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Self Assessment Tool for Community Development Organizations

About The Self Assessment Tool

This Self-Assessment Tool was developed is a companion piece to *Assessing Your Organization*, one of 36 manuals in The Enterprise Foundation's Community Development Library™. It is designed to assist the staffs and boards of nonprofit community development organizations with taking a systematic look at key aspects of their organization's performance and state.

The tool includes indicators and red flags on key organizational issues, including:

- Legal, financial management and budgeting issues
- Human resources
- Governance and planning
- Information technology
- Communications
- Program management and resource development

How to Use the Self-Assessment Tool

This tool consists of questions, each one dealing with an essential element of success, and a discussion of the implications your answers to these questions have for your organization. The best use of this tool will come if you:

- **Use these results to help you think through organizational operations, status, projections, and growth or reduction scenarios.** Organizational analysis provides a concentrated method of viewing current, past or projected operations and organizational status. The questions asked reflect our view of *critical activities* necessary for the success of many nonprofits. Use your answers to the questions to help you determine how the organization can govern, manage and perform better.
- **Look for trends.** Operations and status change as an organization takes on new programs or progresses through a learning curve in running a current program.

Looking for trends — by comparing results across *at least* two years, and preferably three — gives deeper insight into an organization’s present and future.

- **Look for red flags.** Poor results on critical indicators — such as the lack of strong internal controls and bookkeeping and accounting systems that result in a clean A-133 audit, to take an example from the Financial Management and Budgeting section — are red flags that may require quick action. Each red flag may be appropriate for nonprofits at different stages of development, but they should be monitored.

Stages of Organizational Development

This tool has been designed to be helpful to community development organizations across a range of developmental stages. For example, an emerging organization may use the tool for guidance in establishing its initial structure. An evolving organization may use the tool to identify areas where additional policies and systems are needed or where policies need further clarification. A mature organization may use the tool to evaluate its existing policies and practices.

As you work with the tool, be sensitive to the current stage of your organization and realistic in your expectations of the organization.

Instructions

The self-assessment tool is designed to allow nonprofits flexibility in how the tool is used, who is involved in the self-assessment process, and when a self-assessment takes place. You can decide what type of self-assessment process is most appropriate for your setting and stage of development.

There are four basic steps to the self-assessment process:

- Step 1: Answer the questions in each section.
- Step 2: Assign a Performance Rating under each section.
- Step 3: Assign a Priority Rating under each section to determine an initial time frame for addressing issues identified in Step 1.
- Step 4: Develop an Action Plan that describes what activities, if any, you will undertake to improve organizational performance in each section.

Writing the Action Plan

The action plan is designed to help you translate each section into specific activities to complete.

For each Action Plan describe:

- what activities will be undertaken to strengthen your organization in that section;
- what resources are needed for each activity;
- who will complete each activity; and
- when each activity will be completed

To generate ideas on the activities that could be used to support each section you may want to refer to other manuals within the CDLibrary.

The activities on this action plan will need to be incorporated with any other planning process or planning documents used by your organization. If you are completing the self-assessment process as an individual board or staff member, the action plan can be used as a framework for sharing your findings and decisions with other staff and board members.

Legal Issues

Nonprofit, tax-exempt organizations are corporations with specific legal constraints and requirements. Affiliation with sponsors, sponsoring an affiliated nonprofit, and ownership of other corporations, nonprofit or otherwise, may complicate the legal picture. At all times nonprofits must avoid even the appearance of conflicts of interest.

Questions and Implications

Is the organization incorporated and recognized as tax-exempt under federal (IRC 501(c)(3)) and state law?

There are solid reasons why donors, lenders, board members and others will insist that an organization incorporate and become legally tax-exempt. If you are not incorporated and tax-exempt, it is a red flag.

Are the articles of incorporation and bylaws in place and reviewed periodically?

Almost all nonprofits will have articles and bylaws, but few will review them annually for current accuracy.

