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Nonprofit AI governance checklist

How strong is your AI governance framework?

What nonprofit HR teams need to consider before rolling out AI-Driven HR tools.

AI is no longer on the horizon - it's embedded in the way HR teams hire, onboard, engage and evaluate people. Even for nonprofit organizations with lean and scrappy teams, AI is becoming part of everyday workflows.

But that shift comes with responsibility. In the absence of thoughtful governance, AI can introduce hidden risks: bias in hiring, confusion among employees and compliance gaps that strain trust or even lead to financial penalties. And because HR sits at the intersection of people, policy and company culture, the responsibility to "get AI right" starts here.

This checklist is designed to:

1. Help nonprofit HR teams assess your readiness around AI implementation and governance.

2. Guide internal conversations about high-leverage AI deployment.

3. Share industry best practices around AI governance for non-profit HR teams, in the present moment and going forward.

And here's the good news: you don't have to have it all figured out. You just need to ask the right questions.
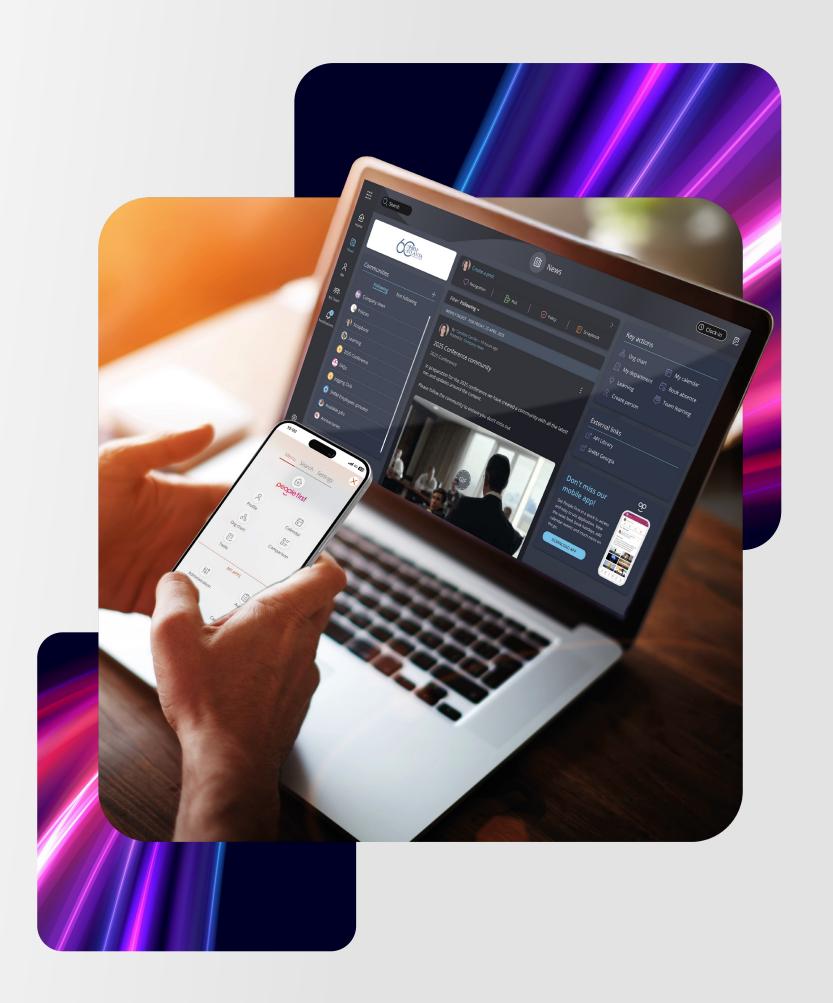
Why HR needs to lead AI governance

**AI governance isn't just an IT concern.
It's an HR leadership responsibility.**

**The tools you use today - for recruiting, performance, engagement
and learning - increasingly rely on:**

- Automation
- Pattern recognition
- Predictive analytics

But when those systems influence people-related decisions, as they increasingly do, HR is
the one held accountable. From compliance and communication to culture and equity, your
team is uniquely positioned to lead AI governance with both strategy and care.

And here's the thing. In many ways, it's an uphill battle. According to data from Gallup, 79%
of adults don't trust companies to deploy AI responsibly. By following these AI governance
best practices, HR teams have the opportunity to rewrite that narrative.

The nonprofit AI governance checklist

Nonprofit HR teams can use these five focus areas to evaluate your organization's AI readiness. And it's worth remembering that even if you're not perfectly aligned with each of these right now, all that means is there's room for growth in your company's AI strategy.

Each section below includes critical questions and nonprofit-specific checklist items - designed with lean teams, complex staffing models and values-driven decision-making in mind.

1. Strategy and HR ownership

Who's actually steering the AI ship?

