

# Score Better

## Demystifying Charity Navigator

## Ratings

---

Charity  
Navigator

A Special Presentation for  
Armanino Clients

armanino 

# Poll

How have you used Charity Navigator before?

- A) I use it regularly
- B) I used it occasionally
- C) I have never used it
- D) I have never heard of it.. am I at the right webinar?

The screenshot shows the Charity Navigator website homepage. At the top, the logo "Charity Navigator" is on the left, and navigation links "Discover Charities", "Donor Basics", and "About Us" are on the right. The main banner features a large image of a woman with several dogs in a park. Overlaid on this is a white box with the text "Making a Difference Starts Here" and "Find and support a charity that aligns with your passions." Below this text is a search bar with the placeholder "Search by charity or cause" and a magnifying glass icon. To the left of the search bar are two small images: one of a woman in a blue dress and another of a group of people. Below the banner is a section titled "Where to Give Now" with a "View all" button. This section contains three cards: "Humanitarian Assistance in Sudan" (12 charities), "Oklahoma Tornadoes" (9 charities), and "Gun Violence" (8 charities). Each card includes a small image, a title, a brief description, and a star rating.



# About Charity Navigator

## Largest Nonprofit Ratings Organization



**Our mission: Make impactful giving easier for all**

**We help more people turn their values, passions, and beliefs into meaningful change and impact.**

- We provide the data, ratings, and advice that cut through the noise
- We support donors to make informed choices that turn intent into action
- We partner with nonprofits to define strategic objectives that matter to donors

**There are more ways not just to believe, but to act.**

# Who uses Charity Navigator?

## Small Individual Donors

Every day donors who want to make sure they are giving to an effective, impactful & trustworthy organization

*"I will not donate to a charity unless they receive a 3 or 4 star on Charity Navigator"*

*- Debbie who gives \$5-10K per year*

## Foundations and Grant Makers

Foundations of all sizes use as a in initial due diligence screen

*"We use Charity Navigator as an initial screening tool when reviewing applications- if they are not a 3 or 4 star charity, they don't move on"*

*- Foundation Program Officer*

## Institutional DAFs

Use it when researching recommendations for high net worth philanthropists

*"I provide giving recommendations to high net worth individuals. A lot of my research is on Charity Navigator"*

*- DAF advisor*



# Who is rated?

- Any 501(c)(3) organization that has filed **3** consecutive years of IRS Form 990
- Must be the full 990, **not** a 990-N, or 990-PF
- ~177,000 organization are rated



# Poll

Is your organization scored on  
Charity Navigator?

- Yes
- No
- I need to check

Go to [charitynavigator.org](https://charitynavigator.org)  
and search for your  
organization



---

What you need to know



# The basics of our ratings

---



# Providing guidance through beacons

Our [Encompass Rating System](#) provides a comprehensive analysis of charity performance across four key domains, which we call "beacons."



## Impact & Results

Find out how much benefit the charity's program(s) achieve relative to the cost required to run it.



## Accountability & Finance

Find out if the charity is accountable, transparent, and financially efficient and sustainable.



## Leadership & Adaptability

Find out if the charity has the leadership capacity, strategic plan, and ability to adapt or respond to changing circumstances in order to better achieve its mission.



## Culture & Community

Find out if the charity implements practices that strengthen its overall organizational health and is responsive to its beneficiaries.

**Our ratings are informed through close collaboration with our  
Nonprofit Expert Group and Consultative Council of Nonprofit Leaders**



# Understanding a Charity Rating: What does it mean?

93%



Four-Star Charity ⓘ

Impact & Results

Accountability & Finance

Culture & Community

Leadership & Adaptability

**This is a four-star charity with a 93% overall rating**

They have earned two beacons:

- Accountability & Finance
- Leadership & Adaptability

These individual beacon scores are combined\* to create the aggregate score

**This is a three-star charity with a 87% overall rating**

They have earned four beacons:

- Accountability & Finance
- Leadership & Adaptability
- Impact & Results
- Culture & Community

These individual beacon scores are combined\* to create the aggregate score

87%



Three-Star Charity ⓘ

Impact & Results

Accountability & Finance

Culture & Community

Leadership & Adaptability



**Pro-Tip:** Our donors say that they would rather donate to a "complete" rating that one with just 1 or 2 beacons, even if it is a lower overall score.

