



# Resource List on Philanthropic Sourcing and Diligence

By Tiffany Yang and Lyell Sakaue

This resource list compiles articles and reports on nonprofit sourcing and diligence for philanthropy audiences published over the past 20 years. Published research and advice on these topics has evolved quite a bit over that time.

This is not meant to be an exhaustive bibliography. For one thing, although sourcing and diligence is inherently linked to all other parts of grantmaking, this resource list does not include reports covering grantmaking as a whole (e.g., [Participatory Philanthropy for Individual Donors](#) or [Journey Towards Intersectional Grant-Making](#)). However, it does include articles that touch on creating equitable sourcing and diligence processes (e.g., [Grantmaking with a Racial Justice Lens](#)).

**Read Bridgespan's latest article on sourcing and diligence, "[Philanthropic Sourcing, Diligence, and Decision Making: An Equity-Oriented Approach.](#)"**

Below, we start with pointing out a few takeaways, then offer an annotated guide to 26 resources on philanthropic sourcing and diligence.

## Most due diligence resources focus on tactical tools

We found a wealth of tactical tools on how to effectively conduct due diligence on nonprofits; for the most part, the mechanisms described in these tools have not changed over the past two decades. By tactical, we mean answering “how to,” as opposed to more strategic questions around “why.” The tools include checklists of considerations to look for and what to do if certain criteria aren’t met during the process. There appears to be a consensus on the major categories of criteria that are crucial to the diligence process. Although the labels differ between articles, generally they include:

1. Problem or opportunity
2. Credible, high-impact solution
3. Leadership and capabilities to achieve desired impact
4. Sustainable funding model or catalytic role for philanthropic funding
5. Strong commitment to diversity, equity, and inclusion

Some articles focus on how to evaluate financial health or legal compliance, especially in articles on global grantmaking. However, most presume a donor has already identified specific areas for focus and impact, then guide the donor to consider how a potential grantee’s work aligns with the donor’s desired impact.

## While there is less guidance on sourcing, there is a wider range of views

Unlike the literature on diligence, we found the sourcing literature included more resources on strategy. Discussions tend to focus on reactive approaches, such as using an open application versus sourcing by invitation only. By contrast, proactive approaches might include more guidance on how to find potential grantees through community outreach or networks of experts. Most resources agree that the sourcing process is highly dependent on the donor's capacity, since sourcing takes time, and that there are costs and benefits to different sourcing strategies. Sourcing guidance that is more tactical tends to focus on specific domains, such as STEM education. Nevertheless, there is a general push to "get out into the field" to talk to community members, which can include steps such as volunteering at organizations, site visits, and other methods of engagement.

## Equity is increasingly important and central

Articles published in 2019 and later focus more on equity in sourcing and diligence processes. Especially prominent are discussions of mitigating implicit biases and addressing procedural bias in the diligence process. As an example, some resources suggest ways to interpret an organization's financial data in the context of systemic issues like racial disparities in access to philanthropic funding. While there are some promising examples, there is no existing consensus on a precise definition of equity or what it looks like in practice (e.g., an unbiased process).

There has been a general trend away from putting the funder in the role of "investigator" (i.e., seeking out flaws in an organization as a way to decide if the work deserves the donor's support)—a role that magnifies inequities in power between a funder and a potential grantee. However, risk remains a central focus in discussions of sourcing and diligence, especially in discussions of what constitutes a "deal breaker" that would prevent a donor from making a grant. Many articles focus on how to identify "red flags," but few provide solutions to collaborate with grantees on addressing and improving the red flags. One notable exception is S.D. Bechtel Jr. Foundation's [Resiliency Guide](#). More recent articles tend to discuss risk in terms of what the donor hopes to achieve through the due diligence process.

## Gaps in the literature remain

Given that this resource list is not exhaustive, we welcome suggestions to build the list further. Several gaps in the current literature stand out.

Most of our sources rely on US-based, urban voices, which may be due to the investment necessary to create a toolkit or publish research. However, there may be significant differences in effective sourcing and diligence for communities outside the United States or in rural areas, which are missing from the literature.

Additionally, most of the literature addresses sourcing and diligence considerations on the individual grantee level. There may be additional differences to consider that are unique to the portfolio level (e.g., diversifying the grantee demographics of a portfolio and proactively pursuing diverse pipelines for sourcing).

# Resource list

Below we categorize the resources by primary audience. By donors, we mean principals or trustees of a grantmaking entity, and by staff we mean the salaried employees of a grantmaking entity. In some instances, we have noted where the resources are relevant to both audiences. Strategic resources aim to clarify the types of work an organization might pursue, compared to tactical resources that help to illustrate how the work can be conducted. (Note: “Tool” indicates resources such as worksheets, checklists, etc.)

