

**Association of
Fundraising Professionals**

**CODE OF ETHICAL PRINCIPLES AND
STANDARDS OF
PROFESSIONAL PRACTICE**



Preface

The Standards of Professional Practice, as revised and approved by the AFP Board of Directors and ratified by the Delegate Assembly, are a part of and are incorporated into AFP's Code of Ethical Principles.

This Code applies to AFP members and those holding certifications granted or sponsored by AFP while they are engaged in raising philanthropic contributions for nonprofit organizations.

The following guidelines are provided to assist AFP members and others in interpreting and using the Code of Ethical Principles and Standards of Professional Practice. They are intended only as suggestions to help guide thinking about ethical behavior and not as prescriptions for all possible situations.

By its nature, this list of guidelines is an evolving document. It is subject to revision and will reflect practice, laws and regulations as they change. Members are encouraged to use the AFP Fundraising Resource Center for additional basic information as they encounter ethics issues.

In addition, the AFP Ethics Committee will respond to specific questions from AFP members and the public, including government regulators, upon request. Please submit inquiries, marked "Confidential," directly to the AFP President and CEO.

The committee welcomes examples and suggestions that might further clarify the Code. Please send them to the AFP President and CEO, or to ethics@afpnet.org.

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AFP Code of Ethical Principles and Standards of Professional Practice

STATEMENT OF ETHICAL PRINCIPLES

Adopted 1964; amended October 2004

The Association of Fundraising Professionals (AFP) exists to foster the development and growth of fundraising professionals and the profession, to promote high ethical standards in the fundraising profession and to preserve and enhance philanthropy and volunteerism.

Members of AFP are motivated by an inner drive to improve the quality of life through the causes they serve. They serve the ideal of philanthropy; are committed to the preservation and enhancement of volunteerism; and hold stewardship of these concepts as the overriding principle of their professional life. They recognize their responsibility to ensure that needed resources are vigorously and ethically sought and that the intent of the donor is honestly fulfilled. To these ends, AFP members embrace certain values that they strive to uphold in performing their responsibilities for generating philanthropic support.

AFP members aspire to:

- practice their profession with integrity, honesty, truthfulness and adherence to the absolute obligation to safeguard the public trust;
- act according to the highest standards and visions of their organization, profession and conscience;
- put philanthropic mission above personal gain;
- inspire others through their own sense of dedication and high purpose;
- improve their professional knowledge and skills, so that their performance will better serve others;
- demonstrate concern for the interests and well-being of individuals affected by their actions;
- value the privacy, freedom of choice and interests of all those affected by their actions;
- foster cultural diversity and pluralistic values, and treat all people with dignity and respect;
- affirm, through personal giving, a commitment to philanthropy and its role in society;
- adhere to the spirit as well as the letter of all applicable laws and regulations;
- advocate within their organizations, adherence to all applicable laws and regulations;
- avoid even the appearance of any criminal offense or professional misconduct;
- bring credit to the fundraising profession by their public demeanor;
- encourage colleagues to embrace and practice these ethical principles and standards of professional practice; and
- be aware of the codes of ethics promulgated by other professional organizations that serve philanthropy.

STANDARDS OF PROFESSIONAL PRACTICE

Furthermore, while striving to act according to the above values, AFP members agree to abide by the AFP Standards of Professional Practice, which are adopted and incorporated into the AFP Code of Ethical Principles. Violation of the Standards may subject the member to disciplinary sanctions, including expulsion, as provided in the AFP Ethics Enforcement Procedures.

Professional Obligations

1. Members shall not engage in activities that harm the members' organization, clients, or profession.
2. Members shall not engage in activities that conflict with their fiduciary, ethical, and legal obligations to their organizations and their clients.
3. Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.
4. Members shall not exploit any relationship with a donor, prospect, volunteer, or employee to the benefit of the members or the members' organizations.
5. Members shall comply with all applicable local, state, provincial, and federal civil and criminal laws.
6. Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications.

Solicitation and Use of Philanthropic Funds

7. Members shall take care to ensure that all solicitation materials are accurate and correctly reflect their organization's mission and use of solicited funds.
8. Members shall take care to ensure that donors receive informed, accurate, and ethical advice about the value and tax implications of potential contributions.
9. Members shall take care to ensure that contributions are used in accordance with donors' intentions.
10. Members shall take care to ensure proper stewardship of philanthropic contributions, including timely reports on the use and management of such funds.
11. Members shall obtain explicit consent by donors before altering the conditions of contributions.

Presentation of Information

12. Members shall not disclose privileged or confidential information to unauthorized parties.
13. Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization is the property of that organization and shall not be transferred or utilized except on behalf of that organization.
14. Members shall give donors the opportunity to have their names removed from lists that are sold to, rented to, or exchanged with other organizations.
15. Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)* for the type of organization involved. (* In countries outside of the United States, comparable authority should be utilized.)

Compensation

16. Members shall not accept compensation that is based on a percentage of contributions; nor shall they accept finder's fees.
17. Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations, and are not based on a percentage of contributions.
18. Members shall not pay finder's fees, or commissions or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.

Amended October 2004

Standard No. 1

Members shall not engage in activities that harm the members' organization, clients, or profession.

Guidelines

- a. Members shall subscribe to and become advocates for the mission and goals of their organization.
- b. Members shall conduct their personal and professional lives recognizing that their actions represent the organizations by which they are employed.
- c. Members shall respect the wishes and needs of constituents, and do nothing that would negatively impact their social, professional, or economic well-being.

