

TOOL #16: SAMPLE DUE DILIGENCE LIST

Due diligence is the examination that each party to a business transaction undertakes of the assets and liabilities of the other party in order to evaluate the potential value, or risk, of the consolidation. Each nonprofit conducts due diligence of its potential partner(s) based on its own needs and decides with the input of their legal counsel what documents are critical to review. The goal is transparency: whatever documents are requested must be provided by the other party. Questions are forwarded to the other organization throughout the process and should be responded to immediately. Typically, attorneys and financial experts such as CPAs or MBAs are enlisted to conduct the due diligence process, either on a pro bono or fee-for-service basis.

At the conclusion of due diligence, each organization will sum up the results for its own Board of Directors and determine if there is cause, or not, to halt the merger process.

Below is a list of due diligence items that nonprofits typically request of each other, which can be adapted for any merger. To track the document process, check off each item that each party has requested. Add to the list, if needed. Feel free to skip items if they have been reviewed previously or are not necessary to review.

GOVERNANCE	NP#1	NP#2
1. Articles of Incorporation		
2. Bylaws		
3. Organizational chart		
4. List of Board Members, officers, and their bios		
5. List of key managers and their bios		
6. Copies of any legal agreements, LLC agreements, partnership agreements, etc.		
7. Copies of board minutes from the last five years		
8. 990s from the last three years		
9. IRS tax exempt letter		
10. Tax documents		
11. State tax exempt letter		
12. Conflict of Interest policy statement		
13. Copy of the most recent state tax filing		
14. Other federal and state tax records agreed upon		
INSURANCE		
1. Description of all insurance policies/coverages, copies of all policies		
2. Public liability, including automobiles		
3. Officers and directors		
4. Fire and extended coverage property		
5. Workers compensation		
6. Professional practice		
7. Volunteers		
HUMAN RESOURCES		
1. Listing of all current employees, their job descriptions, and		
2. Copies of all employment contracts		
3. Copies of human resources policies		
4. A description of all employee benefit programs, including		
5. Copies of volunteer policies, including job descriptions and agreements		
FINANCE/FUNDING		
1. Last three years' audited financial statements including management letters		
2. Most current financial statements including balance sheet		
3. Names and addresses of the organization's financial institutions		
4. Listing of all liabilities		
5. Schedule of all assets		
6. Copies of any loans or liens against any assets		
7. Statement confirming whether any interested party (Board Member, employee, spouse, or close relative) has an interest in any asset owned by the corporation		

8. Description of the terms, conditions, and status for all current grants and contracts		
9. Description of the terms, restrictions, and agreements for all restricted funds, including any endowment		
10. Fundraising program summary and any fundraising agreements		
CAPITAL/REAL ESTATE		
1. Deeds		
2. Leases (for all buildings and equipment)		
3. Mortgages		
4. List of significant equipment and vehicles		
5. Zoning and use permits		
6. Other real estate records agreed upon		
OTHER		
1. Copies of all operating licenses, accreditations, etc.		
2. Copies of marketing pieces and any other literature distributed to the public about the organization and its activities		
3. A statement describing any threatened or pending government investigations		
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