COMMUNITY FOUNDATIONS OF CANADA | The Learning Institute

Factsheet:
Best Practices in Evaluating Foundation Performance

April 2022

Introduction:

In 2006, Imagine Canada published a document on program evaluation. The author, Fataneh Zarinpoush, wrote a concise and relevant introduction and CFC has permission to reprint this in way of introducing our document.

> Evaluation is an important tool that your foundation can use to demonstrate its accountability, improve its performance, increase its abilities for obtaining funds or future planning, and fulfill the organizational objectives.
>
> By communicating the results of the evaluation, your foundation can inform its staff, board of directors, service users, funders, the public, or other stakeholders about the benefits and effectiveness of your organization's services and programs, and explain how charities work and how they are monitored.
>
> Although there are many benefits in conducting evaluation, it will be a waste of your foundation's resources if the evaluation results are not used. The purpose of evaluation is to provide information for actions such as decision-making, strategic planning, reporting, or program modification.
>
> Evaluation is a systematic investigation of the worth or significance of an object, system or process. Evaluation normally involves some standards, criteria, measures of success, or objectives that describe the value. Evaluation can identify criteria for success, lessons to learn, things to achieve, ways to improve the work, and the means to move forward.

Types of evaluation

The following functional areas of the work of community foundations will be covered in this fact sheet:

- Board of directors' performance
- Strategic planning
- Governance and operating policies, procedures and processes
- Financial health
- CEO/ED and staff evaluation
- Investment portfolio performance
- Programs: grants, fund development, community leadership

A brief introduction as to the 'why' of doing evaluation is provided for each of the above functional areas followed by 2-4 links to resources available on-line that, for the most part, are available at no charge. At the end of the fact sheet, there will be links to additional resources.

Whichever evaluation tool a foundation uses, it should be relevant to the size and structure of the organization. What makes sense for a large foundation may not be relevant for a small or emerging foundation.

Board self-assessment

The purpose of board self-assessments is to be sure that boards are fulfilling their duties and responsibilities and that appropriate processes are in place to ensure that boards are giving due diligence to planning and oversight over the organization. Essentially, no one directly oversees the board, so it's vital that they take an annual objective look at themselves as individual directors and how they function as a group.

Board Self-Evaluation Questionnaire, *Dalhousie University*

This survey was developed in 2013 and covers 5 areas of the work of the board:

- How well the board has done its job?
- How well the board has conducted itself?
- Board's relationship with the Executive Director
- My performance as an individual board member
- Feedback to the chair of the board

Practical Board Self-Assessment, *Exponent Philanthropy* ($15USD)

This publication outlines a comprehensive step-by-step process that helps boards clarify what self-assessment can and cannot do for the board, outlines what's needed to prepare for self-assessment, walks boards step-by-step through the process of conducting the self-assessment and provides strategies to help boards make the most of the results.

[Nonprofit Board Self-Assessment, *McKinsey and Company*]
This tool is designed to help nonprofit organizations assess their board's performance and identify priorities for board activities going forward. This combination of performance assessment and priority-setting is the foundation of superior nonprofit board performance over time.

The output of the assessment is intended to focus discussion among board members around the governance activities that will result in the greatest benefit for the organization. The tool may be used by nonprofit managers and board members to:

- Identify the areas of board performance that are strongest and those that need improvement
- Identify priority areas for the board to focus on over the next 1 or 2 years
- Allow different views to emerge – the difference between responses given by two groups of board members or by the board and senior staff can be tracked and then used to start a discussion.

Strategic Planning

We hear too often where organizations spend lots of time and energy on developing a new strategic plan only to see that it sits on the shelf gathering dust. While implementing the new plan is critical to the success and respectful of the time taken to develop the plan, foundations cannot overlook the importance of evaluating the plan's implementation towards achieving its goals. Unfortunately, the process of strategy evaluation is often overlooked in the overall strategic planning process. When this occurs, strategies quickly become outdated and out-of-sync with the changing face of the organization.

