Standards of Excellence Certification Program® for Voluntary Health Agencies

Implementation Guide

September 2014

PUTTING PATIENTS FIRST

National Health Council
Standards of Excellence
Certification Program®

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Standards of Excellence Certification Program® for Voluntary Health Agencies

The National Health Council (NHC) has adopted a set of good operating practices to ensure that its voluntary health agency (VHA) members maintain the highest standards of organizational effectiveness and public stewardship. The standards cover the areas of governance, human resources, programs, fundraising, finance, accounting and reporting, and evaluation. These standards are completely aligned with, but more extensive than, the Standards for Charity Accountability adopted by the BBB Wise Giving Alliance (WGA). The NHC Standards are also consistent with Independent Sector's Principles for Good Governance and Ethical Practice.

Voluntary health agency members must meet all of the standards to be in compliance. Compliance is determined through evaluation of responses to a survey conducted every three years and analysis of accompanying supporting documents, such as bylaws, audited financial statements, and annual reports. The CEO and a senior board officer are required to certify that the information contained in the survey and supporting documents is accurate.

VHA members found not to be in compliance with a given standard or standards are given a period of time (usually one year), as determined by the board of directors, to come into compliance. Similarly, a period of one year or more is allowed for members to come into compliance with newly adopted or revised standards. In these cases, VHAs are considered to be members in good standing as they work toward compliance with the standards. Those who cannot or will not achieve compliance are removed from membership in the National Health Council.

This implementation guide provides guidance on the criteria and procedures used to evaluate compliance with each of the standards. It also provides information on acceptable ways of satisfying the requirements of each standard. In addition, the guide provides a rationale for each standard that explains why it is important in ensuring the efficiency and integrity of member VHAs.

The guide is meant to be a living document, subject to continuous review and updating to reflect the best practices of voluntary health agencies. Moreover, the process of evaluating compliance with some of the standards is by definition somewhat subjective. The National Health Council will consider the specific circumstances of each organization in determining compliance with the Standards of Excellence.

Basic Organization

Standard 1: The organization's governance documents state that: a) its primary purpose is health-related and national in scope; b) there is a procedure for governing the organization; c) the organization conforms with applicable state and federal law regarding the filing of governance documents; d) the organization has been in operation for no less than three years; and e) relationships with any affiliated organizations using the same name and logo are codified in a written agreement.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets the criteria listed in the standard.

Rationale: In furtherance of its mission, the National Health Council accepts only those organizations whose primary purpose is health-related. Since the NHC pursues a national public policy agenda, membership is open only to organizations that are national in scope, which is defined as those whose programs and/or services are available throughout the United States. It should be noted, however, that many of the NHC's member VHAs have state and/or local affiliates that benefit from the work of the Council.

The requirements for basic governance procedures and conformity with applicable laws and regulations are designed to ensure that member organizations are stable and well run. The desired stability is also manifested by the requirement that organizations be in operation for no less than three years.

Finally, the requirement that relationships with affiliates be codified is designed to ensure that the organization is pursuing a common mission and goals at all levels. Affiliated organizations are defined as local, state or regional bodies using the same name and logo as the parent organization and engaged in both fundraising and program activities. Associated groups engaged in a single activity, such as support groups, are not considered to be affiliates for purposes of this standard. The written affiliation agreement should include the following:

- the responsibilities and/or obligations of the national organization to the affiliates and of the affiliates to the national organization, including any revenue sharing arrangements
- use and protection of the organization’s logo, service marks and copyrighted material
- a procedure for dissolution and/or disaffiliation of an affiliate.

Best Practices: Formalized lines of communication should exist between the national organization and affiliates. These can take the form of regularly scheduled meetings or regular written communications. Ideally, the planning and budget processes of the national organization and affiliates should be aligned so that all levels of the organization are pursuing a common set of goals and objectives. In addition, public communications should be coordinated, so that the public is aware of the location and programs of national, regional and local offices.

Governance

Standard 2: The organization's governing arrangements include a volunteer board of directors with an established committee structure. The duties and responsibilities of the board, officers and committees are in written form and communicated to the respective parties.

Meeting the Standard: The organization's bylaws must establish that the organization is governed by a board of duly elected individuals who are not compensated for their board service (see also Standard 9 below). A copy of the bylaws must be provided. In addition, the organization must provide written statements of the duties and responsibilities of the principal officers (e.g., chair, vice chair, secretary, treasurer) and board members. (This standard can be met if such descriptions appear in the bylaws.) Written committee charges must also be provided to document that a committee structure exists. Committees can be made up of board members, other volunteers, or a combination of the two.

Rationale: A volunteer governing board is a fundamental legal component that defines a corporation as a charitable organization. Voluntary health agencies are charities designated as 501(c)(3) organizations by the IRS. The WGA also speaks to these requirements stating, "the governing board has the ultimate oversight authority for any charitable organization" and noting that its standards "seek to ensure that the volunteer board is active, independent and free of self-dealing."

An established committee structure allows the governing board to focus on the strategic direction of the organization and broad policy initiatives, while delegating the detailed planning of specific programs and activities. The committee structure also provides a vehicle for recruiting and involving new volunteers and training them for leadership positions.

Best Practices: Ideally, there should be a fully integrated system of "job descriptions" for officers, board members, key volunteers (e.g., national walk chair), and staff. Clearly defined roles and responsibilities can help to minimize conflicts of authority, duplication of effort, time-consuming turf battles, and embarrassing miscommunications and, in general, contribute to the efficiency and productivity of the organization.

Committee charges should make clear that the board exercises oversight of committees and their activities and that the committees are required to report periodically to the board on the progress in meeting their respective charges.

Standard 3: The board has a minimum of eight members.

Meeting the Standard: The organization's bylaws must specify the composition of the governing board and document that there are at least eight voting members of the board. A copy of the bylaws must be provided.

Note that this standard exceeds WGA Standard 2, which specifies a minimum of five voting members of the governing board.

Rationale: The governing body of an effective voluntary health agency must consist of enough members to ensure diversity of opinion and to minimize the likelihood that the board or individual members will act out of self-interest rather than the best interests of the charity.

Standard 4: The organization's bylaws specify term limits for board members.

Meeting the Standard: The organization's bylaws must specify terms limits for members of the governing board. The length of the term should be specified, as well as the number of consecutive terms a board member may serve. It is permissible for board members who have served the maximum number of consecutive terms to be reelected or reappointed to the board after a specified absence of at least one year. It is also acceptable for such board members to be appointed to the board as nonvoting members (e.g., honorary or emeritus positions) during the one-year hiatus. It is desirable for board members to serve staggered terms, so that a group of new members is installed on the board of directors each year. A copy of the bylaws must be provided.

Rationale: The public trust is best served when control of an organization is not confined to the same group of people year after year. Potential donors (and charity watchdog groups) can be assured that the organization's mission and goals are not being subjected to the personal interests of one or more individuals. In addition, virtually all organizations can benefit from the fresh perspectives, new ideas and enthusiasm of committed new people brought onto the governing board periodically. Also, there is nothing in the standard that prevents a valued member of the board from serving in an honorary or advisory capacity or serving non-consecutive terms on the governing board itself.

Best Practices: It is recommended that the maximum length of consecutive board service be no longer than nine years (e.g., three terms of three years each).

Standard 5: The organization's bylaws provide for election of board members and officers and a method of filling interim vacancies.

Meeting the Standard: The bylaws must spell out a process for electing board members and officers and filling interim vacancies. Board members may be chosen in any number of ways, e.g., directly by the membership as defined in the bylaws; by a formally elected or appointed nominating committee, subject to ratification by the membership; or by the board of directors itself. A copy of the bylaws must be provided.

Rationale: This standard assures the public that the organization is being governed in a fair and democratic manner. It also guards against the possibility of cronyism or self-dealing in a charitable organization's governing board.

Standard 6: The organization's bylaws provide that the board meetings have representation of at least a simple majority of eligible voting members (in person or by telephonic/electronic conferencing), unless otherwise required by state law to have greater than a majority in attendance.

Meeting the Standard: The bylaws must specify that a majority (more than 50 percent) of eligible voting members of the governing board must be in attendance to constitute a quorum. The phrase "unless otherwise specified by state law" refers to any legal requirement to have greater than 50 percent of eligible voting members present to constitute a quorum. A copy of the bylaws must be provided.

Rationale: This standard seeks to assure the public that the governing board is active and involved in providing oversight of the organization's operations. The standard also provides a safeguard against having the organization's agenda dominated by a small group of people, to the potential detriment of its mission and goals. This standard is consistent with WGA standard 3.

Standard 7: The organization's bylaws provide that the board has at least ten days' notice of routine meetings and adequate information about action items on the agenda.

Meeting the Standard: The bylaws must specify that notice of regular board meetings must be sent out ten or more days before the meeting. The organization must certify on its Standards of Excellence survey that the notices of meeting provide information about action items on the agenda. Notices may be sent by regular mail, fax, or e-mail, but regardless of the method used, such notices must be received at least 10 days before the meeting. A copy of the bylaws must be provided.

Rationale: As in Standard 11, this standard is designed to ensure that the governing board is able to exercise adequate oversight of the organization's activities. In order to do this, board members must attend board meetings, and, in today's fast-paced environment, members will need adequate notice so that they can arrange for their attendance at the meetings.

Standard 8: The board of directors meets a minimum of three times annually, with at least two being face-to-face meetings. There is evidence of actual board member attendance at meetings. The board has an individual attendance policy which limits the number of absences.

Meeting the Standard: The organization must certify on its Standards of Excellence survey the frequency and attendance for governing board meetings during the previous fiscal year. A majority of the governing board should be in attendance to meet this standard. Proxy attendance is not counted for purposes of determining if the organization meets the attendance requirement.

The full governing board must have met face to face at least two times during the previous fiscal year. Video technology, such as Skype, is acceptable for the face-to-face board meetings.

A telephone conference call of the full board can suffice for one of the three required meetings. Other appropriate means of participation (e.g., electronic) in case of disability are also acceptable.

These requirements are consistent with WGA Standard 3.

The organization must also have either a written, board-approved policy or language in the bylaws that describes the maximum number of absences from board meetings that are allowable during a member's term of office. It is also acceptable to specify the number of absences allowed during a calendar or fiscal year. The policy may also provide for exceptions to the attendance rules due to extenuating circumstances. A copy of the policy document or bylaws must be provided.

Rationale: Since the governing board has the ultimate oversight authority for a voluntary health agency, it is important that the board be actively involved in setting policy for the organization and fully informed about its operations. This can occur most effectively in face-to-face meetings of the governing board. The attendance requirements of this standard further assure the organization's constituents and the public that the members of the governing board are active and engaged in the affairs of the organization and are maintaining appropriate oversight and fiduciary responsibility.

Standard 9: Board members may not receive compensation for their board service other than reimbursement for reasonable expenses incurred to fulfill their board duties. Board members may be directly or indirectly compensated by the organization for other services, subject to review and approval by the governing board and provided that a substantial majority of the board remains independent.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard by adhering to all of the requirements listed below.

A chief staff officer of the national organization who is a member of the governing board is not subject to this standard. Paid staff members of affiliate organizations are subject to this standard and may not serve as voting members of the governing board.

The organization should ensure that a substantial majority of the governing board is not directly or indirectly compensated. In no circumstance, should the chair or treasurer of the board be directly or indirectly compensated.

Directly compensated persons are defined as voting members of the board who receive cash or in-kind payments from the organization. Examples include but are not limited to:

- editors or authors of the organization's publications who receive honoraria, royalties, or support for office operations;
- paid consultants or independent contractors;
- lessors of office space;
- purveyors of goods and services such as printing or office supplies.

Indirectly compensated persons are defined as those who are related to a directly compensated person (as a spouse, sibling, parent or child) or reside with such person.