Examples of *Ethical* Practice:

1. Refusing to participate in activities contrary to the organization's mission and goals.
2. Providing accurate and complete information to constituents regarding projects, programs, or other activities that they might support or endorse.
3. Maintaining one's education in philanthropy and fundraising best practices to convey appropriate advice to constituents, the community, and the public.

Examples of *Unethical* Practice:

1. Conveying false or exaggerated information.
2. Neglecting to complete a transaction involving a contribution or pledge as promised.
3. Ignoring unethical practices of others and not reporting same to organizational leadership or appropriate authorities (e.g., legal, AFP, etc.)
4. Making public comments that are derogatory about leadership or organizational activities.

Standard No. 2

Members shall not engage in activities that conflict with their fiduciary, ethical, and legal obligations to their organizations and their clients.

Guidelines

- a. Members shall take care to assure that all legally binding gift planning obligations they propose are prepared or approved by qualified legal counsel.
- b. Members shall urge their clients to seek independent, qualified counsel in regard to any legal or fiduciary obligation that a member proposes.
- c. Members shall make every reasonable effort to assure that their organization's fiduciary obligations are held to the highest ethical standards and conform to applicable law.
- d. Members shall make every reasonable effort to assure that third party organizations that are appointed to carry out fiduciary obligations on behalf of their organization are held to the highest ethical standards.

Examples of *Ethical* Practice:

1. Knowing and, if necessary, informing organizational leadership and/or organizational clients of applicable ethical and legal fiduciary practices.
2. Being prepared to inform appropriate organizational leadership of any illegal practices in which their organization may be participating.
3. Developing internal contribution acceptance and stewardship policies that address the legal and fiduciary obligations of member's organization.

Examples of *Unethical* Practice:

1. Failing to seek legal counsel in the drafting of legal contracts (e.g., pledge, endowment, sponsorship, or gift annuity agreements) that are proposed to others.
2. Failing to urge others to seek independent legal and/or professional tax counsel in regard to planned giving arrangements.
3. Ignoring known illegal practices of the member's organization.
4. Encouraging others to engage in unethical or illegal transactions.

Standard No. 3

Members shall effectively disclose all potential and actual conflicts of interest; such disclosure does not preclude or imply ethical impropriety.

Guidelines

- a. Members establish a clear understanding between themselves and their organizations regarding the extent to which members are permitted to engage in outside consulting.
- b. Members disclose if they or a member of their immediate family have a material interest in a current or potential vendor firm.
- c. Members disclose any formal relationship they may have with a donor.
- d. Members encourage their organizations to adopt policies on conflict of interest.
- e. Members understand that effective disclosure includes the sharing of sufficient information to adequately explain the facts so that persons or entities who might be affected by such possible conflicts of interest can make informed decisions.
- f. Members understand the provisions of the IRS “Intermediate Sanctions” regulations in the U.S., or their equivalent in other countries, that apply to persons associated with nonprofit organizations who might also benefit from business or commercial arrangements with the organization.

Examples of *Ethical* Practice:

1. Making sure there is agreement upon the amount of time per month that can be devoted to private consulting, and putting that agreement in writing.
2. Refusing to engage a consulting firm seeking to direct the member's organizational capital campaign after a fundraising staff member reports an offer from that firm of a position once the campaign ends.
3. Refusing to accept appointment as an executor or personal representative of a donor's estate.

Examples of *Unethical* Practice:

1. Failing to report to one's employer knowledge of being a beneficiary of a donor's estate plan.
2. Holding an ownership interest in a vendor firm that provides products to one's employer without reporting such interest to the organization's leadership.

Standard No. 4

Members shall not exploit any relationship with a donor, prospect, volunteer, or employee for the benefit of the member or the member's organization.

Guidelines

- a. Exploitation in this context includes:
 - (1) taking advantage of, or making use of, another person for one's own ends;
 - (2) encouraging another person to take action that is to the person's disadvantage or to the disadvantage of that person's family; and,
 - (3) encouraging another person to action that would seem, to the reasonable person, contrary to the best interest(s) of the person so encouraged.
- b. Members assure that the compelling purpose of gift planning is to ensure that the wishes of the donor or the donor's representative are carried out, and that the organization receiving the contribution provides services to constituents that are meaningful to the donor.

Examples of *Ethical* Practice:

1. Informing donors and prospects that the member is acting in a professional capacity with the express intent of relating the mission and goals of the member's organization to the individual in the hope that the individual will be influenced to accept the value of financial support to the member's organization.
2. Encouraging a donor or prospect to seek independent professional advice when including the member's organization in the individual's estate or financial support plans.
3. Encouraging a donor or prospect to inform his or her family of the intent to include the member's organization in the individual's estate or financial support plans.
4. Refusing to participate in the structuring of contributions by any prospect or donor who, to the reasonable person, is incapable of making an independent, informed decision.

Examples of *Unethical* Practice:

1. Influencing a donor or prospect to arrange his or her affairs so that the member may personally benefit.
2. Manipulating a donor or prospect who is vulnerable because of age, handicap, infirmity, illness or emotional or physical impairment or dependence to arrange his or her affairs so that the member or member's organization becomes a beneficiary of the individual's estate or financial support plans.
3. Assuming the role of personal friend, confidant or caretaker in order to influence an individual to include the member or the member's organization in the individual's estate or financial support plans.
4. Accepting a gift of more than token value from a donor or financial supporter who became known to the member as a consequence of a member's current or past employment.
5. Using, or threatening to use, information detrimental to any person to coerce someone into any action that the individual

would not otherwise willingly undertake.

