

VETTING AREAS	WHY IS THIS IMPORTANT TO CONSIDER?
LEGAL STATUS UNDER THE INTERNAL REVENUE CODE	<p>Only contributions to an organization with 501(c)(3) are tax deductible.</p>
ORGANIZATIONAL HISTORY	<p>An organization's track record is indicative of its experience in the field.</p>
STRATEGY	<p>Effective organizations are clear about their goals and the approach they take toward meeting them.</p>
PROGRAMS & SERVICES	<p>Effective organizations have consistent and complementary programs and are not spread too thin.</p>
GOVERNANCE & MANAGEMENT	<p>Senior staff should have experience and knowledge relevant to the organization's goals. Board members should have the expertise to provide strategic direction.</p>
FINANCIALS	<p>Effective organizations ensure their financial health by managing their budgets efficiently, fundraising from a diversified stream of donors, tracking, and having resources in reserve.</p>
MONITORING AND EVALUATION <i>(See explanation)</i>	<p>Effective organizations function as <i>learning organizations</i> by tracking program outcomes and obtaining continuous feedback that informs their current and future work.</p>

POSSIBLE RED FLAGS

- Not legally registered as a charitable organization—e.g., 501(c)(3) or 501(c)(4) registration for US organizations
- Negative press coverage (current or past)
- Repeated changes in organization’s strategy and vision
- Pursuit of multiple, disparate strategies with limited resources
- Programs/services are spread across multiple, disconnected issues or focus areas
- No signs of meaningful engagement with the target population
- A series of major changes in leadership (e.g., in the position of executive director, chief executive officer, chief finance officer)
- Board members or significant donors have conflicts of interest
- Board lacks expertise about nonprofit governance or lacks representation from the organization’s intended beneficiaries
- For organizations with an annual budget over \$1 million, no audited financial statements (as required by the IRS)
- Growing deficit or unexplained financial volatility
- Reliance on a single donor or a small group of donors
- No statements or reports on recent work and results
- Reports show no indication that strategies have been adapted to address challenges and lessons from past work