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DUE DILIGENCE CHECKLIST
FOR REVIEW OF YOUR NONPROFIT OR CHURCH

I. Organizational Documents

- A. List of any subsidiaries of the Nonprofit or Church or any joint ventures or partnerships with other organizations.
- B. Articles of incorporation certified by the Secretary of State of the Nonprofit or Church's jurisdiction of incorporation.
- C. Bylaws (certified by the Nonprofit or Church's corporate secretary as being complete and accurate).
- D. Copies of annual reports filed with State corporate authorities for the last three (3) years.
- E. List of current officers and directors, including tenure and place of employment.
- F. Organization chart or other lists of the Nonprofit or Church's staff, including job functions, and biographies or resumes.
- G. List of which current directors serve on which committees and identify any non-board members serving on such committees.
- H. Copies of minutes of all meetings of the board of directors and all committees of the board for the last three (3) years.
- I. Provide information relating to any volunteer program of the Nonprofit or Church.
- J. Executive Director Reports for the last three years.

II. Tax Documents

- A. Filed IRS Form 1023 (Application for Exemption) together with copies of all correspondence between IRS and the Nonprofit or Church.
- B. IRS tax exemption determination letter.
- C. State tax exemption letter.
- D. Last three (3) years' federal information returns (e.g., forms 990, 990-T, etc.).
- E. Most recent year's state information return (i.e., the state equivalent of the above).
- F. Provide information related to all sources of unrelated business income.
- G. List all tax-exempt bond financing.

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- H. List all property tax exemptions.
- I. Copies of any legal opinion(s) that may have been previously issued relating to tax-exempt status of the Nonprofit or Church.
- J. Copies of any negative findings with respect to properties in which the Nonprofit or Church has an ownership interest or manages, regarding compliance with tax credit rent restrictions, tax exempt bond income restrictions, or other agreements regulating a property's use that remain unresolved or negative findings from a public agency audit. If negative findings were not satisfactorily resolved, please provide an explanation.

III. Finance/Funding

- A. Copies of current and last three (3) years' audited financial statements, if available; otherwise unaudited financials.
- B. Copies of any compliance and internal controls reports that may be part of, or in addition to, the financial statements, for the previous three (3) years.
- C. Copy of accountant's management letter.
- D. Copies of operating and capital budgets for the current year.
- E. Description of internal asset management systems/processes/practices.
- F. Listing of the names and addresses of the Nonprofit or Church's financial institutions.
- G. Summary of currently outstanding tax-exempt bond financing including names of noteholders, amounts, maturities, and prepayment terms.
- H. Summary of currently outstanding short-term debt, long-term debt, inter-company debt (if applicable), contingent obligations and capital lease obligations of the Nonprofit or Church, including amounts, maturities, and prepayment terms.
- I. Summary of currently outstanding interest rate or foreign currency swaps, caps, options, forwards or other derivative instruments or arrangements to which the Nonprofit or Church is a party.
- J. Copies of any currently outstanding commitment letters or other correspondence relating to proposed bond issuances, financings or borrowings of the Nonprofit or Church.
- K. All correspondence and documents relating to contingent liabilities.
- L. All documents purporting to create liens, mortgages, security agreements,

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- pledges, charges, or other encumbrances on any real or personal property of the Nonprofit or Church or in favor of the Nonprofit or Church. Copies of all Uniform Commercial Code financing statements filed with respect to the above.
- M. Agreements evidencing borrowings by the Nonprofit or Church, whether secured or unsecured, documented, or undocumented, including loan and credit agreements, mortgages, deeds of trust, letters of credit, indentures, promissory notes and other evidences of indebtedness, and any amendments, renewals, notices, or waivers.
 - N. Documents and agreements evidencing other material financing arrangements, including capital leases, synthetic leases, sale and leaseback arrangements, installment purchases, or similar agreements.
 - O. All agreements pursuant to which the Nonprofit or Church is or will be subject to any obligation to provide funds to or to make investments in any other person (in the form of a loan, capital contribution or otherwise).
 - P. Documents and agreements relating to any guarantees by the Nonprofit or Church or releases of guarantees.
 - Q. Bank letters or agreements confirming lines of credit, including any amendments, renewal letters, notices, waivers, etc.
 - R. Copies of notes payable to or notes receivable from any employee, director, affiliate or agent of the Nonprofit or Church outstanding at any time during the past three (3) years. Copies of all other financing agreements relating, directly or indirectly, to the Nonprofit or Church or any person who is, or is proposed to become, an officer, director, or key employee (including affiliates) of the Nonprofit or Church (including loans, advances, leases, purchases and sales of property and guarantees).
 - S. A description of the terms, conditions and status of all current grants and contracts. Copies of all correspondence and documents relating to any current grants and contracts.
 - T. A description of the terms, restrictions, and agreements for all restricted funds, including any endowment. Copies of all correspondence and documents relating to any restricted funds, including endowments.
 - U. Fundraising program summary and any fundraising agreements.
 - V. Does the Nonprofit or Church raise money through contributions solicited or received over the Internet?
 - W. A description of all obligations relating to gift agreements. Copies of all