Before entering into any compensation arrangement with a voting member of the board, the governing board must follow appropriate procedures to avoid any material conflict of interest. A related party transaction with a board member may be undertaken only if all of the following are observed:

- The conflicting interest is fully disclosed to the governing board
- The person with the conflict of interest is excluded from the board's discussion and approval of such transaction
- A competitive bid or comparable valuation has been presented to the board
- The board (or a duly constituted committee thereof) has determined that the transaction is fair and reasonable and in the best interest of the organization
- A written agreement is executed that describes the specific services and the amount of compensation included in the transaction.

If the transaction is recurring or ongoing, the board should review its determination that the transaction is fair and reasonable and in the best interest of the organization on an annual basis.

Note that this standard is consistent with WGA Standard 4, although that standard limits the number of directly or indirectly compensated persons to no more than one or 10 percent (whichever is greater) of voting members(s) of the board.

Rationale: Board members have a "duty of loyalty" that requires them to put the organization's welfare above their personal interests and to make decisions they believe are in the best interest of the organization. Individuals who have a personal financial interest in the affairs of a charitable organization may not be as likely to question the decisions of those who determine their compensation or fees or to give unbiased consideration to changes in management or program activities. This standard assures the public that members of the governing body are not directly benefiting from their service to the organization except in the limited instances when such transactions are clearly in the best interest of the organization.

Best Practices: It is recommended that the organization develop a written board-approved policy on board compensation practices. Also recommended is a written board-approved travel policy for board members and staff that establishes clear criteria for both the types of functions that will be covered and the types of expenses (e.g., airfare, hotel, meals) that will and will not be reimbursed. The policy should include procedures for properly documenting expenses incurred. In addition, the policy should ensure that travel on behalf of the organization is undertaken in a cost-effective manner.

Standard 10: The organization has a conflict of interest policy applied to board members and staff, which is reviewed periodically (every three years) by legal counsel to ensure compliance with applicable state and federal law.

Meeting the Standard: The organization must have a written, board-approved policy that spells out procedures for disclosing and evaluating information about potential conflicts of interest among members of the governing board and staff. A copy of the policy document must be provided.

Typically, an organization will have a form for board and senior staff to complete that discloses relationships with other organizations that might be relevant to the work of the voluntary health agency. Board members complete the form at the time they are elected/appointed and/or begin a new term. The relationships disclosed on the form typically include employment, membership on the governing board or any fiduciary relationship with another organization, stock ownership, consultative or advisory arrangements for which monetary compensation is received, and grants or research support.

Typically, senior staff members complete the form annually. However, it is also acceptable to have staff sign a simple disclosure statement in the personnel manual.

The policy should specify procedures for members with a relevant interest in a matter before the governing board to recuse themselves from discussion or voting on the matter.

The policy must indicate that the organization is in compliance with IRC 4958 (Intermediate Sanctions), which authorizes the federal government to impose sanctions on influential persons in voluntary health agencies who receive excessive economic benefits from the agency.

Organizations will not meet the criteria for related party transactions if:

- The organization conducted substantial transaction(s) with board member or staff-related firms and took no steps to ensure arm's length transactions. Examples of such steps include seeking at least two other competitive bids and having the interested board member(s) abstain from the decision to hire the interested individual or firm with which he/she is affiliated.
- The transaction is of such a large amount and/or is in effect over such a long period of time that it is unlikely that the transaction could qualify as arm's length.
- The organization conducted a number of small transactions in the past year that, when combined, constitute significant related-party activity.

This standard is consistent with WGA Standard 5.

Rationale: Guarding against real or perceived conflicts of interest is an obvious and important requirement for maintaining the public's trust. Donors, potential donors, and other constituents need to know that the organization's board or staff members are not personally benefiting from their decisions regarding the organization's policies, activities or business relationships.

Best Practices: Voluntary health agencies that are engaged in funding research and conducting medical or scientific programs may wish to apply their conflict/duality of interest policy to speakers/presenters in continuing medical education events, including presenters of original scientific research; authors, editors and editorial board members; and members of committees or task forces whose work focuses on continuing medical education or scientific/medical issues that are of interest to the biomedical industry.

Standard 11: The board establishes policy which includes control of: a) financial operations; b) planning and program activities; c) administrative policies affecting public accountability (e.g., reporting of financial operations); d) fundraising practices; and, e) the chief staff executive's selection, performance review, and discharge.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that its governing board and/or a board committee:

- formally approves the budget
- receives regular reports on financial performance
- receives regular reports on planning and program activities
- ensures that arrangements with outside fundraising firms are in writing
- receives an annual summary of the financial arrangements with outside fundraising firms
- receives on an annual basis a copy of the audited financial statements and the auditor's management letter
- receives or is directed to via the organization's website the IRS Form 990 in advance of its filing
- formally reviews the performance of the CEO at least once every two years
- establishes a process for determining compensation of the CEO that includes review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision
- ensures that the CEO establishes a process for determining compensation of key employees that includes comparability data and contemporaneous substantiation of the deliberation and decision

These requirements are consistent with WGA Standard 1.

The summary of financial arrangements with outside fundraising firms need only include those firms that are conducting major fundraising activities for the organization (e.g., special events, direct mail solicitation). Only basic information about the activities to be undertaken and the amount of the contract need be included. Arrangements with associated vendors (e.g., list brokers, printers) need not be included. Note that this information may be provided to an appropriate committee (e.g., Development Committee) rather than the full board.

Rationale: This standard seeks to ensure that the governing board exercises sufficient oversight of the organization's operations and staff. Adequate oversight is important in reassuring the donating public that the organization is maintaining the public trust and pursuing its mission ethically, efficiently and effectively.

Best Practices: Some voluntary health agencies have asked their boards to codify the requirements listed above into formal board-approved policy statements. Regarding the bullet on financial performance, it is recommended that the regular reports show variances between actual results and the budget. Regarding the bullet on determining compensation of the CEO and key employees, it is recommended that comparability data be obtained at least every three years.

Standard 12: The organization has a policy which encourages diversity within its board. This includes consideration of age, gender, culture, race or ethnic origin, geographic distribution and other factors relevant to the organization's mission.

Meeting the Standard: This standard requires a written, board-approved policy document that specifically addresses diversity within the governing board. It cannot be satisfied by an equal opportunity employment policy or other document relating to staff. A copy of the policy document must be provided.

Rationale: An inclusive society, one that embraces and celebrates diversity while treating each individual fairly and equally, is a well-established principle of American democracy. Practically speaking, it behooves organizations such as voluntary health agencies that are dependent on the public trust to reflect the diversity of that public. Moreover, voluntary health agencies often serve constituencies that reflect a broad spectrum of ages, genders, and cultures united by a particular disease or condition.

Best Practices: Some organizations have developed comprehensive cultural diversity documents that address diversity within the entire organization (board, staff, volunteers, constituents, etc.)

Standard 13: Organizations engaged in corporate relationships must have a written board-approved policy that: a) enumerates the criteria for evaluating corporate relationships; b) requires a written agreement with the corporation prior to entering the relationship; c) mandates the disclosure of financial support received as a result of the corporate relationship; d) requires compliance with its corporate relations policy by divisions, chapters or affiliates of the organization; and e) mandates the development of written operating procedures for the review and approval of corporate relationships and ongoing evaluation of such relationships.

Meeting the Standard: The organization must provide a copy of its board-approved corporate relations policy that includes each of the elements described above. While each corporate relationship is defined by the terms and conditions of the agreement reached by the organization and the corporation, potential relationships are often characterized by one or more of the following activities which are provided below for reference:

- **Program Sponsorships:** Support provided to conduct educational programs for patients and health care professionals and public awareness programs. In the case of professional education, the program must be conducted in accordance with the guidelines of the Accreditation Council for Continuing Medical Education (ACCME).

- **Event Sponsorships:** Support provided primarily to underwrite fundraising events, such as walks, bike rides, and black-tie galas. Corporate support typically offsets a portion of the expenses of such events, allowing more of the funds raised to go directly to support the organization's mission.

- **Health Message Promotions:** Activities that direct the consumer to the organization for information on the specific disease or condition in exchange for use of the organization's name, logo or message in a corporation's product advertising, promotional or educational materials.

- **Strategic Alliance or Partnership:** A significant, long-term and mutually beneficial relationship between an organization and a corporation. Typically, the organization helps supply a health education message or service that is delivered through a company delivery system to better serve people with the particular health interest or condition. It is often a collaborative effort to improve the health information or service provided to the individual. It may not necessarily involve a monetary exchange.

- **Consumer Product Purchase:** A donation to the organization triggered by the purchase of a product by a consumer. Such initiatives are most commonly based on sales during a specific period and/or include a cap on the maximum amount that the corporation will donate.

- **Endorsement:** A recommendation that a product, special feature of a product, attribute of a product and/or the efficacy of a product is superior to other products. Generally, endorsements should be avoided. In particular special scrutiny, including regulatory guidelines, must be applied when prescription and over-the-counter drugs and devices are involved.

- **Licensing:** A relationship where an organization authorizes a company to develop, produce, market and/or distribute a mission-related product that is marketed under the organization's name, e.g., cookbooks, books, videos and other mission-related educational materials. In return, the organization typically receives royalties.

- **Certification:** A relationship where an organization recognizes that a particular product or service of a company complies with or satisfies an applicable or relevant organization standard. Generally, exclusive certifications should be avoided.

With regard to section a): The organization must have written criteria for evaluating corporate relationships that establish the reasonableness of such relationships under the totality of the circumstances. At a minimum, the organization must ensure that:

- **Independence:** The organization exercises independent judgment in all its decision making related to any corporate relationship.

- **Mission-related benefit:** The relationship provides a meaningful mission-related benefit to the general public or particular constituencies of the organization.

- **Consistency:** The relationship is consistent with the organization's principles, public positions, policies, and standards.

- **Adherence:** The relationship adheres to all applicable state and local laws and regulations.

- **Non-deceptive communications:** All materials from the corporation or the organization directed to the public contain accurate and non-deceptive terms or statements such that a reasonable person will understand the nature and extent of the corporate relationship. Specific monetary amounts need not be reported except where a purchase by a consumer causes a donation to be made to the organization, in which case the organization must disclose the amount or percentage of money from the sale which will actually go to the organization, the duration of the campaign (e.g., the month of October), and any maximum or guaranteed minimum contribution amount (e.g., up to a maximum of $200,000). (See Standard 32)

- **Endorsements:** Endorsements are clearly understandable to a reasonable consumer and specify whether they address a feature or attribute of the product or its overall efficacy.

- **Certifications:** Certifications may only be issued by an organization once a particular product or service of a company complies with or satisfies an applicable or relevant standard of the organization. Exclusive certifications should be avoided unless they: (i) are limited to a particular activity for a specified time period (ii) provide meaningful benefit to the organization and public and (iii) do not prohibit the organization from engaging in different types of activities with competing corporations and/or products.

- **Privacy:** If personal information about people participating in corporate-sponsored activities and/or programs is collected, the organization has written guidelines that protect the privacy of such people.

- **Balance:** The organization evaluates on an annual basis the total amount of corporate support received as a percentage of total revenue.

With regard to section b): To avoid misunderstanding between the parties regarding the terms and conditions of the financial support received as a result of the corporate relationship, the organization must execute a written agreement with the corporation. The written agreement must at a minimum clearly indicate: (i) the amount of money that will be transferred to the organization; (ii) whether the payment is unrestricted or earmarked to support a particular event or program activity; (iii) a written description of the mission-driven activity supported that both parties will agree to use for purposes of disclosure to the general public; (iv) the manner in which each party will disclose the support to the general public, (e.g., in an easily accessible location on their websites); (v) the organization retains complete control of and right of approval over all content related to the event or program activity; and (vi) whether, and if so, how the organization's name, logo and/or any identifying marks will be used by a corporation. The organization shall not allow its name/logo or identifying marks to be used in any promotion or advertisement that names and compares competing products unless the organization has determined the superiority of the product with which it is associating and can substantiate its superiority. A written agreement is not necessary for donations received from a corporation if the organization is not obligated to meet any terms or conditions.

