# core Better Demystifying **Charity Navigator** Ratings

Charity-Navigator

A Special Presentation for Armanino Clients

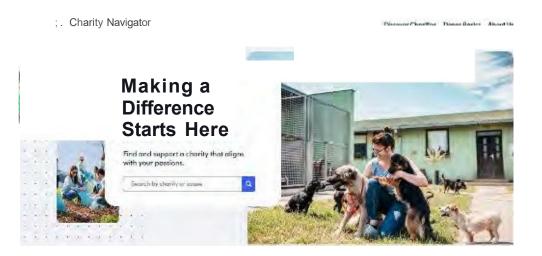




### Poll

# 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?



#### Where to Give Now

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Gun Violence

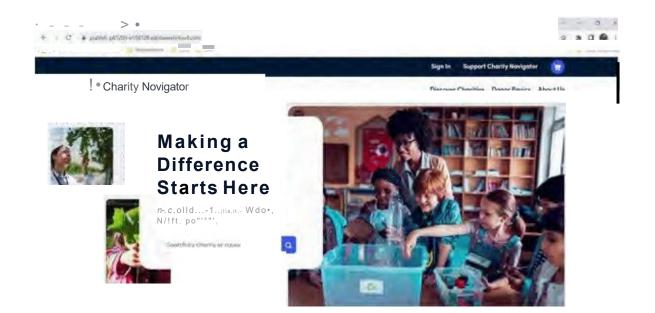
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supporting victims



# :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 notjust to believe, but to act.

### : . Charity Navigator



# 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-J0K 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 nigh net worth philanthropists

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

- OAFadvisor

# Who is rated?

- Any 50I(c)(3) organization that has filed 3 consecutive years of IRS Form 990
- Must be the full 990, *not* a 990-N,or990-PF
- -177,000 organization are rated





# Poll

Is your organization scored on Charity Navigator?

- 0 Yes
- 0 No
- 0 I need to check

Go to charitynavigator.org

and search for your organization



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What you need to know

### Charity Navigator

# 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 muchbenofi.Jlho charily'\$ progrom(s) oc:hi8V4)relofivv lo th8C0\$1r"equired to n.,nit.



Accountability & Finance

Find out if thechotity is occ:ountable, II"Ontpor8nI, ond finandolly<JfficienI and sustainable.



#### Leadership & Adaptability

Findout if the chQrity ho.sthe leodership capacity, strategic pion, and ability to adopt or respond to changing circumstances in order to better achieve its mission.



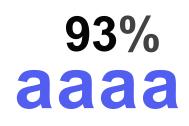
#### Culture & Community

Find out if the charity implements practices that strengthen its overoU orgonizotionol 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?



Four-Star Charity 6

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Leadership & Adopfability

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

They have earned two beacons:

Accountability & Finance Leadership & Adaptability

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

This isa 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



"'We use,a weighted average 10 of beacon scores m creace the ovtral1numeric Sc<Jrc

<u>: r o - T i p : Our donors say that they would rather donate to a "complete"</u> rating that one with just 1 or 2 beacons, even If it fs a lower overall score.



# Where do we get our data?

IRS	Charities	Data partners
IRS provides data via regular data transfer	Staff at charities share information about the organizations they represent	Partners share data that they have collected about nonprofits
	Accountability & Finance	<b>CanBi</b> IMPACT GENOME REGISTRY'

Charities can access update their ratings and profiles by visiting 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.

#### i ProTip:

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

Youcanupload your PDF 990 onour portal!

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# 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)

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

- Working Capital Ratio
- Fundraising Efficiency
- <u>Admin Expense Ratio, Fundraisin9</u> <u>Expense Ratio and Pro9ram Expense</u> <u>Gro.vitR</u>



# **More on Financial Metrics**

#### Average Program Expense Percentage=

Average Program Expenses+ Average Total Expenses

(When Calculating Using Form 990) = Average of Part IX line 258 + Average of Port IX line 25A

#### Liabilities to Assets Ratio=

Total Liabilities.;.Total Assets (When Calculating Using Form 990) = Port X line 26 + Part X line 16

#### Working Capital Ratio=

Working Capital + Average Total Expenses (When Calculating Using Form 990} = (Part X line 27 + Part X ITne 28) + Average of PortIX line

25A

#### Average Fundraising Efficiency=

Average FundroTsing Expenses + Average Total Contributions

(When Colculofing Using Form 990) = Average of Port IX line 25D + Average of Port VIII line lh

Financial Metrics are the average of 3 990s Passing thresholds vary by cause and size



### Governance

- Governance metrics are taken from Part I
  - Summary

PartIV

- Checklist of Required Schedules
   Part VI
- Section AGoverning Body and Management
- Section B Policies

Part XII

- Financial Statementsand 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

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### 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

#### Metrics

- **O** FuilCrear1 () PorliolCrea **O** NoCredit **O** NolApplicable
- **&** Mission 10/10 pis
- **O** Vision 10/10 pis
- **0** Gools 20/20 pts
- *t*) Leadership Development 15/15 pis
- **0** Mobilizing for Mission -15/15 pis
- & Adoptobility Story J0/30 pts

#### **Pro Tip:**

Create a Nonprofit Portal Account at <u>charitynavigator.org/porta</u>l to earn beacons



### 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

#### <u>po1ntsbyourscor</u>e

#### Ro Tip:

You can navigate right to Candid from the Culture &. Community tab of the nonprofit portal www.charitynavigator.org/port al

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# 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?