In many nonprofits, new platform features get activated without strategy, especially when HR teams are stretched thin. But without clear ownership, automation creates more questions than it answers.
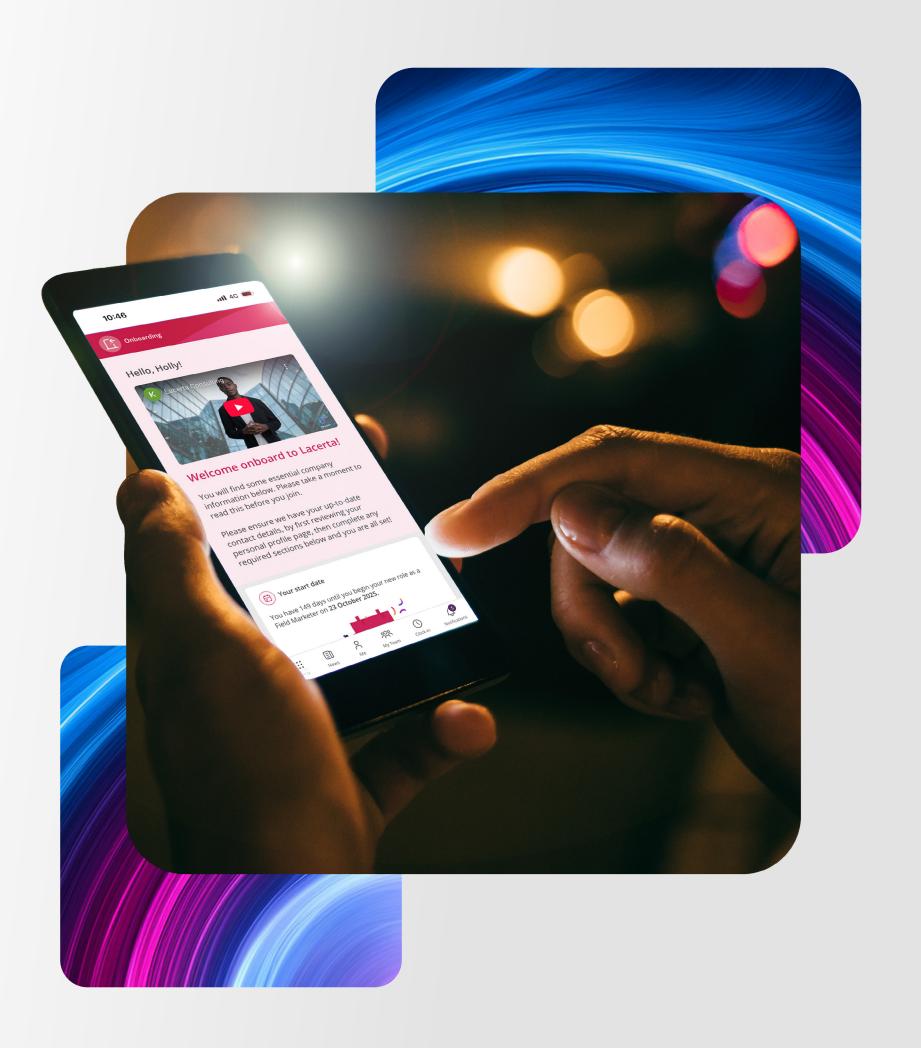
Does your approach to AI put clarity first?

☐ We've defined who is responsible for AI decisions in HR

☐ We assess risk before activating AI features in any platform

☐ Our AI strategy reflects our mission, not just operational goals

Here's the reality. Even one good conversation around AI strategy and HR ownership can clear up a year's worth of decisions.

> **i** **Key question:** Who's responsible for vetting new AI features before they're activated?

2. Transparency in people processes

Would your team be surprised to learn AI helped evaluate them?

When AI is used in recruiting, check-ins or performance reviews, candidates and employees deserve to know - in plain English. Transparency builds trust and reduces fear, especially in values-driven workplaces like nonprofits.

According to a Pew Research Center survey, 66% of Americans say they would be hesitant to apply for a job if AI was part of the hiring process.

That's why you need to put clear safeguards in place to ensure fairness and protect human oversight:

☐ We disclose AI use in recruiting, check-ins and performance reviews

☐ We use plain-language explanations for how AI recommendations are made

☐ We reserve human review capabilities for high-stakes decisions

Transparency around AI use in HR isn't just a policy decision. It's an opportunity to show that your nonprofit's choices align with its values.

i **Key question:** Do our people understand when and how AI is involved in HR decisions?

3. Ethics and fairness

Nonprofits run on trust - but bias can slip in silently.

Even well-meaning algorithms can create inequities if no one's paying close attention. And for nonprofits, public perception and internal culture are tightly linked together.

AI doesn't necessarily eliminate bias. In many cases, it can reinforce it. A 2024 University of Washington study found that AI resume-screening tools overwhelmingly favored resumes with white male names, selecting them 85% of the time. Resumes with names associated with Black men were passed over in nearly 100% of cases.

When it comes to AI, testing for fairness isn't optional - it's mission-critical. That's especially true for nonprofits, where public trust is part of the mandate.

☐ We test for bias in our recruitment or performance tools
☐ We involve diverse voices in evaluating new tools
☐ Our AI usage aligns with our DEI commitments

Even a single lapse in hiring fairness can erode trust and damage public perception. Building safeguards into your AI workflows gives your nonprofit a reputational insurance policy.