\*We use a weighted average of beacon scores to create the overall numeric score

# Where do we get our data?

## IRS

IRS provides data via regular data transfer



## Charities

Staff at charities share information about the organizations they represent



## Data partners

Partners share data that they have collected about nonprofits

# Candid.



Charities can access update their ratings and profiles by visiting [charitynavigator.org/portal](https://charitynavigator.org/portal).



# Accountability & Finance (32.5%)

You can see the metrics on the nonprofit's profile page.

All metrics refer to the items on your Form 990 or website and are considered best practices in the field.



**Pro Tip:**

Review your 990 carefully prior to submission to make sure you are accurately representing your organizations financial information, policies and practices

**You can upload your PDF 990 on our portal!**

**Accountability and Transparency**

Full Credit Partial Credit No Credit Not Applicable

- Board Composition - 9/9 - 35/35 pts
- Independent Audit or Financial Review - N/A - 0/0 pts
- Conflict of Interest Policy - Missing - 0/5 pts
- Board Meeting Minutes - Documented - 5/5 pts
- Document Retention and Destruction - Missing - 0/5 pts
- Whistleblower Policy - Missing - 0/5 pts
- Website - Missing - 0/5 pts

**Financial Metrics**

Full Credit Partial Credit No Credit Not Applicable

- Liabilities to Assets Ratio - 0.00% - 15/15 pts
- Program Expense Ratio - 90.46% - 25/25 pts

990 didn't indicate a COI document, retention policy, whistleblower policy or that they have a website.

Liability to assets score is outside acceptable range



# Two Parts of the Accountability & Finance Score

## Accountability (up to 17 metrics\*)

### Governance

- Board independence, policies and practices

### Policies

- Policies around COI, whistle blowers, CEO compensation

### Transparency

- Key staff, board and financials on the website

## Finance (Up to 7 metrics)

### All

- Program Expense Ratio (All)
- Liabilities to Assets (all)

### >\$1 million and 40% funded by individual donors

- Working Capital Ratio
- Fundraising Efficiency
- ~~Admin Expense Ratio, Fundraising Expense Ratio and Program Expense Growth~~

\* Note: The accountability metrics vary by size

# More on Financial Metrics

## Average Program Expense Percentage =

- $\text{Average Program Expenses} \div \text{Average Total Expenses}$
- (When Calculating Using Form 990) =  $\text{Average of Part IX line 25B} \div \text{Average of Part IX line 25A}$

## Liabilities to Assets Ratio =

- $\text{Total Liabilities} \div \text{Total Assets}$
- (When Calculating Using Form 990) =  $\text{Part X line 26} \div \text{Part X line 16}$

## Working Capital Ratio =

- $\text{Working Capital} \div \text{Average Total Expenses}$
- (When Calculating Using Form 990) =  $(\text{Part X line 27} + \text{Part X line 28}) \div \text{Average of Part IX line 25A}$

## Average Fundraising Efficiency =

- $\text{Average Fundraising Expenses} \div \text{Average Total Contributions}$
- (When Calculating Using Form 990) =  $\text{Average of Part IX line 25D} \div \text{Average of Part VIII line 1h}$

Financial Metrics are the average of 3 990s

Passing thresholds vary by cause and size



# Governance

- Governance metrics are taken from
  - ✓ Part I
    - Summary
  - ✓ Part IV
    - Checklist of Required Schedules
  - ✓ Part VI
    - Section A Governing Body and Management
    - Section B Policies
  - ✓ Part XII
    - Financial Statements and Reporting
- Most common reason an organization is scored poorly:
  - ✓ Board is not majority independent
  - ✓ Didn't indicate an Audit
  - ✓ Didn't indicate a COI or a whistleblower policy

## Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year		
	If there are material differences in voting rights among members of the governing body, or if the governing body (delegated broad authority to an executive committee or similar committee, explain on Schedule O.		
1b	Enter the number of voting members included on line 1a, above, who are independent		
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person?		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6	Did the organization have members or stockholders?		X
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?		X
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?		X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body?	X	
b	Each committee with authority to act on behalf of the governing body?	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses on Schedule O.		X

## Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?		X
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	X	
	b Describe on Schedule O the process, if any, used by the organization to review this Form 990.		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe on Schedule O how this was done	X	
13	Did the organization have a written whistleblower policy?	X	
14	Did the organization have a written document retention and destruction policy?	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	X	
15b	Other officers or key employees of the organization	X	
	If "Yes" to line 15a or 15b, describe the process on Schedule O. See instructions.		



## Deep Dive on Leadership & Adaptability (7.5%)

- Measured by a quick text and multiple choice-based survey in the Nonprofit Portal.
- Full credit for completion at this point.
- Earning this beacon can add 1-2 additional points to your score



### Pro Tip:

Create a Nonprofit Portal Account at [charitynavigator.org/portal](https://charitynavigator.org/portal) to earn beacons

### Metrics

✓ Full Credit    ⚪ Partial Credit    ✗ No Credit    ⚪ Not Applicable

✓ Mission - 10/10 pts

✓ Vision - 10/10 pts

✓ Goals - 20/20 pts

✓ Leadership Development - 15/15 pts

✓ Mobilizing for Mission - 15/15 pts

✓ Adaptability Story - 30/30 pts

## Deep Dive on Culture & Community (10%)

- Scored based on the completion of the **How We Listen and Equity Strategies Survey** in Candid profile
- Organizations receive full credit for completing the **How We Listen survey**
- Score for **Equity Strategies** *depends* on the the number of practices checked (more is better)
- Earning this beacon can add *1-2 additional points* to your score



### Pro Tip:

You can navigate right to Candid from the Culture & Community tab of the nonprofit portal

[www.charitynavigator.org/portal](http://www.charitynavigator.org/portal)

### Metrics

✔ Full Credit
⚡ Partial Credit
✘ No Credit
⚪ Not Applicable

✔ Constituent Feedback - Data Available - 100/100 pts

✔ Equity Practices - Data Available - 100/100 pts

70% of beacon score

This organization's score of 100 is a **passing** score. The organization reported that it is implementing 14 Equity Practices. Charity Navigator believes nonprofit organizations implementing effective equity policies and practices can enhance a nonprofit's decision-making, staff motivation, innovation, and effectiveness.

# Candid.

# More on Culture & Community

## Equity Strategies Checklist

- Asks about 14 questions on adoption of best practices in equity
  - Data related question about capturing and analyzing data staff and beneficiaries demographic data
  - Policies related questions about board and staff diversity, inclusive leadership, & ongoing equity

## Constituent Feedback

Sample questions:

- Does your organization collect feedback?
- How is your organization collecting feedback?
- How is your organization using feedback from the people you serve?
- Which of the following feedback practices does your organization routinely carry out?

Both are collected on Candid

# Candid.



# Deep Dive on Impact & Results (50%)

## Impact & Results

- Score calculated based on nonprofit submitted data on program outcomes and program expenses
- Created measure of cost effectiveness. Possible scores are Highly Cost Effective, Cost Effective, and Not Cost effective.
- Earning this beacon can potentially dramatically affect points to your score
- Limited eligibility at this time (Program areas to the left). No deduction if you are not eligible.
- Data is submitted via our Nonprofit portal



### Pro Tip:

If you are eligible for an Impact & Results score, review *the data elements and their definitions* in the questionnaire prior to submitting your information in the portal.

[www.charitynavigator.org/portal](http://www.charitynavigator.org/portal)

### Select a program type if applicable

Youth Mentoring  
 Water Purification  
 Veterans Disability Benefits Assistance  
 Trap-Neuter-Release  
 Shared Reading  
 Postsecondary Scholarships  
 Permanent Supportive Housing  
 Meal Program  
 Low-Cost Spay & Neuter Clinic  
 Grocery Program  
 Goods Provision  
 Food Bank  
 Financial Counseling  
 Financial Assistance for Medical Patients  
 Emergency Shelter  
 Cataract Surgery  
 Animal Shelter  
 Afforestation and Reforestation

## Outcome

### 6. Time period of data

Enter a recent year-long period for which you have complete data on expenses and outcomes.

