

NATIONAL STANDARDS FOR U.S. COMMUNITY FOUNDATIONS

(As approved by the Community Foundations Leadership Team on June 8, 2000
and including explanatory language as of February 29, 2002 and a technical correction as of March 24, 2004)

Standard

Compliance Documents

I. Definition of a U.S. Community Foundation

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| A. A community foundation is a tax-exempt, nonprofit, autonomous, publicly supported, non-sectarian philanthropic institution with a long term goal of building permanent, named component funds established by many separate donors for the broad-based charitable benefit of the residents of a defined geographic area, typically no larger than a state. | □ DOC 1: Governing Instruments (i.e. By-laws, Articles of Incorporation or Declaration of Trust) |
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Community foundations are further defined by the following characteristics:

II. Mission, Structure and Governance

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| A. A community foundation is founded and operated for public benefit and has a well-defined, articulated mission. | □ DOC 7: Mission statement |
| B. A community foundation is recognized by the Internal Revenue Service (IRS) as tax-exempt under Internal Revenue Code Section 501(c)(3), organized and operated exclusively for charitable purposes. | □ DOC 2: IRS Letter of Determination |
| C. A community foundation meets the public support test set forth in Internal Revenue Code Section 170(b)(1)(A)(vi) as modified by Treasury Regulation Section 170A-9(e)(10). | □ DOC 3: IRS Form 990 filed for the most current two years |

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| <p>D. A community foundation has an independent governing body broadly representative of the community it serves.
<i>Explanation: "Governing body" means the board of directors or board of trustees of the organization. "Broadly representative" means that the governing body reflects the diverse composition and different perspectives of the community it serves, and its members are not drawn solely from a single subset of the community.</i></p> | <ul style="list-style-type: none"> ❑ DOC 1: Governing Instruments (i.e. By-laws, Articles of Incorporation or Declaration of Trust) ❑ DOC 5: Written description of the nomination process ❑ DOC 6: List of governing board members with affiliations |
| <p>E. A community foundation's governing body retains variance power by which it may modify any restriction or condition on the distribution of assets, if circumstances warrant. Further, with respect to assets held in trust, the governing body must have the power to replace any participating trustee for breach of fiduciary duty under state law or for failure to produce a reasonable return of net income.
<i>Explanation: "The governing body must have the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the sole judgment of the governing body, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. The governing body must be able to modify the restriction without obtaining the approval of any participating trustee, custodian, or agent of the community foundation." (<u>Legal Compendium for Community Foundations</u>, Christopher R. Hoyt, Council on Foundations, 1996)</i></p> <p><i>For those community foundations with assets held in trust, the governing body must also have the authority to remove the trustee responsible for those assets in at least two circumstances. This power of removal must be available if the trustee breaches its fiduciary duty or if the trustee fails to produce a reasonable return on investments. The governing body of a corporation normally has the power to remove asset managers, so the power need not be separately articulated in the governing instruments of the corporation. However, provisions in gift agreements that attempt to restrict this power would be material restrictions and should not be accepted by a community foundation.</i></p> | <ul style="list-style-type: none"> ❑ DOC 1: Governing Instruments (i.e. By-laws, Articles of Incorporation or Declaration of Trust) |

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F.	<p>A community foundation serves a particular geographic area such as a municipality, county, state, metropolitan area or closely related aggregation of such areas that are considered for some purposes as a community, typically no larger than one state. An organization serving a single greater metropolitan area would satisfy this criterion even if that greater metropolitan area included parts of several states. This criterion excludes national and multi-national organizations.</p> <p><i>Explanation: Service to a particular geographic area typically includes grantmaking, community leadership, and service to donors in that identified area. Unrestricted/discretionary funds primarily serve the community foundation's identified geographic area; other grants may be distributed beyond that area.</i></p>	<ul style="list-style-type: none"><input type="checkbox"/> DOC 1: Governing Instruments (i.e. By-laws, Articles of Incorporation or Declaration of Trust)<input type="checkbox"/> DOC 7: Mission statement<input type="checkbox"/> DOC 19: Sample marketing materials
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G.	<p>A community foundation's governing body:</p> <ol style="list-style-type: none">1. is responsible for the mission, direction and policies of the organization. <i>Explanation: The governing body of the community foundation is the ultimate fiduciary and is legally accountable for all of the activities of the organization, even when it delegates responsibility.</i>	<ul style="list-style-type: none"><input type="checkbox"/> DOC 7: Mission statement<input type="checkbox"/> DOC 13: Corporate records or minutes
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	<ol style="list-style-type: none">2. ensures adequate human and financial resources and actively monitors and evaluates the organization's chief executive officer. <i>Explanation: Human resources may include paid or unpaid staff. It is the responsibility of the governing body to provide adequate resources to meet the National Standards.</i>	<ul style="list-style-type: none"><input type="checkbox"/> DOC 8: Annual budget<input type="checkbox"/> DOC 17: CEO job description<input type="checkbox"/> DOC 18: Evidence of CEO performance evaluation
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	<ol style="list-style-type: none">3. approves policies to prevent perceived, potential or actual conflicts of interest.	<ul style="list-style-type: none"><input type="checkbox"/> DOC 9: Conflict of interest policies<input type="checkbox"/> DOC 10: Documentation of disclosures of conflicts of interest<input type="checkbox"/> DOC 13: Corporate records or minutes
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	<ol style="list-style-type: none">4. serves without compensation (exclusive of the chief executive officer.)	<ul style="list-style-type: none"><input type="checkbox"/> DOC 3: IRS form 990 for most current two years