6. Using, or threatening to use, status, position or power to coerce someone into any action that the individual would not otherwise willingly undertake.
7. Failing to provide on a regular basis, but not less than annually, information to donors who have made an open-ended pledge payable through electronic funds transfer, preauthorized checking, or similar program, which information discloses the status of the pledge and the procedure to change or cancel the obligation.

Standard No. 5

Members shall comply with all applicable local, state, provincial, and federal civil and criminal laws.

Guidelines

- a. Members recognize that compliance with applicable laws is a clear standard. Nevertheless, laws regarding fundraising are proliferating, and ethical practitioners, remembering the admonition that ignorance of the law is no excuse, must be alert to new laws.
- b. Members consult the legal counsel involved with their own organizations. Most nonprofit organizations have access to legal counsel, either paid or volunteer. Member consultants and suppliers of fundraising services also consult legal counsel regarding their contracts and practices.¹

Examples of *Ethical* Practice:

1. Undertaking personal responsibility for keeping up with changes in applicable laws and regulations.
2. Recognizing that one's employer may not be in compliance with applicable laws due to lack of knowledge, and bringing this to the attention of appropriate organizational leadership.
3. Ensuring that reports which are a part of regulatory requirements for which the member may have some responsibility are completed accurately and in a timely manner.
4. Maintaining appropriate licensure, registration, or certification requirements.

Examples of *Unethical* Practice:

1. Having knowledge of a law or regulation, knowing one's organization is not in compliance, and choosing to ignore possible remedial action.
2. Completing reports that are a part of regulatory requirements inaccurately or in such a way as to distort fundraising results or costs.
3. Having knowledge of state requirements for consulting practice and failing to comply.

¹ The AFP Fundraising Resource Center has, in its collection, books and other publications that can be used for general guidance, but which are not substitutes for specific counsel.

Standard No. 6

Members recognize their individual boundaries of competence and are forthcoming and truthful about their professional experience and qualifications.

Guidelines

- a. Members state their professional qualifications in a manner that gives a clear and accurate picture of their skills, capabilities, levels of expertise, experience, performance, and credentials.
- b. Members clearly describe the parameters of their roles within the larger financial development efforts of any organization with which they have been affiliated.

Examples of *Ethical* Practice:

1. Being honest and above reproach concerning one's duties and responsibilities, and practicing an ethical approach to employment in the field.
2. Correcting any misstatement of one's education or experience, performance, and awards, even when not responsible for the error.

Examples of *Unethical* Practice:

1. Inflating one's resume.
2. Exaggerating one's role in fundraising results.
3. Omitting from one's employment application short tenure or unsuccessful employment.
4. Taking credit for the work of others.
5. Indicating on one's resume or other materials that one is licensed or certified by a particular organization or state when one is not.

Standard No. 7

Members shall take care to ensure that all solicitation materials are accurate and correctly reflect their organization's mission and use of solicited funds.

Guidelines

- a. Members ensure, to the best of their ability, that the materials upon which individuals make decisions about support of the member's organization are direct and truthful. Such materials shall conform to fact and actuality and avoid obfuscation.
- b. Members are forthcoming and accurate when describing their organization's mission, needs, programs, goals, objectives, and achievements.

Examples of *Ethical* Practice:

1. Including in solicitation materials only statements that are accurate and facts that can be documented.
2. Omitting from solicitation materials information that may be confusing, inaccurate, or incapable of being documented.
3. Including in solicitation materials only those endorsements actually made by an individual or entity.

Examples of *Unethical* Practice:

1. Misrepresenting the organization's mission: "The theater's mission is to make the performing arts available to all citizens of the city," when in actuality the price of admission excludes the economically disadvantaged and no free performances or scholarships are offered.
2. Misrepresenting facts to justify a case for support: "More than 20 homeless runaways are turned back on the streets every night," when, in fact, those 20 are absorbed by other agencies.
3. Misrepresenting the size, breadth and source of support in order to validate cause and case: "The overwhelming majority of neighborhood associations feel this need should be met," when, in fact, presentations at neighborhood association meetings elicited only head nodding from the majority of the audience.
4. Misrepresenting anticipated results in order to elicit an emotional response: "Your contribution will save a life" instead of, "You can help save a life."
5. Misrepresenting achievements.
6. Misrepresenting intent: "If we do not succeed in this campaign effort, we will have to close our doors," when partial success will allow for continuance albeit with reduced staff.
7. Misrepresenting philosophy: "We offer service to all needy citizens regardless of race, creed or ethnicity," when, in reality, choices are made along ethnic lines.
8. Misrepresenting facts about numbers of clients served, demographics of clients served, activities completed or programs planned.
9. Manipulating children, animals, the ill, the elderly, etc.: "The child in this picture was () and has a ninety percent chance of becoming a ()."
10. Creating mailings or other materials that mimic official government mailings or billing notices through deceptive appearance and content of materials.

Standard No. 8

Members shall take care to ensure that donors receive informed, accurate and ethical advice about the value and tax implications of potential contributions.

Guidelines

- a. Members with knowledge of the tax or ethical implications of a potential contribution may advise the donor to the best of his or her knowledge. However, a member realizes the limit of his or her expertise and, as a result, should include other professionals in the process.
- b. Members always advise donors to seek the advice of their own independent counsel regarding tax and financial implications.
- c. Members are mindful of the implication of practicing law without a license when advising donors about legal instruments.
- d. Members do not draft legal instruments obligating donors and nonprofit organizations unless entitled to do so through the appropriate state licensure.
- e. Members relate the specific implications of contributions, providing the prospective donors have been told of the member's credentials (or lack thereof) and have been encouraged to seek their own independent counsel.
- f. Members ensure that appropriate forms are completed and filed in the event of noncash contributions. They also advise donors of these requirements, if applicable.