Does the organization have a relationship with a legal counsel who is familiar with its community development work?

Many community development organizations will need continuing advice and counsel. The best advice is from an attorney experienced with nonprofits engaged in similar work.

Does the organization have a strong conflict of interest policy in place?

Many nonprofits get tripped up on conflicts of interest when decisions are made in the interest of other parties instead of the nonprofit. Donors and other stakeholders will hesitate to commit resources to an organization that experiences conflicts of interest. This is a red flag if the board is appointed by third parties, if relatives are involved anywhere in the organization or if the nonprofit hires contractors.

Does the organization maintain a clear separation between itself and a sponsor or parent?

Public bodies, churches and other institutions sponsor the creation of nonprofit organizations. Stakeholders, regulatory agencies, staff and others can become confused if the line between the parent and the nonprofit is blurry. This can be a red flag, especially for community-based organizations, since they can lose their nonprofit status.

The Bottom Line on Legal Issues: Incorporate, diligently watch for conflicts of interest, and keep the organization separate from the parent.

Legal Issues Assessment

Performance Rating	
5 =	We do an excellent job in this area.
4 =	We do a good, respectable job in this area.
3 =	We do an OK job in this area, but still need improvement
2 =	We don't do this well, and our poor performance holds us back as an organization.
1 =	We've done nothing in this area.
N/A =	More information on our work in this area is needed before assigning a rating.

Priority Rating	
5 =	This section requires immediate attention.
4 =	This section requires attention within the next 90 days.
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Related Explanation: _____

Action Plan			
Priority Rating: _____		Performance Rating: _____	
Activities	Resources Needed	Committee or Individual to Complete	Timeline

Financial Management and Budgeting

Nonprofit organizations depend on other people's money. Good financial management means an organization has the systems, controls and reporting so that it knows, and can report on, how it has used its funds. Nonprofits without good financial management may be unprepared for fiscal changes, or unable to convince donors or regulators that they are using funds appropriately. Budgets are the fiscal component of operating plans; nonprofits lacking budgets to guide spending can quickly, and unknowingly, veer off course.

Questions and Implications

Has the organization written fiscal policies and accounting procedures that include clear policies and procedures on contracting and procurement?

Contracting and procurement open the door to possible misunderstandings or even misuse of funds. Written policies and procedures — reviewed by an accountant, approved by the board and distributed to all staff — help to prevent difficulties.

Is an annual audit conducted?

An audit is required by many donors and lenders. An audit performed by a certified public accountant (CPA) provides the most accurate representation of an organization's financial status.

Does the organization have the strong internal controls and bookkeeping and accounting systems that result in a clean A-133 audit?

A-133 audits — also done by CPAs — review whether an organization has the controls and systems necessary to assure the proper use of federal funds. Lack of this review is a red flag for all groups except start-ups.

Does the organization have professional liability insurance for staff and board; bonding for those with fiduciary responsibility; property and liability insurance; and appropriate project insurance?

These are all risk-abatement measures and are often viewed as somewhat unnecessary — until they are needed.

Has the organization met all legal fiscal responsibilities, such as paying wage taxes and workers' compensation on time?

Organizations with limited cash sometimes look to defer their legal fiscal responsibilities to preserve cash for other purposes, especially meeting payroll. This is very much a red flag for any nonprofit not meeting its obligations.

Does the organization have an annual budget process that involves all relevant staff and board?

Budgets are a numerical representation of the operational plan. All board and staff involved in policy or procedures need to be consulted when drafting the budget, and they need to compare budget to actual expenses as operations move from plan to action.

Does the organization’s fiscal system provide for timely and appropriate reports to relevant staff and board on program, project and organizational budgets, actual expenditures, projected cash flow, income statements, and balance sheets?

