



Guiding Principles for Nonprofits: Leadership, Evaluation and Sound Management

The Community Foundation *for* Greater New Haven and the Valley Community Foundation (The Community Foundations) are committed to supporting nonprofit organizations in our region that strive towards providing the highest quality services and advance ideas, innovations and techniques that improve the quality of life for our residents. It is important that nonprofits continually improve their services and programs by applying what they learn through self-reflection, assessment, evaluation and use of data, knowledge building, risk taking, and the use of sound and prudent financial management practices. It is the belief of The Community Foundations that the best use of the community's endowment is to invest in nonprofits that display leadership in addressing issues and seizing opportunities in the community, regularly perform evaluation of their services and practice sound programmatic and organizational management.

We offer flexible financial support to help nonprofits meet their goals.

We provide:

- 1) **General Operating Support** for use to further the general mission and work of the organization.
- 2) **Project Support** for proven approaches and practices; for expansion of existing services or replication of a proven approach in another location; and for innovative projects.
- 3) **Capacity Building Support** for short term financial assistance to build the infrastructure of an organization for long term success. Requests for capacity building include but are not limited to board development, strategic planning, evaluation and capital expenditures including equipment and capital campaigns.

We provide multi-year grants that allow organizations and programs to establish continuing sources of support.

What we look for in the nonprofits we support

We look for organizations that exhibit leadership at all levels, embrace self learning through evaluation and knowledge building and are committed to instituting the highest level of effective practices to achieve their goals. Four core capacities critical to any nonprofit committed to excellence include:

- **Leadership Capacity:** the ability of staff and volunteer leaders to create and sustain the vision and mission; inspire and influence others to join them; prioritize; be decisive but inclusive; be open to innovation and managed risk, and hold themselves accountable to the mission; all in an effort to achieve the organizational mission.
 - **Examples:**
 - **The staff and board are clear about the mission and vision of the organization; feel equally responsible for its successes and failures.**
 - **Leadership listens to employees, constituents, external stakeholders and is open to new ideas or new ways of operating programs**
 - **The organization has strong relationships with its foundation, corporate and individual funders and works towards mutually agreeable goals.**

- **Board and staff have a healthy and respectful relationship with one another; board members utilize their skills, knowledge and resources and actively participate to advance the organization’s mission; they accept their governance responsibilities.**
 - **The board holds itself and the executive director accountable for measureable change and can articulate how change is measured**
- **Adaptive Capacity:** the ability of a nonprofit organization to monitor, assess and respond to internal and external changes.
 - **Examples:**
 - **Ability to predict and prepare for changes in resources— there sufficient and diverse funding resources that if one disappeared, the organization would quickly rebound; have a back up plan or experience little impact.**
 - **The organization acts on external/internal data to develop, alter or expand programs**
- **Management Capacity:** the ability of a nonprofit organization to ensure the effective and efficient use of organizational resources.
 - **Examples:**
 - **Staff roles and responsibilities are clearly articulated and staff performance is evaluated; opportunities exist for professional development. Management understands the cost effectiveness of programs and is able to make financial decisions to increase program efficiencies.**
 - **Management is constantly seeking ways to improve staff quality and effectiveness**
 - **All the necessary tools and equipment are provided for staff to carry out their work**
- **Technical Capacity:** the ability of a nonprofit organization to skillfully and efficiently implement all of the key organizational and programmatic functions.
 - **Examples:**
 - **Financial systems (appropriate to the size of the organization) are in place and employees are trained to use them; technology is up to date, and supports and advances the operation; employees are trained to use them.**
 - **Skills exist to track and evaluate performance metrics**

We recognize that all organizations are on a constant journey to improve and refine their programs and operations and consequently their work and these capacities evolve as the organization learns and adapts to change. We encourage organizations to continually invest in their own organizational improvement and learning.

Why evaluation is a core Community Foundation value

Organizations that use evaluation tools and collect data and knowledge that is used to improve and refine their programs are thought of as “learning” organizations, and often deliver their services more effectively to achieve organizational goals. When findings are incorporated into the planning process—analyzed, understood, prioritized and used to advance the mission, organizations have greater adaptation skills and

can manage better in times of crisis or when critical decision-making is necessary. Understanding what works and what doesn't, making choices about how to allocate scarce resources and articulating why decisions are made indicates thoughtful use of data. Measureable change occurs from continuous evaluation and applying what has been learned. Key indicators the Foundation looks for are:

Organizations that are fostering a results-based culture by having planning and evaluation processes in place

Realistic goals that are in-line with the organization's mission

Established set of assumptions that support the goal and the need to be addressed

Knowledge of organization's constituency and their needs

Clearly articulated outcomes and measures

- How much will you do?
- How well can you do it?
- How cost effective is it?
- Who/what will be better off?

Ability to use both quantitative and qualitative data to demonstrate progress toward goals

Evidence of institutionalization of interventions

How we define sound management

Nonprofits must focus on resource management as a key objective. Transparency in all matters regarding fiscal responsibility, how funds are raised and spent, invested and insured is a responsibility of staff and board leadership equally. Board and staff leadership are charged with understanding the business model and building a capital structure to support it. Strategic and business planning go hand-in-hand and a sound business plan that is comprised of diverse sources of revenues (not to be confused with types of revenue) that are recurring and reliable; are not concentrated in one resource and are comprised of a large percentage of unrestricted funds indicate strong financial health. Organizations with at least three months of operating expenses in reserve and that "fund" depreciation are able to mitigate risk in times of economic crisis or sudden loss of funds at the organizational level. Fundraising that is the responsibility of board and staff ensures equal accountability across the organization. Oversight through a finance/audit committee of the board that is seated with knowledgeable and accountable individuals acting objectively for the good of the mission is indicative of prudent financial management. Some of the key examples of prudent management are:

Appropriate revenue model, showing a diversity of sources

Sound investment policies managed without self interest

Effective governance and management, particularly a financial management system with strong Board oversight

Strong relationships with funders