This should correspond to the time period of all the data points entered below (including service area). For instance, if you planted 10,000 meals in calendar year 2017, enter 1/01/2017-12/31/2017 here, and 10,000 in the "Hectares of land forested" box.

Start date

End date



### 7. Hectares of land forested

Use the total number of hectares of land forested during the time period you specified for question 6, above.

### 8. Climate domain

Select the climate domain in which you afforest or reforest. If you plant on land in multiple climate domains, choose the option you plant on most.

### 9. Ecological zone

Select the ecological zone which best characterizes your afforested or reforested land. If you plant on land in multiple ecological zones, choose the option you plant on most.

### 10. Counterfactual land use

Immediately prior to forestation, how would you characterize the land on which you planted land as possible.

## Program Costs

Below, you will be asked to provide a breakdown of costs associated with the specific program outcome submitted above. Because the costs for this specific program might be different from what is listed in your organization's Form 990, we ask you to follow our instructions carefully, so that your score is not unfairly lowered by the inclusion of other costs.

### 11. Program expenses for forestation in selected time frame

Include all costs in USD directly related to tree planting, such as procuring seeds or seedlings, maintaining tree nurseries or tree farms, transporting and planting trees, pruning and watering, monitoring, and securing land rights. Include the cost of any non-volunteer labor devoted specifically to this program; or, if non-volunteer labor allocates their time across multiple programs, include the pro rata value of the time they devote to this forestation program. Exclude expenses incurred using in-kind donations, such as donated supplies and trees. Also, exclude fundraising and management expenses. Please subtract any revenue that the program earned.

Please mark below whether the cost figure provided above **includes** the following:

- All costs to reforest the hectares

Please mark below to confirm that the cost figure provided above **excludes** the following:

- Non-program expenses (fundraising, overhead)
- The cost of land use change other than the afforestation or reforestation of the of the hectares, if any
- The cost to operate other programs. For example: other carbon offsetting programs, advocacy work, or other non-forestation programs, if any
- Earned revenue from the afforestation or reforestation, if any

# Submitting I&R data

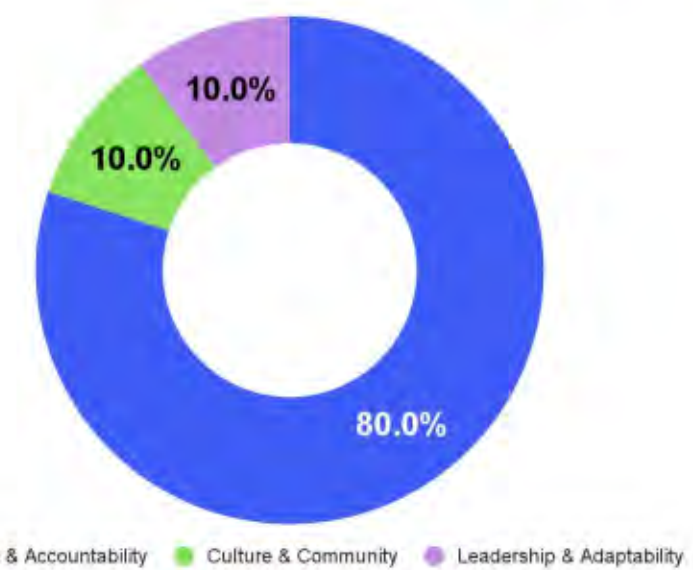
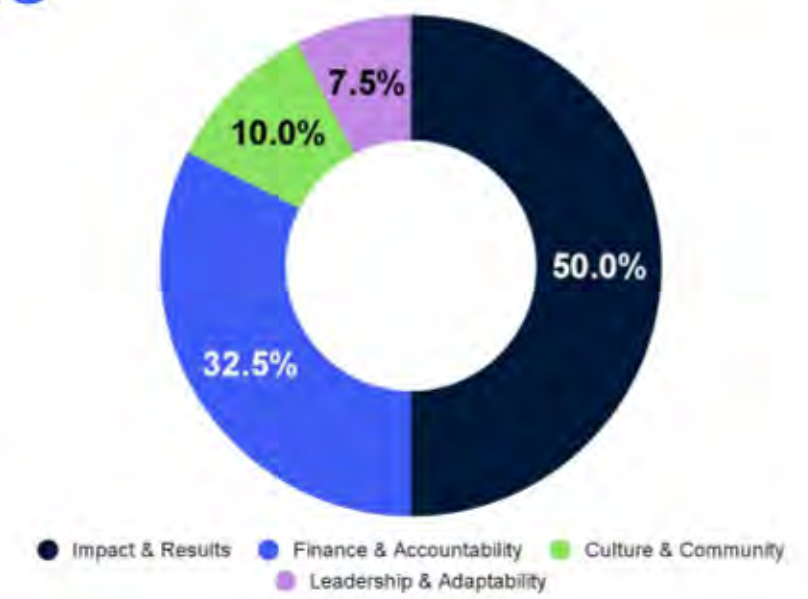
Example:  
Reforestation