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5. is not controlled by any other nonprofit organization, or by any single family, business or governmental entity or any narrow group within the community.	<input type="checkbox"/> DOC 3: IRS form 990 for most current two years
6. reviews and adopts an annual operating budget.	<input type="checkbox"/> DOC 8: Annual budget <input type="checkbox"/> DOC 13: Corporate records or minutes
7. ensures that the governing documents include policies for size of the board, required number of meetings annually, limits of members' terms, and structure and responsibilities of standing committees.	<input type="checkbox"/> DOC 1: Governing Instruments (i.e. By-laws, Articles of Incorporation or Declaration of Trust)
8. ensures that the community foundation reflects the diversity of the community it serves. <i>Explanation: This item correlates to the item above regarding the governing body membership reflecting the community. Here, the governing body is looking beyond itself, and seeking staff and committee diversity, policies that do not promote exclusivity, and endeavors that address diverse communities.</i>	<input type="checkbox"/> DOC 13: Corporate records or minutes
9. ensures that the community foundation meets all laws and legal requirements. <i>Explanation: All applicable local, state, and federal laws and regulations must be observed.</i>	<input type="checkbox"/> DOC 16: Required annual legal filings (with federal, state and local governmental agencies)
10. approves all grants. <i>Explanation: The governing body has responsibility for grant approval, which may be exercised through delegation of the decision-making process.</i>	<input type="checkbox"/> DOC 13: Corporate records or minutes

III. Resource Development

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| A. A community foundation has, or works to develop, broad support in the form of contributions from many separate, unrelated donors with diverse charitable interests in the community served by the community foundation. | <input type="checkbox"/> DOC 19: Sample marketing materials
<input type="checkbox"/> DOC 29: List of funds |
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<p>B. Contributions to a community foundation represent irrevocable gifts subject to the legal and fiduciary control of the community foundation’s governing body.</p>	<ul style="list-style-type: none"> ❑ DOC 22: Sample fund agreements ❑ DOC 25: Sample gift acknowledgement letters
<p>C. A community foundation has a long-term goal of securing resources to address the changing needs of the community it serves. <i>Explanation: Building discretionary funds to provide both flexible and permanent funding sources for meeting changing needs should be a goal of the community foundation.</i></p>	<ul style="list-style-type: none"> ❑ DOC 1: Governing Instruments (i.e. By-laws, Articles of Incorporation or Declaration of Trust) ❑ DOC 7: Mission statement ❑ DOC 19: Sample marketing materials
<p>D. A community foundation accepts and administers a diversity of gift and fund types to meet the varied philanthropic objectives of donors.</p>	<ul style="list-style-type: none"> ❑ DOC 19: Sample marketing materials ❑ DOC 20: Gift/ fund acceptance policies ❑ DOC 29: List of funds
<p>E. A community foundation adopts gift and fund acceptance policies that address minimum fund size, types of fund options, types of gift mechanisms, and policies and procedures for accepting various types of assets, and makes these policies available upon request. <i>Explanation: This item promotes accountability, policy and process disclosure, and consistency. Fund acceptance policies include purpose and use of the fund.</i></p>	<ul style="list-style-type: none"> ❑ DOC 20: Gift/ fund acceptance policies
<p>F. During the gift planning process, the role and relationships of all parties involved are fully disclosed to the donor. <i>Explanation: The intent is to disclose any financial benefit that might accrue to a third-party participant in the gift planning process.</i></p>	<ul style="list-style-type: none"> ❑ DOC 21: Sample disclosure documents