## Resources for Donors

Title	Year published	Author	Category & type
<a href="#">What Makes an Effective Nonprofit</a>	2014	Exponent Philanthropy and Fidelity Charitable	Diligence (Tactical)
<a href="#">What Does Effective Due Diligence Look Like?</a>	2014	Grantmakers for Effective Organizations	Diligence (Tactical)
<a href="#">How to Find Breakthrough Ideas</a>	2015	Monitor Institute, Deloitte Consulting	Sourcing (Strategic)
<a href="#">The Lazy Funder’s Guide to High-Yield Philanthropy</a>	2016	Mulago Foundation	Sourcing (Strategic)
<a href="#">Choosing Among the 10 Types of Big Bets</a>	2017	The Bridgespan Group	Sourcing (Tactical)
<a href="#">“Color Blind” Assessments of Grant Proposals Don’t Work. Here’s a Better Idea.</a>	2019	Nonprofit Finance Fund	Diligence, Equity (Strategic)
<a href="#">Addressing Racially Biased Financial Analysis</a>	2020	Nonprofit Finance Fund	Diligence (Tactical)
<a href="#">Overcoming Racial Bias in Philanthropic Funding</a>	2020	The Bridgespan Group	Equity (Strategic)

## Resources for Staff

Title	Year published	Author	Category & type
<a href="#">Tool for Assessing Startup Organizations</a>	2003	La Piana Associates	Diligence (Tactical)
<a href="#">The Due Diligence Tool</a>	2004	La Piana Associates	Diligence (Tactical)
<a href="#">What Due Diligence Really Means or Not</a>	2010	Thomas A. McLaughlin	Diligence (Tactical)

## Resources for Donors and Staff

Title	Year published	Author	Category & type
<a href="#">Using Competitions and Requests for Proposals</a>	2004	The Foundation Center	Sourcing (Tactical)
<a href="#">Due Diligence Done Well</a>	2010	La Piana Consulting and Grantmakers for Effective Organizations	Diligence (Tactical)
<a href="#">Project Streamline: Due Diligence</a>	2011	Sara Engelhardt, et al.	Diligence (Tactical)
<a href="#">Resiliency Guide</a>	2016	S.D. Bechtel, Jr. Foundation	Diligence (Tactical)
<a href="#">A Practical Guide to Venture Philanthropy and Social Impact Investment</a>	2018	European Venture Philanthropy Association	Diligence (Tactical)
<a href="#">Grantmaking Practices Self-Assessment</a>	2019	Justice Funders	Sourcing, Diligence (Tactical)
<a href="#">Equity in Practice, Part 2: A Closer Look at Risk Management</a>	2019	PEAK Grantmaking and Arabella Advisors	Diligence (Strategic)
<a href="#">Invitation Only: Closing the Door to Equity?</a>	2019	Durfee Foundation	Sourcing (Strategic)
<a href="#">Grantmaking with a Racial Justice Lens</a>	2019	Philanthropic Initiative for Racial Equity	Equity (Strategic)
<a href="#">Due Diligence: Vetting and Evaluating Organizations</a>	2020	Stanford PACS	Diligence (Tactical)
<a href="#">Due Diligence Checklist</a>	2020	Stanford PACS	Diligence (Tactical)
<a href="#">Conducting Philanthropic Due Diligence</a>	2020	Milken Institute	Diligence (Tactical)
<a href="#">Due Diligence Questionnaire</a>	2020	Milken Institute	Diligence (Tactical)
<a href="#">Resiliency Guide Version 5.0</a>	2020	S.D. Bechtel Jr. Foundation	Diligence (Tactical)
<a href="#">Due-Diligence Guide to Support Systems-Change Leaders</a>	2021	The Bridgespan Group	Diligence (Tactical)
<a href="#">Choosing Change: How to Assess Grant Proposals for Their Potential to Reduce Structural Inequality</a>	2022	The Center for High Impact Philanthropy	Diligence (Tactical)

## Resources for Donors

### What Makes an Effective Nonprofit (2014)

**Author:** Exponent Philanthropy and Fidelity Charitable

**Category:** Diligence (Tactical)

**Summary:** This guide is for donors who are just beginning their funding journey. It provides advice on how to source and perform diligence on the first organizations they discover.

It begins with an overview of the five qualities of effective nonprofits:

- **Clear mission and purpose**
  - Communicating their mission clearly to stakeholders
  - Documenting the need and their value-add
- **Ability to perform key functions**
  - Communicate vision and mission
  - Engage and seek stakeholders' input in designing programs, including people who use its services, and serve its target community appropriately
  - Achieve results and track impact against a few key measures
  - Manage an active and informed governance structure
  - Secure resources appropriate to its needs
  - Plan for the future
  - Continue to learn and evolve
- **Strong practices, procedures, and policies**
  - Financial: statements and reporting, fiscal management, diverse funding sources, and efforts to maintain a reserve fund
  - Governance: leadership, healthy board processes, ongoing evaluation, and flexibility to environmental shifts
  - Organizational and program development: strategic plan, client input, positive peer review, healthy staff culture, and demonstrable outcomes
- **Good people**
  - Relevant qualifications and skills among board members, staff, and volunteers
- **Ability to mobilize others**
  - An essential skill for nonprofits seeking to address root causes and bring about long-term change

The guide also suggests ways to source nonprofits, including scanning the landscape and talking to local foundations. Lastly, it provides tips for conducting due diligence. Funders can look to written sources of information, such as annual reports, Form 990s, financial statements, and budgets. They can also opt to visit the organization through a site visit.

