; its mission is to promote responsible and effective philanthropy. Write or call the Council on Foundations, 1828 L Street, NW, Washington, DC 20036; 202-466-6512. The website address is www.cof.org.

The Evangelical Council for Financial Accountability (ECFA) is an association of more than 750 charitable, religious, and educational organizations that share a strong commitment to evangelical Christianity. ECFA members are required to adhere to standards of ethical conduct in financial accounting and reporting. Write or call ECFA, P.O. Box 17456, Washington, DC 20041-7456; 1-800-3BE-WISE. The website address is www.ecfa.org.

The Foundation Center is a leading source of information on foundations, foundation grants, and the nonprofit sector. The Foundation Center provides access to information through its website and at its libraries and cooperating collections nationwide. Write or call the Foundation Center, 79 Fifth Avenue, New York, NY 10003-3076; 212-620-4230. The website address is www.fdncenter.org.

GuideStar is a searchable website with a database that includes financial reports and program summaries on more than 600,000 nonprofit organizations. The financial information is gleaned from IRS Form 990s, and additional data is collected from nonprofits themselves. Write or call GuideStar and its parent nonprofit organization, Philanthropic Research, Inc., 427 Scotland Street, Williamsburg, VA 23185; 757-729-4631. The website address is www.guidestar.org.

INDEPENDENT SECTOR (IS) is a national coalition of more than 750 voluntary organizations, foundations, and corporate giving programs that work to encourage philanthropy, volunteering, not-for-profit initiatives, and citizen action. Write or call IS, 1200 Eighteenth Street, NW, Suite 200, Washington, DC 20036; 202-467-6100. The website address is www.IndependentSector.org.

The Internal Revenue Service website offers sample forms and descriptions of nonprofit reporting requirements. Call the IRS Tax-Exempt/Government Entities division, 202-622-8100 or visit www.irs.gov/bus_info/eo.

The National Council of Nonprofit Associations (NCNA) is a coalition of more than 30 state and regional associations of nonprofits, representing more than 20,000 community-based organizations. NCNA is the publisher of State Tax Trends for Nonprofits, a quarterly newsletter that reports on state and local tax issues. Write or call NCNA, 1900 L Street NW, Suite 605, Washington, DC 20036; 202-467-6262. The website address is www.ncna.org.

The National Center for Nonprofit Boards (NCNB) was founded to help boards understand their role in ensuring accountability and effective oversight. Write or call NCNB, 1828 L Street, NW, Suite 900, Washington, DC 20036; 800-883-6262. The website address is www.ncnb.org.

The National Charities Information Bureau (NCIB) promotes informed giving by providing donors with information about the charitable organizations that seek their support and serves as a watchdog for the sector. Write or call NCIB, 19 Union Square West, New York, NY 10003-3395; 212-929-6300. The website address is www.give.org.

The National Society of Fund Raising Executives (NSFRE) is the professional association for individuals responsible for generating philanthropic support for nonprofits. NSFRE, which has more than 20,000 members, promotes standards of professional practice, a code of ethical principles, and a donor bill of rights. Write or call NSFRE, 1101 King Street, Suite 700, Alexandria, VA 22314-2967; 703-684-0410. The website address is www.nsfre.org.

The Philanthropic Advisory Service (PAS) of the Council of Better Business Bureaus promotes ethical standards within the charitable community, provides information to the public on charitable organizations, and educates individual and corporate donors on wise giving. Write or call PAS, 4200 Wilson Boulevard, Suite 800, Arlington, VA 22203-1804; 703-276-0100. The website address is www.bbb.org/about/pas.asp.
The Points of Light Foundation is a nonpartisan nonprofit organization devoted to promoting volunteerism. The foundation works in communities throughout the United States through a network of more than 500 Volunteer Centers. Write or call the Points of Light Foundation, 1400 I Street, NW, Suite 800, Washington, DC  20005;  202-729-8000. The website address is www.pointsoflight.org.

Regional Associations of Grantmakers (RAGs) are associations of area grantmakers who affiliate to enhance the effectiveness of private philanthropy in their regions. Write or call the Forum of Regional Associations of Grantmakers, 1828 L Street, NW, Suite 300, Washington, DC 20036-5168;  202-467-0383. The website address is www.rag.org.

Publications

General


The Charitable Tax Exemption by John D. Colombo and Mark A. Hall. (Boulder, CO: Westview Press, 1995, 265 pages.) The authors discuss several possible rationales for tax-exemption and then propose their own “donative” theory. To order, write: Westview Press, 5500 Central Avenue, Boulder, CO 80301-2877.

The Nonprofit Mosaic: The Strength and Diversity of America’s Nonprofit Sector. (Washington, DC: INDEPENDENT SECTOR, 2000, toolkit). A free toolkit that provides a profile of the nonprofit sector as a whole, and looks at the size and scope of the various subsectors within the sector, such as health, human services, and religion. Available from INDEPENDENT SECTOR.