IV. Stewardship and Accountability

<p>A. A community foundation is a steward of charitable funds, investing and prudently managing funds and maintaining accurate financial records.</p>	<ul style="list-style-type: none"> ❑ DOC 11: Annual audit with management letter (or independent financial review) ❑ DOC 15: Evidence of investment performance review
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<i>Standard</i>	<i>Compliance Documents</i>
B. A community foundation is accountable to the community it serves and regularly disseminates information on its programs and finances.	<input type="checkbox"/> DOC 4: policy on public availability of IRS 990 <input type="checkbox"/> DOC 37: Annual report (or equivalent) and dissemination plan
C. A community foundation maintains a written record of the terms and conditions of each component fund and all such records must reference the variance power.	<input type="checkbox"/> DOC 22: Sample fund agreements
D. A community foundation honors the charitable intentions of its donors consistent with community needs and applicable laws and regulations.	<input type="checkbox"/> DOC 26: Documentation of procedures ensuring that funds are used to meet donor's intent
E. A community foundation observes the balance between donor involvement and governing board control and complies with applicable laws and regulations.	<input type="checkbox"/> DOC 22: Sample fund agreements <input type="checkbox"/> DOC 23: Guidelines for donor advisors and/or sample donor advised fund agreement
F. A community foundation ensures that the foundation's financial resources are used solely in furtherance of its mission. <i>Explanation: Some examples of intent here include 1) salaries and benefits are within a range considered reasonable and customary for community foundations of similar size and taking into account the background and experience of staff, and 2) assets of the foundation are not used for personal benefit of either board or staff.</i>	<input type="checkbox"/> DOC 3: IRS form 990 for most current two years <input type="checkbox"/> DOC 11: Annual audit with management letter (or independent financial review)
G. An annual audit (financial review when assets total less than \$1 million) is performed by an independent public accountant, reviewed and accepted by the governing body and made available to the public upon request.	<input type="checkbox"/> DOC 11: Annual audit with management letter (or financial review) <input type="checkbox"/> DOC 12: Evidence of public availability of most recent audit (or financial review) <input type="checkbox"/> DOC 13: Corporate records or minutes
H. A community foundation 1. has investment policies that include asset allocation guidelines, a spending policy and criteria for measuring investment performance.	<input type="checkbox"/> DOC 14: Investment policy

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| 2. | makes available to the public upon request the names of its investment managers, fees charged (including investment and administrative fees), governing body or appointees responsible for investment oversight and investment. | ❑ DOC 19: Sample marketing materials |
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V. Grantmaking and Community Leadership

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| A. | A community foundation operates a broad grants program to multiple grantees that is limited neither by a single focus or cause nor exclusively to the interests of a particular constituency. | ❑ DOC 30: Grant guidelines
❑ DOC 31: Evidence of public dissemination of grant guidelines
❑ DOC 33: Grants list for most recently completed fiscal year |
| B. | A community foundation awards some grants from its discretionary resources through open, competitive processes that address the changing needs of the community. | ❑ DOC 30: Grant guidelines
❑ DOC 31: Evidence of public dissemination of grant guidelines
❑ DOC 33: Grants list for most recently completed fiscal year |
| C. | A community foundation widely disseminates grant guidelines to ensure the fullest possible participation from the community it serves. | ❑ DOC 30: Grant guidelines
❑ DOC 31: Evidence of public dissemination of grant guidelines |
| D. | A community foundation performs due diligence to ensure that grants will be used for charitable purposes.
<i>Explanation: Due diligence applies to all grants made by the foundation, and includes gathering and evaluation of information on the grantee and may include the intended use of the grant. Vigilance regarding quid pro quo benefit to a donor advisor would fall within the scope of this item.</i> | ❑ DOC 32: Policy or documented procedure for due diligence |
| E. | A community foundation works to identify community issues and opportunities and acts as a leader and convenor, using its human and/or financial resources to address immediate and long term community issues and opportunities. | ❑ DOC 36: Documentation of issues identified and resulting actions |

VI. Donor Relations

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| A. | A community foundation informs and educates donors about community issues and grantmaking opportunities. | <input type="checkbox"/> DOC 34: Evidence of donor education
<input type="checkbox"/> DOC 35: Evidence of donor participation |
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| B. | A community foundation actively involves donors in identifying and responding to community issues and opportunities. | <input type="checkbox"/> DOC 34: Evidence of donor education
<input type="checkbox"/> DOC 35: Evidence of donor participation |
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| C. | A community foundation promptly and accurately acknowledges gifts. | <input type="checkbox"/> DOC 24: Gift acknowledgement procedures |
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| D. | A community foundation provides fund statements, at least annually, to those donors who wish to receive them. | <input type="checkbox"/> DOC 27: Documented evidence that fund statements were provided |
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| E. | All private information obtained with respect to donors and prospects is kept confidential to the fullest extent possible. | <input type="checkbox"/> DOC 28: Confidentiality policy |

VII. Communications

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| A. | A community foundation communicates openly and welcomes public scrutiny. | <input type="checkbox"/> DOC 38: Press releases and news clippings |
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| B. | A community foundation has a communication strategy that includes a report, widely distributed at least annually, which describes the community foundation's mission, activities and financial operations. | <input type="checkbox"/> DOC 37: Annual report (or equivalent) and dissemination plan |