

# APPROACHES CHART

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APPROACH	WHAT IS IT?
<b><i>Providing goods and services</i></b>	Engages directly with beneficiaries through programs and services <i>Examples: women's shelters, soup kitchens, health clinics</i>
<b><i>Promoting knowledge</i></b>	Supports the generation and dissemination of research and applied knowledge, as well as educational and cultural organizations <i>Examples: cancer research by medical schools, policy research by think tanks</i>
<b><i>Advocacy and movement-building</i></b>	Aims to address structural and systemic causes of a problem, generally by changing policies and laws to protect rights or promote interests <i>Examples: campaigns to mitigate climate change, campaigns for nutritional labels on foods, living wage campaigns</i>

These examples show how issues can be addressed using different approaches.

<b>ISSUE: SUICIDE PREVENTION (MENTAL HEALTH)</b>		
<i>Providing goods and services</i>	<i>Promoting knowledge</i>	<i>Advocacy and movement-building</i>
Crisis helplines for suicide prevention	Suicide prevention peer-training workshops for underserved populations	Campaigning for mental health coverage under health insurance

<b>ISSUE: ANIMAL RESCUE (ANIMAL WELFARE)</b>		
<i>Providing goods and services</i>	<i>Promoting knowledge</i>	<i>Advocacy and movement-building</i>
Animal rescue services and shelters	Training and research on best practices for shelters	Advocating for more humane policies that regulate breeding

<b>ISSUE: NATIONAL PARK CONSERVATION (NATURAL RESOURCES CONSERVATION &amp; PROTECTION)</b>		
<i>Providing goods and services</i>	<i>Promoting knowledge</i>	<i>Advocacy and movement-building</i>
After-school and summer national park programs for children	Monitoring of park conservation efforts	Advocating for more federal funding for national parks

# A. SHORTLIST ORGANIZATIONS

## INSTRUCTIONS

For each focus area, select organizations to include in your vetting process. Use the different approaches to help you shortlist organizations you may want to fund.



A. SHORTLIST  
— ORGANIZATIONS

INSTRUCTIONS

For each focus area, shortlist organizations that you would like to review further.

	ORGANIZATION 1
<i>Who does the organization aim to serve?</i>	
<i>Where does the organization focus its work?</i>	
<i>Website/Name of Contact/Contact Information</i>	
<i>How does this organization align with your philanthropic goals?</i>	
<i>When you are satisfied with your list, select the organizations you will include in your vetting process.</i>	<input type="checkbox"/> Shortlisted for due diligence <input type="checkbox"/> Due diligence completed



	ORGANIZATION 2
<i>Who does the organization aim to serve?</i>	
<i>Where does the organization focus its work?</i>	
<i>Website/Name of Contact/Contact Information</i>	
<i>How does this organization align with your philanthropic goals?</i>	
<i>When you are satisfied with your list, select the organizations you will include in your vetting process.</i>	<input type="checkbox"/> Shortlisted for due diligence <input type="checkbox"/> Due diligence completed



	ORGANIZATION 3
<p><i>Who does the organization aim to serve?</i></p>	
<p><i>Where does the organization focus its work?</i></p>	
<p><i>Website/Name of Contact/Contact Information</i></p>	
<p><i>How does this organization align with your philanthropic goals?</i></p>	
<p><i>When you are satisfied with your list, select the organizations you will include in your vetting process.</i></p>	<p> <input type="checkbox"/> Shortlisted for due diligence  <input type="checkbox"/> Due diligence completed         </p>



VETTING AREAS	WHY IS THIS IMPORTANT TO CONSIDER?
<i>Legal status under the Internal Revenue Code</i>	Only contributions to an organization with 501(c)(3) are tax deductible.
<i>Organizational history</i>	An organization's track record is indicative of its experience in the field.
<i>Goals</i>	Effective organizations are clear about their goals and the approach they take towards meeting them.
<i>Strategy</i>	Effective organizations have consistent and complementary programs and are not spread too thin.
<i>Governance and management</i>	Senior staff should have experience and knowledge relevant to the organization's goals. Board members should have the expertise to provide strategic direction.
<i>Financials</i>	Effective organizations ensure their financial health by managing their budgets efficiently, fundraising from a diversified stream of donors, tracking and having resources in reserve.
<i>Monitoring and evaluation</i> <i>(see explanation below)</i>	Effective organizations function as learning organizations by tracking program outcomes and obtaining continuous feedback that informs their current and future work.