With regard to section c): The organization must, unless otherwise prohibited by law, disclose financial support it receives as a result of corporate relationships. For purposes of this standard, financial support includes money transferred for events and program activities, irrespective of whether the corporation treats such support as a charitable donation or business expense for purposes of its filings with the Internal Revenue Service. However, fee-for-service transactions, such as advertising, subscription and publications sales, or exhibitor fees and meeting registrations need not be disclosed.

Disclosure of corporate contributions: At a minimum, organizations must disclose amounts received from corporations identified on Schedule B of their Form 990 (more than the greater of $5,000 or 2% of the total amount of contributions reported on line 1 h of Part VIII of Form 990). The disclosure information should be posted on the organization's website in an easily accessible location within six months of the close of the organization's fiscal year. Disclosure should include the name of the corporation and the aggregate amount of support provided by that corporation. Such disclosure may be reported in ranges, e.g. $0 - $50,000; $50,001 - $100,000, etc. Disclosure should also include the total amount of all corporate support received from all corporations.

Reporting of payments to physicians: Funding received from corporations, whereby the VHA maintains full discretion over the use or distribution of the funds, is not subject to the reporting requirements of the Open Payments Program (Physician Payment Sunshine Act).

With regard to section d): Disclosure should include support received by the organization's national office and its divisions, chapters and affiliates. It is recognized that it may be difficult for some organizations to easily collect information from their divisions, chapters or affiliates on the precise amounts of corporate support received for each program, event or activity or the total amount of all corporate support from each division, chapter or affiliate. Therefore, this disclosure requirement will apply only to divisions, chapters and affiliates with more than $250,000 in annual revenue. (This is the level at which Standard 40 requires divisions, chapters and affiliates to have audited financial statements.)

Rationale: Voluntary health agencies consider first and foremost their mission and serving their constituents in all decisions, including whether to enter into a relationship with a for-profit entity. In many cases, activities that fulfill an organization's mission cannot be accomplished as well alone as they can be through collaboration and alliances among like-minded organizations. It is for this reason that organizations seek to forge appropriate and productive collaborative relationships with corporations and/or others. These relationships should be entered into thoughtfully, with careful consideration given to possible unintended effects, especially regarding the organization's relationship with the public. This standard is designed to encourage:

- **Public Engagement:** Enable the public to better understand the purpose of corporate relationships and appreciate the diligence that is exercised to ensure that the public's trust and faith are not violated by these relationships.

- **Corporate Awareness:** Inform corporations of the standards and practices under which organizations will consider collaborating and forming corporate relationships.

- **Substantiated Health Claims:** Establish that health claims resulting from a corporate relationship must be accurate and beneficial to intended audiences.

Standard 14: Organizations that conduct and/or fund biomedical research which involves the use of animals have a board-approved policy that adheres to the following principles:

- Animals shall be used in biomedical research only when no other means of obtaining scientifically sound, valid and useful results are available.
- The minimum number of appropriate animals required to obtain and validate results shall be used.
- The acquisition, care and use of animals must be in accordance with all applicable federal, state and local laws and regulations.
- Certifications must be received from research facilities prior to being approved for a research grant that the facility(ies), its researchers and employees adhere to the Animal Welfare Act, National Research Council *Guide for the Care and Use of Laboratory Animals*, and any appropriate U.S. Department of Agriculture or National Institutes of Health regulations and standards.
- In cases requiring the death of an animal, only the most appropriate and humane form of euthanasia shall be used consistent with the purpose of the research.

Meeting the Standard: The organization must have a board-approved policy document that incorporates the principles referenced above. A copy of the policy document must be provided. The organization must also certify on its Standards of Excellence Survey that the policy is routinely communicated to funded researchers.

Some voluntary health agencies rely on the policies of related professional societies regarding use of animals in research. Others have a form letter used to address inquiries from the public on this issue. These methods are not sufficient to meet this standard.

Examples of acceptable methods include: 1) a question or check-off box on the grant application form; 2) obtaining a copy of the project approval form from the Institutional Animal Care and Use Committee (IACUC); and 3) obtaining a statement from the IACUC that all of the institution's projects adhere to the NHC's principles. (The latter approach would eliminate the need to ascertain compliance for each individual project.)

Rationale: The use of animals in biomedical research continues to be necessary to achieve breakthroughs in treating and/or curing many of the serious diseases and conditions represented by the National Health Council's member voluntary health agencies. However, medical progress should not come at the cost of inhumane treatment of animal research subjects. Therefore, the National Health Council requires all of its voluntary health agency members that conduct and/or fund biomedical research involving the use of animals to have a written, board-approved policy that adheres to the above referenced principles.

Standard 15: The organization has a board-approved "whistleblower" policy that covers illegal practices and violations of organizational policies.

Meeting the Standard: The organization must provide a copy of its board-approved whistleblower policy that includes all of the elements listed below:

- The policy must adhere to the laws of the state in which the organization is incorporated.

- The policy must specify that the following actions are covered:
  - Theft
  - Financial reporting that is intentionally misleading
  - Improper or undocumented financial transactions
  - Improper destruction of records
  - Improper use of assets
  - Violations of the organization's conflict of interest policy
  - Any other improper occurrences regarding cash, financial procedures, or reporting.

- The policy must specify the individuals within the organization (both board and staff) or outside parties to whom such information can be reported.

- The policy must include clear procedures for investigating all reports and taking appropriate action.

- The policy must stipulate that there will be no retaliation against any individual who reports a suspected violation, except in those instances where the organization determines that a false report was made with intent to harm the organization or an individual with the organization.

Rationale: Every voluntary health agency, regardless of size, should have clear policies and procedures that allow staff, volunteers, or clients of the organization to report suspected wrongdoing within the organization without fear of retribution. Such policies can help boards and senior managers become aware of and address problems before serious harm is done to the organization. The policies can also assist in complying with legal provisions that protect individuals working in voluntary health agencies from retaliation for engaging in certain whistle-blowing activities. Violation of such provisions may subject organizations and the individuals responsible to civil and criminal sanctions.

Standard 16: The organization has a board-approved policy that protects and preserves the organization's important documents and business records in accordance with applicable state and/or federal law.

Meeting the Standard: The organization must provide a copy of its board-approved document retention and destruction policy.

Document retention and destruction policies should cover paper and electronic documents, files, and email messages. Such policies should be designed to:

- Ensure that certain types of records are maintained in accordance with applicable federal and state laws
- Preserve records that may be relevant to pending or anticipated judicial proceedings
- Retain necessary records for business and historical purposes
- Provide for the routine removal of records that need not be retained in order to minimize storage costs, maximize file and office space, and eliminate unnecessary document inventory

Organizational documents, such as board minutes and policies and materials related to the organization's state and federal tax-exempt status must be kept permanently. Other documents related to governance, administration, fundraising, or programs must be retained for specific periods depending on the applicable law. In addition, destruction of documents related to an official legal proceeding is prohibited under federal and some state laws.

The organization's staff and volunteers should be made familiar with the policy and informed of their responsibilities in carrying it out.

Rationale: A comprehensive document retention and destruction policy helps protect and preserve the voluntary health agency's historical, governance, and business records. The policy undergirds legal requirements and helps to protect the organization, its board and staff from allegations of wrongdoing.

Human Resources

Standard 17: Organizations with three or more paid staff have a written statement of personnel policies, reviewed periodically (at least every three years) by legal counsel to ensure compliance with applicable state and federal law and reviewed annually by the chief staff executive or other authorized senior staff person to assure appropriate personnel practices.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it has a written personnel policy which has been reviewed by legal counsel within the past three fiscal years to ensure compliance with all legal requirements. The organization must also certify that the policy has been reviewed during the past fiscal year by the CEO, Human Resources Director or other appropriate senior staff person.

Rationale: This standard provides assurance that the organization meets all legal requirements related to its treatment of employees and will not be subjected to legal actions that could adversely affect its ability to fulfill its mission. In addition, sound personnel practices, which ensure that employees are treated fairly, contribute to a well-managed, productive organization.

Standard 18: The organization employs a chief staff executive directly or through outsourced management.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it employs either a chief staff executive or a management firm to provide day-to-day management of the organization. If outsourced management is used, the names of the firm and the personnel assigned to the organization must be supplied.

Rationale: This standard provides assurance that the organization's operations are being managed on a day-to-day basis. Virtually all successful organizations are managed by qualified, experienced executives who carry out the policies of the governing board, develop strategic and operational plans, manage fiscal and human resources, and direct programs and supporting operations.

Programs

Standard 19: The organization is engaged in any one or more of the following programs: research, professional education, public education and health promotion, health services, community services, advocacy, or social action.

Meeting the Standard: The organization must certify on its Standards of Excellence survey those programs in which it is engaged. Those activities will typically be documented in the organization's annual report as well (see Standard 40).

Rationale: The activities listed in this standard are those typically carried out by voluntary health agencies. This standard simply documents that the organization is in fact a voluntary health agency.

Standard 20: The organization spends at least 65 percent of annual expenses for program services.

Meeting the Standard: The organization must indicate on its Standards of Excellence survey the percentage of annual expenses spent on program activities and provide a copy of the most recent audited financial statements. The percentage is calculated by dividing the total program service expense by the total expenses as reported in the most recent audited financial statements. The percentage must be at least 65 percent.

The recommended level of 65 percent of total expenses is consistent with WGA Standard 8.

Rationale: This standard ensures that the organization is using funds raised from the public and other sources to deliver programs and services in pursuit of its mission.

Finance

Standard 21: The organization operates with an annual budget under defined procedures of construction, examination, and board approval.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it has written procedures for developing, reviewing and obtaining board approval of its annual budget. In addition, the organization must provide a one-page summary of its current-year budget that includes total expenses and a functional expense breakdown that shows the total expected expenses for each major program area (e.g., research, public education), fundraising and administration. This standard is consistent with WGA Standard 14.

Rationale: This standard assures the public that the organization is managing its fiscal resources prudently. A well-constructed budget indicates that the organization has carefully planned its activities for the coming year with an eye to achieving well-defined goals and objectives.

Standard 22: The organization maintains financial records and prepares financial statements in accordance with generally accepted accounting principles (GAAP), as certified by a qualified independent certified public accountant. The financial statements are reviewed by the board and made available to the public upon request within 6 to 12 months after the close of the fiscal year.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard. The organization must also provide its most recent audited financial statements, including the auditor's opinion letter. It is acceptable for financial statements to be made available to the public through the organization's website.

GAAP is defined as the latest edition of the *Audit and Accounting Guide for Not-for-Profit Organizations,* published by the American Institute of Certified Public Accountants (AICPA) and the various pronouncements from AICPA and the Financial Accounting Standards Board (FASB) constitute GAAP.

This standard is consistent with WGA Standard 11.

Rationale: Meeting this standard assures the public that the organization is maintaining its financial records in accordance with commonly accepted standards for nonprofit organizations. This provides reassurance that the organization is operating in an honest and above-board manner. Further reassurance is provided by the fact that the governing board has reviewed the financial statements and that they are available to the public upon request.

Standard 23: The organization demonstrates a broad base of public support in its funding sources to: a) ensure public accountability; b) promote financial stability; and c) avoid undue influence by any contributor.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it has maintained its section 501(c)(3) public charity status in accordance with the requirements of the Internal Revenue Code and Treasury regulations (collectively the "Rules"). These Rules stipulate that the organization must normally receive at least one-third of its total support from governmental units, other public charities, contributions made directly or indirectly by the general public, or from a combination of these sources, as measured over a rolling five-year period. The Rules also stipulate that, with certain exceptions, individual contributions in excess of 2 % of total support cannot be included in the one-third public support test.

To further demonstrate its commitment to diversity of revenue sources, the organization should establish annual benchmarks for a) the percentage of total revenue to be obtained from public support; b) the desired number of sources of public support revenue; and c) the maximum campaign contribution[1] as a percentage of total support that normally[2] will be accepted from a single contributor. The organization should measure performance against those benchmarks on an annual basis.