## [What Does Effective Due Diligence Look Like?](#) (May 2014)

**Author:** Grantmakers for Effective Organizations

**Category:** Diligence (Tactical)

**Summary:** This article provides an introduction to due diligence and suggests ways to make the process more efficient and effective. It emphasizes the cost of not doing this well and the benefits of an effective due diligence process, including added confidence, greater alignment, more transparency, better relationships with grantees, and better insights into the issues facing nonprofits and the communities they serve. It also lists three key questions the process seeks to answer:

- **How well do the organization's proposed activities align with the grantmaker's guidelines and priorities?**
- **How well do the activities advance the field, provide needed services, or generate new learning?**
- **How does it compare to other proposals?**

To answer these questions, the article suggests funders should prioritize the following types of information:

- Organizational history and track record
- Governance and executive leadership
- Organizational vision and strategy
- Human resources
- External communications
- Relationships and networks
- Financial health
- Planning, outcomes, and evaluation

## [How to Find Breakthrough Ideas](#) (October 2015)

**Authors:** Gabriel Kasper and Justin Marcoux (Monitor Institute, Deloitte Consulting)

**Category:** Sourcing (Strategic)

**Summary:** This article explores the various options available to funders looking to increase their sourcing network. It focuses on strategies to find social innovations and provides five ways to source innovative people and ideas. For each method, the article weighs the pros and cons based on the funder's objective for sourcing. The methods are:

1. Challenges and prizes
2. Intentional networks for seeking ideas
3. Partnerships with incubators, accelerators, and venture capital investors
4. Social innovation labs and convenings
5. Fellowships and other people-based strategies

The article also reminds funders not to forget about their existing grantees, whose established relationship with a funder can lead to innovation with the right shifts.

However, it is important to remember that repeating the same sourcing methods will likely unearth the usual suspects. The article argues that finding innovative ideas requires a deliberate strategy and systematic operations.

## **The Lazy Funder’s Guide to High-Yield Philanthropy (April 2016)**

**Author:** Kevin Starr (Mulago Foundation)

**Category:** Sourcing (Strategic)

**Summary:** This article provides Starr’s perspective on how Mulago is able to achieve maximum impact for their financial resources. His team has stuck to a set of core practices:

1. Figure out exactly what you’re looking for—and act.
2. Don’t take proposals.
3. Give unrestricted funding.
4. When it’s working, keep funding.
5. Only fund organizations that measure (the right) stuff well.
6. Get out in the field.

The core message is to invest time only in the practices that will lead to increased impact, and to invest significantly in those practices.

## **Choosing Among the 10 Types of Big Bets (May 2017)**

**Author:** The Bridgespan Group

**Category:** Sourcing (Tactical)

**Summary:** This is a tool describing 10 types of “big bets,” including four more widely used big bets and six less frequently used ones. For each type of big bet, the tool compares the opportunities for impact, probable donor engagement model, and risks to manage. The 10 types of big bets are (in order of prevalence):

- |                              |                                   |
|------------------------------|-----------------------------------|
| 1. Fund ongoing operations   | 6. Advance institutional research |
| 2. Purchase a physical asset | 7. Endow an organization          |
| 3. Found an organization     | 8. Wage an advocacy campaign      |
| 4. Give to an aggregator     | 9. Provide growth capital         |
| 5. Build a field             | 10. Run a competition             |

The section on risks to manage provides a useful blueprint for probable risks so newer funders can visualize the practical risks associated with each type of grant.



## **“Color Blind” Assessments of Grant Proposals Don’t Work. Here’s a Better Idea. (October 2019)**

**Author:** Antony Bugg-Levine (Nonprofit Finance Fund)

**Category:** Diligence, Equity (Strategic)

**Summary:** Antony Bugg-Levine, the CEO of Nonprofit Finance Fund, reflects on his years of experience as a program officer and now CEO. He argues that color-blind financial assessments are actually detrimental to nonprofits with leaders of color because they fail to consider the unique barriers to capital these leaders face. Bugg-Levine reflects on five ways to center equity when reviewing grant applications:

1. Provide unrestricted funding and connections to other grant makers instead of making challenge grants
2. Find ways to assess a board’s contributions beyond the dollars board members contribute
3. Determine grant size based on the value of the work rather than the current revenue of the organization
4. Ask how a grantee would cover unexpected costs rather than only looking at its formal operating reserve
5. Assess skills and experience rather than using salaries as a proxy for the market value of services