Most organizations do not provide their key board and staff decision makers and managers with timely, relevant financial information. Staff and board need to see monthly statements of budget-to-actual variations so they can adjust operations to account for changing circumstances. Similarly, board and staff need to make periodic reviews — typically monthly or quarterly, but more frequently in times of crisis — of financial statements. Lack of good and timely reporting is a red flag for any group.

Does the organization have a contractual relationship with a CPA firm experienced in nonprofit and (if appropriate) real estate accounting?

A CPA firm can select and install accounting systems, train staff in using the systems, provide periodic financial reports to board and staff, help to interpret the reports, help to prepare the organization’s books for an audit, and, in some cases, perform the audit. A strong relationship with a competent individual or firm experienced in the nonprofit’s field is insurance against fiscal error. Lack of a relationship with an appropriate firm is a red flag for all groups except start-ups.

The Bottom Line on Financial Management and Budgeting: Budget through an inclusive process, maintain good internal controls, get annual audits and have timely fiscal reports to the board (at least monthly) and to the staff (as necessary to manage programs).

Financial Management and Budgeting Assessment

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Governance

Nonprofit organizations are governed by their boards of directors. In newer organizations the board may need to help the nonprofit's operations; in more mature nonprofits, the board articulates policy, agrees to a budget, and hires and oversees the executive director. Ultimately, boards are responsible for the health and growth of their organizations.

Questions and Implications

Are all board members familiar and in agreement with the current mission statement?

Nonprofits are mission-driven corporations. A strong sense of mission energizes and focuses the organization. Lack of one is a red flag for many organizations.

Do board members understand and respect the division of roles and responsibilities between the board and its staff?

Too many nonprofit boards interfere with the staff's ability to perform. In smaller and newer nonprofits, board members may provide a valuable service by assisting with operations. For older and larger organizations, an interfering board is a flagrant red flag for the organization as a whole.

Is the organization's board knowledgeable about the current programs, services and fiscal situation?

Informed governors make better decisions. Staff and board leadership needs to ensure that all board members get the information they need to stay informed.

Does the board contain a sufficient range of leadership, expertise and experience to make it an effective governing body?

Governing a nonprofit business requires skills involving business operations, finances, legal responsibilities, community relations and decision-making. While organizations at different stages of development require different activities for board members, at any stage the board needs to be comprised of individuals who add positive value to the organization.

Do board members understand how to make decisions for the good of the organization?

Some organizations, even some that have achieved success, do not have boards that can make decisions easily or well. This red flag can undermine all attempts to improve the nonprofit and may have to be addressed before anything else.

Does the organization provide new board members with a thorough orientation that includes member responsibilities and important program and administrative information?

An orientation gives new board members the information they need to govern well. Orientation is also the beginning of their relationship with the nonprofit and is the time when they should be cultivated to maximize their ongoing involvement.

Do board members receive clear and succinct agendas and supporting written material in a timely manner prior to board and committee meetings?

Better decisions are made when board members have the opportunity to review pertinent information. They usually appreciate the courtesy as well.

Does the board usually reach a quorum at its meetings?

Nonprofits without regular quorums need to find out the reasons as quickly as possible. This is a red flag for many organizations.

Does the organization have organized and empowered standing committees appropriate to the administrative and program needs of the organization? Do committee assignments reflect the interests, experience and skills of the board members?

Committees help a multifaceted organization govern itself better, especially larger organizations or those that need frequent board action for activities such as property acquisition approval.

Are board and committee meetings well organized, productive and a good use of board members' time?

Poor meetings sap energy, commitment and good spirits. Part of the board leadership's responsibilities is to structure and lead effective meetings.

The Bottom Line on Governance: Better decisions can be made by an informed board, structured and constituted for success, and committed to advancing the organization's mission.

Governance Assessment

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Human Resources

Having a competent staff that works well with the board is the goal for any organization. Human resource issues, though — hiring, firing, evaluating performance — can be difficult for many nonprofits. Many organizations, especially those in crisis or with new executive directors, may find that the roles and responsibilities for board and staff members overlap and come into conflict, to the detriment of the nonprofit.

