**APPENDIX 4.1**

**Due Diligence Checklist**

**Project [Code Name]**

The following is a sample due diligence checklist with possible areas to cover, documents to review and key issues to consider. This checklist should be amended to reflect the specific transaction being considered and the organizations involved

| **Area** | **Documents to Review** | **Key Issues** |
| --- | --- | --- |
| Strategy[Individual Responsible] | * Mission, Vision & Values
* Strategic Plan
* Operating Plan
* Annual Reports (Public)
 | * Is there a strong fit between the organizations in mission, vision and values?
* What are the organization’s strengths and weaknesses?
* What are the key external opportunities and challenges facing the organization?
* Is the organization executing well on its strategic plan?
 |
| Governance[Individual Responsible] | * Board Governance Policies
* Board Committee Terms of Reference
* Director Resumes or Biographies
* Corporate Membership Requirements & Rights
* List of Corporate Members
* Organization’s Performance Reports (e.g. Scorecard)
* Quality Management Policies & Procedures
* Risk Management Policies & Procedures
 | * Is the Board performing effectively?
* Does the organization have strong performance management, quality and risk processes?
* Who should be on the combined Board post-integration?
* Who should be the corporate membership post-integration?
 |
| Programs & Services[Individual Responsible] | * Organization’s Website
* Description of Programs & Services
* List of Locations
* Program & Services Performance Metrics
* Client Statistics
* Client Satisfaction Survey
* Description of Major Initiatives Underway
* Description of Client Management Systems
* Material Contracts (funder, referral, supplier, equipment lease etc.)
* Details on Program Staffing (including volunteers)
* Program Budgets & Forecasts
* Program Policies & Procedures
 | * Is there a strong fit between the organizations in programs and services offered?
* How are programs and services performing?
* Are there any major operating issues to be addressed?
* Are there opportunities to expand combined services?
* Are there opportunities to achieve efficiencies or cost savings?
* How should the programs and services be integrated?
 |
| Marketing & Fund Development[Individual Responsible] | * Fund Development Strategy & Plan
* Fund Development Results & Forecast
* Description of Major Marketing & Fund Development Activities
* Donor Statistics
* Description of Fund Development Systems (donor database, tax receipting etc.)
* Material Contracts (marketing, donor, endowment etc.)
* Details on Department Staffing
* Department Budget & Forecast
* Fund Development Policies & Procedures
 | * How successful are the fundraising efforts?
* Which programs and services are supported by fundraising?
* Are there any new fundraising opportunities for the combined organization?
* How should fundraising be integrated to avoid a near-term slow-down during integration and ensure future growth?
 |
| Community Engagement & Advocacy[Individual Responsible] | * Community Engagement Strategy & Priorities
* Advocacy Strategy & Priorities
* Description of Major Initiatives Underway
* Details on Department Staffing
* Department Budget & Forecast
 | * Is there a strong fit between the organizations in approach to community engagement and advocacy?
* How should community engagement and advocacy activities be integrated?
 |
| Legal &Regulatory[Individual Responsible] | * Description of Legal Entity Structure (including all related legal entities)
* Letters Patent & Bylaws
* Results of Searches (charitable status, corporate status, real estate, bankruptcy etc.)
* List of Licenses, Permits, Consents & Approvals Required to Operate
* List of Intellectual Property (trademarks, trade names, logos, web addresses etc.)
* Description of Binding Consents, Decrees, Judgments, Orders & Settlements Affecting the Organization
* Description of Litigation & Other Claims (current and potential)
* Description of Other Legal & Regulatory Issues (current and potential)
* Material Contracts (entire organization)
* Details on Department Staffing (including external counsel)
* Department Budget & Forecast
 | * What is the best legal form for the integration transaction (e.g. statutory amalgamation, asset transfer or other form)?
* What approvals are required for the integration transaction?
* Are there any legal claims or risks?
* Are there any regulatory issues of concern?
* Are there contracts which could restrict future activity of the combined organization?
* Are there contracts with expensive termination clauses?
* What should be done with each contract (maintain, terminate, assign, re-negotiate etc.) and what legal work is required (notifications, consents etc.)
* How should the legal function be integrated?
 |
| Finance[Individual Responsible] | * Current Budget & Forecast (entire organization – all Programs & Departments)
* Audited Financial Statements (3 years)
* Interim Financial Statements
* Audit Reports (3 years)
* Current General Ledger Report
* Details on Balance Sheet (assets - cash, investments, A/R, prepaid expenses, capital assets etc.; liabilities - A/P, accrued liabilities, deferred revenue & capital contributions etc.; fund balances)
* Details on Statement of Operations (revenue - grants, fees for service, donations, investment income etc.; expenses - salaries, benefits, occupancy etc.)
* Description of Banking & Investment Arrangements (loan facilities, deposit & investment accounts etc.)
* Description of Contingent Liabilities
* Description of Insurance Coverage
