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Ethics and Accountability for Nonprofits

America's charitable nonprofits rely on the public trust to do their work and advance their missions. That is why it is so important that charitable nonprofits continuously earn the public's trust through their commitment to ethical principles, transparency, and accountability. If only one community member or donor loses confidence in a charitable nonprofit because the nonprofit behaves unethically, that's one too many. That's why the National Council of Nonprofits creates and curates so many resources to showcase ways that charitable nonprofits can express and demonstrate the core values of accountability and transparency. These include our web pages on:

- [Codes of ethics/statements of values](#)
- [Conflicts of interest policies](#)
- [Cybersecurity](#)
- [Document retention policies](#)
- [Ethical fundraising](#)
- [Ethical leadership](#)
- [Executive compensation](#)
- [Financial management](#)
- [Financial transparency and public disclosure requirements](#)
- [Good governance policies for nonprofit boards](#)

- [Internal controls](#)
- [Saying “thank you” to donors](#)
- [Leading \("best"\) practices](#) for charitable nonprofits, state by state.
- [Whistleblower protections](#)

Legal requirements for ethical conduct

- IRS regulations require that charitable nonprofits may not be “[operated for the benefit of private interests](#).” This prohibition is the foundation of the “public benefit” requirement, and the legal, as well as ethical, guiding principle for all charitable nonprofits.
- The [Sarbanes-Oxley Act of 2002](#) includes two provisions that apply to nonprofits: (1) a prohibition against destruction of documents that are tied to a criminal investigation, and (2) a prohibition on retaliation against whistleblowers. As a result of the Act (and questions posed on the IRS Form 990) most nonprofits are now aware of the "best practices" of having a board-approved whistleblower protection policy, and a document retention/destruction policy in place.
- [IRS Form 990](#), Part VI, includes several questions focusing attention on governance practices that while not legally required, demonstrate accountability and transparency. These questions ask whether the nonprofit has a written [conflict of interest policy](#) (and whether such a policy is consistently monitored and enforced), whether the full board approves [executive compensation](#), whether the board receives a copy of the completed IRS Form 990 prior to filing and what the process is for review of the Form 990, and whether the nonprofit has [whistleblower protection](#) and [document retention and destruction](#) policies in place.

State law requirements

State laws may also address accountability and transparency practices. For example, some state nonprofit corporation laws dictate the procedures a board of directors must follow to address conflicts of interest, and several states’ laws prohibit loans to board members. State fundraising regulations also typically dictate a threshold level of financial transparency through annual corporate (state) filings and [charitable solicitation registration](#) requirements. While many nonprofits adopt

[codes of ethics](#), we are unaware of any state law that *requires* a nonprofit to adopt one.

Many [state-specific best practices](#) for nonprofits address codes of ethics and ethical conduct in general. Your [state association of nonprofits](#) can help you sort through the issues and resources you need to ensure your nonprofit is acting in ways that preserve the public's trust.

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