## **Addressing Racially Biased Financial Analysis (2020)**

**Author:** Nonprofit Finance Fund

**Category:** Diligence, Tool (Tactical)

**Summary:** This tool accompanies “‘Color Blind’ Assessments of Grant Proposals Don’t Work. Here’s a Better Idea.” In table form, it examines a range of racially biased financial assessments. It includes an example of each, an explanation of how it exacerbates inequality, and what funders can change to make their practices more equitable. The blind spots in “race-neutral” assessments are:

- Whose board gives
- Who can afford below-cost contracts and grants
- Who can benefit from matching grants
- Minimum revenue required to secure some grants keeps small organizations small
- Funders associate small organizations with community authenticity
- Salaries can be much lower than the market value of the services being provided
- Only certain volunteers count financially
- Endowment existence and size
- What counts toward a reserve
- Whether grantees use cash or accrual accounting methods

## [Overcoming the Racial Bias in Philanthropic Funding](#) (May 2020)

**Authors:** Cheryl Dorsey, Peter Kim, Cora Daniels, Lyell Sakaue, and Britt Savage (The Bridgespan Group)

**Category:** Equity (Strategic)

**Summary:** This article by Bridgespan and Echoing Green explores the unique barriers leaders of color face in fundraising. Via interviews and analysis, the article examines the ways in which racial bias creates a self-perpetuating cycle that leads to chronically underfunded organizations led by people of color. Leaders face four main barriers to capital:

1. Getting connected
2. Building rapport
3. Securing support
4. Sustaining relationships

In every step of the sourcing and diligence process, the article points out that there are places where bias can seep in, which, in aggregate, lead to lower levels of funding. Given that, when performing diligence on each element of a nonprofit (e.g., the governance structure, executive leadership, and financial assessments), funders can take steps to intentionally address their implicit biases to ensure they do not reinforce racial barriers to funding.

## Resources for Staff

### [Tool for Assessing Startup Organizations](#) (June 2003)

**Author:** David La Piana, Liza Culick, Kristen Godard, and William Coy (La Piana Associates)

**Category:** Diligence, Tool (Tactical)

**Summary:** This resource is specifically for assessing startup organizations, which typically are unable to provide traditional due diligence materials. It includes a decision matrix based on size of investment and time horizon of an engagement, which is related to the funder's interest in the organization. The tool itself is structured around the following topics:

- **Supplemental due diligence**

- List of supplemental documents to include in the assessment of a startup organization
- List of interview questions to ask and red flags to look out for based on six competency areas:
  - Governance
  - Leadership
  - Finances
  - Human resources management
  - Development
  - Communications

- **Red flag identification**
  - Includes a checklist of areas for review and some reflection questions on the overall risk profile
- **Options for managing the risk(s)**
  - Includes a risk-assessment decision tree

## **The Due Diligence Tool (December 2004)**

**Authors:** Liza Culick, Kristen Godard, and Natasha Terk (La Piana Associates)

**Category:** Diligence, Tool (Tactical)

**Summary:** This tool was created to standardize the process of sourcing and diligence for program officers at foundations. It draws from the tools and processes created by program officers, predominantly from California-based foundations, where the authors are also based. The piece contends that much of this work depends on the preferences of the foundation and that sourcing and diligence is more art than science. But the authors identified and wanted to bridge gaps in knowledge for new program officers or those who were transferring from one foundation to another.

The tool itself is structured around a long list of questions that program officers should ask at each stage of the process:

- **Proposal and document review**
  - Project focus and design
  - Project budget and overall financial health
- **Conversation with the applicant**
  - The assessment questions
    - Organizational history and track record
    - Governance and executive leadership
    - Organizational vision and strategy
    - Proposed project: planning, outcomes, and evaluation
    - Human resources
    - External communications and relationships
    - Financial health
- **Applying your due diligence findings**
  - Red flag identification and understanding the risk
  - Factors to balance
  - What are your options moving forward?
  - Assistance to organizations to strengthen capacity

There is also a section focused on legal compliance that explores the dangers of lobbying, electioneering, and terrorism. It also covers charitable status and the legal requirements of each kind of organization.

In the appendix, the tool provides a checklist of materials to review, a list of questions to consider at each stage of the process, and an extensive list of assessment questions with space to note red flags.

## **What Due Diligence Really Means or Not (October 2010)**

**Author:** Thomas A. McLaughlin

**Category:** Diligence (Tactical)

**Summary:** Thomas McLaughlin is an author, consultant, and professor of nonprofit management and nonprofit mergers. In this article, he explores the term “due diligence,” its history, and the implied meaning of the phrase. McLaughlin starts with a history of the phrase as it was first used by securities brokers and in for-profit mergers and acquisitions. Then the article shifts to focus on the following key components of a nonprofit due diligence investigation.