* Description of Tax Requirements & Issues (payroll deductions, HST, property & land transfer taxes etc.)
* Description of Financial Systems (G/L, Accounts Payable & Receivable etc.)
* List of Suppliers
* Material Contracts (loan facilities, insurance, accounting systems, audit services etc.)
* Details on Department Staffing
* Department Budget & Forecast
* Accounting Policies & Procedures
* Investment Policies & Procedures
 | * Does the organization have an operating surplus or a deficit?
* Does the organization have sufficient working capital to fund near-term operations?
* Does the organization have sufficient fund balances to ensure long-term solvency?
* Does the balance sheet fairly reflect the value of assets and liabilities?
* Are there any audit or financial controls issues?
* What is projected for future revenue?
* Which revenue sources are stable and which are more risky?
* What is projected for future expenses?
* Are there significant capital expenditures required in the future?
* What should be done with loan facilities, deposit and investment accounts post-integration?
* Are there any restricted funds?
* Are there contingent liabilities or other exposures which create financial risk?
* Does existing insurance coverage sufficiently address all operations and risks?
* What insurance coverage is required post-integration?
* What are the major tax requirements and issues impacting normal operations?
* Are there major tax issues for the integration transaction?
* How should the finance function be integrated?
* How do the accounting and investment policies of the organizations compare?
* What accounting entries and adjustments are required at transaction closing?
 |
| Human Resources[Individual Responsible] | * Organizational Chart
* Senior Executive Resumes or Biographies
* List of Permanent Staff (name, title, department, compensation, years of service, leave of absence etc.)
* List of Contract Staff (name, role, department, compensation, term of contract etc.)
* Description of Compensation Levels
* Description of Cash Compensation (salary, wage, bonus etc.)
* Description of Benefit Plans (pension, group RRSP, disability, health, life insurance etc.)
* Benefit Plan Funding Positions (financial statements, actuarial reports etc.)
* Description of Collective Bargaining Units
* Description of Staff Performance Management Programs
* Description of Staff Training Programs
* Description of Staff Claims (current & potential)
* Staff Satisfaction Survey
* List of Volunteers
* Description of Volunteer Programs
* Description of HR Systems (payroll, scheduling etc.)
* Material Contracts (collective bargaining, executive employment, benefit plans, consulting, HR systems etc.)
* Details on Department Staffing
* Department Budget & Forecast
* HR Policies & Procedures
 | * Do the cultures of the organizations align well with each other?
* Who should lead the combined organization? (senior management roles)
* What should the structure of the combined organization look like? (organizational chart)
* Where are the opportunities to reduce combined staffing?
* How should the compensation levels in the organizations be aligned and what is the net cost or saving?
* How should the compensation and benefit plans be integrated?
* Do the benefit plans have any unfunded liabilities?
* Which staff members require offers of employment or contracts prior to integration?
* What is expected to happen to the collective bargaining units post-integration?
* Are staff satisfied and performing well?
* Are there any major staff claims, issues or risks to be addressed?
* How should volunteers and volunteer programs be integrated?
* How should the human resources function be integrated?
 |
| Information Technology[Individual Responsible] | * Chart of IT Architecture
* List & Description of Software (owned & leased)
* List & Description of Hardware (owned & leased)
* Description of Information Security
* Business Recovery Plan
* Description of Major Projects Underway
* Material Contracts (licenses, development, contractors, outsourcing etc.)
* Details on Department Staffing
* Department Budget & Forecast
* IT Policies & Procedures
* Organization’s Website
 | * What are the critical IT systems, applications and infrastructure supporting operations?
* Are there any key IT issues or risks to be addressed?
* What are the major IT projects underway?
* How should the IT systems, applications and infrastructure be integrated?
* How should the information technology function be integrated?
 |
| Real Estate(including Building Services)[Individual Responsible] | * List & Description of Premises (owned & leased)
* Land Registrations, Deeds, Surveys, Liens for Owned Premises
* Estimated Market Value for Owned Premises
* Schedule of Occupancy Costs
* Description of Major Projects Underway or Required (repairs, renovations etc.)
* Description of Health, Safety & Environmental Issues (including regulatory compliance)
* Material Contracts (leases, subleases, mortgages, maintenance, security etc.)
* Details on Department Staffing
* Department Budget & Forecast
* Real Estate Policies & Procedures
 | * How does the market value of owned premises compare to book value?
* What are the occupancy costs for each location?
* What is each location used for and is space utilized efficiently?
* What are the key terms of each lease?
* What are the major real estate projects underway?
* Are there any major real estate issues or risks to be addressed?
* Which locations should be maintained post-integration?
* How should the real estate function be integrated?
 |