Rationale: Voluntary health agencies are established to pursue a mission of improving the public's health through activities such as public education, patient education, community services, professional education, medical research support, and health-related advocacy. To fulfill this critical need, VHAs raise funds from a variety of sources. It is important for VHAs to demonstrate a broad base of funding, not only because it is required to maintain their tax-exempt status as public charities, but because it reinforces their obligation to be accountable to the public for the ways in which they deliver on their mission. A broad base of public support also demonstrates the interest in and investment in the work of the voluntary health agency by members of the public. Diversity of funding sources is also desirable in that it can enhance long-term financial stability by avoiding over-dependence on any one funding source. As well, such diversity empowers the organization to pursue its objectives in a rational manner without being subject to pressure from a large contributor.

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[1] For purposes of this standard, "campaign contributions" are defined as direct mail/telemarketing, major gifts, special events, corporate contributions, foundation funding, memorials, and non-federated support. Campaign contributions do not include planned giving, bequests, or federated giving (e.g., Combined Federal Campaign), since the amount and timing of these gifts are beyond the recipient's control. Campaign contributions also do not include government grants or donations from entities that are themselves publicly supported, since such donations are inherently deemed to be from a broad base of public support and therefore can be accepted in unlimited amounts. In addition, campaign contributions do not include income received under program-specific government guidelines.

[2] A limited number of deviations from the maximum campaign contribution benchmark may be allowed for unexpected "unusual grants," as defined by Treasury regulations.

Standard 24: The organization has a formal policy for building its net assets and establishing an appropriate unrestricted operating reserve.

Meeting the Standard: The organization must have a written, board-approved policy establishing criteria for an appropriate unrestricted operating reserve. A copy of the document must be provided. The policy should specify target levels for both the minimum and maximum amount of unrestricted net assets to be kept in reserve. The maximum amount should not be more than three times the size of the past year's expenses or three times the size of the current year's budget, whichever is higher.

This standard is consistent with WGA Standard 10.

Rationale: The standard encourages prudent financial management. On the one hand, it provides for a contingency fund to protect the organization against unforeseen financial setbacks and, on the other hand prevents the organization from accumulating funds that could be better used for programs and other mission-related activities.

Best Practice: It is recommended that the minimum target level for operating reserves should be equivalent to six months' worth of operating expenses.

Standard 25: The organization does not have an operating deficit in its unrestricted net assets for more than the three previous consecutive fiscal years.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard. Note: The National Health Council recognizes that an organization may have valid reasons for running a deficit for three consecutive years and will consider such factors when applying this standard.

Rationale: This standard ensures that the organization is managing its fiscal resources prudently and is capable of sustaining itself over time.

Fundraising

This section of the standards deals with the various techniques and activities undertaken by charitable organizations to raise funds from the public. Like the WGA standards, these standards are designed to ensure that the charity's representations to the public are accurate, complete and respectful. Additional rationale is provided for some of the individual standards in this section.

Best Practice: It is recommended that organizations adopt these standards in a formal board-approved policy document.

Standard 26: Publicity and promotional activities are carried out in a manner which encourages respect for donors, potential donors, and those whom the organization serves. Fundraising and promotional materials are truthful and not deceptive.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard.

Standard 27: There is communication to potential donors of factual descriptions of the needs served by the organization, the volume and character of its services and accomplishments, and, where pertinent, expert opinions. The organization is capable of substantiating all such information.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard. This standard is consistent with WGA Standard 15.

Standard 28: The organization includes on any websites that solicit contributions the same information that is recommended for annual reports (see Standard 40), as well as the mailing address of the organization and electronic access to its most recent IRS Form 990.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard. This standard is identical to WGA Standard 17 and requires the same documentation. The following information comes from the *Implementation Guide to the BBB Wise Giving Alliance Standards for Charitable Accountability.*

The organization's website(s) must include the following:

- If the organization's website solicits contributions, then the website should also provide access to the annual report information specified in WGA Standard 16 (and NHC Standard 40). If the website does not solicit for donations, this requirement does not apply.
- For purposes of this standard, a website is considered to be soliciting donations if it specifically requests that contributions (a) be mailed to an address provided for that purpose, (b) be sent electronically (e.g., through an online credit card form), or (c) be made by phone, through a number that accepts credit card donations.
- If the organization has a website that solicits contributions, then the website should give the mailing address of the charity.

- If the organization has a website that solicits contributions, then it should also provide electronic access to its most recent IRS Form 990 (or IRS Form 990-EZ). This access can take the form of an appropriately labeled PDF file or a link to the Guidestar.org website.

Rationale: All of the information required by this standard is designed to help donors make informed decisions. The information provides donors and the public with a detailed picture of the organization's mission, program activities, key volunteers and staff, and financial position.

Standard 29: The confidentiality of contributor giving histories is protected.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that It meets this standard.

Standard 30: The organization addresses privacy concerns of donors by (a) providing, preferably in all written appeals to first-time donors but not less than annually, a means (e.g., a check-off box) for both new and continuing donors to inform the organization if they do not want their name and address shared outside the organization and (b) providing a clear, prominent, and easily accessible privacy policy on any of its websites that tells visitors (i) what information, if any, is being collected about them by the organization and how this information will be used, (ii) how to contact the organization to review personal information collected and request corrections, (iii) how to inform the organization (e.g., a check-off box) that the visitor does not wish his/her personal information to be shared outside the organization, and (iv) what security measures the organization has in place to protect personal information.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard. This standard is identical to WGA Standard 18 and requires the same documentation. The following information comes from the *Implementation Guide to the BBB Wise Giving Alliance Standards for Charitable Accountability:*

For section (a): If the organization shares the names and addresses of its donors with outside parties, it provides an example of a written appeal offering donors the opportunity (e.g., a check-off box) to inform the charity whether they wish their names to be shared. The organization also indicates that this opportunity is offered at least annually. If the donor has contributed to the organization for the first time (i.e., a new donor), the disclosure about sharing name and address should be in the written acknowledgement of the gift unless the organization plans to include the disclosure in a follow-up appeal within the year. This standard does not apply to written appeals sent to individuals who have not previously contributed (i.e., an acquisition or prospect mailing). This is because this standard applies to donors, and these individual have not yet contributed to the organization, Also, in many instances, these prospect names and addresses are rented from outside sources, and the organization does not have authority over their future use. This standard does not apply to charities that do not share donor names and addresses with others and have a written policy to that effect.

For section (b): If the organization has a website, it provides its website address and identifies where the privacy policy is located on the website. Charity websites, whether or not they solicit contributions, must include clear, prominent and easy access to the charity's privacy policy by providing, for example, a privacy policy link off the home page or a privacy policy link on the page that collects personal information. Even though a charity website is not soliciting donations, it may ask visitors to provide their names, address and other personal information for other purposes. This standard is applicable in such cases. All four privacy policy elements cited in this standard should be addressed in the organization's website privacy policy. The absence of any of the elements will result in not meeting this standard. As a further explanation to item (b) (ii), the organization's privacy policy might provide an address and/or phone number to contact the charity in order to review or correct information that has already been collected about the site visitor.

Rationale: In an era of junk mail, spam and identity theft, it behooves voluntary health agencies to be mindful of the privacy concerns of their donors and constituents.

Standard 31: If unordered merchandise is used to encourage donations, recipients are prominently and clearly informed that they are under no obligation to pay for or return any such items or to make a donation to the organization.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard.

Standard 32: Volunteers who approach the public seeking contributions are provided with appropriate identification.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard.

Standard 33: Fundraising techniques intended to deceive, coerce, harass, or intimidate potential contributors are not utilized. When the organization's volunteers include people in uniform participating on their own time or individuals who have authority over the person being asked to contribute, special precautions are taken to assure that this standard is not violated.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard.

Standard 34: If merchandise, services or admission to fundraising events are provided in return for payment, the organization specifies that portion of the payment which is tax deductible as a charitable contribution. Any offer or sale of merchandise made on behalf of the organization specifies the amount or percentage of money from the sale which will actually go to the organization, the duration of the campaign (e.g., the month of October) and any maximum or guaranteed minimum contribution amount (e.g., up to a maximum of $200,000).

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard. The last provision of this standard, referring to cause-related marketing campaigns in which a percentage of the purchase price of a product is donated to the charity, is consistent with WGA Standard 19.

Note that disclosure of the duration of the campaign or guaranteed maximum contribution is not required if the campaign is open-ended.

Standard 35: The organization obtains prior permission before using the names of individuals, organizations, or companies in ways which imply endorsement of program or fundraising activities.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard.

Standard 36: Fundraising materials distributed to the public contain the name of the organization, its purpose, and the address from which additional information may be obtained.

Meeting the Standard: The organization must indicate on its Standards of Excellence survey that it meets this standard.

Standard 37: The organization makes available upon request descriptive and financial information for all substantial income and revenue derived from authorized commercial activities conducted by for-profit subsidiary organizations associated with the voluntary health agency's name.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard. Organizations engaged in commercial activities through for-profit subsidiaries must provide a sample of any informational materials used to describe such ventures.

Rationale: This standard is designed to make available to potential donors information needed to make informed decisions about supporting the organization. Full disclosure and transparency of operations is important in maintaining the public trust in a charitable organization.

Standard 38: The organization does not enter into agreements with organizations or individuals to raise funds on a commission or percentage basis.

Meeting the Standard: The organization must certify on its Standards of Excellence survey that it meets this standard.

Rationale: Fundraisers who work on a percentage or commission basis typically retain a significant percentage of funds raised. Because they work on a commission basis, they can tend to exert unwelcome pressure on potential donors. A number of these organizations (and the charities for which they work) have come under increased media and public criticism. It is also important to note that the Association of Fundraising Professionals' code of ethics also prohibits this type of activity.

Standard 39: The organization ordinarily spends no more than 35 percent of its public support income on fundraising.

Meeting the Standard: The organization must indicate on its Standards of Excellence survey the percentage of public support income spent on fundraising activities and provide a copy of the most recent audited financial statements. The percentage is calculated by dividing the total fundraising expenses by the total contributions. Sources of income to be included in this calculation include donations, special event income, bequests, federated campaigns, donated goods, donated services, and grants including corporate, foundation and government grants. Membership dues can be treated in accordance with the AICPA Guide, in that the portion of membership dues allocated to delivering membership benefits (e.g., a magazine subscription) can be excluded from the public support total. Fundraising expenses include invitations to members and appeals to members when a contribution is a principal requirement for membership. Fundraising activities included in this calculation include donor acquisition and renewal, membership development (subject to the caveat above), and grant procurement.

This standard is consistent with WGA Standard 9.

Rationale: This standard ensures that the organization is efficiently managing its costs of fundraising so that the maximum amount of funds raised from the public and other sources is devoted to delivering programs and services in pursuit of the mission.

Accounting and Reporting

Standard 40: The organization's accounting systems enable it to exercise proper control over contributions and accurately allocate expenditures to various program, fundraising, and administrative functions.

Meeting the Standard: The organization's financial statements must provide a detailed functional breakdown of expenses (e.g., salaries, travel, postage, etc.) that show what portion of these expenses was allocated to program, fundraising and administrative activities. If the organization has more than one major program category (e.g., research, public education), the schedule should provide a breakdown for each program area. A copy of the most recent audited financial statements must be provided. This standard is consistent with WGA Standard 12.

Rationale: This standard is consistent with the requirements of generally accepted accounting principles (GAAP) as to the elements to be included in the audit reports of all voluntary health and welfare charities.

Standard 41: The organization has an audit of national office operations performed annually by an independent certified public accountant.

Meeting the Standard: The organization must indicate on its Standards of Excellence survey that it meets this standard. A copy of the most recent audited financial statements must be provided. The financial statements should include all schedules and notes, as well as the auditor's opinion letter.

Rationale: A formal audit by an independent certified public accountant helps assure the public that the voluntary health agency is managing its finances honestly and in accordance with generally accepted accounting principles.

