

How to Choose a Charity Wisely

By JOHN F. WASIKNOV. 7, 2013

Illustration by Natalie Andrewson

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DONATING to charities this time of year used to be relatively efficient and painless. After watching the Macy's Thanksgiving Day Parade, you plunked some money into a Salvation Army bucket, wrote some checks, contributed some household items and were done.

Yet with charities increasingly involved in awareness campaigns, complex networks of cause marketing and often exorbitant overhead, donating to the most effective charity has never been more challenging.

If you are a discriminating giver, you will need a set of guidelines that can tell you if your donation will mostly be spent on a charity's mission and not peripheral activities. These days you have to use your head far more than your heart to see that your charitable dollars are well spent on causes you care about.

There are services and strategies that you can use to make an informed decision. Most of them can help you determine if your dollars will reach the charity's "mission" — and whether a nonprofit organization is effective in what it is striving to do.

Although such things are hard to measure, it is possible that donors have become more sophisticated in their giving as useful information on charities has become more detailed. Yet it is easy to get distracted by ubiquitous causes that blanket every corner of society. Herewith, a guide to navigating the thicket.

The Major Services

One of the first steps in searching for charities is GuideStar, which contains records from 1.8 million nonprofits registered with the Internal Revenue Service.

The free component of the GuideStar website provides access to each organization's Form 990, the basic I.R.S. filing document for nonprofits. That is useful on the front end if you want basic information on a charity's income, spending, mission and executive salaries.

As with the other services, you can also pay for "premium" services from GuideStar that provide more financial analysis and access to a nonprofit's contractors. This would help if you wanted to perform detailed comparisons of charities or to explore their financial ratios or executive compensation in greater depth.

What GuideStar does not do is give a qualified rating of a charity. It tries to remain neutral and "is not a charity evaluator," says Lindsay J. K. Nichols, a spokeswoman. For more intensive evaluations, you need to go to the BBB Wise Giving Alliance or Charity Navigator.

The BBB Wise Giving Alliance, affiliated with the Council of Better Business Bureaus, has free reviews of 1,300 national charities; local BBBs have evaluations on an additional 10,000. The group applies 20 “accountability” standards — governance, oversight, effectiveness and the like — once every two years at no charge to the charities, but it does not explicitly rate them using a star or letter system.

The alliance will specify if a charity does not meet BBB standards or “did not disclose the requested information.” About 40 percent of the charities evaluated meet all 20 benchmarks; ones that do are designated a “BBB Accredited Charity.”

Organizations accredited by the alliance can then pay a sliding-scale fee based on their size to obtain a license to use the BBB Charity Seal on websites and fund-raising material. About 60 percent of those qualifying elect to pay the fee for the seal.

Like GuideStar and Charity Navigator, the alliance cautions against paying too much attention to the percentage spent on nonprogram expenses, also known as the “overhead ratio.”

The alliance’s approach appears to be more rigorous than the other two services’, although its findings are not compiled into an overall rating. Organizations are deemed “accredited” (met standards), “standards not met,” “unable to verify,” “did not disclose” and “review in progress.”

Still, the group’s focus on audited financial statements and accountability — it also publishes in-depth newsletter articles on the subject — is a pragmatic way to view a charity’s operations.

Art Taylor, the alliance’s president, said the group “sees where the charity is at on our 20 standards, which goes to the heart of how a charity functions.”

To customize a search and get charity-specific ratings, Charity Navigator, which evaluates about 7,000 nonprofits, has an easy-to-use interface to find charities that match your interests.

Focusing on financial health, accountability and transparency, Charity Navigator applies an analysis to each of its charities to come up with its star ratings (with four stars as the highest rank). It examines federal Form 990s to see how much of a charity’s income goes toward programs and what percentage is spent on administration and fund-raising. Of the three major services, Charity Navigator is the easiest to use.

Generally, a good benchmark for a worthwhile charity is having at least 75 percent of income spent on programs, or the nonprofit’s mission, according to Sandra Miniutti, a spokeswoman for Charity Navigator.

Aside from vetting a charity’s financials, Ms. Miniutti suggests, donors should “understand the charity’s mission — pick just a few, do your research and stick with them over time.”

Getting Granular

Want to dig deeper and go beyond the charity information services? You can use them to find basic information on revenue, fund-raising and spending, but you will need to go several layers deeper if you want additional scrutiny. Here are some major issues to consider:

■ Have you compared the charity's Form 990 with its annual report and audited financial statements?