Questions and Implications

Are the roles of board and staff clearly delineated and understood, and appropriate for the organization's stage of development?

Perhaps no other issue so clearly separates successful nonprofits from those less successful. Board involvement in daily operations is required before staff is hired and during some crisis situations. Otherwise, the board's role is policy and oversight, and the staff's is operations. This is a red flag for the many organizations with confused or conflicted board and staff roles.

Does the organization distribute and explain a written, up-to-date personnel manual — including policies, job descriptions, staff development policies, vacation schedule, etc. — to all employees?

Written personnel manuals abate the risks of litigation and provide the clarity that can improve staff morale.

Does the organization conduct fair, annual performance reviews of all staff, including the executive director, using a consistent written format?

Performance reviews are often a useful method of improving staff performance and can provide a necessary framework for disciplinary actions. Lack of fair, consistent, well-written and implemented performance reviews is a red flag, especially for older groups.

Are staff and volunteers given a formal orientation to the organization?

Nonprofits can be busy and confusing places. Staff and volunteers need an orientation to get off on the right foot.

Does the organization have clear policies and procedures for addressing sexual harassment, discrimination or other personnel complaints?

Thankfully, most nonprofits do not experience episodes of sexual harassment or discrimination — but those that do can be thrown into turmoil. Clear policies and procedures can help.

Does the board understand how to properly recruit, hire, supervise and evaluate an executive director?

The executive director will be the chief operating officer at most organizations. One of the board's most important functions is selecting, overseeing and (if necessary) terminating the executive director. This is a red flag, especially for an organization saddled with a less than satisfactory performance record.

The Bottom Line on Human Resources: Have clear policies, keep board and staff separated, and fairly evaluate all staff.

Human Resources Assessment

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Planning

Planning is necessary for sound operations. Different levels of planning need to involve different people within the organization: The board and senior staff set the framework with a strategic plan; senior staff define business plans; and operating staff agree on operational plans. Good planning is incorporated throughout the organization, and good plans are used as reference points for measuring activity and progress.

Questions and Implications

Does the organization have an active strategic plan, still relevant in today's context that defines goals, objectives and measurable outcomes?

Good strategies are tied tightly to the real situation, which is changing constantly (potentially because of the organization achieving its goals). Periodic evaluation, including measurement of progress toward attaining specific objectives, is necessary to know whether a strategy is still relevant. Good strategy is important for success — and lack of one can be a red flag unless a non-profit has other significant strengths and good fortune.

Are the organization's goals grounded in a clearly identified community need?

Sometimes nonprofits lose sight of their reason for existing. Goals not connected to the community can be a red flag for community-based organizations.

Does the organization have an ongoing process for defining, implementing and adjusting organizational plans and strategies?

Plans and strategies are based on assumptions that are bound to change. Good plans have clear assumptions and measurable objectives, which are updated regularly.

Does the organization have clear operational plans for each of its business lines?

Business or operational plans — which cover staffing, facilities, program operations, expenses and revenues, and include timelines, financial projections and considerations of potential risk — help to anticipate and avoid or deal with the problems that come with operating any program or business. The plans work best when understood by all relevant staff and board.

Are all relevant parties (board, staff, community residents or other stakeholders) involved in the organization's planning process?

Broad involvement in strategic planning can create broad acceptance and support of the organization's goals and objectives. In all cases board and staff leadership must be involved; in most cases all staff and board members should be involved. Often, other stakeholders (such as agency clients, organizational donors or local residents) enhance both the plan and its acceptance.

The Bottom Line on Planning: Focus on the mission, involve the board and others, set measurable goals and objectives, and be prepared to adjust the plans frequently.

Planning Assessment

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Information Technology

Computers and communications technologies make operating, archiving and reporting more efficient. Computers are now within the price range of even the smallest nonprofit.

Questions and Implications

Does the organization have a filing or storage system that permits ready access to information?