[Strategy Evaluation, *Cascade*]
This excellent post clearly outlines a 6-step process for strategy evaluation. The process includes the following topics:

- Evaluation starts at the start
- Implement consistent processes and tools
- Empower teams to evaluate their own strategies
- Take corrective action
- Iterate your plan
- Celebrate success

[5 Phases of Strategic Planning, *Board Source*]
This short 3-page fact sheet succinctly outlines the 5-phases involved in creating a strategic plan. While the document provides a brief overview of each phase, it is not as comprehensive as the

one above. However, it brilliantly identifies that during the monitoring phase the organization should be asking the following 3 key questions:

- How are we incorporating vision, priorities, goals, and actions of the strategic plan into program and individual work plans and budgets?
- Do we have appropriate evaluative metrics in place to help regularly review performance?
- Are we referring back to the strategic plan in less formal ways, such as during staff meetings, committee meetings, and individual performance reviews?

Governance and operating policies, procedures, processes

Having current and relevant governance and operating policies, procedures and processes ensures that the foundation has a solid footing upon which to operate and govern the organization.

A simple process for reviewing these could be to set up a staggered timeframe for review, either by board committees or staff. As part of the board and staff annual work plan the respective policy, procedure or process could be included for review, revision or removal. By staggering these reviews over a 4-year period would ensure that the policies, procedures and processes are up-to date. There should also be a process to identify that any changes to legislative regulations would predicate a timelier review.

Five Questions to Ask When Reviewing Policies and Procedures
This blog is part of an 11-part series on cybersecurity. However, the questions posed in this blog relate generally to policies and procedures throughout an organization. The questions are identified below and included with each is its rationale.

- Is this policy or procedure still valid? Does it need to even exist?
- Is this policy or procedure being followed properly?
- Does it help to satisfy our organization’s legal and compliance standards?
- Is this policy well aligned with the mission and values of our organization?
- Is the policy or procedure clear and easy to understand?

Standards Program, *Imagine Canada*
This program identifies standards that nonprofit organizations could adhere to, the results of which would be a set of policies and procedures covering key functional areas. The standards can be adapted for small, medium and large organizations. An organization does not need to become accredited with this program to align itself with the standards, which cover the following areas:

- Board governance
- Financial accountability and transparency
- Fundraising

- Staff management
- Volunteer involvement

Financial health

One of the core responsibilities of board members relates to their fiduciary role. For foundations, this is particularly critical, given the role of the foundation's endowment to support granting and operations. Some of the evaluation tools in the previous sections had components that assessed financial performance. The following tools provide a deeper dive into this area.

Assessing a Nonprofit Organization's Financial Health, *Skoll Foundation*
This document provides guidance on how to review and assess nonprofit financials. The guide is organized into the following sections:

- Ratings reference guide: snapshot guide for understanding the financial health of a nonprofit
- Using ratios and indicators to analyze financial health: relevancy and calculations of ratios in the rating guide.
- Information sources: description of the main information sources for this analysis
- Reviewing audited (or unaudited) financial statements: guidance for reviewing financial statements.

Understanding Nonprofit Financial Health, *Spectrum Nonprofit Services*
Watching the traditional indicators of nonprofit financial health — like performance-to-budget or reserve size — is important, but they may not give you the immediacy of knowing whether you need to worry today. This document provides an overview of 4 key metrics of nonprofit financial health — payroll ratio, change in accounts payable, revenue-to-date ratio, and restricted ratio — which will give management a quick idea of whether they need to be asking more questions and take some action.

How to Research a Nonprofit's Financial Strength: A Deep Dive, *The Bridgespan Group*
While this comprehensive assessment tool is from a funder's perspective for its grantees, it does provide a process to get answers to the following questions:

- Is your potential grantee financially sustainable?
- What is its financial track record?
- Where is it vulnerable?