The 990 can often be opaque and may not tell you particulars on an organization's specific programs. You may need an accountant or financial adviser acquainted with nonprofit accounting to review these documents; the audited financials contain much more detail.

■ Does the charity practice "joint cost allocation?"

This is accounting jargon for lumping in fund-raising or solicitation with the charity's program expenses. According to the BBB Wise Giving Alliance, more than 20 percent of nationally solicited charities it reviews employ this practice, which could muddy the waters in gauging how much is really being spent on the charity's mission. To get a clearer picture, you will need to identify the charity's primary purpose. If it is mainly a grass-roots lobbying or public awareness organization (which means you may not be able to deduct your donation), then joint cost allocation may make sense. If it devotes its efforts to financing research, then the allocation may be a red flag.

■ How does the charity evaluate its effectiveness?

You should be able to see some examples in its annual reports. Also, ask the charity directly about its successes. Does the organization use independent auditors to benchmark its performance? Where has it failed? A transparent charity should provide this information along with progress reports.

Eric Friedman, author of "Reinventing Philanthropy" (Potomac Books, 2013), says charities that cannot gauge their effectiveness through benchmarks "may have effective programs, but it's hard for donors to understand how effective or compare them to other options. I've stopped focusing on financial measures, which can be misleading."

■ Is the mission supported by academic research?

Organizations may be funding ineffective ways of addressing their mission. A boutique charity information service like GiveWell recommends only three organizations a year out of the hundreds it has considered since its founding in 2007. GiveWell performs extensive research to show that recommended charities are "proven, cost-effective, scalable and transparent," said Alexander Berger, its senior research analyst. "Because we're aiming to find the best giving opportunities possible — not to rate every charity — we don't research charities that are unlikely to excel on our criteria."

■ Watch out for red flags.

Because nonprofit accounting and reporting can be incomplete, suspicious activity can be hidden. Daniel Borochoff, president of CharityWatch, formerly known as the American Institute of Philanthropy, rates 600 charities with a grading system from A to F — and takes a watchdog approach that tries to expose nonprofit abuses. "There's a lot of sneaky reporting going on," Mr. Borochoff said. He said chicanery could often be found in "gifts in kind," where donations may be overvalued, or in organizations with emotional appeals — some charities involving animals,

children, first responders and veterans. They may be little more than aggressive fund-raising operations that do little for their missions, or funds that are diverted to officers or other purposes.

■ Do you need comprehensive advice?

If you are also concerned about tax or estate planning considerations, it would make sense to work with a wealth manager, estate-planning lawyer or certified financial planner. Many advisers also have insights into nonprofit accounting that can help you vet a charity on a deeper level. Robert J. DiQuollo, chief executive of Brinton Eaton Wealth Advisors in Madison, N.J., said he could scrutinize nonprofit line items like executive salaries and program-related expenses. “We always approach the charity directly,” Mr. DiQuollo said, “to make sure that the charity is spending money on what the donor wants.”

■ Is the charity sitting on too much cash?

You need to know if the charity is putting its cash to good use or reserving it for some other purpose. According to Wise Giving Alliance standards, “the charity’s unrestricted net assets available for use should not be more than three times the size of the past year’s expenses or three times the size of the current year’s budget, whichever is higher.” This is something you may need an experienced accountant to evaluate. The bottom line: As a donor, you need to know if your money will be put to work immediately or sidelined.

Due Diligence

What can you do with these ratings and reams of financial information? Although you can become immersed in nonprofit accounting arcana and employ all of the charity research services, your efforts may still not tell you if a charity is worthwhile.

Can you boil down your charitable objectives? It would be expedient to adopt the Occam’s razor approach: Break down your charitable quest into the missions that matter the most to you and your family, and screen for the most effective organizations.

As with most charitable endeavors, the satisfaction you derive is often linked to how hands-on you are with the organization. Getting involved — or seeing it in action for yourself — is part of that fulfilling experience.

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If you believe like the president has repeatedly said, that everything they say are lies, skip to the bottom. Otherwise, even though the NYT isn’t writing the far left or right rants that lets you off the hook for your bad behavior (their writing helps middle of the roader / status quo crowd off the hood for not supporting radicalism and fanaticism of the right and left), they don’t need vetting to tell if they got the facts right.

America's 50 Worst Charities

and Charity Navigators you should be using

By Leslie Salzillo

Daily KOS

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When it comes to making donations, many of us have felt some angst in deciding where our money can do the most good. We often hear stories of 'charities' that are less than... charitable. In a recent report by Adrienne Hill on NPR's Marketplace, Americans give more to charities, per capita, than any other developed country. In 2011, we gave \$200 billion dollars.