- **Risk.** “The due diligence process is about reducing risk,” the authors write. However, unlike traditional due diligence, nonprofit due diligence includes assessments of the assets and liabilities of individuals in an organization, since reputational risk is equally important.
- **Materiality.** The due diligence process should be focused on researching factors that are material to the project’s success. Focusing on legitimate but immaterial red flags can derail the process.
- **Wide range of topics.** A wide range of factors should be considered in the due diligence process; these factors can include “culture of governance, a CEO’s personality, and the value of a particularly unique program.” These factors will depend on the goal of the due diligence.
- **Transparency.** The findings of this process should be shared with all stakeholders (including the nonprofit), which means the due diligence should be conducted with that transparency in mind.
- **Analyses.** It is important not only to document the information uncovered in the due diligence process but also to analyze the information and clearly state the implications (or “so what”) of the findings.
- **Range of inquiry.** While due diligence usually starts with the most pressing and unanswered questions, the question of where to stop in the due diligence process depends on when both sides are satisfied that a reasonable range of topics has been covered.

## Resources for Both Donors and Staff

### Using Competitions and Requests for Proposals (October 2004)

**Author:** Ellen Arrick (The Foundation Center)

**Category:** Sourcing (Tactical)

**Summary:** This guide brings donors through the detailed considerations they should think about regarding competitions or requests for proposals (RFPs). The planning process for an RFP takes three to six months, while the implementation of the RFP takes an additional six months. Given the investment required, the authors explain that it makes the most sense to post an RFP when the donor is entering an unfamiliar field or moving away from old networks, or wants to increase transparency in grantmaking, ensure coordination in a field, or encourage the field to move in a new direction.

Regardless of whether the competition is managed internally by the funder, externally through an intermediary, or designed by a grantee, the guide explains that using advisors can enhance the selection process. Competitions are also an opportunity to learn who the actors are in a field and the most important issues these actors want to explore. Not everyone in a field will be selected. Nevertheless, the guide suggests providing smaller awards for runners-up, referring them to other funders, regularly inviting them to convenings, and always sending an explanatory letter to those who aren't chosen.

The last portion of the guide includes a checklist of the information a donor should provide to all applicants and a checklist of information they should ask applicants to provide. It also provides an 18-step planning and implementation timeline.

### Due Diligence Done Well (2010)

**Author:** William H. Woodwell Jr. (La Piana Consulting and Grantmakers for Effective Organizations)

**Category:** Diligence (Tactical)

**Summary:** This article is an update to the 2004 Due Diligence Tool. It is tactically simpler and emphasizes the burden placed on nonprofits during the diligence process. The article lists the benefits of due diligence as greater confidence, more transparency, better relationships with grantees, and better insights into the issues facing nonprofits and the communities they serve. It focuses on creating a "right-sized" approach to diligence that ensures funders aren't asking for unnecessary information. To do this, the article focuses on four things funders should think about:

1. What do you really want to know? (This depends on a funder's relationship with the grantseeker, the type of grant, and the size of the grant.)
2. How will you get the information you need?
3. Are there ways to stage the due diligence process? (This is so grantseekers do not have to provide all the information in bulk at one time.)
4. What can you reasonably expect to learn—and in what amount of time?

The article includes a six-step process for due diligence, but with less detail in each step than the previous version. Instead, the focus is on a list of priorities:

1. Organizational history and track record
2. Governance and executive leadership
3. Organizational vision and strategy
4. Proposed project: planning, outcomes, and evaluation
5. Human resources
6. External communications
7. Relationships and networks
8. Financial health

Finally, the article breaks down risks and red flags that may be deal breakers, but it argues that the decision should not be a yes or no question of whether to fund the organization. It suggests other ways to continue supporting an organization even if it may not be the best fit for the grant. The article also urges funders to ensure that, regardless of the outcome, they communicate the findings to the applicant.

### **Project Streamline: Due Diligence (2011)**

**Authors:** Sara Engelhardt, Nancy Roberts, Pamela Foster, Lourdes Inga, Andrew Schulz, and Chuck McLean

**Category:** Diligence (Tactical)

**Summary:** Part of the Guide to Streamlining series, this article provides a highly technical guide to the legal compliance portion of due diligence. It begins by busting five myths about the due diligence process:

1. “We must get the same due diligence materials from each grantee.”
2. “We must complete all due diligence at the beginning of the grantmaking process.”
3. “We need to have a copy of grantseekers’ IRS determination letter and Form 990 in every file.”
4. “We’re required as grantmakers to make sure our grant doesn’t ‘tip’ our grantee into being a private foundation.”
5. More (due diligence) is better.