Examples of *Ethical* Practice:

1. Telling a donor that, to the best of one's knowledge, certain tax results are indicated in a contribution transaction, but cautioning the donor to seek the advice of his or her own advisors.
2. Refusing to attest to the value of noncash contributions except when the values are readily and publicly available, such as listed stocks, bonds, etc.
3. Recommending an independent appraiser not connected to the recipient nonprofit organization when a qualified appraisal is required.
4. Including on all solicitations, tickets, and receipts for special events a statement as to the fair market value of services or goods to be received by the donor in exchange for a contribution.

Examples of *Unethical* Practice:

1. Telling a donor the value of an appreciated asset without proper, current documentation.
2. Telling a donor the amount of taxes he or she may avoid by making a specific philanthropic contribution without adequate knowledge of tax laws and the donor's financial responsibilities and capabilities.
3. Failing to tell donors their contributions will not be fully tax-deductible when they receive goods or services in return for the contribution.
4. Failing to include the fair market value of services received (dinner, dance, etc.) on material soliciting participation in a special event, including wording that informs the invitee the contribution is any amount in excess of the fair market value of the service.

Standard No. 9

Members shall take care to ensure that contributions are used in accordance with donors' intentions.

Guidelines

- a. Members ensure that proper documentation outlining the intention and expectation of the donor(s) is provided to all appropriate persons and organizational units within the recipient organization (i.e., development office, accounting office). This documentation, including copies of all relevant supporting materials, is made a permanent part of the records of such units.
- b. Members ensure that contributions are used if and as specified by the donor. If a donor indicates a use that is inappropriate, the member confers with the donor to determine an appropriate use that is in keeping with the donor's wishes and the organizational mission. In the event that no mutually satisfactory use can be determined, the member offers to return the donation.
- c. Members review documentation outlined in guideline 'a.' above on a regular basis to ensure that those responsible for administering contributed funds continue to adhere to the donor's intentions.
- d. Also see Standards No. 10 and 11.

Examples of *Ethical* Practice:

1. Treating the terms of a document that describes donor restrictions as a contract, subject to applicable law.
2. Using donor contributions that are restricted in ways consistent with the restriction(s).
3. Declining to use restricted funds for general operating purposes, except when one of the following situations exists:
 - (a) the donor has given explicit directions in writing to do so retroactively; or
 - (b) the grant/contribution document expressly includes a provision for overhead or administrative costs.
4. Designing a standard document or form to contain all pertinent contribution information that will be completed by the development office and provided to all other appropriate organizational units.
5. Conducting an annual meeting of representatives of all appropriate organizational units to review the status and use of contributed funds and related accounts.
6. Maintaining proper documentation and records of all uses to which funds have been put.

Examples of *Unethical* Practice:

1. Deciding to change an endowed annual lecture series to biannual, and using the funds in the interim year for travel by department members to an annual meeting.
2. Accepting a contribution for a specific use, e.g., "pediatric genetic clinical research," then subsequently eliminating that program and using those funds for another program within the pediatric department without obtaining the consent of the donor.
3. Borrowing from restricted funds for purposes other than the restricted purposes.
4. Diverting into the general operating budget funds intended to cover administrative costs for the program covered by a restricted contribution.
5. Using contributed funds remaining as surplus after the restriction has been fulfilled/expired, without the written consent of the donor.

Standard No. 10

Members shall take care to ensure proper stewardship of philanthropic contributions, including timely reports on the use and management of such funds.

Guidelines

- a. Members ensure that donors of endowment funds receive a report on their funds at least annually.
- b. Members provide an annual report to donors. This can be included in a general report about the organization or can be included in a constituent newsletter, mailing, etc., which is sent to donors.
- c. Members urge their organizations to adopt and operate within written policies governing planned gifts, donor recognition, and investments.
- d. Members maintain written protocols or agreement guidelines for the administration of each restricted fund.

Examples of *Ethical* Practice:

1. Developing policies that avoid placement of donated funds in high-risk investments which may erode the corpus.

Examples of *Unethical* Practice:

1. Using restricted funds for purposes other than those specified by the donor.
2. Using endowment principal outside the written terms of the endowment agreement.
3. Misrepresenting use of restricted dollars, e.g., converting restricted funds from their intended use.

Standard No. 11

Members shall obtain explicit consent by the donor before altering the conditions of contributions.

Guidelines

- a. Members meet with the donor or the donor's surviving family or representatives to discuss any potential alteration in the original conditions of a contribution.

Examples of *Ethical* Practice:

1. Altering the original conditions of a contribution with appropriate permission, e.g., an organization phases out a program that is being supported from the income of a long-established endowment fund and the donor is now deceased. It is the responsibility of the organization to meet with the family or official representative of the donor, to inform them of the programmatic change(s), and to solicit their permission to alter the use of the contribution. In some cases, this may require permission of the court.
2. Keeping donors aware of potential changes in the mission or organization's plans that may affect the conditions of a restricted contribution.

Examples of *Unethical* Practice:

1. Using restricted funds for purposes other than those specified by the donor.
2. Using endowment principal outside the written terms of the endowment agreement.
3. Misrepresenting use of restricted funds, e.g., converting restricted funds from their intended use.

Standard No. 12

Members shall not disclose privileged or confidential information to unauthorized parties.