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- correspondence and documents relating to gift agreements.
- X. Aging schedule for the Nonprofit or Church's accounts receivable and accounts payable (most recent).
- Y. A breakdown of revenues and expenses for each of the Nonprofit or Church's programs.
- Z. Copies of any guarantees by the Nonprofit or Church of obligations or by other parties of obligations of the Nonprofit or Church not otherwise addressed above.

IV. Real Property

- A. List of real property (i) owned by the Nonprofit or Church, (ii) leased to the Nonprofit or Church, or (iii) leased (or otherwise occupied) by the Nonprofit or Church including size, location, and use of each parcel.
- B. Provide copies of all documents of title (deeds or any other instruments evidencing conveyance) and all outstanding leases for real property to which the Nonprofit or Church is either a lessor or lessee, including ground leases and subleases, estoppel certificates and related subordination or non-disturbance agreements.
- C. Provide copies of all mortgages or leasehold mortgages (or satisfaction/release of any mortgages/leasehold mortgages) and security agreements, title insurance policies, title reports, any information regarding flood certifications.
- D. Copies of all zoning and use permits.
- E. Copies of any appraisals or surveys of the Nonprofit or Church's real property obtained within the past three (3) years.
- F. Copies of any option or development agreements involving real property to which the Nonprofit or Church is a party.
- G. Copies of certificates of occupancy relating to any real property owned or leased by the Nonprofit or Church.
- H. List of all encroachments, liens, easements, or other encumbrances on any real property owned or leased by the Nonprofit or Church.

V. Personal Property and Equipment

- A. List of personal property, assets, equipment, and vehicles.

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- B. Copies of agreements relating to the sale or lease of the Nonprofit or Church's personal property (including equipment) and any related financing arrangements.
- C. A statement indicating whether any interested party (board member, employee, their spouse, or close relative) has an interest in any asset owned by the Nonprofit or Church.

VI. Management/Employees

- A. Describe the Nonprofit or Church's pre-employment screening and background check screening process, if any.
- B. All corporate policy and employee manuals covering hiring, employee benefits, training, regulatory compliance, child safety or protection, and internal controls.
- C. Organizational charts of management by department and/or committee and, if applicable, by legal entity.
- D. Number of employees and/or volunteers, if applicable, by department and by functional area.
- E. Indicate whether volunteers receive any compensation or benefits, whether volunteers are covered by the Nonprofit or Church's workers compensation (or other insurance), or whether volunteers engage in activities/functions which could give rise to significant risk or exposure to the Nonprofit or Church.
- F. Copies of offer letters, employment contracts, bonus guarantees, severance agreements, change-of-control agreements, independent contractor agreements, volunteer agreements, nondisclosure and confidentiality agreements, non-competition agreements, management, and consulting contracts.
- G. Documents relating to all profit sharing and savings plans, pension or retirement plans, supplemental retirement plans, retiree medical arrangements, deferred compensation plans, severance, medical, flexible spending, dental or other health and welfare plans, housing allowance, and any bonus, incentive, performance or other employee compensation/benefit plans or arrangements and related agreements (that provide benefits to current or former directors, officers or employees and their respective beneficiaries); materials describing any of the foregoing or contemplated amendments; and

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the applicable trust accounting, IRS determination letter(s), Form 5500 filing, plan audit reports, actuarial reports and other applicable financial statements for the three (3) most recent years. Summary plan descriptions for each of the foregoing, to the extent available.

