

Best Practices Checklist for Funders

As a funder, your foundation plays an important role in strengthening our region's nonprofit ecosystem. This checklist is designed to help you get to know nonprofit organizations more deeply – their mission, leadership, financial health, organizational capacity, and long-term sustainability. Your organization may already have these conversations in place in a non-formal setting. This can be a great asset to craft to fit your organization's needs, especially within the granting process.

Use this guide as a conversation starter and a learning tool. It's not intended to serve as a formal evaluation or scoring tool, but as a framework for exploration. The goal is to help you:

- Identify where funding, partnership, connections, or other support could help build a nonprofit's capacity and sustainability.
- Recognize organizations already demonstrating strong practices, learning, and impact.

By using this guide, your foundation is investing not only in individual organizations, but in the shared growth, effectiveness, and resilience of our community.

This conversation guide will lead you through seven key areas to help you understand a nonprofit on a deeper level. These topics represent areas where strong organizations continually learn, adapt, and strengthen:

1. Organization Board & Leadership
2. Strategic Planning
3. Finance
4. Fundraising
5. Human Resources
6. Evaluation & Outcomes
7. Communication & Marketing

Before your conversation, take a little time to learn about the organization beyond what they have shared with you. Explore its website and social media, review available financial or annual reports through their 990, talk with others familiar with its work, and read recent news or stories about its impact. This background can help create a more meaningful, informed, and relationship-centered discussion.

1. Organization Board & Leadership, *Strong governance and leadership guide mission success.*

- How does the organization ensure that the board represents a range of skills, experiences, and community perspectives?
- How does the organization's board provide appropriate oversight, governance, and strategic leadership?

- How do the Board of Directors and Executive Director/CEO assess their effectiveness and follow through on areas for improvement?
- What experience does the Executive Director/CEO bring to nonprofit leadership and to the organization's mission area?
- How does the Executive Director/CEO engage with staff, the board, community stakeholders, and funding partners?
- Is there a succession plan in place for leadership transitions, both planned and emergency?

2. Strategic Planning, *Clear goals and direction drive organizational impact.*

- Does the organization have a current strategic plan? If not, how does it approach long-range planning and priority setting?
- How often does the organization revisit or revise its strategic plan, and how does it use the plan to guide decision-making?

3. Finance, *Sound financial management supports long-term sustainability.*

- What is the organization's annual budget? What are its primary sources of revenue, and how diversified is its funding model?
- How does the organization allocate resources across key areas such as programs, operations, fundraising, and administration?
- Are the organization's financial statements, annual reports, and other relevant financial information readily available to funders and the public?
- Does the organization undergo regular audits or financial reviews? If not, what procedures are in place to ensure financial records are accurate, transparent, and protected from misuse?
- What are the organization's greatest short-term and long-term financial challenges, and how is leadership planning for them?

4. Fundraising, *Diverse and aligned funding supports mission growth and stability.*

- Describe the main components of the organization's fund development plan and how they support the organization's strategic priorities.
- How diversified is the organization's revenue base, and are there any funding sources on which the organization is especially dependent?
- How does the organization cultivate and steward relationships with individual donors, foundations, corporate partners, and other funders?
- What systems and procedures are in place to manage grant requirements, reporting, restrictions, and compliance?
- What role does the board play in fundraising, relationship-building, and strengthening the organization's long-term financial sustainability?
- How does the organization approach unrestricted funding, reserves, or other strategies that support flexibility and resilience?

5. Human Resources, *Engaged teams power effective, mission-driven work.*

- What is the organization's approach to recruiting, hiring, developing, and retaining competent, mission-motivated employees? Who is responsible for Human Resources?
- How does the organization support continuing education, professional development, and leadership growth for staff?
- How would employees describe the culture of the organization, including communication, trust, and opportunities for growth?
- What has employee retention looked like over the past 2–3 years, and what workforce challenges or capacity needs is the organization currently navigating?

6. Evaluation & Outcomes, *Measuring impact strengthens programs, learning, and accountability.*

- How does the organization define and track the goals, outcomes, and intended impact of its programs?
- In what ways do those goals and outcomes connect back to the organization's mission, strategic priorities, and overall purpose?
- How are data, community input, and feedback from staff and participants used to inform decisions, improve programs, or adapt the organization's approach?
- How does the organization use what it is learning in strategic planning, and how are results, challenges, and lessons shared with funders and the public?

7. Communication & Marketing, *Effective communication builds awareness, trust, and support.*

- How does the organization communicate its mission, programs, impact, and priorities to key audiences?
- How does the organization build awareness, trust, and support within the community?
- Are its communication materials (e.g., print, social media, website, newsletters, reports) clear, current, accessible, and consistent?
- How does the organization share stories about people and communities connected to its work? Are those stories authentic, respectful, and supported by evidence of impact?

These questions are meant to spark meaningful dialogue and mutual learning. As you reflect, consider what you discovered about the organization's strengths, challenges, capacity needs, and opportunities for growth, especially alongside grant funding.

Consider how your foundation's partnership – through funding, connections, learning, convening, or other support – could strengthen the organization's capacity and long-term sustainability.



Remember, this process is about relationship-building – deepening understanding, strengthening trust, and helping nonprofits and funders grow together for greater community impact.