Standard 42: The organization prepares annually a report to the public which includes: a) a full account of activities and accomplishments; b) a roster of board members that specifically identifies the officers of the board (e.g., chair, vice chair, secretary, treasurer); c) name(s) of chief administrative personnel; d) a report of financial operations of the national office in conformity with generally accepted accounting principles (GAAP); and e) a consolidated report of financial operations of the national office and affiliates, where affiliates exist, in conformity with GAAP. The annual report is available within six to twelve months after the end of the organization's fiscal year.

Meeting the Standard: The organization must provide a copy of its most recent annual report, which includes all of the elements listed above, with a notation as to its publication date. Any missing elements will result in not meeting this standard. As long as the required information is included, the annual report may have a different title, such as "statement of accomplishments," "annual review," "progress report" or "report to donors." The annual report need not be an expensive, glossy publication; a word-processed report is acceptable to meet this standard. An annual report that is available online is also sufficient to meet this standard, as long as a hard copy of the report is sent to inquirers who do not have Internet access.

With regard to section d): Organizations that do not wish to include their complete financial statements (including the auditor's opinion letter) in their annual reports may publish a notation indicating that the complete financial statements are available online or by mail, providing the appropriate addresses. This is consistent with Standard 20. At a minimum, the following financial information must be published: a) total income in the past fiscal year; b) expenses in the same program, fundraising and administrative categories as in the financial statements; and c) ending net assets. The financial information included in the annual report must be consistent with the audited financial statements.

With regard to section e): If an organization has affiliates, a consolidated report of financial operations of the national office and affiliates is required. A consolidated report of financial operations is defined as a compilation of separate financial statements for each entity. When an affiliate's total annual gross income exceeds $250,000, these statements should be audited in accordance with generally accepted auditing standards. For affiliates whose annual gross income is less than $250,000, an external review by a certified public accountant is sufficient to meet this standard. Affiliates with less than $25,000 in income are not subject to this requirement.

A combined audit is also acceptable to meet this standard. A combined audit is defined as an audit conducted by a single auditor of all components of an organization (i.e., the national office and each affiliate).

Note that this part of the standard exceeds WGA Standard 11, which does not require an external review by a CPA for organizations with income less than $100,000.

Rationale: All of the information required by this standard is designed to help donors make informed decisions. The information provides donors and the public with a detailed picture of the organization's mission, program activities, key volunteers and staff, and financial position.

Evaluation

Standard 43: The organization has a board-approved policy that establishes a formal mechanism for evaluating its operations and program activity effectiveness, no less than every two years, as measured against the organization's purposes, resources, and potential. The organization can produce evidence of undertaking this evaluation and of directing the results to the appropriate body(ies) within the organization.

Meeting the Standard: The organization must have a written, board-approved policy that incorporates the requirements of this standard. A copy of the policy document must be provided. The organization must certify on its Standards of Excellence survey that the evaluation was conducted and the results reported to the board of directors.

Rationale: Successful organizations regularly assess their performance in achieving defined, measurable goals and objectives. This process is also important in identifying areas of improvement needed to enhance organizational effectiveness in the future. This standard is consistent with WGA Standards 6 and 7.

Required Documentation

- **Bylaws**
- **Written Statements of Duties of Officers and Board Members**
- **Committee Charges**
- **Board-Approved Conflict of Interest Policy**
- **Board-Approved Diversity Policy**
- **Board-Approved Corporate Relations Policy**
- **Board-Approved Policy on Use of Animals in Research**
- **Board Approved Whistle Blower Policy**
- **Board Approved Document Retention Policy**
- **Board Attendance Policy**
- **One-Page Budget Summary**
- **Most Recent Audited Financial Statements**
- **Board-Approved Policy on Financial Reserves**
- **Most Recent Annual Report**
- **Board-Approved Policy on Evaluating Organizational Effectiveness**

Guidance on Research Grant Overhead

In June 2009, the National Health Council adopted the following guidance document for VHAs that fund health research. The document is designed to inform VHA negotiations with research institutions on the amount of overhead costs to be funded as part of research grants.

Guidance: Voluntary health agencies should adhere to the following principles in negotiating facilities and administration (F&A) costs for research grants:

- F&A charges should be minimized to maximize the investment of donor dollars in research. A range of 0 percent to 10 percent is desirable.
- Each VHA should conduct a self-assessment to determine the appropriate percentage within the 0 to 10 percent range. The self-assessment should consider the size of the VHA, the type of research institution funded, the prevalence of the disease, and the overall size of the research enterprise devoted to that disease category.
- VHAs should maintain the flexibility to negotiate F&A costs that fall outside of the range as warranted by special circumstances.

Implementation: Each VHA should identify the minimum amount of F&A costs that can be negotiated without compromising the goals of its research program. For example, a small VHA (under $10 million in annual revenues) representing a rare disorder will likely find grantees willing to accept no F&A costs. On the other hand, a large VHA (more than $100 million in annual revenues) in a disease category where much research is being done may find that institutions will not accept grants with no overhead charges. Within the 0 to 10 percent range, the level of F&A costs will vary according to the circumstances of each individual VHA. (1)

Rationale: Voluntary health agencies have a duty as stewards of the public trust to ensure that contributions are used for purposes consistent with the donor's intent. While F&A costs are a legitimate part of the research enterprise, VHA donors have an expectation that their dollars will be applied directly to finding new treatments and cures for chronic diseases. From the patient's perspective, limiting the funding of indirect costs will free up additional research dollars. From an organizational perspective, VHAs endeavor to keep their own overhead costs low, so that the maximum amount of dollars raised is allocated to support the mission-driven activities of the organization. It is consistent with such practices for VHAs to pay similar amounts of indirect costs to institutions whose work they fund.

(1) In an April 2009 survey of NHC member VHAs, the vast majority of respondents reported paying between 0 and 10 percent F&A costs on research grants. Informal data shared by the Health Research Alliance in April 2009, with the permission of its member organizations, showed that half of those responding to a listserv inquiry in December 2008 have an indirect cost rate of 10 percent, with another four organizations paying no indirect costs. This guidance reflects the position of the NHC, but does not represent the position of the HRA and/or its member organizations.

Sample Policies

Statement of Duties – Member, Board of Directors

Position Summary

As a member of the (name of organization) Board of Directors, I assume responsibility for ensuring the (organization's) long-term financial stability and integrity. Specifically, I agree to the following:

General Expectations and Responsibilities

SERVICE

- To prepare for and attend in their entirety all Board meetings (missing no more than one in any given year).
- To serve in leadership positions and committee assignments willingly and enthusiastically when asked.
- To bring a sense of humor to the board's deliberations.
- To obey the law of the governance documents and apply a duty of care and loyalty to the organization.
- To serve until the expiration of my term or until a successor is chosen and qualified.
- To serve no more than (number) consecutive (number)-year terms.

POLICY

- To participate in the development and establishment of policies through which the work of the organization is accomplished.
- To suggest appropriate policy-related agenda items for meetings and ask timely and substantive questions, while supporting the majority decision on matters decided by the board.
- Preferably, to bring the experience of service on other successful boards and with growing organizations.

PLANNING

- To help ensure effective organizational planning by reviewing, critiquing, and approving annual budgets and workplans, as well as long-range plans.
- To be knowledgeable about the environment in which the organization functions.
- To assist the organization in interpreting the community it serves by following trends in our field of interest.
- To identify changing stakeholder interests and build stakeholder investment.

FINANCES

- To help ensure the organization's long-term financial stability and integrity.
- To adopt an annual budget for the organization.
- To ensure that periodic audits of the organization's finances are conducted.
- To read and understand the organization's financial statements and otherwise assist the board to fulfill its fiduciary responsibility.

DEVELOPMENT

- To contribute to ensuring the adequacy of resources to meet effectively the organization's current needs and its long-term financial solvency.

• To identify and cultivate diverse sources of potential funding and other needed resources.
• To encourage and support management to take calculated risks and apply appropriate controls when investing the organization's assets wisely in development activities.
• To respect that responsibility for containing costs must be balanced with adequate long-term commitment to revenue enhancing development efforts.
• To participate actively in fundraising events undertaken by the organization and such activities approved by the board for the purpose of enhancing the organization's income base.

PROGRAMMING

• To participate in determining among competing priorities the organization's programs and services and monitoring them for quality and cost-effectiveness.
• To contribute to ensuring that current and proposed programs and services are consistent with the organization's stated mission, goals, and financial means.
• To encourage participation in programs and use of services.
• To set program priorities, provide fiscal oversight, and ensure that adequate resources are available and directed to priorities.
• To seek opportunities for collaborative activities with my own organization.

EVALUATION

• To participate in appointing, supporting, and monitoring the performance of the chief staff officer.
• To offer counsel to the chief staff officer as appropriate.
• To empower the chief staff officer to provide necessary leadership direction.

INTEGRITY

• To maintain independence and objectivity and serve with a sense of ethics and personal integrity.
• To avoid even the appearance of a conflict of interest that might embarrass or cause legal liability for the board or the organization.
• To disclose any possible conflicts to the board of directors in a timely manner.

RECRUITMENT

• To suggest possible nominees to the board who are individuals of achievement and distinction and can make significant contributions to the work of the board and the organization's progress.
• To assist in efforts to identify and recruit new members. (May not apply to all organizations.
• To suggest possible nominees for board officer positions.
• To participate in board elections.

SELF-ASSESSMENT

• To participate in the board's periodic assessment of its own performance and recommend improvements in such areas as composition, organization, tenure, retention, and responsibilities.

SIGNATURE OF ACKNOWLEDGEMENT____

Statement of Duties – Board Chair

General: Ensures the effective action of the board in governing and supporting the organization and oversees board affairs. Acts as the representative of the board as a whole, rather than as an individual supervisor to staff.

Community: Speaks to the media and the community on behalf of the organization (as does the chief executive); represents the organization in the community.

Meetings: Develops agendas for meetings in concert with the chief executive. Presides at board meetings.

Committees: Recommends to the board which committees are to be established. Works with committee chairs in seeking volunteers for committees and coordinating individual board member assignments. Makes sure each committee has a chair and stays in touch with committee chairs to be sure that their work is carried out; identifies committee recommendations that should be presented to the full board. Determines whether executive committee meetings are necessary and convenes the committee accordingly.

Chief Executive: Establishes search and selection committee (usually acts as chair) for hiring a chief executive. Convenes board discussions on evaluating the chief executive and negotiating compensation and benefits package; conveys information to the chief executive.

Board Affairs: Ensures that board matters are handled properly, including preparation of pre-meeting materials, committee functioning, and recruitment and orientation of new board members.

Sample Committee Charge

Audit Committee Charter

1. The chair of the audit committee shall be a member of the board of directors and all members shall be independent in order to serve on this committee. In addition, the audit committee shall consist of the Chairperson and Board members representing each class of the Board. The Treasurer shall not serve on the audit committee.

2. The audit committee should have access to financial expertise, whether in the form of a single individual serving on the committee, or collectively among committee members. If the financial expertise is provided by one individual, it is desirable that he or she be a member of the board of directors. When no single member of the board has the requisite skills, other arrangements should be made to ensure that the audit committee has the financial expertise to carry out its duties.

3. Review the committee's charter annually, reassess the adequacy of this charter, and recommend any proposed changes to the board of directors. Consider changes that are necessary as a result of new laws or regulations.

4. The audit committee will meet as needed to address matters pertaining to its charter, but not less frequently than twice each year. The audit committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.

5. As needed, conduct executive sessions with the outside auditors, executive director, chief financial officer, and others as needed.

6. Recommend for board approval the appointment of the independent auditors to be engaged by the organization, the audit fees of the independent auditors, and any nonaudit services provided by the independent auditors, including tax services, before the services are rendered.

7. Inquire of management and the independent auditors about significant risks or exposures facing the organization; assess the steps management has taken or proposes to take to minimize such risks to the organization; and periodically review compliance with such steps.

8. Review with the independent auditors, senior management, and CFO the audit scope and plan of the independent auditors. Address the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

9. Review with the independent auditors a) the adequacy of the organization's internal controls, including computerized information system controls and security and b) any related significant findings and recommendations of the independent auditors, together with management's responses thereto.