- H. Copies of all filings and correspondence with the IRS, the DOL and the PBGC (not covered in the preceding paragraph) made during the three (3) most recently completed plan years.
- I. Copies of complaints and other material pleadings and court filings in connection with any pending lawsuit involving any employee benefit plan or benefits thereunder, or any such lawsuit filed within the past three (3) years.
- J. Any notices or other communications issued within the past three (3) years relating to blackout periods under any defined contribution plan or regarding any future reductions in medical, pension or other employee benefit or regarding the termination of any employee benefit arrangements.
- K. Cost/benefit information for each current plan for the most recent plan year, including (i) administrative costs, (ii) employer contributions, (iii) employee contributions, and (iv) benefit distributions.
- L. Any indemnification agreements with any directors, officers, employees, volunteers, or agents.
- M. Schedule of all compensation paid during the last fiscal year to officers, directors, and key employees, showing separately salaries, bonuses, and non-cash compensation, including bonuses paid or accrued, direct or indirect benefits or perquisites, and all benefits paid or accrued under all employee benefit plans.
- N. A listing of all outstanding loans to employees (including loans granted under any 401(k) plan) including the amount of the loan, its rate of interest and whether or not it is secured.
- O. Absenteeism, disciplinary actions, accident records and turnover rates of the Nonprofit or Church and its subsidiaries, if any.
- P. Copies of any special compensation/retention arrangements in connection with the proposed transaction.
- Q. Information relating to pay scales for employees/positions.

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VII. IT Systems and Networks

- A. Copies of all agreements relating to the provision of IT, data or internet-related products or services to or by the Nonprofit or Church.
- B. A description of all computer systems, software packages, networks, and service bureaus ("Computer Systems") in use by the Nonprofit or Church, by location, including key applications and the number of licenses for each such application.
- C. Copies of the most recent strategic plans for the Nonprofit or Church's Computer Systems.
- D. A description of any back-up and disaster recovery arrangements, facilities management, and ongoing support arrangements, including details of service levels and charges.
- E. A description of and copies of documents relating to whether the Nonprofit or Church has access, or rights of access, to the source code of material licensed software in order to ensure adequate maintenance and updating of that software.
- F. A description of any the Nonprofit or Church's procedures to monitor compliance with the terms of software licenses, including whether these procedures monitor the use of software by the Nonprofit or Church to ensure that multiple copies of any software are not used in breach of the relevant license terms.
- G. A description of and copies of the Nonprofit or Church's website and web services security policies and procedures.
- H. Confirm whether the Nonprofit or Church owns all intellectual property in the design and content of its websites.
- I. A description of any insurance coverage for business losses related to the Nonprofit or Church's Computer Systems.
- J. A Description of any interruptions of the Nonprofit or Church's Computer Systems in the past three (3) years.
- K. List any links to the web site of for-profit companies, Nonprofit or Church advocacy organizations or candidates for political office on the Nonprofit or Church's web site.
- L. List any acknowledgements or advertisements of for-profit companies on the Nonprofit or Church's web site.

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- M. Describe any lobbying activities the Nonprofit or Church engages in over the Internet.

VIII. Privacy and Data Security

- A. Copies of all current and historical (in effect during the last three years) privacy and data security policies and practice manuals of the Nonprofit or Church, including, without limitation, all privacy policies and procedures for the Nonprofit or Church's use and disclosure of customer or personal information and any HIPAA/HITECH compliance plans.
- B. Copies of all policies, procedures, and written information security programs for compliance with data protection and privacy legislation.
- C. Copies of all reports or audits (internal or external, including any SAS 70 and SSAE 16 audits) that have been performed on the Nonprofit or Church's information security program(s) or any other reports prepared by or for the Nonprofit or Church concerning the implementation of information security program(s).
- D. Copies of any other documentation and information regarding the Nonprofit or Church's collection, use, storage or disposal of customer or personal information (whether Nonprofit or Church's or a third party's).
- E. Copies of all agreements that the Nonprofit or Church has with any third parties that function as the Nonprofit or Church's agents or contractors and receive customer or personal information subject to any statutory or regulatory data privacy or security requirements from or on behalf of the Nonprofit or Church. Please provide copies of any reports or audits (internal or external, and including any SAS 70 and SSAE 16 audits) that have been performed on the information security program(s) of such third parties.
- F. Details of any actual or potential data and information security breaches, unauthorized use or access of the Nonprofit or Church's Computer Systems or data, or data and information security issues impacting the Nonprofit or Church that have been identified in the past three (3) years.

IX. Environmental

- A. Copies of any environmental surveys, site assessments or reports (including

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copies of any Phase I and Phase II reports) concerning any real property currently or formerly owned or leased by the Nonprofit or Church.

- B. Copies of any internal reports or memoranda prepared by the Nonprofit or Church or third parties relating to hazardous materials, health and safety or other environmental matters.
- C. Copies of correspondence, memoranda, notes, or notices of violations from federal, state, or local environmental, health and safety authorities.
- D. Copies of any "potentially responsible party" letters or other similar notices or requests for information from any governmental or regulatory authority.