Substitute 'foundation' where 'grantee' is used, and the answers to the questions become very relevant.

CEO/ED and staff evaluation

Unfortunately, this is one area that is quite often overlooked in the governance of organizations. Leading a nonprofit organization is a tremendous responsibility, both for boards and executives. Boards that don't pay attention to executive evaluation and compensation are opening the organization up to serious risk.

Executive Evaluation and Compensation, *Board Source*
This post provides background on the importance of undertaking regular evaluation of nonprofit executives. It also identifies free guides, tools and templates as well as publications available at a nominal cost.

How to conduct a chief executive performance assessment in 10 steps, Board Source
This succinct 3-page document outlines clearly the 10 steps involved in this process.

Human Resources Guide: Policy and Procedure Template, *Community Foundations of Canada*
This CFC guide provides a brief overview of the importance of performance appraisals, a sample policy as well as a procedure to follow.

Investment portfolio performance

One of the core businesses of community foundations is grantmaking, and the primary source of granting dollars comes from the earnings on the foundation's investments. Once its investment policy is developed, ongoing evaluation of investment performance ensures that the fiduciary responsibilities are undertaken, and the foundation is able to meet its disbursement requirements as stipulated by the Canada Revenue Agency.

Understanding Benchmarks, *Groww*
Benchmarks are the tools that help to determine how successful, or not, the foundation's investments are performing. This document helps the reader understand what a benchmark is, their importance, and how to measure performance against a benchmark.

The Board's Role in Supervising Investments, *Board Source*
This document briefly outlines the three roles that board members have relating to supervising investments. It briefly covers three 'must-dos':

- Adopt investment policies
- Hire advisors
- Review performance

Programs: granting, community leadership, fund development, etc.

To the general public, community foundations don't appear to offer programs and services. This is a misconception. Foundations run one or more granting programs, are involved in various community initiatives (i.e Random Act of Kindness, sitting on community advisory councils) and undertake fund development. Like our grantees, the board should undertake regular evaluation of their foundation's programs to ensure alignment with its strategic plan's goals and objectives.

Project Evaluation Guide for Nonprofit Organizations, *Imagine Canada*
This is a very comprehensive toolkit for undertaking program evaluation, provides 4 modules for evaluation including:
- Creating an evaluation plan
- Implementing your evaluation plan
- Analyzing and interpreting data
- Communicating evaluation results

Program Evaluation: What it is and how do you do it?, *Centre for Disease Control and Prevention*
This document provides a succinct overview of program evaluation, covering:
- What is evaluation?
- What type of evaluation should I conduct?
- How do I conduct an evaluation? What stages are involved?

General Resources

The following resources may be helpful in providing general background on evaluation and assessment.

A Guide to Using Organizational Capacity Assessment Tools, *William & Flora Hewlett Foundation*
The subtitle of this publication is 'finding and using the right tool for the job' and covers 5 topics, including:
- What does a successful organizational assessment experience look like?
- Cross-cutting learnings
- Selecting a tool
- Specific situations using tools
- An aid to selecting a tool: a database

Nonprofit Self-Assessment Checklist, *Standards of Excellence Institute*
Similar to the Standards Program of Imagine Canada, this checklist, developed by an American institute, helps organizations assess their effectiveness in 6 major areas. An organization can complete the assessment without formally becoming accredited. The areas assessed include:

- Mission, strategy, and evaluation
- Leadership: board, staff and volunteers
- Legal compliance and ethics
- Finance and operations
- Resource development
- Public awareness, engagement and advocacy

Self-Assessment Tool for Nonprofit Organizations, *Nonprofit Oregon*
This comprehensive survey is designed to be completed by the Executive Director and Board Chair, and covers all aspects of the work of the organization, not just the board. It covers the following functions of the organization:

- board governance
- strategic planning and evaluation functions
- financial management
- personnel management
- public and community relations
- financial condition
- funding strategy