Guidelines

- a. Members do not discuss any information about prospective donors or donors outside the work environment, and they discuss it within the work environment only as appropriate.
- b. Members honor and protect donors' rights to anonymity.
- c. Members ensure that prospective donor and donor information is collected lawfully and presented factually.
- d. Members balance the obligation of their organizations to collect, record, and make public information with the right of prospective donors and donors to privacy.
- e. Members seek and record only information that is relevant to the fundraising efforts of their organizations. Such information is accurately recorded in an objective and factual manner, and verified or attributable to its source.
- f. Members ensure that the collection and use of information are done lawfully. Further, nonpublic information is the property of the organization for which it is collected and is not to be given to persons other than those who are involved with the cultivation or solicitation effort, or those who need that information in the performance of their duties for that organization.
- g. Members ensure that information, including research, about prospective donors and donors are stored securely to prevent access by unauthorized persons.
- h. Members give special protection to all giving records pertaining to anonymous donors. Those donors are informed of the organization's policies regarding access to such information, especially who is to have knowledge of the donor's identity.
- i. Members are respectful of the fact that information about donors and prospective donors is the property of the organization for which it was gathered and is not to be taken to another organization.
- j. Members urge the development of written policies at their organizations defining who may authorize access to prospective donor and donor files and under what conditions.
- k. Consistent with applicable law, members urge the development of written policies at their organizations defining whether and in what manner to make public information regarding contributions.

Examples of *Ethical* Practice:

1. Maintaining only those records and files that members would be willing to share with the subject if asked.
2. Assuring prospective donors and donors that these files and records are used only for and by the member's organization.
3. Storing records and files about prospective donors and donors in a secure manner to prevent access by unauthorized persons.
4. Urging one's organization to develop written policies based upon applicable laws defining what information shall be gathered, and under what conditions it may be released and to whom.
5. Personally retrieving files pertinent to the day's work and personally returning them to the protected site at which they are kept.

Examples of *Unethical* Practice:

1. Providing a donor's file to unauthorized individuals or organizations.
2. Sharing donor information in a collegial or social setting with those not directly involved in the cultivation or solicitation of

the donor.

3. Sharing donor information with friends, relatives and colleagues not involved in fundraising, or in social settings involving volunteers or administrative or professional staff of their organization.
4. Instructing an unauthorized staff member to retrieve confidential files.
5. Treating confidential information casually, e.g., taking files to a restaurant at lunch time so as to subject them to public view.

Standard No. 13

Members shall adhere to the principle that all donor and prospect information created by, or on behalf of, an organization is the property of that organization and shall not be transferred or utilized except on behalf of that organization.

Guidelines

- a. Members do not physically or electronically remove or transmit information from the possession of a nonprofit organization.
- b. Members encourage the nonprofit organization with which they have a professional relationship to develop written policies concerning the confidentiality of their files and the requirements for gaining access to them.
- c. Members whose organizations lease, sell, rent, or exchange their donor lists encourage the authorization of specific agents or employees who can negotiate and sign appropriate contracts for such transactions.
- d. Members do not imply information about specific prospects and donors they have learned in the course of work for one organization that would be a benefit to another as a consequence of their employment.
- e. Members respect the wishes of donors as to anonymity and the confidentiality of particular details of specific contributions. The member understands that the relationship between donor and development officer is based upon *trust*.
- f. Members understand that this standard does not apply to publicly available information; only information unique to a specific organization may not be removed.

Examples of *Ethical* Practice:

1. Encouraging one's organization to develop board-approved policies covering the use of donor lists and who may have access to them.
2. Refusing the request of a board member who asks for lists of donors to one's organization for use by another organization on whose board he or she serves.
3. Clearly stating, when interviewing for new employment or presenting a consulting proposal, that donors with whom the member has been previously involved are not portable and will only be involved with the new organization if they are, or can become, through their own personal involvement, part of the new organization's natural constituency.

Examples of *Unethical* Practice:

1. Disclosing confidential information to unauthorized persons.
2. Providing donor or prospective donor files to another nonprofit or business entity without permission of the owner-organization.
3. Approaching a nonprofit with another organization's donor files.
4. Marketing as an organization's "exclusive" property, lists acquired from other organizations or individuals.
5. Revealing the identity of an anonymous donor to others without the authorization of the donor.

Standard No. 14

Members shall give donors the opportunity to have their names removed from lists that are sold to, rented to, or exchanged with other organizations.

Guidelines

- a. Members encourage the development of written policies and practices regarding the use of donor names.
- b. Members ensure that donors are informed in accordance with such policies and practices.

Examples of *Ethical* Practice:

1. Providing, on a regular basis but not less than annually, a written communication asking donors if they wish to have their names removed from lists that are sold, rented, or exchanged with other organizations. This communication may stand alone or be incorporated within another, broader piece, such as a mailing, newsletter, or annual philanthropic or financial report.
2. Making a good faith effort to remove names from a list upon request, even when names may be on the list in a form different from that on the request for removal.

Examples of *Unethical* Practice:

1. Selling, renting, or exchanging names of donors without having given them periodic opportunity to have their names deleted from such lists.
2. Providing a vehicle for donors to have their names removed from lists to be sold, rented or exchanged when, in reality, no action is taken to remove names.

Standard No. 15

Members shall, when stating fundraising results, use accurate and consistent accounting methods that conform to the appropriate guidelines adopted by the American Institute of Certified Public Accountants (AICPA)* for the type of organization involved.

