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Financial Transparency and Public Disclosure Requirements

As tax-exempt public charities, charitable nonprofits embrace the values of accountability and transparency as a matter of ethical leadership, as well as legal compliance.

Leaders of charitable nonprofits know that financial transparency will help preserve the important trust community members and donors place in a nonprofit. Additionally, and no less importantly, conduct that is accountable and transparent earns employees' trust and creates a positive workplace culture.

Earning trust through financial transparency and accountability goes beyond what the law requires, but let's start there: nonprofits are required to disclose certain financial information to the public upon request, and board members must have access to financial information in order to fulfill their fiduciary duty to the nonprofit.

What *must* a nonprofit disclose to the public?

Tax-exempt nonprofits are required, upon request, to provide copies of the three most recently filed annual information returns (IRS Form 990) and the organization's application for tax-exemption (which includes correspondence between the organization and the IRS related to the application). To demonstrate a commitment

to transparency and to make it easier for those seeking financial information to view these documents, many charitable nonprofits post these documents on their websites.

- Learn more about the [IRS public disclosure requirements](#).
- [Public disclosure of the Form 990-T](#) (IRS)
- [Copies of IRS 990, 990-PF, 990-EZ, and 990-N returns for charitable nonprofits](#) are available to the public on the IRS website. Forms 990-T filed by 501(c)(3) organizations are also available. (IRS)

Twelve additional ways nonprofits can demonstrate financial transparency

1. Be honest in solicitation materials and truthful and clear in communications with donors about how their gifts will be or have been used. (Read about [ethical practices in fundraising](#).)
2. Adopt a [conflict of interest policy](#) with a disclosure statement that all board and staff review annually.
3. Adopt an [executive compensation policy](#) to ensure that the full board is aware of, and approves, the compensation of the executive director/CEO.
4. Ensure that the board of directors reviews timely financial reports and also reviews the [IRS Form 990](#) prior to filing.
5. Adopt sound [financial management policies, including internal controls](#), to ensure accountability.
6. Be clear about who is accountable for the nonprofit's expenditures by adopting expense policies, such as a [travel expense reimbursement policy](#) (requiring prior approval and limiting expenditures to what is reasonable.)
7. Be candid about the tax-exempt status of the nonprofit on the organization's website.
8. Be transparent about who serves on the board of directors by publishing a list of names and affiliations on the organization's website.
9. Post financial information on the nonprofit's website, such as a copy of the organization's recent IRS Form 990, audited or reviewed financial statements, and annual reports, as applicable.
10. Respond appropriately to requests for copies of financial reports, as required by the [IRS's public disclosure requirements](#).

11. Adopting an internal complaint procedure for staff and volunteers, such as a [whistleblower policy](#), is a way that charitable nonprofits can demonstrate a commitment to accountability and financial transparency, while at the same time creating a safe space for staff and board to raise concerns internally, so that the nonprofit can be aware and address the concerns as appropriate. Such a policy can also protect whistleblowers from retaliation if they express concerns to charity regulators about a nonprofit's financial management (as required by federal law and the laws in most states). The IRS Form 990 asks if the organization has a written whistleblower policy in place.
12. Make sure your nonprofit's [Guidestar](#) profile is up to date, and aim for a seal of transparency.

Complaints about nonprofits' financial conduct

Each state has a [state charity official](#) who is authorized to investigate financial improprieties in connection with charitable nonprofits.

Additional Resources

- [FAQs about exempt organization public disclosure requirements](#) (IRS)
- Many state associations of nonprofits promote [ethical guidelines and "best practices" programs](#) that include specific guidance on financial transparency.
- See sample statements of ["best practices" in accountability and transparency](#) that go beyond what the law requires (Principles and Practices for Nonprofit Excellence in Montana)
- Use an [on-line tutorial](#) from the IRS to teach your board or staff about the IRS public disclosure regulations
- [What's public, what's private?](#) (Infographic - BoardSource)

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