

Nonprofit Notes

*Practical Help for
Helping Others*

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Checking Out Charities

Issue: Evaluating the legitimacy of charitable institutions. I recently received an inquiry from a reader, Liza, asking about the legitimacy of a nonprofit with which she is volunteering on her upcoming [exciting!] volunteer vacation to Cambodia. It's such an important question that it deserves a quick article – not basic reply – in response.

I'm all for giving to charity, but I also believe strongly that it's important to check out any organization before you give them your money — whether it's a well-recognized, household name or not. Thankfully, there are a few websites out there that make it easier for us. Behold:

1. Charity Navigator.

This is probably the most popular site for charity evaluation, and you'll see why — it's packed with info, and it has very handy star ratings (poor to excellent), charts, pie graphs and clearly presented data, especially with respect to finances. Fine

print is important and all, but I love easy pictures that give nice, back-of-the-envelope ratings. On the main page, enter your charity's name in the "Charity Search" box and see what you can see (note, though, that some charities — especially small shops — haven't been picked up here yet).

Charity Navigator evaluates charities by reviewing their Form 990s, focusing on two broad areas of "organizational efficiency" and "organizational capacity." Yeah, I know: "huh??" Basically, organizational efficiency entails the organization's income to expense ratio (i.e., what percentage of donations goes to programs, admin, fundraising, etc.). A review of organizational capacity involves looking at the org's growth of both revenue and expenses. The site also provides a listing of like charities, so you can check those out for comparison.

After doing a quick search for your charity to get its CN rating, visit the "FAQs for

Donors" section to get answers to any additional questions. The site also has a fantastic "Tips" section, with info on how to handle charity telemarketers and give in response to emergencies. If the breadth of knowledge gives you an urge to make an immediate donation, you can just click the "Donate Now" button on your charity's report page to be directed to the Network for Good website for that very purpose. And before you log off, head over to main page and check out the site's wonderful "Top 10" lists. Because dishing out funds to one of the Top 10 Charities in Deep Financial Trouble? Not helpful.

<http://www.charitynavigator.org>

2. Better Business Bureau Wise Giving Alliance.

The BBB is obviously one of the go-to areas for checking out businesses, and they have a special section devoted to evaluating charities. They also have more information than I could possibly describe in this

article. Nonetheless, I'm honestly not crazy about their format and find navigating the website a little annoying.

To stay positive, though, here are a few highlights:

The Alliance has established "Standards for Charitable Accountability" that review a charity's compliance with four basic areas, generally speaking: (i) governance; (ii) financial spending; (iii) honesty and integrity; and (iv) openness with/disclosure to the public. Charities that meet these criteria are "BBB Accredited Charities." Also, in addition to describing these standards, the Alliance provides guidance on compliance with these various standards by suggesting best practices. On the left hand side of the site, use the "Check Out a Business or Charity" link or the BBB Accredited Charities option. Before you give to a charity, it's a good idea to look it up and see whether it complies with the BBB's standards.

IMPORTANT!! From the national page, make sure you find your local BBB, which may have information on nonprofit organizations and matters that aren't listed on the national BBB's website. For example, after searching the BBB of Metro New York's page, I learned that one of my charities (the Make-A-Wish Foundation of Metro New York) participates in the New York BBB's local "Golden Seal" Program, a local effort that helps charities clearly display their compliance with BBB Standards for Charitable Accountability.

<http://us.bbb.org/>

3. Guidestar

Guidestar is one of my favorites — it's a wealth of information, and provides easy-to-follow, summary reports on tons of nonprofits, often including a section on the org's annual objectives and accomplishments, and copies of an org's

Form 990s — the federal annual information returns, as filed with the IRS. The first thing you'll see when you visit the site is the charity search box — pretty simple. If you need more, you can purchase a host of info (compensation and analyst reports and such) in the "products" section.

As with Charity Navigator, Guidestar allows you to easily donate via Network for Good.

A final note: though some Guidestar information is limited to paying members, my free membership usually gets me what I need to know.

<http://www.guidestar.org>

4. IRS Publication 78.

This publication doesn't rate charities, but it does provide a comprehensive listing of exempt organizations — that is, nonprofits that have received IRS recognition of charitable tax-exempt (aka "501(c)(3)") status, which is necessary for you to be able to deduct your donation. Some brand new nonprofits may still be in the process of applying for such recognition and, thus, won't be included here. If you decide to financially support one of these start-ups, you should inquire regularly about the organization's application's status, and have your own legal and accounting professionals advise on the deductibility of the donation.

A word of caution here: Publication 78 is really big. When you try to open it, you'll have to download a folder onto your desktop, and depending on how it opens, you could have some trouble reading the format. My advice is to do a "find" word search for your charity and be patient.

<http://www.irs.gov/charities/article/0,,id=96136,00.html>

Good luck doing your due diligence. It's your valuable time and money — make sure you know who's getting it!

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