

# THE PHILANTHROPY TOOLKIT

*An Introduction to Giving Effectively*

THE STANFORD UNIVERSITY  
EFFECTIVE PHILANTHROPY LEARNING INITIATIVE



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## ACTIVITY

### SHORTLIST ORGANIZATIONS

#### INSTRUCTIONS

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

WORKSHEET  
SHORTLIST ORGANIZATIONS

## INSTRUCTIONS

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

	ORGANIZATION 1
WHO DOES THE ORGANIZATION AIM TO SERVE?	
WHERE DOES THE ORGANIZATION FOCUS ITS WORK?	
WEBSITE / NAME OF CONTACT / CONTACT INFORMATION	
HOW DOES THIS ORGANIZATION ALIGN WITH YOUR PHILANTHROPIC GOALS?	
WHEN YOU ARE SATISFIED WITH YOUR LIST, SELECT THE ORGANIZATIONS YOU WILL INCLUDE IN YOUR VETTING PROCESS.	<input type="checkbox"/> Shortlisted for due diligence <input type="checkbox"/> Due diligence completed



WORKSHEET  
SHORTLIST ORGANIZATIONS

ORGANIZATION 2	ORGANIZATION 3
<div><input type="checkbox"/> Shortlisted for due diligence</div> <div><input type="checkbox"/> Due diligence completed</div>	<div><input type="checkbox"/> Shortlisted for due diligence</div> <div><input type="checkbox"/> Due diligence completed</div>



## ACTIVITY

### 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 at the back of the toolkit. 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.



## ACTIVITY

### 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 of 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 5.3** to understand how to move forward with your decision-making.

*Continued on the following page.*



## ACTIVITY

### CONDUCT DUE DILIGENCE

LEGAL STATUS / ORGANIZATIONAL HISTORY	
Is the organization legally registered?	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 US donors.
Is media coverage (if any) of the organization positive?	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.
STRATEGY	
Does the organization clearly define its goals and strategy for creating social change?	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.
PROGRAMS & SERVICES	
Are the organization's programs and services aligned with its mission and goals?	An organization's missions and goals should be consistent—or at least complementary—across its various programs and services. It is important to ensure that the organization's programs are not spread too thin across disparate areas.

GOVERNANCE & MANAGEMENT	
Does the organization's senior staff have the relevant experience, knowledge, and skills needed for their work?	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 websites; for each organization, consider whether the staff size is appropriate and the roles are well-rounded for the organization's scope of work.
Does the organization's board have the well-rounded experience, knowledge, and skill needed to provide the organization with strategic direction?	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 who do not present any conflicts of interest with the organization's work.
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.</p> <p><b><a href="https://projects.propublica.org/nonprofits">projects.propublica.org/nonprofits</a></b></p>	
Have the organization's financial records been audited?	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.
MONITORING & EVALUATION	
Does the organization share how it tracks and measures the success of its work?	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.





## WORKSHEET CONDUCT DUE DILIGENCE

### LEGAL STATUS/ORGANIZATIONAL HISTORY

YES

NO

NOT SURE

Is the organization legally registered?

☐☐☐

Does the organization have offices in the regions where it works? If so, where?

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Is media coverage (if any) of the organization positive?

☐☐☐

### GOALS AND APPROACH

Does the organization clearly define its goals and strategy for creating social change?

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### PROGRAMS AND SERVICES

Are the organization's programs and services aligned with its mission and goals?

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### GOVERNANCE AND MANAGEMENT

Does the organization's senior staff have the relevant experience, knowledge, and skills needed in their work?

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Does the organization's board have well-rounded and appropriate experience, skills, and capacity needed to provide the organization with strategic direction?

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### FINANCIALS

Have the organization's financial records been audited?

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Are the organization's revenue and funding sources diverse (e.g., from across foundations, corporations, government agencies, and individuals)?

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Is the organization's revenue greater than its expenses?

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### MONITORING AND EVALUATION

Does the organization share its outcomes and impact from past programs?

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## WORKSHEET 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 offices in the regions where it works? If so, where?**

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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.

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

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

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

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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?**

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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 reviewing annual reports from different periods of the organization's history.



## WORKSHEET CONDUCT DUE DILIGENCE

	YES	NO	NOT SURE
<b>Are the organization's revenue and funding sources diverse (e.g., from across foundations, corporations, government agencies, and individuals)?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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.

<b>Does the organization incorporate what it learns into future programs?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Effective organizations expand on past successes, and do not repeat past failures.

<b>Is the organization's revenue greater than its expenses?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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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.

<b>Does the organization have a suitable plan for monitoring and evaluating its current programs?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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Nonprofits should have metrics for tracking whether their initiatives are being implemented well, on time, and on budget. While a certain level of evaluation is important, also consider that rigorous third-party evaluations are prohibitively expensive for many nonprofits. Evaluations may also be done in-house.

<b>Is the organization heading into or in the midst of any significant leadership transitions?</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
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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 how the transition will be handled. You can also ask how the organization has handled any previous leadership transitions.



## WORKSHEET CONDUCT DUE DILIGENCE

YES NO NOT SURE

Is the organization's current budget made available? If so, is the organization's budget appropriate for its goals and strategies?

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Organizational budgets vary tremendously across scope and sector, but an organization's budget should align with the scale of its work. You can also consider specific program budgets to determine this. We do not recommend comparing program costs and overhead costs, as an organization's overhead budget is critical for maintaining and building its organizational capacity. Note that many organizations do not disclose their budget until the financial year is over; you can look at their financial statements for past budgets.

**AS YOU LEARN MORE ABOUT THE ORGANIZATION,  
KEEP THE FOLLOWING QUESTION IN MIND:**

**What is the organization's greatest funding need?**

Organizations best understand their own needs, and aligning your gift with those needs can often help you maximize the impact of your philanthropy. This could include any initiatives for which they are currently actively fundraising.

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## WORKSHEET 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

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### 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 & 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? .....

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Organization 2: .....

Why this organization? .....

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**ISSUE / FOCUS AREA**

Organization 1: .....

Why this organization? .....

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Organization 2: .....

Why this organization? .....

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ISSUE / FOCUS AREA

Organization 1: .....

Why this organization? .....

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Organization 2: .....

Why this organization? .....

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ISSUE / FOCUS AREA

Organization 1: .....

Why this organization? .....

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Organization 2: .....

Why this organization? .....

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