# RESOURCE: RED FLAG TABLE

	TRANSPARENCY	LEGAL STATUS/ORGANIZATIONAL HISTORY		GOALS			
POSSIBLE RED FLAGS	Basic information is not made publicly available, including one or more of the following: the organization's approach, programs and services, or board members.	The organization is not legally registered as a charitable organization in the U.S.—i.e., 501(c)(3) or 501(c)(4).	Research turns up negative press coverage (current or past).	It is not clear where the organization is headed in the near future.	The organization is undergoing a change in its approach/vision.	The organization does not seem to engage its target population in a meaningful way.	The organization pursues multiple, disparate strategies with limited resources.
FOLLOW-UP QUESTIONS	<ul style="list-style-type: none"> <li>• Does the organization provide contact information?</li> <li>• When contacted, is the organization transparent about its work? Is there a particular reason it does not share its information?</li> </ul>	<ul style="list-style-type: none"> <li>• Is the organization registered outside of the U.S.? If so, where?</li> <li>• Why is the organization unregistered?</li> </ul>	<ul style="list-style-type: none"> <li>• Are the organization's focus areas contentious in any way, and thereby more likely to provoke dissent?</li> <li>• How has the organization addressed or responded to the issues in the negative press coverage?</li> </ul>	<ul style="list-style-type: none"> <li>• Is the organization in a transition phase?</li> <li>• Is the organization working in a dynamic field that requires flexibility?</li> <li>• Can the organization's</li> </ul>	<ul style="list-style-type: none"> <li>• What are the reasons for this change?</li> <li>• How was the new approach/vision determined?</li> </ul>	<ul style="list-style-type: none"> <li>• What barriers might the organization face in engaging its target population?</li> <li>• How does the organization take the target population's perspectives into</li> </ul>	<ul style="list-style-type: none"> <li>• Why does the organization employ such strategies?</li> </ul>
DONOR REFLECTION	<ul style="list-style-type: none"> <li>• Do you have enough information to get a sense of the broad areas of due diligence and to feel comfortable funding the organization?</li> </ul>	<ul style="list-style-type: none"> <li>• Are you willing to support an organization not registered in the U.S.?</li> <li>• Is it necessary that your gift be tax deductible?</li> </ul>	<ul style="list-style-type: none"> <li>• Do you feel that the organization has appropriately and sufficiently responded to the issues brought up by the press coverage?</li> </ul>	<ul style="list-style-type: none"> <li>• Do you feel that the organization has enough future direction that your funds can contribute to its progress?</li> </ul>	<ul style="list-style-type: none"> <li>• Are you willing to support an organization's efforts to change its approach/vision?</li> </ul>	<ul style="list-style-type: none"> <li>• Do you feel the organization sufficiently engages the target population given the focus area?</li> </ul>	<ul style="list-style-type: none"> <li>• Do you feel the organization places sufficient emphasis on the strategies that are most important to you?</li> </ul>



# RESOURCE:

## RED FLAG TABLE CONT.

	STRATEGY	GOVERNANCE AND MANAGEMENT		MONITORING AND EVALUATION		
POSSIBLE RED FLAGS	<p>Programs/services are spread thin across multiple, incohesive issues and/or focus areas.</p>	<p>The organization has undergone a series of major leadership transitions (e.g., changes in executive director, chief executive officer, chief finance officer, etc.).</p>	<p>Board members or significant donors have conflicts of interest.</p>	<p>The board lacks expertise about and/or representation from the organization's intended beneficiaries.</p>	<p>The organization does not clearly track its work and impact.</p>	<p>The organization has had a series of ineffective programs and/or does not apply lessons learned to its future work.</p>
FOLLOW-UP QUESTIONS	<ul style="list-style-type: none"> <li>• Is the organization large enough to justify such a wide focus?</li> <li>• Is the organization able to demonstrate past success across its focus areas?</li> </ul>	<ul style="list-style-type: none"> <li>• Is the organization transparent about these transitions and the factors that caused them?</li> <li>• How has the organization handled the transitions?</li> </ul>	<ul style="list-style-type: none"> <li>• Is the organization transparent about any conflicts of interest? How does it address the conflicts?</li> <li>• How might the conflicts affect the organization's work?</li> </ul>	<ul style="list-style-type: none"> <li>• What barriers may the organization face in engaging these key players?</li> <li>• How does the board try to make up for the lack of this perspective?</li> </ul>	<ul style="list-style-type: none"> <li>• Does the organization have sufficient capacity (e.g., staff, expertise) to track its work and impact?</li> <li>• How does the organization know it is making progress?</li> </ul>	<ul style="list-style-type: none"> <li>• What does the organization do with the information it collects about its past programs?</li> <li>• How does the organization seek to improve its programs and general functioning?</li> </ul>
DONOR REFLECTION	<ul style="list-style-type: none"> <li>• Do you feel the organization places sufficient emphasis on the programs and services that most interest you?</li> </ul>	<ul style="list-style-type: none"> <li>• Are you willing to support an organization undergoing a leadership transition?</li> </ul>	<ul style="list-style-type: none"> <li>• Do any conflicts of interest affect the organization's alignment with your philanthropic goals?</li> </ul>	<ul style="list-style-type: none"> <li>• How does this organization's beneficiary representation compare to that of others in its field?</li> </ul>	<ul style="list-style-type: none"> <li>• Do you trust the organization's account of progress in its programs?</li> <li>• Are you comfortable supporting a program that has yet to collect data on its work and impact (e.g., through pilot programs or trials)?</li> </ul>	<ul style="list-style-type: none"> <li>• Do you consider ineffective programs part of the learning process?</li> <li>• Does the organization demonstrate interest in improving its programs?</li> </ul>