Why Tax Exemption? The Public Service Role of America’s Independent Sector. (Washington, DC: INDEPENDENT SECTOR, 1988, 20 pages.) Designed to help nonprofits describe their public service role, this publication is a valuable resource for anyone seeking to understand the role of America’s nonprofits. Sections focus on specific types of nonprofits. Available from INDEPENDENT SECTOR.

Statistics


Nonprofit Almanac: Dimensions of the Independent Sector (San Francisco: Jossey-Bass, 1996, 326 pages.) This definitive reference documents the size and scope of the nonprofit sector and its share of the U.S. economy. It also includes analyses of the financial condition of the sector, including trends in employment and in the sources and uses of funds. Available from INDEPENDENT SECTOR.

Nonprofit Governance Index (Washington, DC: National Center for Nonprofit Boards, 2000, 24 pages.) A survey of more than a thousand nonprofit organizations that provides benchmark information about board policies and practices. The survey was conducted in collaboration with Stanford University. Available from NCNB.

Governance

Chief Executive Compensation: A Board Member’s Guide (Washington, DC: National Center for Nonprofit Boards, 1999, 20 pages.) This booklet emphasizes the importance of board involvement in compensation decisions and discusses the variables involved in setting reasonable compensation. Available from NCNB.

The Board Member’s Book by Brian O’Connell. (New York: The Foundation Center, 1993, 198 pages.) A good general resource on board responsibilities and the board and staff partnership. Available from INDEPENDENT SECTOR and the Foundation Center.
Ten Basic Responsibilities of Nonprofit Boards by Richard T. Ingram. (Washington, DC: National Center for Nonprofit Boards, Revised in 1996, 26 pages.) This booklet is the most widely used primer on board responsibilities. Available from NCNB.


Lobbying


Lobbying, Advocacy, and Nonprofit Boards, by John Sparks. (Washington, DC: NCNB, 1997, 24 pages.) This guide spells out the laws and regulations that apply for lobbying by charities. Available from NCNB.

Foundations


Guide to U.S. Foundations, Their Trustees, Officers, and Donors (New York: The Foundation Center, 2000, 2 vols. 4,235 pages) This resource provides data on all active grantmaking foundations, current information on 50,000 foundations, and includes a master list of the decision makers who direct America’s foundations. Available from The Foundation Center.

Ethics and Accountability

How to Manage Conflicts of Interest by Daniel Kurtz. (Washington, DC: National Center for Nonprofit Boards, 1999, 20 pages.) Offers a legal definition of conflict of interest, gives examples of potential conflicts and recommendations for handling conflicts, and a discussion of intermediate sanctions regulations. Available from NCNB.

Ethics and the Nation's Voluntary and Philanthropic Community: Obedience to the Unenforceable. (Washington, DC: INDEPENDENT SECTOR, 1991, 188 pages.) The result of a committee study examining issues of ethical behavior in the nonprofit sector, this report includes a statement on ethics and values, definitions of key terms, and sample codes or policies from a variety of organizations. Available from INDEPENDENT SECTOR.

Accounting/Finance

Financial Responsibilities of the Nonprofit Board by Andrew S. Lang. (Washington, DC: National Center for Nonprofit Boards, 1998, 40 pages.) This booklet helps board members understand their critical responsibilities in the key area of financial oversight. Addresses financial planning, reviewing the audit and establishing accounting policies and procedures. Available from NCNB.

The National Center for Nonprofit Boards (NCNB) is dedicated to increasing the effectiveness of nonprofit organizations by strengthening their boards of directors.

Through its programs and services, NCNB:
- provides solutions and tools to improve board performance
- acts as conveyer and facilitator in the development of knowledge about boards
- promotes change and innovation to strengthen governance
- serves as an advocate for the value of board service and the importance of effective governance.

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INDEPENDENT SECTOR is the only national forum that brings together foundations, corporate giving programs, and nonprofit organizations to strengthen America’s nonprofit sector. INDEPENDENT SECTOR members include many of the nation’s leading foundations, prominent and far-reaching nonprofits of all sizes, and Fortune 500 corporations with strong commitments to community involvement. Since its founding in 1980, the INDEPENDENT SECTOR coalition has played a major role in strengthening tax policy and citizen action, improving accountability and disclosure, building a body of research about the sector, and educating policymakers and the public about the important role of the nonprofit sector in a vibrant democracy.

INDEPENDENT SECTOR works to:
- Promote a healthy policy and legislative environment for nonprofit initiative.
- Research and analyze the scope of the nonprofit sector and trends in giving and volunteering.
- Strengthen accountability and leadership among nonprofit organizations.
- Champion effective collaborations among the business, government, and nonprofit sectors.
- Communicate the value and success of the American tradition of giving and volunteering.
- Provide the “meeting ground” for the leadership of the philanthropic and nonprofit sector to discuss emerging trends and the latest issues affecting nonprofit initiative.

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