The article then distinguishes between the parts of the due diligence process that are legally required versus the steps that funders choose to take. For the steps that are required by law, it includes detailed steps on how to determine if an organization is a 501(c)(3). The article then goes into depth on the legal requirements when granting domestically to 501(c)(3), 509(a)(1), 509(a)(2), US government entities, 509(a)(3), and private foundations. It also includes legal requirements for international grantmaking.

## **Resiliency Guide** (March 2016)

**Author:** S.D. Bechtel, Jr. Foundation

**Category:** Diligence (Tactical)

**Summary:** This resiliency guide was created by the S.D. Bechtel Jr. Foundation to ensure organizations receiving grants from them received appropriate support to thrive even after the foundation sunsetted in 2020. The guide was designed to supplement, not replace, due diligence processes. It lists seven resiliency factors and provides examples of organizations that would benefit from capacity building in each, along with ways to strengthen each factor. The guide emphasizes collaboration and offers a model for how to talk about red flags while providing actionable recommendations to address them.

The guide's seven resiliency factors are summarized below:

- 1. Culture of learning.** An organization's commitment to learning, improving, and adapting.
- 2. Talent and leadership.** The skills and talents of the team—and a leader's approach to guiding and aligning people's efforts.
- 3. Context (outside-in thinking).** External context and trends (i.e., shifts in funding streams, changes in relevant policy or regulation, or the work of other actors in a field).
- 4. Planning and execution.** Clarity about goals and desired outcomes, coupled with capabilities that are well aligned with those goals and plans.
- 5. Reputation and communications.** A combination of credibility and track record, as well as compelling stories.
- 6. Partnerships and alliances.** Working with and through networks to effect durable change in a field or community.
- 7. Financial footing.** This includes adequate cash reserves; reliable and recurring revenue that covers the real cost of programs and operations; foresight; strong systems for oversight and reporting; and the capability to make good use of these systems and to reframe financial projections as circumstances change.

## **A Practical Guide to Venture Philanthropy and Social Impact Investment** (March 2018)

**Authors:** Luciano Balbo, Priscilla Boiardi, Lisa Hehenberger, Deirdre Mortell, Pieter Oostlander, and Elena Vittone (European Venture Philanthropy Association)

**Category:** Diligence (Tactical)

**Summary:** This guide was designed for funders interested in venture philanthropy and social investment in Europe. It provides an overview of the investment process and the situations that are unique to the social impact sphere in Europe. Part of the investment process involves sourcing and performing due diligence on potential social purpose organizations, which are the equivalent of US nonprofits.

The guide refers to sourcing as “deal flow” and provides a few sourcing channels:

- **Networking with intermediaries and other funders**
- **Sector-specific conferences**
- **Existing portfolio organizations**
- **Desk research**
- **Business plan competitions**

The authors suggest strategies to optimize deal flow, some of which are relevant to philanthropic sourcing:

- **Work with experienced co-investors.**
- **If you choose to cast your net widely, be sure to include easily accessible information about what you will and will not fund, including an example of an ideal investment.**
- **Develop a clear point of view on your value-add to social purpose organizations. Source from organizations you already know, especially if they had a positive experience working with you, because they are more likely to recommend peers.**

The guide also lists three categories to cover during the due diligence process:

- **Social impact**
  - Theory of change
  - Impact measurement systems
- **Financial sustainability**
  - Market size, growth, developments, and segments
  - Sources of income
  - Financial history, budgets, and forecasts
- **Organizational resilience**
  - Organization—legal structure, quality of management, governance, transparency of results, and board quality
  - Operations—how funding candidates deliver on their strategy

A needs assessment that identifies where the funder can support, any risks associated with the investment, and potential mitigation measures are also key to uncover in the diligence process.



## **Grantmaking Practices Self-Assessment (March 2019)**

**Author:** Justice Funders

**Category:** Sourcing and Diligence, Tool (Tactical)

**Summary:** This tool provides a checklist for funders to self-assess their organization's grantmaking practices against the field's consensus on best practices. For each standard, the organization can fall into three categories.

- **Red light:** Our organization has not gone there.
- **Yellow light:** Our organization has started conversations or taken some first steps.
- **Green light:** Our organization is fully on board.

The areas of assessment include:

- Strategy development
- Outreach and application
- Due diligence
- Making the case
- Award and implementation
- Evaluation and learning
- Internal capacity

## **Equity in Practice, Part 2: A Closer Look at Risk Management (August 2019)**

**Authors:** Kheira Issaoui-Mansouri and Melissa Sines (PEAK Grantmaking and Arabella Advisors)

**Category:** Diligence (Strategic)

**Summary:** This article was produced by PEAK Grantmaking and Arabella Advisors as part of their Equity in Practice series. This part addresses a question funders should ask themselves: "Have we named our appetite for risk and examined our due diligence requirements accordingly?" While risk management is an inherent and inevitable part of the process, funders should continuously reexamine their criteria for minimizing risk. For example, financial criteria that apply to larger organizations may not be applicable to smaller organizations even if the grants are proportionally the same. Thus, equitable risk management requires:

- Defining and contextualizing risk
- Being explicit internally and externally about your appetite for risk
- Being flexible and adaptable with due diligence requirements
- Taking informed risk rather than avoiding risk at all cost
- Building strong relationships with grantees as a strategy to mitigate risk

Funders interested in improving their processes can learn by comparing their processes with those of other funder peers also interested in improving equity.