# Deep Dive on Impact K Results (50%)

Impact &.Results

- Score calculated based on nonprofit submitted data onprogram 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

### **W**

#### Pro Tip:

If you are eligible for on 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

#### Select a program type if **Qpplicable**

Youth Mentoring Water PurlficatTon Veterans Dlsabi(ity Benefits Assistance **Trap-Neuter-Release** Shared Reading Postsecondary Scholarshrps Permanent Supportive Housing MealProgram Low-Cost Spay & Neuter Clinil **Grocery Program** Goods Prov1sron Food Bank FinancialCounseling **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" bas.



#### End date



doto Select dote

7. Hectares of land forested

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

Hecharos planked

#### 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.

Climate domain

#### 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.

Ecological zone

#### 10. Counterfactual land use

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

Land use

#### Program Costs

Belaw, you will be asked to provide a breakdown of costs associated with the specific program autoame 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 forms, transporting and planting trees, pruning and watering, monitoring, and securing land rights, include the cost of any non-volunteer labor devoted specifically to this programs or, if non-volunteer labor allocates their time across multiple programs, include the pro-rate value of the time they devote to this forestration program. Evolutive subcode expresses 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.

#### Enler program as proses

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 (fundralsing, overhead)

The cost of land use change other than the afforestation or reforestation of the of the hectores, if any

The cost to operate other programs. For example: other carbon affsetting programs, advacacy work, or other non forestation programs, if any

Earned revenue from the afforestation or reforestation, if any

## Submitting & R data

### Example: Reforestation

### Asks for outcomes and timeframes

+

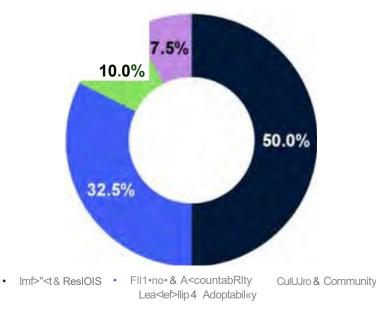
### Program costs

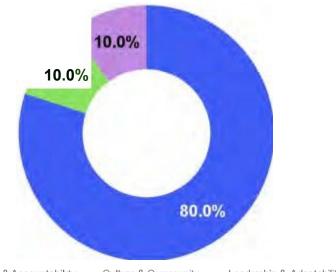


#### COMING FALL 2022

# 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
aaaa	90+	Greot	Exceeds or meets best practices and industry standardsacross almost all areas. likely to be a highly-effective charity.
aaa	75-89	Good	Exceeds or meets best practices and industry standards across some areas.
aa	60-74	Needs improvement	Meets or nearly meetsindustry standards in a few areas and underperforms most charities.
a	50-59	Poor	Foils to meet industry standards in most areas and underperforms almost all charities.
	< 50	Verypoor	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 theonly score you have is based on your Accountability &..Finance Beacon Score. Review that section of your score to find areas you can 1rnprove.

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

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

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

Step 3: Cornplete 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 \$25 er yea for every beacon they complete.
- Being on a *Where to Give Now* lists translates to as much as
- Being on the *Perfect Charities* list results 1 1 4 0 additional donations per year.

93%			
+	+	+	+
• FC	OUR-STAF	R CHARI	ΓY·
Impact d Re	ewlhi		
Accounlobi!	ity 6. Mnonco		
Leadenhip	aAdoptobiliry		
Culture aCo	ommunily		

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 effeds among smaller charities."** 

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

# Get started by going to the Nonprofit Portal

### www.charitynavigator.org/portal



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



Charity Navigator



### Case Study: Hope for Haiti



# Armanino Operates in an Alternative Practice Structure:

"Armanino" is the brand name under which Armanino LLP, Armanino CPA LLP, and Armanino Advisory LLC, independently owned entities, provide professional services in an alternative practice structure in accordance with law, regulations, and professional standards. Armanino LLP and Armanino CPA LLP are licensed independent CPA firms that provide attest services, and Armanino Advisory LLC and its subsidiary entities provide tax, advisory, and business consulting services. Armanino Advisory LLC and its subsidiary entities provide tax, advisory, and