Guidelines

- a. Members recognize that fundraising results are recorded both for external financial and audited statement purposes, and for reporting and donor recognition purposes. Recording for external audited financial purposes must be in accordance with the appropriate AICPA guidelines* for the type of institution involved.
- b. In reporting fundraising results for external financial and audited statement purposes:
 - (1) Irrevocable unconditional deferred contributions are recognized in the fiscal year in which they are made. The nonprofit organization should recognize contribution revenue and related assets and liabilities. Assets should be recorded at their fair market value. Contribution revenue should be recorded as the difference between the asset value and the net present value of the payout to the beneficiary. Reevaluations should occur each fiscal year and at the time the contribution matures.
 - (2) Unconditional pledges are recognized in the fiscal year in which they are made. The extent to which multi-year pledges are discounted should be determined with professional advice.
 - (3) Bequests are recognized at fair market value in the fiscal year in which they mature.
 - (4) Insurance policies that are owned by the organization should be recorded at their case surrender value.
 - (5) Revocable deferred contributions or conditional contributions should be recorded when the contribution matures or when the condition is met.
- c. For reporting and donor recognition purposes:
 - (1) For campaign purposes, members may report results over more than one fiscal year.
 - (2) Members may report deferred contributions at fair market value and not take into consideration net present value of payouts.
 - (3) Members may report revocable planned contributions and conditional contributions.
 - (4) Members may report insurance policies at face value.
 - (5) Members may report expectancies from bequests.

* In countries outside the United States, comparable authority shall be utilized.

Examples of *Ethical* Practice:

1. Reporting, as a footnote to financial statements, the number of deferred contributions for which there are signed documentation, without acknowledging financial value.
2. Disclosing the accounting practices used in the financial statements.
3. Developing organizational procedures to ensure that the accounting for contributions is consistent from year to year.
4. Requesting donors who have made verbal pledges to sign and date written documentation of their pledge.
5. Informing the reader when financial information has been reformatted.

Examples of *Unethical* Practice:

1. Reporting as contributions the value, stated or estimated, of a bequest prior to the distribution of the donor's estate.
2. Reporting as contributions the face value of insurance policies, whether revocable or owned by the organization, prior to the termination of the policy.
3. Reporting pledges in the year in which they are made and then counting the payment of the pledges in the years in which the payments are made.

Standard No. 16

Members shall not accept compensation that is based on a percentage of contributions; nor shall they accept finder's fees.*

Guidelines

- a. Members accept compensation based upon experience, expertise, and the time requirements of the engagement.
- b. Members, when declining an offer of compensation that includes a portion based upon a percentage of the funds raised, provide information in support of this standard, such as the AFP Position Paper on Professional Compensation.
- c. Members recognize that fundraising is a continuing practice in which present funds received may be the results of efforts of others in previous years, and, likewise, current fundraising activities may result in future funds.
- d. Members do not seek, pay, or accept, and they discourage their organizations from paying, percentage-based compensation or commissions for obtaining philanthropic funds as defined by and subject to government regulations, or as reported on government reporting forms as contributions, gifts, grants, or similar amounts received.
- e. Members help organizations recognize that costs involved in fundraising include staff compensation and that donors do accept organizational costs for such activities.
- f. Members who offer services as proposal writers with any of their compensation contingent upon the funding of a proposal do so only if the terms are stated in writing in advance and the compensation is not based on a percentage of the funds sought or raised.

Examples of *Ethical* Practice:

1. Refusing to accept any part of one's compensation as a percentage of funds raised or expected to be raised.
2. Recognizing the difference between percentage-based compensation and a bonus plan, accepting only the latter should it be part of an organization's regular practices. (See Standard No. 17)
3. Promoting the principles upon which the guidelines for this standard are based.
4. Encouraging your organization to avoid paying a third party — such as an attorney, financial planner, or provider of such services as direct mail and telemarketing — a fee for service that is a percentage of the value of the related contribution or trust.

Examples of *Unethical* Practice:

1. Accepting percentage-based compensation because an organization lacks sufficient budget, with the expectation that such will be converted to salary or fee when funds are available.
2. Disguising compensation as salary, fee or bonus when it is, in truth, a percentage of funds raised.
3. Accepting a compensation package in which a part is salary or fee and the balance is to be made up of a percentage of the funds to be raised.

* Refer to AFP's Professional Compensation Position Paper.

Standard No. 17

Members may accept performance-based compensation, such as bonuses, provided such bonuses are in accord with prevailing practices within the members' own organizations, and are not based on a percentage of contributions raised.

Guidelines

- a. Members' freedom to accept performance-based compensation is based on the fact that AFP recognizes that such can be an ethical way to reward practitioners who exceed the scope of effort covered by their established salary or contracted fee.
- b. Members may accept performance-based compensation under the following conditions:
 - (1) the member's organization has a policy and practice that awards performance-based compensation; and
 - (2) the policy has the approval of the organization's governing body; and
 - (3) the policy and practice include, but are not limited to, the member's area of responsibility, e.g., are a norm within the organization; and
 - (4) the criteria are restricted to mutually agreed-upon, preestablished overall goals; and
 - (5) the criteria for determining the eligibility for, and amount of, such compensation shall exclude any consideration of a percentage of philanthropic contributions as defined by, and subject to, government regulations, or as reported on government reporting forms as "contributions, gifts, grants and similar amounts received." This should be interpreted as an absolute prohibition of any reference to, or use of, a percentage of philanthropic income to determine compensation, either in effect or actuality.
- c. Members understand the provisions of the IRS "Intermediate Sanctions" regulations in the U.S., or their equivalent in other countries, that apply to executive compensation.