## **Invitation Only: Closing the Door to Equity?** (November 2019)

**Author:** Claire Peeps (Durfee Foundation)

**Category:** Sourcing (Strategic)

**Summary:** Claire Peeps is executive director at the Durfee Foundation in Los Angeles. The article balances a humble tone with suggestions for philanthropic peers in the region. It suggests that foundations should move toward an open application process because an invitation-only structure is outdated and not in line with current inclusion and equity practices. There may still be reasons for foundations to choose an invitation-only process, but it is important to reexamine their practices to determine whether they are falling short on equity.

In a survey of nonprofit leaders, the Durfee Foundation found that while most preferred an open application, leaders also pointed out the tension of appreciating invitation-only applications, since it limits the competition. However, open applications also signal a funder's commitment to equity.

Peeps argues that funders should take a hybrid approach that recognizes adopting an open application will not lead to more equitable opportunities if the criteria for selection aren't equitable. In particular, she suggests:

- **Writing clear guidelines** so nonprofit leaders have agency in determining if they're a good fit.
- **Inviting a letter of interest** so nonprofits have an opportunity to make themselves known without the funder feeling pressured to accept or reject them.
- **Explaining your selection process** so the grantmaking process is demystified.
- **Being available by phone** so funders can easily build relationships and learn about new opportunities.
- **Listing board and staff** so grantseekers know who the decision makers are. Acknowledging funder fragility, because tax-exempt foundations have a responsibility to remain transparent and accountable.
- **Building trust** so foundations are incorporating best practices and strategic decision making is in the hands of nonprofit leaders.

## **Grantmaking with a Racial Justice Lens** (December 2019)

**Authors:** Rinku Sen and Lori Villarosa (Philanthropic Initiative for Racial Equity)

**Category:** Equity (Strategic)

**Summary:** This piece is a guide for funders to better align their work with racial justice. It urges funders to invest in racial justice—a step up from racial equity—and provides checklists and testimony from nonprofit leaders to guide their work.

To answer the question of what to fund, the guide encourages funders to:

- 1. Prioritize building power** to address the imbalance in power dynamics and shift power to the grassroots and constituents.
- 2. Redefine impact** so that problems without easy solutions are funded and grantees have more agency over measuring progress.

To answer the question of how to fund, the guide suggests funders:

- 1. Support movement ecosystems** to provide support to connected and interdependent actors so they can move toward their impact goals more effectively.
- 2. Ease the burden on grantees** by expanding access and understanding that their day-to-day work in the community takes precedence over the grant process. Specifically, funders should consider:
  - Being explicit about racial justice, so groups know you're open to that topic. Limiting questions to those required for grant decisions. Avoid the interesting but extraneous.
  - Offering application support (e.g., a “how to apply” webinar).
  - Giving adequate preparation time.
  - Allowing a conversation to replace a written application or report.
  - Avoiding strict character-count requirements.
  - Adopting a common grant application with similar foundations.
  - Providing at least 25 percent for infrastructure in project grants (instead of the typical 10-15 percent allocated to indirect costs and overhead).
  - Researching the grantees and leaders applying for grant money.
  - Limiting site visits; when they do occur, cover costs for staff, lunch, and so on.
  - Seeking grantee recommendations outside of your usual circles.
  - Avoiding requiring convenings or collaboration as a condition of funding.
  - Supporting collaborative projects as well as individual grantees.
  - Providing feedback if the grant is not approved.

## **Due Diligence: Vetting and Evaluating Organizations (June 2020)**

**Author:** Stanford Center on Philanthropy and Civil Society (Stanford PACS)

**Category:** Diligence (Tactical)

**Summary:** “Due Diligence: Vetting and Evaluating Organizations” is chapter 8 in the Stanford PACS *Guide to Effective Philanthropy*. It includes a due diligence checklist at the end of the chapter, which is included separately in this literature review (see next entry).

The chapter provides a tactical overview of the due diligence process with resources on where to find the necessary information, including a list of charity evaluation websites. It explores the following six essential questions throughout the due diligence process.

- 1. Legal compliance.** Is the organization in compliance with tax and other regulations?
- 2. Goals.** What does the organization aim to accomplish?
- 3. Strategies.** What are the organization’s strategies (i.e., its “theory of change”) for reaching its goals?
- 4. Capabilities.** What are its capabilities for implementing these strategies in terms of leadership and human resources, financial capability, and transparency?
- 5. Diversity, equity, and inclusion.** How well does the organization meet your diversity, equity, and inclusion criteria?
- 6. Monitoring, learning, and evaluation.** How does the organization know if it is making progress?

