

# Every Dollar Counts: How To Evaluate a Nonprofit

10 QUESTIONS TO ASK BEFORE  
MAKING A DONATION



**D**onating to charity is an act of faith in the possibility of a better world—that’s why every dollar counts. And with the holiday giving season approaching, you may be receiving more requests from nonprofits and starting to think about the causes you want to support. According to the National Center for Charitable Statistics, the U.S. is home to more than 1.5 million nonprofit organizations. With so many to choose from, how do you decide which ones to support?

**Whether you’re researching organizations or already have some in mind, here are 10 key questions to ask when evaluating a nonprofit.**

# 1 Do You Know Your Philanthropic Personality? /

Evaluating a nonprofit to ensure there's alignment with your mission really depends on the type of funder you are—or want to be. Are you an innovator? An advocate? A change agent? A capacity builder? For example, let's say you want to contribute to education. There are several ways to go about this, but you want to be sure the steps you take tie back to the defined role you want to play in fulfilling your philanthropic objectives. Do you want to advocate for education change on Capitol Hill? Or build schools in Africa? Those are two very different paths, so before you find the right nonprofit, it's important to define your philanthropic personality.

EVALUATING A NONPROFIT TO ENSURE THERE'S ALIGNMENT WITH YOUR MISSION REALLY DEPENDS ON THE TYPE OF FUNDER YOU ARE—OR WANT TO BE. /



# 2 Does the Organization Have a Clear Mission That Aligns with Your Passions and Values? /

Look for specificity. It should be focused, concise and clearly explain the entity's unique set of skills for strategically solving problems. Ambiguous intent with statements such as "We're dedicated to making the world a better place" often leads to vague, ineffectual work. What is the overriding purpose of the organization? Is it clearly focused on an issue or cause that matters to you? When you do receive a proposal, does the need addressed align with your mission and objectives? It should be a clear fit—from the population they serve to their organizational strengths.

# 3 Does It Meet a Critical Need? /

In other words, does the nonprofit matter? You need to determine that there's a clear need for its services and whether there's substantial data available to justify its mission and efforts. It's important to understand what its target population is and what percentage of that population it serves. Then you can examine whether these numbers have increased or decreased over time.

# 4 Do You Agree With Its Approach? /

How is the nonprofit fulfilling its mission? A group of nonprofits with similar missions, say ending childhood hunger, may approach the same problem from different angles and perspectives. Be sure you agree with the organization's strategy and tactics for addressing the issues you care about. Do they make sense? Are they based on credible research? Are you comfortable with them? For example, if the nonprofit frequently lobbies state and national legislatures yet you dislike politics, it may not be the right fit for your donation.

To compare nonprofits with a similar focus, visit "watchdog" organizations like [CharityWatch](#), [Charity Navigator](#), [Give](#), and [GiveWell](#). These websites apply uniform standards to grade the financial and programmatic quality of nonprofits. They will also help you beware of scams, fraudsters, and fake charities trying to trick unwary, but well-intentioned donors.

## 5 Is It Making a Positive Impact? /

For many people, impact-driven philanthropy is a top priority. Will you achieve a bonafide positive impact by donating? Can the nonprofit prove its success? Does it report tangible evidence that it's successfully meeting its goals? If results aren't publicized, consider it a red flag, and instead donate to a nonprofit that tracks data and provides metrics of success. After all, you have to trust the recipient to make your contribution count.

To take it a step further, choose a nonprofit that will partner with you to measure impact. For example, a nonprofit could work with you to provide serial funding with future gifts that are contingent on results.

But don't base success only on output. Instead, look at the outcome.

For example, if your goal is to help at-risk school children do better in class—and you want to gauge how effective a charity's after school program is in achieving this—look beyond how many kids participate.

That's the program's output, but what may really count is its outcome; how significantly the children's performance in school improves.

ONE OF THE BEST WAYS TO GET TO KNOW YOUR PROSPECTIVE NONPROFIT IS TO PAY THEM A VISIT. MEET THEIR LEADERS AND CONSIDER VOLUNTEERING FOR THEM. /



## 6 Does It Have a Solid Reputation and a Credible Board of Directors? /

Check to see if the nonprofit has been in the news—and if that news has been positive. Does it have an upstanding reputation? Any allegations of bad conduct? Even if you suspect that the organization has been unfairly tarred by controversy, whether deserved or not, negative publicity can compromise success.

Additionally, look at the board of directors. Are its members chosen logically and thoughtfully, or are they seemingly chosen at random? Is the board dominated by the founder and a few insiders? Ideally, a mix of influential individuals and rainmakers should comprise the board along with experts relevant to the organization's mission.

## 7 Are They Transparent? /

Do they make their financial information readily available? If so, be sure their expenses are in line with their budget and look at their 990-PF form to verify its tax-exempt status. It's also a good idea to do a quick search to see if other reputable donors are funding the organization. If they're hiding something, it's in your best interest to move on.

## 8 Have You Looked Locally? /

You don't have to look far from home to find those who are in need. Nonprofits with local ties, particularly with communities that are marginalized, are often disproportionately impacted. This has been starkly illustrated by COVID-19, racial and social justice concerns and recent natural disasters that are having the

greatest impact on communities of color, low-income communities, LGBTQIA+ people and people with disabilities. Also, try seeking out nonprofits taking the long-view approach as opposed to just focusing on the immediate aftermath of attacks, situations and extreme weather-related events.

## 9 Have You Done a Site Visit? /

One of the best ways to get to know your prospective nonprofit is to pay them a visit. Meet their leaders and consider volunteering for them. This is a great way to get to know the people, how they operate and the quality of the work. Site visits also help you build relationships—it's a great first step to learn more about them even before you ask for a formal proposal or grant request. However, a site visit alone isn't sufficient—what you learn while there must be considered in the context of the other steps to ensure the right fit.

## 10 Are You Factoring in Flexibility and Responsiveness When It Comes to Giving? /

It's not always what you give—it's also how and when you give that matters, so that nonprofits can use the funding in the way that is most important at that moment. For instance, nonprofits everywhere have been impacted by changes in funding due to the acute and unpredictable needs that emerged in 2020, as well as supply chain issues and a reduction in government support. To help them keep the lights on, consider giving to general operational purposes rather than specifying how the funds should be used.

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### NEXT STEPS

If you're not finding the information you need, contact the nonprofit. And if you're contemplating a sizeable gift or ongoing commitment to the organization, this warrants additional due diligence to ensure your giving creates the desired impact.

By researching before donating, you'll gain valuable insight and experience. With time, you'll acquire the skills to determine when your donation isn't just a gift, but an investment in progress.

### HAVE A QUESTION?

Call 800.839.0054 or send us an email at [info@foundationsource.com](mailto:info@foundationsource.com).

[www.foundationsource.com](http://www.foundationsource.com)

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