Examples of *Ethical Practice*:

1. Including in the bonus plan's criteria nonfinancial indicators such as quality improvement, attaining anti-discrimination goals, management of human resources or achievement of overall unit goals.
2. Including in the criteria financial indicators such as cost effectiveness, budget savings, meeting or exceeding dollar goals and increasing the amount of the average contribution.
3. Including in the criteria consideration of nonfinancial indicators of productivity, such as an increase in the number of contributors, an increase in the number of volunteers, an increase in the number of contribution renewals and an increase in the number of prospects.
4. Including in the criteria consideration of financial indicators for which a contributor may not legally claim a philanthropic deduction, such as sales of products or services, membership dues and unrelated business income.

Examples of *Unethical Practice*:

1. Accepting a bonus plan that includes in its criteria a percentage of the funds raised.
2. Accepting performance-based compensation developed and approved after the fact, e.g., after the end of the fiscal period.

Standard No. 18

Members shall not pay finder's fees, or commissions or percentage compensation based on contributions, and shall take care to discourage their organizations from making such payments.

Guidelines

- a. Members recognize that there are two primary principles underlying this standard:
 - (1) Philanthropic giving is a voluntary action for the public benefit.
 - (2) The seeking or acceptance of philanthropic contributions should not provide personal inurement to anyone.
- b. A finder's fee is a fee paid for bringing a donor or contribution to a nonprofit organization, whether or not the fee is based on a percentage of funds raised.
- c. Members promote and recognize the donor's relationship with the recipient organization and the fact that donors shall, therefore, wish to give freely to that cause or organization. The recipient organization shall in no way provide payment or inurement to a third party for matching the donor to the organization or the organization to the donor.
- d. Bonafide transaction fees are not subject to this standard. Transaction fee(s) include fees for credit card processing, stock transfers, electronic funds transfers, lock boxes, and processing Internet transactions.

Examples of *Ethical* Practice:

1. Refusing a contribution if it is given to pay someone a finder's fee or could be perceived as such.
2. Helping a donor, estate planner, or counselor understand that a contribution or bequest is to be given to benefit the organization receiving the contribution, or a cause embodied therein, and not to benefit individuals.
3. Promoting the philanthropic or public benefit aspect of giving.

Examples of *Unethical* Practice:

1. Paying a finder's fee to someone for identifying a donor or recipient organization.
2. Suggesting to someone that he or she might ask for a fee for making a match.
3. Paying a finder's fee for the purpose of generating a contribution.
4. Paying a finder's fee for obtaining a corporate sponsorship.

APPENDIX A

AFP Ethics Enforcement Powers and Procedures

Anyone may file an ethics query or complaint alleging violation of the AFP Code of Ethical Principles and Standards of Professional Practice (Code) by an AFP member or person holding an AFP-sanctioned credential, whether or not the person lodging the complaint is a member of AFP. AFP considers all inquiries about actions of members to be strictly confidential. Before filing a complaint or ethics query, you may call and have a conversation with the assistant of the President & CEO of the AFP International Headquarters to see if you wish to proceed.

An ethics query is a means for inquiring whether or not a practice warrants filing a complaint alleging a violation of the Code, and to request assistance from the AFP Ethics Committee to resolve an issue or practice of concern without invoking the formal Code enforcement process. The goal is to bring about improvement in professional practice without having to resort to enforcement proceedings. An ethics query may be lodged via a confidential letter or memorandum to the office of the AFP President and CEO identifying the person against whom the ethics query is lodged and describing the incident or practice that is of concern.

A complaint is a formal allegation of violation of the AFP Code of Ethical Principles and Standards of Professional Practice. Formal complaints must be made on the complaint form and signed. The filing of a complaint initiates the Code's enforcement procedure. If a complaint is filed, AFP requires complaining parties to agree that, upon request of the Ethics Committee, the complainant will give personal testimony in the presence of the member against whom the complaint is lodged.

Once a complaint is filed, it is reviewed by the Ethics Committee. If the Committee finds that the complaint alleges a violation of the Code and is supported by sufficient documentation, the Committee chair sends written notification of the complaint to the person against whom the complaint is lodged requesting the member to respond in writing to the complaint.

If the person against whom the complaint is lodged responds to the complaint, the Ethics Committee reviews the information presented in the response. If the Committee determines that there are grounds to support a charge of violation of the Code and that efforts to persuade the person to cease and desist have failed, the Committee may decide to hold a hearing to (1) determine whether a violation of the Code has occurred, and (2) decide what disciplinary action, if any, is appropriate.

Penalties for violation of the Code can include:

- **a letter of reprimand;**
- **a letter of censure and prohibition against holding Society and chapter office in AFP;**
- **suspension of membership in AFP for a stated period; and**
- **permanent expulsion from AFP membership, including withdrawal of any AFP-sanctioned credential.**

AFP considers all communications and records regarding questions of ethical misconduct to be strictly confidential.

APPENDIX B

Principles and Roles in the Ethics Enforcement Process

The fundamental goal of the procedures for enforcing the AFP Code of Ethical Principles and Standards of Professional Practice is to eliminate unethical behavior, not to impose punishment.

The procedures for compliance adopted by the AFP Board of Directors on November 6, 1992, as amended, define the role of the chapters as educational and assign enforcement to the AFP Ethics Committee.

The procedures provide a process for receiving, investigating and adjudicating allegations of violation of the Code made against any AFP member or other person holding an AFP-sanctioned credential, and provide a process that is fair, responsible, confidential and consistent. The procedures are designed to protect AFP members from unfair allegations and to protect Association and chapter AFP officers and staff from personal liability in cases alleging unethical conduct.