X. Accreditation; Governmental Regulations and Filing

- A. List of current accreditations of the Nonprofit or Church and a list of any accreditation which the Nonprofit or Church has had during the past three (3) years which it no longer possesses.
- B. List of all regulatory agencies to which the business of the Nonprofit or Church is subject.
- C. Summary of material inquiries by any federal, state, or local governmental agency.
- D. Copies of all contracts between the Nonprofit or Church and any government (including regulatory bodies and other agencies with governmental authority).
- E. List and description of all permits, licenses, and certificates necessary for the Nonprofit or Church to operate its business and current status.
- F. Material filings made and significant correspondence by the Nonprofit or Church with any state or federal governmental or regulatory agencies within the last five (5) years.
- G. Copies of correspondence between the Nonprofit or Church and any licensing, regulatory or accreditation body during the past five (5) years which relates to the Nonprofit or Church's licenses, permits, compliance with regulations or accreditation.
- H. Copies of all operating licenses, permits, certificates, accreditations, etc.

XI. Litigation and Audits

- A. List of all litigation for the past three (3) years involving the Nonprofit or Church

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- or its business or assets with a brief description of the claim for each matter.
- B. Copies of letters from counsel sent to auditors for year-end for the past three (3) years and current interim audits.
 - C. Current list of all litigation, administrative or regulatory proceedings, investigations or governmental actions involving the Nonprofit or Church or its business or assets with a brief description of the claim for each matter. Include the name of the court or agency in which the litigation proceeding is pending, date instituted, docket number and principal parties to the action.
 - D. Description of currently threatened litigation, legal claims, regulatory actions or other actions or proceedings, including any correspondence relating to any threatened governmental investigation or alleged violation of law or regulation.
 - E. Any currently effective consent decrees, judgments, other decrees or orders, settlement agreements and other similar agreements to which the Nonprofit or Church is a party or by which the Nonprofit or Church or any of its assets is bound (or to which any board member of the Nonprofit or Church is a party or by which any such stockholder or any of its assets is bound and which relates, directly or indirectly, to the Nonprofit or Church).
 - F. Correspondence, memoranda, or notes concerning inquiries from governmental tax authorities, occupational safety, health and hazard officials, environmental officials or authorities regarding equal opportunities violations, antitrust violations, or violations of any other law, rule, or regulation.

XII. Insurance

- A. A schedule of all policies or binders of insurance or self-insurance arrangements, including medical, workers compensation, disability, automobile, general liability, fire and casualty (extended property coverage), products liability, professional liability, volunteers' coverage, business interruption, officers' and directors' liability and key-man life insurance, with deductibles, coverage limits, and other significant terms. Please indicate the name and address of all insurance agents, brokers, and companies.
- B. A schedule of insurance claims over the last five (5) years, and summary of loss history for such period.
- C. Analysis of premium payments for the past three (3) years and details regarding any cancellations or denials of insurance during this period.

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- D. Summary of self-insurance programs or other risk retention.
- E. A schedule of threatened or potential claims.

XIII. Contracts

- A. Copies of provider agreements between the Nonprofit or Church and federal, state or county agencies.
- B. List of agreements or commitments which would terminate because of the proposed transaction or for which a proposed transaction would cause or trigger or result in a default or give rise to cancellation rights.
- C. Contracts with suppliers more than \$10,000.
- D. List of the Nonprofit or Church's vendors/suppliers with whom Nonprofit or Church generally transacts business in excess of \$10,000 (other than suppliers of goods and services generally required by all businesses, e.g. office supplies, utilities, etc., from an individual supplier during any 12-month period) including for each vendor or supplier, indicating the amount and nature of products supplied or service provided.
- E. Copies of marketing agreements and material agency and advertising contracts.
- F. Copies of all warranty agreements relating to equipment or any asset valued at more than \$10,000 and service agreements individually on an annual basis more than \$10,000.
- G. Copies of all installment sales agreements.
- H. Copies of any agreements between the Nonprofit or Church and, if applicable, its affiliates (if not already provided).
- I. Copies of any indemnification agreements.
- J. Copies of any other agreements or drafts of proposed agreements of the Nonprofit or Church involving financial commitments of more than \$10,000.
- K. Details of any negotiations (excluding the current potential affiliation negotiations between the Nonprofit or Church) currently in progress.

XIV. Other

- A. Identify any other documents or information which, in your judgment, are significant with respect to any portion of the Nonprofit or Church or its programs which should be considered and reviewed.