Computerized or not, every organization needs an efficient system for organizing and saving data. Small organizations can have, and may even benefit from, idiosyncratic systems. Larger nonprofits will benefit from standardized systems.

Is current inventory and documentation on technology systems maintained?

Maintaining accurate records of purchase dates, system specifications, system configurations, and network components and layout is essential for warranty claims, upgrade decisions and maximizing the use of technical consultants.

Does the organization adhere to software compliance laws and maintain purchase records and licenses on all software in use?

Even small nonprofits must not ignore the licensing agreements that accompany software. In almost all cases these laws prohibit installing a single license on more than one personal computer.

Is a strategy for support and maintenance of existing systems in place?

Computer systems break. Ideally, hardware maintenance and support should be considered at the time of purchase. Staff should know whom to contact when equipment malfunctions and what information they should have — serial numbers, purchase dates and a detailed description of the problem — when they call.

Are adequate resources allocated for developing and training staff to use computer systems effectively? Is there a strategy for ongoing user support?

Most organizations make limited use of their computer capability. Trained staff can make more effective use of sophisticated tools. Also, staff will need a way to get their questions answered or periodically refresh their skills.

Are off-site backup copies of important software and data maintained? Have formal backup procedures and contingency plans been developed in case of systems failure?

Access to computerized information is frequently a necessary part of an organization's operations. For example, client records or project costs might be stored and maintained on computers. Lack of periodic backups can be disastrous if the system crashes; this is a red flag. In some situations, the backup scheme is inadequate. The organizations should develop strategies that permit critical functions to continue even if computer systems are unavailable. This is also a red flag.

Does the organization have computer and telecommunication capability adequate for current and projected activities, as well as a strategy for obtaining future upgrades? Is the computer's system capable of running the software needed to support business functions, and is the appropriate software loaded? Also, does the system offer access to online resources, printing, faxing and file-sharing capabilities?

The type and scale of operations dictate appropriate computer and telecommunication levels. Lack of adequate capability is a red flag, especially for nonprofits on a growth spurt.

The Bottom Line on Information Technology: Invest in computers adequate for the future as well as the present, train staff, and back up critical information.

Information Technology Assessment

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Resource Development

Developing financial resources for an organization is a primary task for boards and executive directors. Good resource development is intertwined with an organization's:

- Strategic and business planning (setting the direction and defining the goals for fund raising)
- Financial management (acting as caretakers of other people's money)
- Operations (ranging from goal setting to reporting on progress)

Questions and Implications

Is the board of directors involved with resource development through an active fund-raising committee? Do they actively participate in fund-raising events, by donating resources themselves or recruiting other donors?

An organization's board has the responsibility of assuring its fiscal soundness. Board members of many nonprofits understand that their role includes resource development assistance. Members may participate in a variety of ways — giving funds themselves, soliciting contributions from their institutions and associates, or assisting with events and campaigns — but they need to contribute in some way. This is a red flag for nonprofits that lack sufficient resources.

Is the board of directors selected and organized to assist the organization in developing resources?

If board members do not and will not contribute, an organization may need to reconstitute its board so that all board members recognize and fulfill their responsibilities.

Does the organization have a resource development plan that is consistent with its mission, long-term goals and current programs?

A plan for developing resources is the first important step in generating the resources necessary to grow and do more in the community. This plan should be linked closely with the organization's communications plan, which should include activities to reach key audiences that control resources.

Is the nonprofit organized to manage resource development through:

- **Experienced staff with resource development as a priority?**
- **Competent consultants?**
- **Resource development management systems in place?**
- **Integration of communications activities with the resource development plan?**

Daily attention needs to be given to resource development for best long-term results. Staff or consultants can manage the plan. Good systems will be required to collect information on prospective donors, list application and reporting dates, and track funds.

Does the organization have a variety of revenue sources?