ⓘ Key question: Have we tested our AI tools for unintended bias, and involved diverse perspectives in the process?

4. Compliance and legal readiness

You can't govern what you can't document.

From state laws like the Illinois AI Video Interview Act to looming federal guidance, AI regulation is accelerating across the board. HR needs systems that document decisions and help teams stand up to scrutiny.
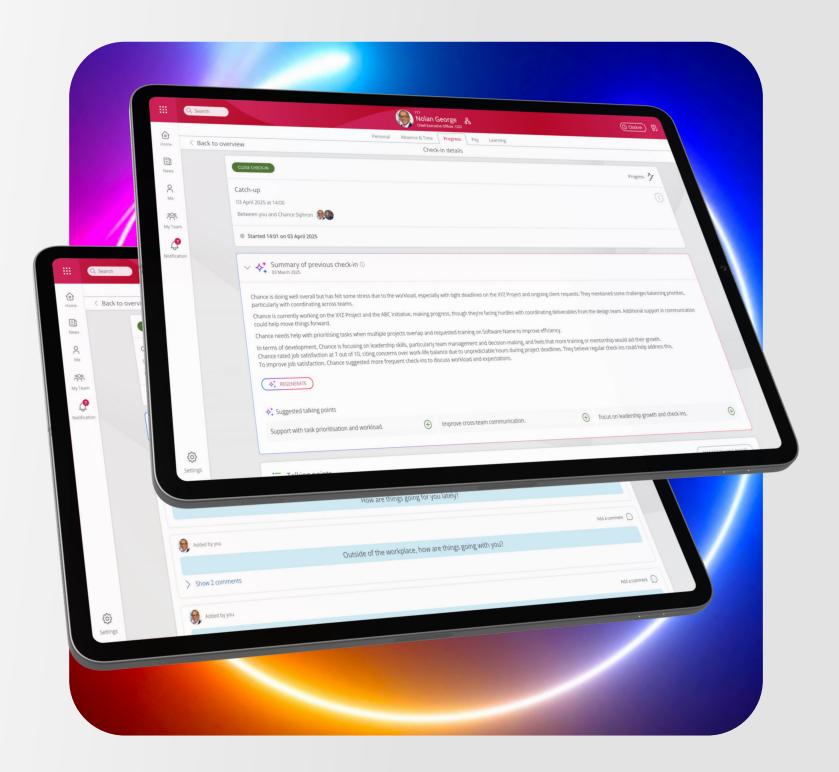
Turn good intentions into auditable actions:

☐ We follow state and federal AI laws

☐ We provide documentation on AI transparency, security and compliance

☐ We maintain audit-ready records of all AI-enabled decisions

Think of this as digital trail-building: the more visible the path, the easier and safer it is to navigate.

ⓘ **Key question:** If we had to, could we explain our AI-enabled decisions in an audit tomorrow?

5. Training and culture

AI doesn't change nonprofit culture - people do.

A tool is only as helpful (or harmful) as the habits around it. Training, feedback loops and manager fluency make the difference between fear and confidence in AI adoption.

AI adoption succeeds when people feel supported:

- ☐ Our HR and people managers are trained to interpret AI insights
- ☐ We help employees feel empowered, not monitored, by AI
- ☐ We leverage feedback mechanisms to improve how AI is used

This isn't about pushing AI onto your organization - it's about pulling your people forward, together.

ⓘ **Key question:** Do our managers know how to interpret AI insights - and do our employees know why they should trust them?

Ultimately, AI governance is a leadership opportunity

AI isn't just a tool; it's a reflection of your values in action. As automation becomes more deeply embedded in the daily rhythms of HR, it's up to your team to set the tone for how these tools are used.

That means leading with transparency, centering equity and making thoughtful choices about where and how AI supports your HR functions. Governance isn't about having all the answers - it's about asking the right questions, taking ownership of the impact and building a culture of trust around emerging HR technology. For nonprofit HR teams, that's not just a challenge. It's a chance to lead.

About People First

People First powered by MHR is an all-in-one HCM platform purpose-built for modern nonprofit organizations that need to do more with a lean HR team. From recruitment and onboarding to payroll, performance and compliance, People First simplifies the complex and amplifies your impact - all in one intuitive, mobile-friendly solution.

What sets People First apart is its human-first approach to AI. Smart automation helps eliminate manual work, while built-in intelligence supports everything from faster hiring and personalized development to real-time sentiment insights and predictive analytics. With transparent governance and responsible design at its core, People First puts powerful AI tools in your hands - so you can lead with clarity, move faster and stay focused on what matters most: your people.

Schedule a People First demo to see how we embed responsible AI into everyday HR workflows.

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About MHR

MHR has been driving innovation across the HCM space for over 40 years. We don't just meet the industry standard, we exceed it. Engineered by the latest SaaS technology, our product, People First enables increased employee productivity and organizational growth with a demonstratable return on investment. People First is guided by what our customers and the market demand in a rapidly changing world.

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