	<b>FINANCIALS</b>		
<b>POSSIBLE RED FLAGS</b>	An organization with an annual budget over \$1 million does not have audited financial statements (as required by the IRS).	The organization relies on a single donor or a small group of donors.	The organization has a growing deficit or has demonstrated extreme volatility.
<b>FOLLOW-UP QUESTIONS</b>	<ul style="list-style-type: none"> <li>• Is the organization generally transparent about its finances?</li> </ul>	<ul style="list-style-type: none"> <li>• Does the organization have a feasible strategy in place to diversify its revenue sources?</li> </ul>	<ul style="list-style-type: none"> <li>• What factors have contributed to this financial state? Is the organization working in a volatile field?</li> <li>• What is the organization doing to address its deficit in the next 2–3 years (e.g., fundraising activity, revenue generation)?</li> </ul>
<b>DONOR REFLECTION QUESTIONS</b>	<ul style="list-style-type: none"> <li>• Are you willing to support an organization that does not comply with audit requirements?</li> </ul>	<ul style="list-style-type: none"> <li>• Are you willing to be part of a smaller group of donors or to be the only donor supporting an organization?</li> </ul>	<ul style="list-style-type: none"> <li>• Do you consider a current deficit a significant risk?</li> <li>• Are you tolerant of some financial volatility in the organizations you choose?</li> </ul>

## B. CONDUCT — DUE DILIGENCE

### INSTRUCTIONS

Complete due diligence on your shortlisted organizations, either on your own or with an advisor.

Much of the information you need will be on an organization's website, in recent annual reports, or in the online resources listed above (and similar resources). If some information is not readily available, you may consider contacting the organization. In conducting your due diligence, don't let your information requests be a drain on the organization's time and resources. Ensure that the amount of information you are requesting is commensurate with the size of your intended gift.



## B. CONDUCT — DUE DILIGENCE

### INSTRUCTIONS

For each organization on your shortlist, conduct due diligence to assess its effectiveness and look for red flags in order to make your funding decisions. Circle any questions you plan to review later. It may help to read the questions before you begin your research.

Caveats before your due diligence:

- You do not have to answer every question in detail before funding an organization—many organizations do not have all this information available, but are still extremely effective.
- On the other hand, if most of this information is difficult to find, that could raise a red flag.
- Do not rush to judgment based on an organization's website—maintaining a compelling online presence requires significant staff capacity that may be focused elsewhere.
- If any of your research raises concerns, consult the red flags table in Section 5 to understand how to move forward with your decision-making.

Stanford PACS' EPLI webpage.



**B.** CONDUCT  
— DUE DILIGENCE

Goals	
<b>1. Does the organization clearly define its goals and strategy for creating social change?</b>	Reading an organization’s mission statement or theory of change can help you get a sense of this. Effective organizations clearly define their goals and the approach they take to meet these goals.
Strategy	
<b>1. Are the organization’s programs and services aligned with its mission and goals?</b>	An organization’s missions and goals should be consistent—or at least complementary—across their various programs and services. It is important to ensure that their programs are not spread too thin across disparate areas.
Monitoring and Evaluation	
<b>1. Does the organization share how it tracks and measures the success of its work?</b>	This information is often provided in annual reports or other documents. It is important for organizations to track past outcomes to inform their current and future work. A lack of a successful track record does not have to deter your gift—what is important is that the organization collects outcomes for its programs, is transparent about its failures, and intentionally applies the lessons learned to its next initiative.
<b>2. Does the organization incorporate what it learns into future programs?</b>	Effective organizations expand on past successes, and do not repeat past failures.