The procedures reflect seven fundamental principles:

1. *To be considered, an allegation of violation of the Code must be made in writing and signed by an individual.*
2. *The written query or complaint must be filed with the office of the President and CEO, AFP International Headquarters for consideration by the AFP Ethics Committee. The written complaint must be received on the complaint form available upon request from the office of the President and CEO, AFP International Headquarters; a query can be in the form of a letter, a phone call or other means such as email.*
3. *Complaints and queries can be made/alleged only against AFP members or a person holding a AFP- sanctioned credential. AFP can take no action against persons who are not either AFP members or holders of an AFP-sanctioned credential, nor can AFP entertain allegations of violation of the Code on the part of a corporation, association, organization or other entity.*
4. *Laws takes precedence over ethical misconduct. If, in AFP's judgment, an allegation entails a violation of law or breach of contract, the AFP Ethics Committee may in its discretion refer the matter to the appropriate legal channels for resolution or remedy.*
5. *The role of AFP chapters in the ethics process is to educate members about ethical issues and standards, the Code and the AFP enforcement procedures in general. It is not the chapters' function to screen, adjudicate, review or advise in specific situations. Chapter boards should not be involved in specific discussions of possible or alleged Code violations. AFP does not want any chapter, chapter officer or individual to be sued.*
6. *Chapters have no formal or informal role in the processing or adjudication of complaints.*
7. *Chapters should focus their action on ethical issues, standards and education. It is suggested that chapters consider using the title "Ethics Education Committee" rather than "Ethics Committee" for their own committees. Education on legal or legislative issues is not the proper concern of a chapter's Ethics Education Committee. The AFP Ethics Committee seeks to vigorously reinforce a distinction between legal questions and ethical standards of professional practice.*

APPENDIX C

How to Register a Query about a Possible Violation of the Code

1. Write a letter explaining the concern; include identification of the AFP member involved.
2. Send signed query and a copy of any backup information corroborating your concern in a *sealed* envelope marked CONFIDENTIAL to:

President and CEO
Association of Fundraising Professionals
4300 Wilson Blvd., Suite 300
Arlington, VA 22203-4168

How to File a Formal Complaint Alleging Violation of the Code

1. Request a complaint form from the office of the President and CEO. Forms may be requested by telephone, fax or mail.
2. Fill out the complaint form completely and sign it. Be sure that the description of alleged unethical conduct is clear and complete. The complaint must be filed within three years of the alleged ethical misconduct.
3. Send the signed form and a copy of any backup information corroborating your allegation in a *sealed* envelope marked CONFIDENTIAL to:

President and CEO
Association of Fundraising Professionals
4300 Wilson Blvd., Suite 300
Arlington, VA 22203-4168

APPENDIX D

CONFIDENTIAL

AFP COMPLAINT FORM: ALLEGATION OF ETHICAL MISCONDUCT * * *

ALLEGED OFFENDER

Name: _____

Address: _____

AFP Chapter (if known): _____

ALLEGED OFFENSE

Please specify the alleged violation of the *AFP Code of Ethical Principles* and, identify the specific *Standard of Professional Practice* that is alleged to have been violated:

Date of alleged offense: _____

***** Any individual may file an allegation of ethical misconduct against an AFP member. To be considered, this form must be completed in full and signed by the person lodging the complaint. Complaints must be filled within three years of the alleged ethical misconduct. This form and the information contained herein will be considered strictly confidential by AFP, but may be disclosed to the alleged offender as part of the ethics review process.**

COMPLAINANT

Name: _____

Address: _____

Phone: _____

Fax: _____

Are you an AFP member? Yes _____ No _____

If yes, what is your member ID number? _____

Chapter affiliation? _____

PLEASE SIGN AND DATE THIS DOCUMENT

I affirm that, to the best of my knowledge, the information above is true, accurate and complete.

Signature of Complainant

Date

VERY IMPORTANT: Mark your envelope CONFIDENTIAL and return this form to:

President and CEO
Association of Fundraising Professionals
Suite 300
4300 Wilson Blvd.
Arlington, VA 22203-4168
Phone: 703/519-8440

APPENDIX E

THE ROLE OF THE AFP ETHICS COMMITTEE

The committee is a vehicle through which AFP promotes responsible and ethical behavior by its members and those holding AFP certification, volunteers, other professionals and the public. To that end, the committee undertakes to:

- Educate members, other professionals, volunteers and the public about the Code of Ethical Principles;
- Educate members about ethical issues within the profession;
- Encourage compliance with the Code;
- Receive and respond to queries concerning ethics within the profession and the independent sector;
- Receive and respond to complaints alleging violation of the Code;
- Effect resolution of complaints through education and persuasion whenever possible;
- Sustain acute awareness of the implications of committee action on members, complainants, philanthropy, AFP, the profession and the public;
- Provide a fair and responsible hearing to both complainant and individual reported in violation of the Code;
- Render judgment based on facts presented;
- Apply sanctions fairly and consistently, based on board-approved policy;
- Function as a resource to AFP, its members, and the public in matters of ethical behavior;
- Develop and recommend standards that address evolving issues affecting ethics within the field;
- Refine the Code and professional standards as necessary and appropriate;
- Maintain confidentiality about queries, complaints, and hearings;
- Refrain from participation in cases that constitute personal conflict of interest;
- Maintain as much independence within AFP as necessary for objectivity;
- Recommend candidates for consideration as members of the committee;
- Act as complainant when necessary;
- Act as role models for adherence to the Code;
- In cooperation with appropriate AFP committees, educate the public about the Code and ethical practice within the field.



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