

finding the **RIGHT FIT**

With more than 1 million charities in the United States, selecting the organization that best aligns with your personal interests and values may seem overwhelming. Engaging in due diligence before you give can help you identify charities that are aligned with your personal interests and will spend your money well.

Philanthropists today are much more strategic in their giving than previous generations. As a donor, you expect the charities you support to be well run and follow sound business practices. You want them to be aligned with your personal interests. And most of all, you want them to be effective. But with so many organizations addressing the same issues and concerns, how do you select which group or groups to support?

The Importance of Due Diligence

Philanthropy is an important part of many people's lives — and something they take

very seriously. As a donor, you likely feel passionate about your giving and want to make a difference in the world. But no matter how worthy the cause or how much you give, if the money isn't spent wisely, it won't have as much impact. For this reason, you may want to consider doing due diligence before making any gifts.

Proper due diligence can help you address a number of issues that, left unchecked, could diminish the power of your philanthropic efforts. For example, are the organization's programs effective? Does the organization's mission mirror

your values? Is the organization well managed, and will it be around in 10 or 20 years? And, perhaps most importantly, will your money be spent wisely? Asking yourself these questions — along with the careful examination of an organization's management, mission and performance — can help you select which organizations to support.

Match the Mission With Your Values

Gene Tempel, director of the Indiana University Center on Philanthropy, suggests starting your due diligence by scrutinizing



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the organization's mission statement. "You want to ask if the mission of the organization reflects [your] personal values," he says. "You may also want to check to see if the mission statement has been changed or updated [recently]."

If the mission statement doesn't clearly state the organization's purpose, ask the organization directly. Knowing exactly what an organization does and precisely whom it serves can be very important in determining if it is a good fit with your personal philanthropic interests.

Also, look closely at the organization's programs. Do they address the problem in a way you agree with? For instance, if you are concerned with homelessness in your community, you can choose to support organizations that provide such services as emergency shelter, drug and alcohol counseling or job training. Before you give, be sure the organization focuses on an area you feel is worthwhile.

Look for a Well-Run Organization

Governance is another key area to explore. Tempel suggests asking if the governing board of the organization mirrors the community it serves, noting that the size and scope of the governing board can be important as well. The organization's planning, management and evaluation also play a role in its effectiveness. Question if the organization has an official planning process involving key stakeholders and ask if the organization examines its effect on the community it serves.

Reviewing the organization's by-laws may provide insight into how it operates. You also can examine annual audits to get an idea of the organization's reputation within the community.

Charles W. Collier, senior philanthropic advisor to Harvard University and the author of "Wealth in Families," suggests talking to a trusted advisor or other "people in the know" as a good way to get a handle on the organization's status. "For example, a foundation that helps guide people with charitable giving is a wonderful source," he says. "My own bias is to get some personal insight on the group by talking to people whose business it is to know."

Financial Health Can Be Critical

Determining the financial health of the nonprofit is also important. To do this, Tempel advises potential donors to ask pointed questions about the organization's budgeting and finance structure, as well as its transparency and accountability. Ask the organization for a copy of its financial statement or scan the organization's 990 forms, which it is required to file with the IRS each year. You also can check with your state attorney's office to make sure no one has filed any fraud claims against the organization.

Reviewing the organization's tax returns can offer information about the group's compensation structures for key staff and provide indications as to whether all tax liabilities are filed and paid in a timely fashion.

A potential financial red flag is an organization that is "administrative-heavy." While

some organizations keep their administrative costs down to the 10% to 15% range, others may be as high as 50% or more. When looking at administrative costs, bear in mind that the type of work an organization does will affect what is a reasonable level of administrative costs.

Effectiveness Is Important

Sometimes a program sounds good on paper but doesn't really make a difference to the population it is intended to serve. Ask if the organization examines its effect on the community it serves. How does it determine its approach? Does it regularly review the effectiveness of its programs? What does it do if the programs aren't working?

Also, be aware of groups attempting to take on new challenges they don't seem prepared for. "A lot of times it looks like a project doesn't fit with what the organization is best known for or what it has been doing," Tempel says. Other factors, such as size of an organization or where it is located, may have little to do with how well it performs.

Take a Personal Look

If an organization seems to be well run and a good fit with your personal values and your philanthropic vision, it may be worth taking a personal look at its opera-

tions before making your first major gift. Visit the group's office, sit down with the executive director or program director, talk to the staff. This can give you a good feel for the organization's day-to-day operations and provides an opportunity to ask questions.

You also may want to consider volunteering. Volunteering not only provides you with an opportunity to get to know a charity before making a donation, but it can also make the gift more meaningful to you and your family. Getting involved in an organization may also give you some leverage over how your gift is used. If the people at the organization know you, they may be more likely to honor your requests.

Feel Confident in Your Giving

Philanthropy can be a very personal process, as you seek to support organizations that share your values and align with your interests. And your reasons for giving may be emotional as much as practical. But acting strategically, not emotionally, when selecting which organizations to support not only can help ensure your money is spent wisely, it can also give you confidence the organizations you're supporting align with your interests. ■

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