



HOW TO EVALUATE A NON-PROFIT?

Many of us who are engaged in the eleemosynary pursuits often wonder about the nonprofits to which they give—and give handsomely. Are they using the capital effectively? Financial stability and sustainability? Givers need to focus on the mission (Is it being achieved?) and accountability to performance metrics (How is the nonprofit doing vs. peer group?).

Consider the “The 3 Cs” as a handy guide that has served many a board member and leadership of private foundations well over the years. The first “C” is Compassion—for without it the team cannot be effective in their mission. The next is Competence, like in a for-profit company—management is judged on how well they get things done. Finally, fiscal Conservatism—an awareness of the importance of developing sustainability and managing a lean organization are paramount, especially in the nonprofit sector.

OTHER FACETS OF THE EXCELLENT NONPROFIT:

Developing a defined program that details and aligns costs with fundraising efforts so capital allocation decisions can be recorded and judged effectively.

- Focusing on a lean expense structure is key—better to reduce costs persistently.
- Formal documentation—providing a manual that detail accounting policies and procedures.
- Proper record-keeping is very important; effective procedures for tracking membership, donors, vendors, etc.
- Sound budgeting—having a budget that is focused on reality and has procedures in place to monitor any changes that often arise.
- Utilizing a pool of interns to reduce costs and train the next leaders in the nonprofit sector
- The nonprofit needs to remain mindful and to record carefully any and all restricted grants
- Having an Investment Policy Statement on file—one which has been recently updated (~every 2 years) and is fully understood by the board, the Investment Committee and their advisors.
- Respecting—beyond the shadow of a doubt—the fiduciary rules and policies; a duty of care requires the board to review all pertinent data on a specific topic and to act in the best interests of the organization and its beneficiaries.
- Don't wait for the last minute! Timely filing of accurate annual returns (form 990, etc.).
- Institute a comprehensive conflict of interest policy.
- The philanthropist still needs to stay on top of their grantees—but the above should provide for an excellent “checklist” when reviewing and evaluating a nonprofit organization.