10. Inquire of the senior management and CFO regarding the sources of support and revenue of the organization from a subjective as well as an objective standpoint.

11. Review with management and the independent auditors the effect of any regulatory and accounting initiatives, as well as other unique transactions and financial relationships, if any.

12. Review with the public accounting firm that performs an audit a) all critical accounting policies and practices used by the organization and b) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the organization, the ramifications of each alternative, and the treatment preferred by the organization

13. Review all material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

14. Periodically review the organization's code of conduct/ethics/conflict of interest policies to ensure that it is adequate and up-to-date. Review with management the results of their review of the monitoring of compliance with the organization's code of conduct/ethics.

15. Review with management and the independent auditors a) the organization's annual financial statements and related footnotes; b) the independent auditors' audit of the financial statements and their report thereon; c) the independent auditors' judgments about the quality, not just the acceptability, of the organization's accounting principles as applied in its financial reporting; d) any significant changes required in the independent auditors' audit plan; e) any serious difficulties or disputes with management encountered during the audit; and f) the draft of the Internal Revenue Service Form 990 and attachments.

16. Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters. Review any submissions that have been received, the current status, and the resolution, if one has been reached.

17. The audit committee will perform such other functions as assigned by the organization's charter or bylaws, or the board of directors.

18. The audit committee will evaluate the independent auditors.

19. The audit committee will review its effectiveness.

20. Create an agenda for the ensuing year.

Sample Conflict of Interest Policy

Purpose

The purpose of the conflict of interest policy is to protect the organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an office, director, committee member or senior staff person.

Definition of Interested Person

Any director, principal officer, member of a committee with board delegated powers, or senior staff person who has a direct or indirect financial interest, as defined below, is an interested person.

Definition of Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family

- A real or potential ownership or investment interest (including stock ownership) in any entity with which the organization has or is negotiating a transaction or arrangement

- A real or potential compensation arrangement (including direct and indirect remuneration as well as gifts or favors that are substantial in nature) with the organization or with any entity or individual with which the organization has or is negotiating a transaction or arrangement

- A position as an officer or board member, employee or former employee of any entity with which the organization has or is negotiating a transaction or arrangement

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

These areas of potentially conflicting financial interest are not exhaustive. Conflicts might arise in other areas. It is assumed that the persons covered by this policy will recognize such areas by analogy.

Duty to Disclose

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the directors and members of committees with board- delegated powers considering the proposed transaction or arrangement.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

Procedures for Addressing Conflicts of Interest

Transactions with parties with whom a conflicting interest exists may be undertaken only if all of the following are observed:

- The conflicting interest is fully disclosed
- The person with the conflict of interest is excluded from the discussion and approval of such transaction
- A competitive bid or comparable valuation exists
- The board (or a duly constituted committee thereof) has determined that the transaction is fair and reasonable and in the best interest of the organization

Violations

If the board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the response of the member and making such further investigation as may be warranted, the board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Record of Proceedings

The minutes of the board and all committees with board-delegated powers shall contain:

- The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board's or committee's decision as to whether a conflict of interest in fact existed.
- The names of the persons who were present for discussion and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

Annual Statements

Each person covered by this policy shall annually sign a statement which affirms that such person:

- Has received a copy of the conflict of interest policy
- Has read and understands the policy
- Has agreed to comply with the policy
- Understands that the organization is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Periodic Reviews

To ensure that the organization operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- Whether compensation arrangements and benefits are reasonable and are the result of arm's length bargaining

- Whether any purchases of goods and services result in inurnment or impermissible private benefit

- Whether affiliation, partnership and joint venture arrangements conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the organization's charitable purposes and do not result in inurnment or impermissible private benefit.

Adapted from IRS Sample Conflicts of Interest Policy for Tax-Exempt Health Care Organizations and
Minnesota Attorney General's Office Sample Conflicts of Interest Policy for Nonprofits

Sample Annual Disclosure Form

PART A

I have read the (name of organization)'s conflict of interest policy document and understand and support its intent. To the best of my knowledge, I do___, do not ___, have a relevant conflict of interest in serving the Association.

> *Generally a relevant conflict of interest could be said to exist when individuals have material interests that could influence them or could be perceived as influencing them to act contrary to the interests of the Association and for the individual's own personal benefit or that of a family member or a business associate." If you checked "do" in the space above, please complete Part B of this statement, listing your activities which you believe may constitute a relevant conflict of interest.)*

I agree that if in the course of my service to the (name of organization) I am involved in a situation or activity in which I have a relevant conflict of interest, I will not participate in any discussion or action on that subject or activity unless officially requested to do so.

I further agree that if any conflict of interest arises which has not been reported previously, I will immediately notify the (organization) in writing.

____
NAME (Please print)

____
SIGNATURE AND DATE

PART B
(To be completed if the respondent indicates that he/she has a relevant conflict of interest)

Affiliation/Financial Interest
(Check each area that applies)

Employment

Membership on standing committee
or board of directors

Stock shareholder

Honoraria or consulting fees

Grants/research support

For each box checked, on a separate sheet(s) of paper, please list the third-party organization(s) and sufficient information of the affiliation/interest that will enable the (name of organization) to make an informed decision. The information you provide should include (1) the nature of the activity which is a relevant duality; (2) the type of financial arrangement, if any, between you and any third parties involved; (3) a description of the business or purpose of such third parties.

SAMPLE DISCLOSURE

Employment
I am employed by Exacta Pharmaceutical Company (6250 Longwood Avenue, Any City, Missouri). My employer manufactures and markets pharmaceuticals related to the treatment of (disease represented by organization) and its complications.

Membership
I am on the board of directors of the (name of a competing organization) affiliate in my state.

Stock Shareholder
I, or my immediate family, hold stock in the following companies that make products related to the treatment or management of (disease represented by organization) and its complications:

XYZ Corporation
LMN Corporation

Honoraria or Consulting Fees
I have received honoraria for speaking engagements from the

XYZ Corporation
LMN Corporation

I am a paid consultant to the XYZ Corporation.

Grants
The XYZ Corporation is providing funds to my laboratory in order to conduct studies on a new drug to treat (disease represented by organization).

Sample Board Diversity Policy

[Organization] recognizes that in order to fulfill its mission to serve people affected by [disease] it must acknowledge the diverse makeup of its clients and the people who work to fulfill the mission.

To that end, [organization] affirms its commitment to reflecting the diversity of American society in its board of directors, staff and programs. In particular, [organization] will work to ensure that its workplace has an inclusive environment that maximizes the benefits of the differences of its workers and presents equal opportunities to all applicants and employees. [Organization] will work diligently to see that cultural differences are not seen as obstacles to participation in its programs and activities but as essential elements of American life to be shared and acknowledged positively. Program applicants and employees will be valued and respected regardless of race, gender, religion, color, national origin, disability, sexual orientation, age, education or geographic origin.

Sample Corporate Relations Policy

[Name of VHA] considers first and foremost its mission and serving its constituents in all decisions, including whether to enter into a relationship with a for-profit entity. In many cases, activities that fulfill [VHA's] mission cannot be accomplished as well alone as they can be through collaboration and alliances among like-minded organizations. It is for this reason that [VHA] seeks to forge appropriate and productive collaborative relationships with corporations and/or others.

The need arises, therefore, for [VHA] to establish guidelines that help it take full advantage of opportunities for corporate engagement, but that also serve as safeguards against any possible negative impact that corporate relationships might have on [VHA's] public image and integrity, whether real or perceived.

Criteria for Evaluating Corporate Relationships

Independence: [VHA] exercises independent judgment in all its decision making and in the implementation of any agreed upon activities related to the corporate relationship.

Mission-related benefit: The relationship provides a meaningful mission-related benefit to the general public or particular constituencies of [VHA].

Consistency: The relationship is consistent with [VHA's] principles, public positions, policies, and standards.

Adherence: The relationship adheres to all applicable state and local laws and regulations.

Non-deceptive communications: All materials from the corporation or [VHA] directed to the public will contain accurate and non-deceptive terms or statements such that a reasonable person will understand the nature and extent of the corporate relationship. Specific monetary amounts need not be reported except where a purchase by a consumer causes a donation to be made to [VHA], in which case [VHA] will disclose the amount or percentage of money from the sale which will actually go to the organization, the duration of the campaign (e.g., the month of October), and any maximum or guaranteed minimum contribution amount (e.g., up to a maximum of $200,000).

Endorsements: Any endorsements made by VHA are clearly understandable to a reasonable consumer and specify whether they address a feature or attribute of the product or its overall efficacy.[1]

Certifications: Certifications may only be issued by [VHA] once a particular product or service of a company complies with or satisfies an applicable or relevant standard of the organization. Exclusive certifications should be avoided unless they: (i) are limited to a particular activity for a specified time period; (ii) provide meaningful benefit to [VHA] and the public; and (iii) do not prohibit [VHA] from engaging in different types of activities with competing corporations and/or products.

[1] If a VHA does not wish to endorse products or services, appropriate wording should be substituted for the language above.

Privacy: [VHA] has written guidelines that protect the privacy of people participating in corporate-sponsored activities and/or programs.

Compliance: [VHA] will have a mechanism to assure compliance with its corporate relations policy by state/local divisions of the VHA as well as by the national component.
Balance: [VHA] evaluates on an annual basis the total amount of corporate support received as a percentage of total revenue.

Written Agreement

[VHA] will execute a written agreement with the corporation for any activity in which [VHA] is obligated to meet any terms or conditions. The written agreement must clearly indicate: a) the amount of money that will be transferred to [VHA]; b)whether the payment is unrestricted or earmarked to support a particular event or program activity; c) a written description of the mission-driven activity being supported that both parties will agree to use for purposes of disclosure to the general public; d) the manner in which each party will disclose the support to the general public, (e.g., in an easily accessible location on their websites); e) that [VHA] retains complete control of and right of approval over all content related to the event or program activity; and f) whether, and if so, how [VHA's] name, logo and/or any identifying marks will be used by the corporation. [VHA] shall not allow its name/logo or identifying marks to be used in any promotion or advertisement that names and compares competing products unless the organization has determined the superiority of the product with which it is associating and can substantiate its superiority.

Disclosure

[VHA] will, unless otherwise prohibited by law, disclose financial support it receives as a result of corporate relationships.[2] [VHA] will disclose amounts received from corporations identified on Schedule B of its Form 990 (more than the greater of $5,000 or 2% of the total amount of contributions reported on line 1 h of Part VIII of Form 990 (2008)).

In addition, the disclosure will include support received by any of [VHA's] divisions, chapters and affiliates with more than $250,000 in annual revenue.

[VHA] will publish the disclosure information in a format easily accessible to the public (e.g., on its website or in its annual report) within six months of the close of the organization's fiscal year. The disclosure information should include the name of the corporation, the aggregate amount of support provided by that corporation, and the total amount of all corporate support received from all corporations. [NOTE: Such disclosure may be reported in ranges, e.g. $0 - $50,000; $50,001 - $100,000, etc.]

Operating Guidelines
[VHA] will develop written operating guidelines for use in the review and approval of corporate relationships and ongoing evaluation of such relationships.

[2] The following language describes the minimum requirements for disclosure.

Sample Corporate Relations Operating Guidelines

These operating guidelines describe the processes and procedures to be followed by [VHA's] staff in soliciting and implementing corporate relationships.

<u>**Criteria for Evaluating Corporate Relationships**</u>

Criteria for Inclusion [5]

- ethical business practices
- safe products and/or services
- customer service and satisfaction
- employee health and well-being
- community service
- financial stability
- a focus on reaching [VHA's] primary audiences
- existing communication channels that reach key audiences
- a favorable image among key audiences
- a history of creating long-term partnerships with nonprofit organizations or an interest in doing so
- companies with a nationwide presence

Criteria for Exclusion[6]

- Tobacco companies (This exclusion may or may not extend to otherwise qualified subsidiaries.)
- Companies providing products or services that could be perceived as dangerous, unhealthy, or environmentally unsafe (e.g., extreme sports equipment, firearms, or chemical agents)
- Food companies with an unhealthy public positioning (e.g., fast food restaurants, candy companies, snack food companies)
- Alcohol companies
- Unfavorable reputation in the marketplace
- Recent negative press

Screening

At the outset, each proposed corporate relationship should be evaluated to determine whether it meets the criteria in the board-approved Corporate Relationships Policy. In addition, each proposal should be evaluated considering [VHA's] goals, strategies, priorities and policies; net benefits to [VHA]; risks; availability of resources; timelines; proper control and implementation; and evaluation. Sufficient time must be planned for [VHA's] usual and customary review and approval processes.[7]

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[5] These are sample criteria which VHAs may adapt to their own needs.

