

Paradigm for: Evaluating Nonprofit Organizations

VALUES	Recommended Best Practice	Things to Consider	Notes and Comments
Mission Alignment	Compare your grantmaking philosophy and mission statement to organization.	Does their organization fit your own value system ?	
		Is it the type of organization you want to fund? i.e. Start-up, established, local to Houston, small, large?	
		Is the purpose of the organization aligned with your mission, vision and values?	

RESULTS AND IMPACT	Recommended Best Practice	Things to Consider	Notes and Comments
Programs	Programs should be providing measurable and reportable services.	What needs are being met by these programs?	
		Is the purpose of the programs understandable?	
Program Operations and Collaboration	Organizations should have the capacity to deliver the programs in a sustainable and professional manner.	Is the program adequately staffed?	
		Does the organization budget for professional development?	
		Are the programs well run and using best practices? (site visit may be needed)	
Program Reporting	In most cases, organizations should be connected to and be knowledgeable about local and/or national strategies and partnerships.	Does the organization work collaboratively in their field?	
		Organizations should be reporting data on an annual basis.	
Program Reporting	Organizations should be reporting data on an annual basis.	How many clients were served (outputs)? What was the impact of the program (outcome)?	
		How is the organization reporting the outputs and outcomes? Are they evaluating their results?	

Evaluating Nonprofit Organizations

ACCOUNTABILITY AND TRANSPARENCY	Recommended Best Practice	Things to Consider	Notes and Comments
Form 990/ Audits	Current financial information should be easily accessed and available – electronically and usually on organization website.	Look for Form 990 (tax return).	
		Look for audit statements.	
		Look for annual reports.	
Management and Senior Leadership	Retention of senior leadership staff should be ≥ 75%.	Is compensation in line with overall performance, budget, staff size of the organization?	
	Bios and background of key staff members should be available and in line with operational demands of organization.	Based on the experience of the CEO/Executive Director do you have confidence in their leadership?	
Board Engagement	Board meets according to meeting policies, with a meeting attendance rate of ≥ 67%.	What percentage of board contributes financially to the organization?	
		Do you know the board members? Are they community	
		Are they available to speak with potential donors?	
Accountability to Beneficiaries/ Clients/ Community	Organizations should be performing surveys of clients/customers/beneficiaries and responding to the data received.	Does the organization get feedback from its clients? If so, how often?	
		Are they responsive to their clients/beneficiaries?	
		Are they keeping track of the communities they serve? And are they serving a clear need in the community?	
Accountability to Donors	Organizations should be communicating regularly with major donors – no less than once a year and ideally with an easily accessible annual report that includes results, outcomes, and reports on any major changes in the leadership	What additional document or reporting do you want to receive from the organization after you have funded it? How often does the organization voluntarily report back to you?	
	For ongoing fundraising campaigns, early donors should receive regular updates on status of the campaign.	Did you donate to a capital campaign that is ongoing or just started? If so, is the organization keeping you informed about meeting its goals?	

Paradigm for: Evaluating Nonprofit Organizations

FINANCIAL HEALTH	Recommended Best Practice	Things to Consider	Notes and Comments
Operating Budget	Revenue should meet or exceed expenses and growth in revenue should exceed rate of inflation.	Does the organization have a fundraising plan?	
		Is this organization established or in start-up mode? Is there a clear explanation of any discrepancies?	
Income Sources	A balance of three or more income sources is ideal.	Does the organization receive funds from diverse sources: individuals, foundations, government, corporations, fees for services?	
		If one source of income were lost, would the organization be at risk?	
Reserve/ Endowment	Best practices is to have three to six months savings in reserve.	Is the organization taking the necessary steps to build a reserve to remain operational if it were to lose a key component of support?	
Administrative/ Fundraising Expense (overhead)	≤25% in administrative expenses ideal, but it is important to look at broader picture, outcomes, and context when larger. ≤ 35% may be justifiable based on special circumstances.	What percentage of the budget is being spent on overhead and/or administrative expenses?	