

## How to Pick a Worthy Charity

Clients frequently ask for recommendations for their charitable giving. In some cases, donors have a clear idea of the area of activity to support but do not know how to identify the most worthy charities. Other clients have identified one or more charities but are unsure as to whether those charities are deserving of their support.

Fortunately, the Internet provides a forum for the development of charity evaluators, which can provide a tremendous amount of information to those seeking to make informed charitable giving choices.

### Internal Revenue Service Website

The fundamental question for donors is whether a donation will qualify for a charitable deduction. The IRS administers a website ([www.irs.gov](http://www.irs.gov)) that includes a "search for charities" tool. Using this tool, donors are able to confirm that an organization is recognized by the IRS as eligible to receive deductible contributions.

### Guidestar

The mother lode of information regarding charitable organizations is Guidestar ([www.guidestar.org](http://www.guidestar.org)). Guidestar provides free access to basic information for almost 2 million charitable organizations and also offers fee-based services that allow professional users to access detailed reports generated from the organization's sophisticated data digitization and database management services.

However, Guidestar's prime drawing card is that it provides free access to full copies of the IRS tax returns filed by hundreds of thousands of charitable organizations. The IRS charitable organization tax return, particularly the recently revised Form 990, which is filed by most charities that solicit contributions from the general public, provides a substantial amount of information regarding the operation and administration of a charitable organization. The available financial data includes the amount of money raised both from contributions and from other sources of revenue as well as the amount of money spent on charitable activities, administrative services, fundraising and investment management. In addition to financial information, Form 990 provides details regarding the organization's charitable activities, governance and management, and, if applicable, any embezzlement, theft or other fraudulent activities.

### Charity Navigator

Charity Navigator ([www.charitynavigator.org](http://www.charitynavigator.org)) evaluates U.S. charities primarily on the basis of two criteria: (i) financial health and (ii) accountability/transparency. Charity Navigator's analysis of these two benchmarks is based primarily upon a review of the charity's Form 990 as well as information available on the charity's website. Charity Navigator processes this information and then issues both numerical and starred ratings for each charity it evaluates. In addition to the ratings, each charity's entry provides specific information regarding financial performance metrics and a checklist of good governance indicators. Charity evaluations are accessible by category (e.g., education, human services, religion).

Charity Navigator's approach should appeal to those donors who believe that a charity's financial health is the most authoritative measure of its worthiness, and who prefer an easy to apply evaluation metric. On the other hand, Charity Navigator's methodology has been criticized for its overreliance on Form 990 and its undervaluation of a charity's charitable activities.

### GiveWell

GiveWell ([www.givewell.org](http://www.givewell.org)) applies evaluative criteria that are similar to Charity Navigator's but investigates each reviewed charity in much greater detail and, as a result, provides a much smaller database of recommended charities. GiveWell's philosophy is to support a few outstanding charities rather than to spread support among many charities. GiveWell features just two charities as its top-rated charities, and offers reviews of just a handful of other top-performing charities. The level of detail and well-reasoned analysis that GiveWell is able to provide offers a glimpse of an ideal resource for charitable donors. Unfortunately, GiveWell's database is far too limited for many donors.

### Philanthropedia

Philanthropedia ([www.mypilanthropedia.org](http://www.mypilanthropedia.org)) is a division of Guidestar, but, in contrast to Charity Navigator and GiveWell, its evaluation methodology is based upon the opinions of philanthropic experts, such as foundation professionals, academics and researchers, rather than the objective data provided on Form 990 and other resources. These philanthropic experts fill out surveys provided by Philanthropedia, which then applies the findings to rank the evaluated charities within various categories of charitable activities. Each evaluated

charity's entry includes a summary of the expert comments as well as narrative descriptions, basic financial information, the Charity Navigator rating (if available) and a link to the charity's Guidestar page.

Philanthropedia provides a pleasing balance of subjective and objective information. At the present, its small but rapidly expanding database will likely frustrate many donors unable to find a rating for a desired charity. However, for those charities that have been evaluated, the Philanthropedia review provides a subjective component missing from Guidestar and Charity Navigator.

### Great Nonprofits

On the far end of the populist approach, Great Nonprofits ([www.greatnonprofits.org](http://www.greatnonprofits.org)) provides a forum for anyone to post a review of a charity in the manner of a consumer website like Yelp. Great Nonprofits does not utilize any objective criteria as its starred ratings system is based entirely upon reviews submitted by site visitors. Great Nonprofits has listed information for more than 1.8 million nonprofits, only 13,000 of which had been reviewed.

Great Nonprofits is an easy target for criticism due to its largely unfiltered review system. Such criticism may be particularly apt with regard to reviews of charities, because in many cases, charitable organizations are unable or unwilling to prioritize "customer service" over more pressing charitable concerns. Nevertheless, if the breadth and scope of the Great Nonprofits approach were to expand exponentially in the coming years, one can imagine that it may become a powerful tool in the field of charity evaluation as a collection point for a vast and diverse database of shared first-hand knowledge.

The field of organized charity evaluation is still new, and there are some very basic concerns that must be addressed before a donor can rely on one or more of these services without some caution. However, the advances made by charity evaluators in the past decade offer hope that in the not too distant future a donor will have the tools to make charitable giving decisions that are informed equally by the head and the heart.



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