Asks for  
outcomes and  
timeframes  
+  
Program costs



# Weighting of beacons will depend on the number earned

Earning additional beacons is not mandatory at this time; however, they can bolster overall ratings in the unified system and increase visibility on our platform. Weighting of beacons depends on how many and which ones. To see all of the permutations, visit <https://www.charitynavigator.org/encompass>





# Scoring

Eligible charities receive a zero to four-star star rating – this is determined by the weighted sum of the organization's individual beacon scores (0-100).

Rating	Score	Assessment	Description
	90+	Great	Exceeds or meets best practices and industry standards across almost all areas. Likely to be a highly-effective charity.
	75 - 89	Good	Exceeds or meets best practices and industry standards across some areas.
	60 - 74	Needs improvement	Meets or nearly meets industry standards in a few areas and underperforms most charities.
	50 - 59	Poor	Fails to meet industry standards in most areas and underperforms almost all charities.
	< 50	Very poor	Performs below industry standards and well underperforms nearly all charities.

# How can you maximize your rating on Charity Navigator?

## Step 1: Review your Accountability & Finance

If your organization is new to Charity Navigator, it is likely that the only score you have is based on your Accountability & Finance Beacon Score. Review that section of your score to find areas you can improve.

## Step 2: Create a Nonprofit Portal Account & Submit additional data

You can **earn additional beacons** by submitting data via our nonprofit portal. Earn your Leadership & Adaptability Beacon & (when eligible) your Impact & Results Beacon.

- Upload your 990
- Complete your Leadership and Adaptability Survey
- Check for Impact & Results Eligibility

## Step 3: Complete your Candid Profile

Earn your Culture & Community Beacon by completing your **Candid Profile**.

# Is this worth it? Yes

Charity Navigator prioritizes 3-4 stars with two or more beacons in our search and on our Curated Lists

Our internal analysis shows that:

- Organizations receive ~ an additional **\$250 per year** for every beacon they complete.
- Being on a *Where to Give Now* lists translates to as much as **\$20,000**
- Being on the *Perfect Charities* list results in **~\$4000** additional donations per year.

# 93%



· FOUR-STAR CHARITY ·

Impact & Results



Accountability & Finance



Leadership & Adaptability



Culture & Community



Researcher Jennifer Mayo found “an increase in a charity’s rating from 3- to the highest 4-star rating is associated with a **6% rise in contributions, with larger effects among smaller charities.**”

Source: Navigating the Notches: Charity Responses to Ratings (2021)



## Get started by going to the Nonprofit Portal

[www.charitynavigator.org/portal](http://www.charitynavigator.org/portal)



1. Create a **Nonprofit Portal account**
2. Complete any necessary steps to earn additional beacons
3. If your organization is three or four-stars, **download your ratings toolkit**
4. **Brag** about your rating to donors on your website and on social media

# Thank you!

## Case Study: Hope for Haiti