[6] These are sample criteria which VHAs may adapt to their own needs.

[7] Initial screening is usually conducted by senior development staff responsible for corporate relations and/or the CEO. Some VHAs establish a committee of appropriate senior staff for this purpose. Staff is responsible for ensuring that all proposals are consistent with the board-approved Corporate Relationships Policy. To facilitate this process, some VHAs have developed predefined sponsorship packages for various programs and events, with detailed benefits, specific messaging, and requirements for use of the VHA's logo.

Written Agreement
Once the components of the corporate relationship have been finalized, the appropriate staff member [identify by title] shall ensure that a written agreement is prepared that includes all of the elements specified in the board-approved Corporate Relationships Policy. The written agreement will be reviewed and approved by the appropriate staff member(s) [identify by title] prior to execution and implementation. [VHA] may also submit the written agreement for review by legal counsel. The written agreement will be signed by the appropriate staff person [identify by title]. [8]

As specified in the written agreement, [VHA] retains complete control of and right of approval over all content related to the project or event. Likewise, [VHA] must approve all uses of its name/logo and identifying marks. Ads, promotional materials and any health messages should be reviewed and approved in advance by the appropriate staff members and/or volunteers [identify by title]. [9]

The commercial message must be visually/audibly separate from the [VHA] identification. There must be a clear scientific basis for the message. The corporation's materials--including text, graphics and the combination of the two--cannot suggest or reasonably imply an endorsement or recommendation by [VHA], or a message or impression other than that approved by [VHA].

Disclosure
The appropriate staff [identify by title] will ensure that corporate contributions are disclosed according to the methods and timeframe specified in the board-approved corporate relations policy.

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[8] The goal of the review process is to ensure that the relationship adheres to the criteria included in the board - approved Corporate Relationships Policy. In general, the role of the board is to approve the Corporate Relationships Policy and monitor its implementation, while the role of staff is to operationalize and implement the policy.

[9] This usually includes the project manager, a senior communications staff person, and qualified reviewer of medical/scientific content.

Sample Policy on Board Attendance

It is expected that members of the Board of Directors attend all meetings. Each director must attend a minimum of two board meetings each fiscal year. If a director fails to meet this minimum, his or her position will become vacant for the remainder of the term. At the discretion of the chair, imposition of this rule may be waived due to extenuating circumstances.

Sample Bylaws Language: Quorum

Example #1: A majority of the [board of directors] shall constitute a quorum for the transaction of business at any meeting of the [board], unless a greater number is otherwise required by law, by the certificate of incorporation, or by these bylaws. A majority of the [directors] present, whether or not a quorum is present, may adjourn any meeting to another time and place.

Example #2: A majority of the voting members of the [board of directors] shall constitute a quorum for the transaction of business at any meeting of the [board of directors]. If less than a majority is present at said meeting, a majority of the voting members of the [board of directors] present may adjourn the meeting from time to time without further notice.

Sample Bylaws Language: Notice of Meetings

Example #1:

Written notice of each meeting of the board of directors shall be given to each member of the board not less than ten days before the meeting. The notice shall state the day, hour and place of the meeting and the business proposed to be transacted at such meeting.

Example #2:

Notice of any regular or special meeting of the board of directors shall be given at least ten days prior to the meeting by written notice delivered personally or sent by mail, telegram, telefax, or other electronic communication to all directors at their addresses as shown on the records of the Association. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice is given by telegram or other same-day means, such notice will be deemed to be delivered when receipt of the notice is confirmed. Any director may waive notice of any meeting in writing at any time. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called on or convened.

Sample Functional Budget Summary

Budget for Fiscal Year 20xx

(in $ thousands)

Direct Mail		0,000
Car Donation Program	000	
Workplace Solicitations	000	
Legacies and Bequests	0,000	
Special Events (Net)		000
Corporate Gifts	0,000	
Individual Gifts	0,000	
Government Grants		0,000
Program Income		000
Membership Dues		0, 000
Publications Sales		000
Miscellaneous		000
Total Revenue	**$00,000**	
Research		0,000
Public Education		0,000
Professional Education	0,000	
Patients Services		0,000
Community Services		0,000
Total Program Services	**$00,000**	
General and Administration		$ 000
Fundraising		000
Total Support Services	**$0,000**	
Net Operating Surplus/(Deficit)	000	
Investment Activity		000
Net Gain/(Loss)	000	

Sample Policy on Operating Reserves

In order to ensure that adequate financial resources are available each year to provide funding for vital programs and services, the (name of organization) should maintain unrestricted net assets of at least x% but not more than x% of the past year's budgeted operating expenses.

NOTE:

- The policy can also be worded using adjusted net assets, instead of unrestricted net assets.
- The maximum amount of unrestricted net assets may not be more than 300% of the past year's expenses or 300% of the current year's budget, whichever is higher.

Sample Web Privacy Policy

Note: This is sample language is for an organization that does not sell, rent or trade user/member information with third parties. You should tailor your own privacy policy to reflect accurately the business practices in place at your organization. It is advisable that your legal counsel review any privacy policy prior to posting.

About Your Privacy

Your privacy is important to us. The following explains our online information practices and the choices you can make about the way your information is collected and used.

Should you have a question relating to our privacy policy and practices — or wish to review or correct any personal information we may have on file for you — please contact us by:

Email: user@yourdomain.org

Phone: 000-000-0000

Fax: 000-000-0000

Mail: Organization Name
Person and/or Department
Street address
City State Zip

What information do we collect? How do we use it?

When you enter into a transaction with us (registering for an event, buying a product, or seeking information), we may need to know specific information in order to process your request.

Our site's forms may require you to give us contact information (like your name, e-mail and address). We may use the contact information from these registration and survey forms to send you information about other programs or events of [Name of Organization]. You may opt-out of receiving future mailings. See the choice/opt-out section below.

When you order products or services from our site, we need to know your name, e-mail address, mailing address, credit card number, and expiration date. This allows us to process and fulfill your order and to notify you of your order status. For more details, see the section below about online security.

We may use the information we collect to notify you about important changes to the site, new services or features offered by [Name of Organization], and special offers and information we think you will find valuable. If you would rather not receive this information, please contact us through one of the channels identified in the choice/opt-out section.

We also collect anonymous, non-identifiable information about visitors. When you visit our site, our server automatically records your domain (service provider), operating system and web browser type/version as well as the time and date of your visit on a particular page. The information automatically recorded by our server is used only for statistical purposes so that we can manage our site and better serve our visitors. Our server does not and cannot record identifiable information such as your e-mail address.

Cookies

"Cookies" are small pieces of information that are stored by your browser on your computer's hard drive. Our cookies do not contain any personally identifying information. Most web browsers automatically accept cookies, but you can usually adjust your browser to prevent them. This could limit your ability to use certain features on our site, however.

Our site uses cookies to uniquely identify users' machines so that we can monitor site usage, traffic and trends. Cookies also may be used for features such as keeping track of the contents of a shopping cart or helping to deliver more personalized content.

Online Security

When you are asked to provide personal, private and/or financial information (such as a credit card number), we use state-of-the-art security to safeguard your data. The secure server software, SSL (secure sockets layer), encrypts or encodes all information you enter before it is sent to us. Furthermore, all of the customer transactional data we collect is protected against unauthorized access with the use of digital certificates. Digital certificates for [Name of Organization] are issued by [Name of Vendor], a trusted provider. To learn more about our online security, simply click the "security" icon (usually a padlock) at the bottom of your browser window.

Does [Name of Organization] disclose the information it collects to third parties?

While [Name of Organization] does not sell, trade, or rent your personal information to others, it may at times, to the extent allowed by law, share member/user information with reputable third parties (vendors, contractors, etc.) who perform services or marketing on our behalf.

Choice/Opt-Out

Our site provides users the opportunity to opt-out of receiving communications from [Name of Organization]. To request that you not receive particular communications, please send an e-mail to name@yourdomain.org. Please allow up to [days] business days for your request to be fulfilled.

Sample Policies on Evaluating Organizational Effectiveness

Example #1: The (name of organization) will assess on an annual basis its performance and effectiveness in carrying out its mission. The assessment will include a summary of the organization's fiscal year goals and objectives, a description of the activities undertaken to achieve the goals and objectives, and an analysis of the effectiveness of the activities in achieving the goals and objectives. The assessment will also include an evaluation of goals and objectives not met and offer recommendations for future actions. A written performance assessment report will be prepared by management staff and presented to the board of directors following the close of each fiscal year.

Example #2: The Board of Directors shall regularly assess no less than every two (2) years the performance and effectiveness of the (name of organization) in achieving the mission of the organization, and shall determine future actions required to achieve the mission.

Best Practices

Each year, 501(c)(3) organizations like the VHA members of the National Health Council must file a federal information return known as IRS Form 990. In 2008, the Form 990 was revised to include a number of questions about organizational governance. Since the Form 990 is often scrutinized by potential donors and charity watchdog groups, many VHAs have elected to develop additional policies that address the issues now included in the form. Samples of some of these policies appear below. Note that these policies are not currently required by the Standards of Excellence Certification Program©

Sample Executive Evaluation And Compensation Committee Charter

Executive Evaluation and Compensation Committee Purpose
The Executive Evaluation and Compensation Committee (the "committee") is established to discharge the board's responsibilities regarding evaluation of the CEO's performance against clearly defined objectives and defining the overall compensation strategy for, and establishing compensation of, the CEO of the [organization], consistent with the [organization's] mission and values, and applicable legal and regulatory requirements.

Membership
The committee shall be composed of the [organization's] Executive Committee, i.e., Immediate Past Chair, Chair, Chair-Elect, Vice Chair, Secretary and Treasurer. The Immediate Past Chair shall serve as Chair of the committee.

Authority and Responsibilities
The board grants the committee authority and responsibility to

1. Review and approve the [organization's] compensation strategy to ensure consistency with its mission and values, and applicable legal and regulatory requirements.
2. Determine the CEO's compensation levels. Annually, the committee will consider performance against clearly defined objectives, past compensation, comparable compensation data at peer and other relevant organizations, general market conditions, and legal requirements.
3. As appropriate, but no less often than every three years, review benchmark information provided by outside consultants to ensure that compensation is reasonable and appropriate. The committee shall have sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the CEO's compensation, and shall have the sole authority to approve the consultant's fees and other retention terms. The committee shall also have authority to obtain advice and assistance from internal or external legal, accounting, or other advisors. The [organization] will provide the committee with appropriate funding to exercise its authority to retain consultants.
4. Review the employment/severance agreement provisions or other contractual arrangements for the CEO to ensure such arrangements support the established compensation strategy.
5. Report to the board on committee activities, the CEO's performance against clearly defined objectives, and compensation information.
6. Review periodically, but no less often than every three years, the position description of the CEO to determine if the stated competencies reflect those needed by the [organization] at that point in time.

7. Conduct an annual performance self-assessment review of the Executive Evaluation and Compensation Committee itself, including the adequacy of the committee charter, and recommend any changes to the board.

Operations of the Committee

The committee chair shall preside at all meetings. Meetings may be in person or telephonic, and the chair shall present the committee's decisions regarding compensation for the CEO and any changes in compensation strategy to the board. The committee shall meet annually and more often as needed. A quorum shall consist of a majority of the committee members. Minutes and/or a memorandum summarizing the discussion and decisions taken at each committee meeting shall be filed with the corporate records.