Tampa Bay Times compiled a list of the Top 50 worst charities. Many names of the worst charities are very similar to legitimate charities. For instance, the number one worst charity, Kids Wish Network, sounds much too similar to, Make A Wish Foundation a legitimate respected organization, where donations go to helping very sick children see one of their dreams come true. With the Kids Wish Network, only 2.5% the \$127.8 million they raised, went to direct cash aid. So where did the other millions go? \$109 million of it went to paying solicitors to raise the money.

According to Kendall Taggart, of The Center For Investigating Reporting, many charities exist pretty much to pad the pockets and salaries of their founders. Often the value of goods that are shipped overseas cannot be verified. And then there are charitable goods shipped domestically that are outright insults to the recipients. One cancer victim in Knoxville, Tennessee, reached out to Cancer Fund of America to help with medical costs. He received a package containing paper cups, napkins and plates, along with children's toys, you know, things that help a cancer patient pay for medical costs. The patient's wife was so disgusted, she threw the entire package away.

Thankfully, there are a few reputable organizations online that can help us search charities to differentiate the good from the unscrupulous.

Here are the 50 of the worst charities, with the first being the worst. They are ranked by how much they raise, how much goes to pay the fund-raising solicitors, and how much goes to the actual charity. The title link above the list, will bring you to a page with an interactive chart and more information about charities in general.

America's 50 Worst Charities

1. Kids Wish Network
2. Cancer Fund of America
3. Children's Wish Foundation International

4. American Breast Cancer Foundation
5. Firefighters Charitable Foundation
6. Breast Cancer Relief Foundation
7. International Union of Police Associations, AFL-CIO
8. National Veterans Service Fund
9. American Association of State Troopers
10. Children's Cancer Fund of America
11. Children's Cancer Recovery Foundation
12. Youth Development Fund
13. Committee For Missing Children
14. Association for Firefighters and Paramedics
15. Project Cure (Bradenton, FL)
16. National Caregiving Foundation
17. Operation Lookout National Center for Missing Youth
18. United States Deputy Sheriffs' Association
19. Vietnow National Headquarters
20. Police Protective Fund
21. National Cancer Coalition
22. Woman To Woman Breast Cancer Foundation
23. American Foundation For Disabled Children
24. The Veterans Fund
25. Heart Support of America
26. Veterans Assistance Foundation
27. Children's Charity Fund
28. Wishing Well Foundation USA
29. Defeat Diabetes Found
30. Disabled Police Officers of America Inc
31. National Police Defense Foundation
32. American Association of the Deaf & Blind

33. Reserve Police Officers Association
34. Optimal Medical Foundation
35. Disabled Police and Sheriffs Foundation
36. Disabled Police Officers Counseling Center
37. Children's Leukemia Research Association
38. United Breast Cancer Foundation
39. Shiloh International Ministries
40. Circle of Friends For American Veterans
41. Find the Children
42. Survivors and Victims Empowered
43. Firefighters Assistance Fund
44. Caring for Our Children Foundation
45. National Narcotic Officers Associations Coalition
46. American Foundation for Children With AIDS
47. Our American Veterans
48. Roger Wyburn-Mason & Jack M Blount Foundation For Eradication of Rheumatoid Disease
49. Firefighters Burn Fund
50. Hope Cancer Fund

One of the most disturbing aspects of this list, is that the names of most of these pseudo charities are designed to pull the heartstrings of donors who think their money is going to help very sick children, women with breast cancer, veterans... when very little, if any is actually going to those in need. Makes me want to scream out their names on the highest mountain. I'll have to settle with posting them here, as the best way to deal with this problem, is to become informed and ask charities questions like, "How much of my donation is actually going to this cause?." I'm grateful to all those who have taken the time to compile this information, which helps many of us to discern where, and where not, to place our donations.

Here are some reputable charity online navigators:

Charity Navigator

CharityWatch

GiveWell

For full story and audio: MarketPlace

Sources: Tampa Bay Times, Kendall Taggart/Center For Investigative Reporting, Adrienne Hill/NPR

Daily Kos – Yes you won't find right of center articles here, and there's no space wasted on "equal time" for bigots and the greedy to justify their lies, and there is something else you won't find, lies. But... you will find at the end of every article a list of sources THEY used to confirm their facts and you can do so to.