**B.** CONDUCT  
— DUE DILIGENCE

Legal Status/Organizational History	
<p><b>1. Is the organization legally registered?</b></p>	<p>Legal registration signals that organizations are adhering to basic standards and accountability frameworks in the country in which they work. Some organizations, like houses of worship, are not always registered. In the United States, a nonprofit will generally be registered as a 501(c)(3) or 501(c)(4) organization. Gifts to a 501(c)(3) are tax deductible; those to a 501(c)(4) are not. International organizations can set up fiscal sponsors to provide tax benefits for their U.S. donors.</p>
<p><b>2. Does the organization have offices in the regions where it works? If so, where?</b></p>	<p>This will be indicated on the organization’s website, often in the “Contact Us” section. Having staff on-site is critical for building relationships with communities, carrying out effective programs, and conducting monitoring and evaluation.</p>
<p><b>3. Is media coverage (if any) of the organization positive?</b></p>	<p>Conduct a quick Internet search of your organization. A lack of media coverage is not a red flag—it can be extremely difficult for smaller organizations doing impactful work to gain media coverage. However, a series of scandals and negative public perception may present concerns about an organization’s work.</p>
Governance and Management	
<p><b>1. Does the organization’s senior staff have the relevant experience, knowledge, and skills needed in their work?</b></p>	<p>A variety of factors can indicate staff members’ capability; one key factor is depth of experience within their field. Other factors can include familiarity with beneficiary communities and diverse skill sets across the staff as a whole. It is also important that the staff represent an organizational commitment to diversity and inclusion. Many nonprofit organizations include staff bios on their website; consider whether the staff size is appropriate and the roles are well-rounded for the organization’s scope of work.</p>
<p><b>2. Does the organization’s board have the well-rounded experience, knowledge, and skill needed to provide the organization with strategic direction?</b></p>	<p>Boards can play an important role in providing legal, technical, and strategic guidance; checks and balances within organizational structure; and fundraising support. It is important to have a diverse, inclusive board with active members that do not present any conflicts of interest with the organization’s work.</p>

**B.** CONDUCT  
— DUE DILIGENCE

Financials	
<p>Along with your other sources, Nonprofit Explorer can help you find the financial information you need for this section. This online database provides data from nonprofit tax returns and PDFs of full Form 990 documents.  <a href="https://projects.propublica.org/nonprofits/">https://projects.propublica.org/nonprofits/</a></p>	
<p><b>1. Have the organization's financial records been audited?</b></p>	<p>Nonprofits with gross annual revenues of \$1 million or more may be required by the IRS to provide an audited financial statement prepared by an independent CPA. A nonprofit with gross annual revenue between \$750,000 and \$1 million must provide a financial review by an independent CPA. If the nonprofit is not legally required to be audited and has not been audited, this is not a red flag—audits can be expensive for smaller organizations, and may be unnecessary for their level of financial complexity.</p>
<p><b>2. Are the organization's revenue and funding sources diverse (e.g., from across foundations, corporations, government agencies, and individuals)?</b></p>	<p>You can look at an organization's Form 990 or on its website for a list of funding sources—often listed as partners. A diverse revenue stream is important for a nonprofit's stability and financial health. A concentrated revenue stream does not necessarily have to deter your donation—it could represent an urgent need and key opportunity for impact. Additionally, when looking through funding sources, consider that large foundations and other established institutions often use rigorous evaluation criteria when choosing their grantees. Having one as a funder signals a certain degree of achievement that can boost your confidence in an organization.</p>
<p><b>3. Is the organization's revenue greater than its expenses?</b></p>	<p>In other words, does the organization show a positive balance of funds? This is crucial for an organization's financial sustainability. If its expenses exceed its revenue, see if the organization has a plan for fundraising or generating alternative revenue, and look into how long the organization has had a deficit.</p>