Sample Code of Ethics

Mission

The mission of [organization] is to …

Statement of Values

The Board of Directors, volunteers and staff of [organization] subscribe to the following set of shared values:

- Commitment to the public good;
- Accountability to the public;
- Commitment beyond the law;
- Respect for the worth and dignity of individuals;
- Inclusiveness and social justice;
- Respect for pluralism and diversity
- Transparency, integrity and honesty;
- Responsible stewardship of resources; and,
- Commitment to excellence and to maintaining the public trust.

These values lead directly to the Code of Ethics for [organization]. They inform and guide the actions that [organization] takes in developing its policies and practices.

Code of Ethics

I. Personal and Professional Integrity
All staff, board members and volunteers of [organization] act with honesty, integrity and openness in all their dealings as representatives of the organization. The [organization] promotes a working environment that values respect, fairness and integrity.

II. Mission
The [organization] has a clearly stated mission and purpose, approved by the board of directors, in pursuit of the public good. All of its programs support that mission and all who work for or on behalf of the organization understand and are loyal to that mission and purpose. The mission is responsive to the constituency and communities served by the organization and of value to the society at large.

III. Governance
The [organization] has an active governing body that is responsible for setting the mission and strategic direction of the organization and oversight of the finances, operations, and policies of the organization. The governing body:

- Ensures that board members have the requisite skills and experience to carry out their duties and that all members understand and fulfill their governance duties, acting for the benefit of the organization and its public purpose;
- Has a conflict of interest policy that ensures that any conflicts of interest or the appearance thereof are avoided or appropriately managed through disclosure, recusal or other means;

- Is responsible for the hiring, firing, and regular review of the performance of the chief executive officer, and ensures that the compensation of the chief executive officer is reasonable and appropriate;
- Ensures that the CEO and appropriate staff provide the governing body with timely and comprehensive information so that the governing body can effectively carry out its duties;
- Ensures that the organization conducts all transactions and dealings with integrity and honesty;
- Ensures that the organization promotes working relationships with board members, staff, volunteers, and program beneficiaries that are based on mutual respect, fairness and openness;
- Ensures that the organization is fair and inclusive in its hiring and promotion policies and practices for all board, staff and volunteer positions;
- Ensures that policies of the organization are in writing, clearly articulated and officially adopted;
- Ensures that the resources of the organization are responsibly and prudently managed; and,
- Ensures that the organization has the capacity to carry out its programs effectively.
- Is actively involved in monitoring the organization's activities to ensure that its systems and controls are effective and responds promptly and appropriately to any deficiencies that are discovered.

IV. Legal Compliance
The [organization] is knowledgeable of and is committed to complying with all applicable laws and regulations and to taking prompt remedial action if the conduct of individuals within the organization deviates from such laws and regulations.

V. Responsible Stewardship
The [organization] manages its funds responsibly and prudently. This includes the following considerations:

- It spends at least 65 percent of its annual budget on programs in pursuance of its mission;
- It spends an adequate amount on administrative expenses to ensure effective accounting systems, internal controls, competent staff, and other expenditures critical to professional management;
- The organization compensates staff, and any others who may receive compensation, reasonably and appropriately;
- The organization does not accumulate operating funds excessively;
- The organization ensures that all spending practices and policies are fair, reasonable and appropriate to fulfill the mission of the organization; and,
- All financial reports are factually accurate and complete in all material respects.

VI. Openness and Disclosure
The [organization] provides comprehensive and timely information to the public, the media, and all stakeholders and is responsive in a timely manner to reasonable requests for information. All information about the organization will fully and honestly reflect the policies and practices of the organization. Basic informational data about the organization, such as the Form 990, reviews and compilations, and audited financial statements will be posted on the organization's website or otherwise available to the public. All financial, organizational, and program reports will be complete and accurate in all material respects.

VII. Program Evaluation
The [organization] regularly reviews program effectiveness and has mechanisms to incorporate lessons learned into future programs. The organization is committed to improving program and organizational effectiveness and develops mechanisms to promote learning from its activities and the field. The organization is responsive to changes in its field of activity and is responsive to the needs of its constituencies.

VIII. Inclusiveness and Diversity
The [organization] has a policy of promoting inclusiveness and its staff, board and volunteers reflect diversity in order to enrich its programmatic effectiveness. The organization takes meaningful steps to promote inclusiveness in its hiring, retention, promotion, board recruitment and constituencies served.

IX. Fundraising
In seeking direct voluntary public contributions as well as corporate and foundation support, [organization] follows the fund-raising practices detailed in the National Health Council Standards of Excellence Certification Program© for voluntary health agencies. These standards are designed to ensure transparency, accountability, and good public stewardship.

Sample Document Retention and Destruction Policy

I. Scope
This policy governs the retention and removal of all [organization] records and documents of any nature or kind, whether written or electronic. This policy applies to all [organization] employees and to all active and off-site storage files. All [organization] employees are required to adhere to the policy, which takes effect on [date].

II. Purpose
The policy has four purposes:

(1) To ensure that certain types of records are maintained in accordance with applicable federal and state laws and regulations.
(2) To preserve records that may be relevant to pending or anticipated judicial proceedings.
(3) To retain necessary records for business and historical purposes.
(4) To provide for the routine removal of records that need not be retained in order to minimize storage costs, maximize file and office space, and eliminate unnecessary document inventories.

III. Records Retention Policy Supervisor
Any questions relating to the proper implementation of the Records Retention and Document Destruction Policy should be directed to the [organization staff title], who serves as the Records Retention Policy Supervisor.

IV. Retention Periods
Unless a specific federal or state law provides for a longer or shorter retention period than the ones specified below, the [organization] follows the general document retention procedures outlined below to the extent feasible. However, no adverse inference is to be drawn from a failure to retain a document in accordance with the guidelines below, since inadvertent destruction, loss or document storage limitations may require some modification of the time limits listed below. Documents that are not listed below, but are substantially similar to those listed in the schedule, will be retained for the appropriate length of time.

Corporate Records	
Annual Reports	Permanent
Articles of Incorporation	Permanent
Board Meeting and Board Committee Minutes	Permanent
Board Policies/Resolutions	Permanent
Bylaws	Permanent
Construction Documents	Permanent
Fixed Asset Records	Permanent
IRS Application for Tax-Exempt Status (Form 1023)	Permanent
IRS Determination Letter	Permanent
State Sales Tax Exemption Letter	Permanent
Contracts (after expiration)	7 years
Accounting and Corporate Tax Records	
Annual Audits and Financial Statements	Permanent
Depreciation Schedules	Permanent
IRS Form 990 Tax Returns	Permanent
NY State Annual Tax Return	Permanent

General Ledgers	7 years
Business Expense Records	7 years
IRS Forms 1099	7 years
Journal Entries	7 years
Invoices	7 years
Sponsorship Revenue Records	5 years
Membership Dues Records	5 years
Petty Cash Vouchers	3 years
Cash Receipts	3 years
Credit Card Receipts	3 years

Bank Records

Check Registers	7 years
Bank Deposit Slips	7 years
Bank Statements and Reconciliation	7 years
Electronic Fund Transfer Documents	7 years

Payroll and Employment Tax Records

Payroll Registers	7 years
State Unemployment Tax Records	7 years
Earnings Records	7 years
Garnishment Records	7 years
Payroll Tax Returns	7 years
W-2 Statements	Permanent

Employee Records

Employment and Termination Agreements	Permanent
Retirement and Pension Plan Documents	Permanent
Records Relating to Promotion, Demotion, or Discharge	7 years after termination
Accident Reports and Worker's Compensation Records	5 years
Salary Schedules	5 years
Personnel Files	3 years after termination
I-9 Forms	3 years after termination
Time Sheets	2 years

Donor and Sponsorship Records

Donor Records and Acknowledgment Letters	7 years
Sponsorship Applications and Contracts	7 years after completion

Membership Records

Membership Applications	Permanent
Official Correspondence	Permanent

Legal, Insurance, and Safety Records

Appraisals	Permanent
Copyright Registrations	Permanent
Insurance Policies	Permanent
Stock and Bond Records	Permanent
Trademark Registrations	Permanent

Leases	6 years after expiration
OSHA Documents	5 years
General Contracts	3 years after termination

Publications	
5 hard copies and/or one electronic copy of each	Permanent

V. Electronic Documents and Records

Electronic documents will be retained as if they were paper documents. Therefore, any electronic files, including records of donations made online, that fall into one of the document types on the above schedule will be maintained for the appropriate amount of time. If a user has sufficient reason to keep an e-mail message, the message should moved to an "archive" computer file folder. Backup and recovery methods will be tested on a regular basis.

VI. Document Destruction and Exceptions

The [organization's] Records Retention Policy Supervisor is responsible for the ongoing process of identifying records which have met the required retention period and overseeing their destruction. Destruction of financial and personnel-related documents will be accomplished by shredding. Notwithstanding the normal document destruction schedule of the [organization], document destruction will be suspended immediately in the following circumstances:

(1) where the information has been subpoenaed in a civil or criminal case, or is the subject of an information request letter from a government agency,

(2) where the information relates to civil or criminal litigation against the [organization] that is either pending, imminent or contemplated,

(3) where destruction of the information would impede, obstruct or influence the administration of any matter within the jurisdiction of the federal government, where such matter is pending, imminent or contemplated, or

(4) where the [organization's] legal counsel places a "legal hold" on any document for any reason.

Destruction will be reinstated upon conclusion of the investigation or lawsuit, but only after consultation between the [organization] CEO and the [organization] legal counsel.

VII. Compliance and Sanctions

Failure on the part of employees to follow this policy can result in possible civil and criminal sanctions against the [organization] and its employees and possible disciplinary action against responsible individuals. The Records Retention Policy Supervisor will periodically review these procedures with legal counsel or the organization's certified public accountant to ensure that they are in compliance with new or revised regulations.

Sample Policy on Reporting of Financial, Auditing or Governance Improprieties

The [organization] is committed to facilitating open and honest communications relevant to its governance, finances, and compliance with all applicable laws and regulations. It is important that the [organization] be apprised about unlawful or improper behavior including, but not limited to, any of the following conduct:

- theft;
- financial reporting that is intentionally misleading;
- improper or undocumented financial transactions;
- improper destruction of records;
- improper use of assets;
- violations of the [organization's] conflict-of-interest policy; and
- any other improper occurrence regarding cash, financial procedures, or reporting.

We request the assistance of every employee who has a reasonable belief or suspicion about any improper transaction. The [organization] values this input, and each employee should feel free to raise issues of concern, in good faith, without fear of retaliation. Employees will not be disciplined, demoted, lose their jobs, or be retaliated against for asking questions or voicing concerns about conduct of this sort. At the same time, the [organization] expects all employees to take this policy seriously, to use it in good faith, and to use it when necessary and in a judicious manner. Reports that are not made in good faith, or otherwise are intended to harass or annoy an employee, may result in disciplinary action, including termination.

Making a Report

We encourage any employee who has a concern regarding an action of the [organization's] governance, finances, or compliance with all applicable laws and regulations to raise the concern with a supervisor, the CEO or the [staff title].

If for any reason the employee does not believe these channels of communication are adequate, the concern should be reported immediately to either the chair of the board or the chair of the Audit Committee. Anonymous reports will be accepted, and all reports will be handled on a confidential basis. The contact information for the board chair and the chair of the Audit Committee appears below.

Mark the envelope: "TO BE OPENED BY ADDRESSEE ONLY. PERSONAL AND CONFIDENTIAL."

The board chair or the chair of the Audit Committee will coordinate the investigation and the [organization] will take appropriate action as it deems justifiable by the circumstances.

This policy is to be posted in the office of the [organization], included in the personnel manual, and communicated to all new staff as part of their orientation. In addition, every year, after the annual election of the board chair and after the chair of the Audit Committee has been selected, the [staff title] will have the responsibility of updating the contact information for both of those individuals and then sending the policy with the updated contact information to all staff.

CONTACT INFORMATION: [Include name, title, full address, phone and email.]

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