Grant makers may change priorities or impose time limits of support. City and state governments may change leadership or priorities with elections. Revenue raised from diverse sources — including net income from operations — protects an organization against shifts in any one funding stream.

The Bottom Line on Resource Development: Involve the board, come up with a plan, and have the right people and systems in place to implement the plan.

Resource Development Assessment

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Communications

Most nonprofits have a good story to tell: houses renovated, communities enlivened, people assisted. Yet they are often too busy doing their work to stop and tell their story. Good communications means knowing your message, targeting the audiences, creating a plan and having the communications tools — from newsletters to logos — to do the job.

Questions and Implications

Is the organization following a clearly articulated plan to increase its visibility and to help further program goals?

A communications plan packages the critical elements — message, audience and tools — into a plan that, if followed, helps an organization increase its profile as well as bring in key resources.

Does the organization inform key stakeholders and audiences — including donors, policy-makers and local residents — about its projects and activities?

This is the bottom line: Are you getting out your message to the right audience? If not, this is a clear red flag.

Does the organization understand its message?

Everyone and everything associated with an organization communicates a message. The strategy for any organization will be enhanced if clients, local residents, donors, policy-makers and other stakeholders do not get conflicting or confusing messages.

Are communications tools — including a brochure, an annual report, a newsletter, a Web page and a media packet, among others — regularly used by the organization to reach its audiences?

Simple communications — such as a newsletter or brochure — can be prepared using standard word processing packages. Whether simple or sophisticated, communications tools are very helpful in getting out your message.

Has the organization clearly identified its critical audiences?

An organization will have many audiences. Organizational communications work best when the audiences are identified as precisely as possible, so that the message and approach can be tailored.

Is the communications plan linked with the resource development strategy?

What is said, how and to whom are vital threads of a successful fund-raising plan. The communications plan needs to include communications to public officials, current and potential donors, and businesses and corporations.

The Bottom Line on Communications: Have a plan, craft a message, identify the audience and implement the communications tools.

Communications Assessment

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Program Management

Good management of program operations — an efficient organization — enables a nonprofit to come closer to achieving its mission. Clear objectives, good internal communications and an appropriate, flexible structure are characteristics of good program management.

Questions and Implications

Does an organizational document or chart exist that specifies the management hierarchy and reporting responsibilities?

Supervision and reporting can become confusing at larger nonprofits and organizations with a myriad of affiliates and subsidiaries. An organizational chart helps clarify matters.

Do project and program management at the organization include a clearly understood decision-making process involving delegation of responsibility, authority and accountability?

Good management includes timely and appropriate decision-making. This is a red flag for organizations with a fuzzy or overly cumbersome decision-making process.

Is there a system in place, preferably automated, for tracking progress and identifying problems?

Project and program management are made easier by automated systems that can report on task progress and completion, expenditure rates, resource allocations and other management tools.

Does the organization use clearly articulated, measurable, time-sensitive project and program goals and objectives?

Measurable objectives help focus operational staff and give benchmarks to determine progress during a project. This is a key element of good project and program management, and a red flag for many groups.

Does the organization have an effective internal communication system involving productive meetings and other methods of formal and informal communication?

Communication breakdowns often are the leading cause of operational inefficiencies and board suspicions. Project and program staff often benefit from thinking through better communications as a group.

Is a program's consistency periodically assessed with the organization's mission, goals, strategy and structure?

Programs can become redundant, obsolete or just not in keeping with the new direction taken by an organization. Everyone benefits if this is recognized and accepted as quickly as possible and acted on accordingly. This is a red flag for nonprofits that are overly reluctant to consider organizational change.

Before deciding to undertake specific projects, does the organization evaluate the market in a community with an eye for gaps and niches that need to be filled?

Too often nonprofits make business decisions based too much on hope and need, and too little on the hard realities of the business world. Low market demand may mean low revenues. This is a red flag for many groups.

The Bottom Line on Program Management: Even though it's nonprofit, think of your business as a business.

Program Management Assessment

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