**B.** CONDUCT  
— DUE DILIGENCE

	YES	NO	NOT SURE
<b>LEGAL STATUS/ORGANIZATIONAL HISTORY</b>			
Is the organization legally registered?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the organization have offices in the regions where it works? If so, where?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is media coverage (if any) of the organization positive?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>GOALS</b>			
Does the organization clearly define its goals and strategy for creating social change?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>STRATEGY</b>			
Are the organization's programs and services aligned with its mission and goals?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>GOVERNANCE AND MANAGEMENT</b>			
Does the organization's senior staff have the relevant experience, knowledge, and skills needed in their work?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Does the organization's board have the well-rounded experience, knowledge, and skill needed to provide the organization with strategic direction?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>FINANCIALS</b>			
Have the organization's financial records been audited?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Are the organization's revenue and funding sources diverse (e.g., from across foundations, corporations, government agencies, and individuals)?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Is the organization's revenue greater than its expenses?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>MONITORING AND EVALUATION</b>			
Does the organization share its outcomes and impact from past programs?	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>





B. CONDUCT  
— DUE DILIGENCE

INSTRUCTIONS

If you would like to dive deeper into your understanding of an organization, or if you are considering making a gift that is significant to your philanthropic budget or to the organization in question, you can use the remaining questions to learn more. Otherwise, skip ahead to the end of the worksheet.

Advanced Due Diligence

YES NO NOT SURE

Does the organization have sufficient evidence or research supporting its chosen strategy?

*Ask how the organization created its strategy. This can include social science research or practice-based evidence, evidence from its previous work, or feedback from beneficiary communities.*

Is the organization’s work aligned with the needs of its target population?

*Ask how the organization began to understand the needs of its beneficiaries. To ensure that an organization’s work is rooted in the needs, goals, and way of life of its target population, it should seek input from beneficiaries in determining its programs and services. This can take multiple forms—having beneficiary community members on the staff or board, holding community feedback sessions, etc.*

Are the organization’s goals and approach coherent over time?

*Ask how an organization’s approach may have changed over time. For older organizations, a change in strategy can demonstrate responsiveness to the needs of an ever-changing world or continuity (or lack) of values grounding the organization’s work. This can often be gauged by going through annual reports from different periods of the organization’s history.*

Is the organization heading into or in the midst of any significant leadership transitions?

*Leadership transitions, especially among executive directors, can often be a turning point for organizational mission and strategy. Prior to and during this period, it is important that an organization have a detailed plan for handling the transition. You can also ask how the organization has handled any previous leadership transitions.*





**B.** CONDUCT  
— DUE DILIGENCE

When you are satisfied with your answers to the preceding questions, take some time to reflect on the strengths and weaknesses of this organization.

Strengths

Weaknesses

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Do you see this organization fitting into your philanthropic vision? Why or why not?

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If you do not feel that this organization is aligned with your philanthropic goals, remove it from your shortlist of organizations and move forward with due diligence for another organization.

# EPLI PHILANTHROPY PLANNER

## FINDING AND VETTING SUMMARY

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Now that you have completed this module, turn to the Finding and Vetting Summary on the next page. List the organizations you would like to fund and their key strengths. Tear out the completed table to include in your Philanthropy Planner at the end of the toolkit.

# FINDING AND VETTING ORGANIZATIONS SUMMARY

**INSTRUCTIONS**

Compare the strengths and weaknesses of the organizations you have kept on your shortlist after each due diligence investigation. Identify at least one from each issue/focus area that you feel is well-aligned with your philanthropic goals and that you would like to fund.

Issue/focus area: \_\_\_\_\_

Organization 1: \_\_\_\_\_

Why this organization?: \_\_\_\_\_

\_\_\_\_\_

Organization 2: \_\_\_\_\_

Why this organization?: \_\_\_\_\_

\_\_\_\_\_

Issue/focus area: \_\_\_\_\_

Organization 1: \_\_\_\_\_

Why this organization?: \_\_\_\_\_

\_\_\_\_\_

Organization 2: \_\_\_\_\_

Why this organization?: \_\_\_\_\_

\_\_\_\_\_

Issue/focus area: \_\_\_\_\_

Organization 1: \_\_\_\_\_

Why this organization?: \_\_\_\_\_

Organization 2: \_\_\_\_\_

Why this organization?: \_\_\_\_\_

Issue/focus area: \_\_\_\_\_

Organization 1: \_\_\_\_\_

Why this organization?: \_\_\_\_\_

Organization 2: \_\_\_\_\_

Why this organization?: \_\_\_\_\_