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## DOES YOUR NONPROFIT PASS THE TEST?

*Lisa M. Dietlin offers advice and tips for those investigating nonprofit organizations*

“Individuals today have ways to check on-line and in-person to be sure their charitable donations are being directed and stewarded properly to benefit the organization in an effective manner and not get lost in the mix,” asserts Lisa M. Dietlin, President and CEO of Lisa M. Dietlin and Associates, Inc., Chicago, Illinois. “The United States has roughly 1.2 million nonprofit organizations. The choices are almost endless for people who are looking to give back. With individuals giving an estimated \$200 billion in 2003, totaling 83% of total contributions, they are a critical piece to the future of nonprofit organizations.”

Lisa M. Dietlin is a nationally recognized expert on individual giving. Dietlin, who counsels entrepreneurs, entertainers, universities and nonprofit organizations, has worked with and extensively studied their gift-giving habits.

While Dietlin does agree that the responsibility of building a solid reputation and increasing credibility within the philanthropic industry and among donors lies in the hands of its leaders, she also notes, “Individuals have opportunities to take responsibility in holding nonprofit organizations accountable to their stakeholders.”

Dietlin asserts that “an average of 20% of total donations are diverted each year to inappropriate private benefit purposes. With the reported number stated as 10%, most philanthropic scandals are under reported due to the lack of government regulation and legislation.”

“First and foremost, I give when I believe and have faith in the organization’s mission,” states Marshall Marcovitz, founder of Chef’s Catalog and Chicago philanthropist, when asked to give his advice on his philanthropic practices. “Second, I must have confidence and trust in the leaders of the organization. And, before making any significant contributions, I conduct due diligence on the organization’s financial history and status.”

Dietlin offers ten questions a donor can ask - on-line or in-person - when making a significant contribution to assure their donation is stewarded properly.

### On-line Information:

1. Is the organization properly registered with the IRS? Every nonprofit organization (annual incomes of more than \$25,000) should file a 990 Form with the Internal Revenue Service. The information is public information by law and provides information about the programs and activities to verify the organization is operating in accordance with their stated tax-exempt purpose. To verify a specific nonprofit organization’s 990 Form, go to [www.guidestar.com](http://www.guidestar.com). You can also look up on-line filings with many state attorneys general or other agencies with which organizations must file a copy of

their IRS and state revenue forms. For example, in Illinois which has about 30,000 charitable and religious organizations registered or reporting annual to the Attorney General's Charitable Trust Bureau, see [www.ag.state.il.us/charities](http://www.ag.state.il.us/charities) or Google Illinois Attorney General and find Building Better Charities section.

2. Have you researched the nonprofit organization's website? Not only should the 990 Form be reviewed, but the nonprofit organization should have a website and other informational materials you can request and receive in a timely manner. If the organization does not have a website, make a phone call and ask for information!

#### In-person Calls or Conversations

1. Does the nonprofit organization adhere to written policies and procedures? Every organization should have established financial procedures and systems in place. It is also recommended an internal code of ethics be followed by all employees.
2. Does the nonprofit organization have a strategic plan? This is critical to assure your donation will be effective and serve a specific purpose in the future of the nonprofit organization to further advance the mission and vision.
3. Have you talked to others involved with the nonprofit organization? If you don't know anyone who is currently involved, ask the organization to connect you with someone that would be willing to talk about their experience.
4. Do you know the history of the organization? Ask questions about how long the organization has been operating and significant events in its life, which are often on the webpage of long established groups. If it is a new organization, ask how the idea and organization was developed. Ask to meet the founder.
5. Is the nonprofit organization responsive to your inquiries and requests? First impressions are usually fairly accurate. Response rate and feedback time should be no more than one week.
6. Is the Board representative of the organization? Nonprofit organizations are required to maintain a Board to serve as a governing body overseeing the operations of the organization. The Board Members should properly represent the diversity of the organization's stakeholders, including the communities or participants which are the beneficiaries. If the Board Members are mostly friends of the Executive Director or Founder, this could pose a problem.
7. Does the nonprofit organization have a broad base of support? A healthy organization should be receiving funds from a number of different sources to assure sustainability, especially individuals.
8. Test the waters before plunging in! Send a small sized donation to find out how the nonprofit organization processes, recognizes and stewards your gift. You should receive a receipt of gift along with a thank you letter or call within seven business days.

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