Using D.C. Central Kitchen as an example grantee, this chapter breaks down each of the above questions. It explains why the question is important, what to look for, and where to find the information. Then, it evaluates D.C. Central Kitchen against each of the questions in detail.

## **Due Diligence Checklist (June 2020)**

**Author:** Stanford Center on Philanthropy and Civil Society (Stanford PACS)

**Category:** Diligence (Tactical)

**Summary:** This checklist is part of the *Stanford PACS Guide to Effective Philanthropy’s* chapter on due diligence. It is a supplementary checklist to the six essential questions explored in the chapter.

It guides the user through a series of “Yes” or “No” sub-questions for each of the six main questions. If the answer is “No,” the checklist provides a set of follow-up questions next to a red flag. It also includes optional questions to ask grantees regarding the following topics:

- General transparency
- Legal compliance
- Goals
- Strategies
- Governance, management, and human resources
- Financials
- Diversity, equity, and inclusion
- Monitoring, evaluation, and learning

## **Conducting Philanthropic Due Diligence (September 2020)**

**Author:** Milken Institute

**Category:** Diligence (Tactical)

**Summary:** This article answers tactical questions about each step of the diligence process. Notably, it suggests using funder learning networks and volunteer work to conduct due diligence. It also urges funders to “right-size” their diligence and be mindful of inherent biases. When conducting the actual due diligence, it lists three main categories for consideration:

- **Accountability**
  - Strategy and planning
  - Milestones and monitoring Management
  - Financial sustainability
- **Collaboration**
  - Knowledge sharing
  - Strategic partnerships
- **Effectiveness**
  - Track record and learning agenda
  - Setting, tracking, and evaluating performance goals
  - Stakeholder perspective on effective impact achievement
- Infrastructure
- Community engagement

The article ends with a list of resources about the due diligence process.

## **Due Diligence Questionnaire (September 2020)**

**Author:** Milken Institute

**Category:** Diligence (Tactical)

**Summary:** This tool provides lists of questions for funders to ask their potential grantees and to ask themselves during the due diligence process. The questions fall into four categories:

- Strategic fit
- Organizational capacity
- Human capital
- Impact

## **Resiliency Guide Version 5.0** (December 2020)

**Author:** S.D. Bechtel, Jr. Foundation

**Category:** Diligence (Tactical)

**Summary:** Like the 2016 version cited above, Version 5.0 of this guide provides a framework for funders and staff to better understand the resilience of a nonprofit organization while providing actionable steps to improve resiliency moving forward.

Additionally, it builds on the learnings from 2020 in the reports [Resilience at Work](#) and [Resilience in 2020](#) to provide an updated understanding of the factors influencing nonprofit resilience.

The updated guide's seven resiliency factors:

- **Purpose driven.** A galvanizing commitment to mission, meaning, and values
- **Clear eyed.** Challenges faced head-on while maintaining faith in ultimate success
- **Agile.** Future-oriented, inclusive planning and adaptive management practices for navigating an uncertain future
- **Open.** Intentional communication with internal and external stakeholders
- **Empowered.** Inclusive organizational culture that embraces shared leadership
- **Committed to self-renewal.** Space created for rest and rejuvenation Connected. Supported by personal relationships, institutional links, and community networks

## **Due-Diligence Guide to Support Systems-Change Leaders** (January 2021)

**Author:** The Bridgespan Group

**Category:** Diligence (Tactical)

**Summary:** This tool provides two sets of questions for each of the four “superpowers” critical to systems-change work. One set is for the potential grantee, while the other is designed for other stakeholders. The four superpowers:

- Deep understanding of the problem and ecosystem
- Vision for equitable and durable population-level change
- An organizer's mindset
- Trusting relationships and credibility with the actors required to achieve change

## Choosing Change: How to Assess Grant Proposals for Their Potential to Reduce Structural Inequality (May 2022)

**Author:** The Center for High Impact Philanthropy

**Category:** Diligence (Tactical)

**Summary:** This tool provides five criteria, summarized below, that funders interested in addressing structural inequalities should use to assess grant proposals. The first two address proposal characteristics that are central to tackling structural inequality, while the last three address the proposal's likelihood of succeeding:

- **Inclusion.** Involvement of intended beneficiaries
- **Durability of power.** Assurance that gains of power will persist
- **Strength of evidence.** The case for potential success
- **Organization capacity.** Ability to implement, measure, and manage results Systems-level change. Approach to addressing systems-level barriers

For each of the criteria, the tool provides a list of questions to ask about the proposal and a scoring continuum. Proposals can receive a score between 0 and 4, and the tool includes descriptions of proposal characteristics for each of the scores.

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