

# Rating the Raters

## An Assessment of Organizations and Publications That Rate/Rank Charitable Nonprofit Organizations

*This report was developed for the benefit of donors and charitable nonprofit organizations by a joint task force of:*



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# Executive Summary

Charity “watchdog” organizations and national publications that rank charitable nonprofit organizations (CNO)\* serve a noble purpose, in concept: helping donors make responsible choices when donating to a CNO. As a result, how an individual CNO is rated or ranked by these “watchdog” organizations and/or publications can have a significant impact on the CNO’s contributions income and, thereby, on the CNO’s ability to fulfill its mission.

Our concern, as responsible nonprofit organizations, is not with the concept of ratings or rankings of CNOs, since we agree that donors should be well-informed about the CNOs they are considering as recipients of their donations. Our primary concern is that donors fully understand the information they are receiving from such ratings and rankings so they can make well-informed judgments and not be misled and/or misinformed. There is great potential for these ratings to be misinterpreted and misused, which would cause more harm than good to both donors and CNOs. In the worst case scenario, donors could withhold vital contributions from a worthy organization based on inaccurate, incomplete or misunderstood information they received from an evaluator.

As CNOs receive more public scrutiny through mass media, we also think it is important that the media understand the information they are receiving and disseminating, so they are not themselves misled and/or misinformed and do not add to an individual donor’s possible confusion. The media (and through them, the general public) needs to recognize that charitable organizations, by nature, are not easily measured or compared based on simplistic criteria and/or benchmarks. Unlike for-profit corporations that can more easily be measured and compared using standard financial data and ratios, the programmatic, mission-based work of CNOs is more complex.

As a service to their member organizations, who are confronted with responding to donors and/or the media about the ratings and rankings of CNO evaluators, a joint task force of the National Human Services Assembly (NHSA) and the National Council of Nonprofit Associations (NCNA) conducted a study of the most well-known organizations and publications that provide CNO ratings and/or rankings. A summary of this study’s findings is included below, followed by a detailed report which entails the scope of and approaches used for this study. The specific findings of this study are contained in Tables 1 and 2 attached to this report.

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\* The joint NCNA-NHSA task force that produced this report has elected to use the term, “charitable nonprofit organization,” abbreviated as CNO, rather than “charity” for a number of reasons; among them: the raters tend to rate/rank a subset of charities and nonprofit organizations that are recognized by the federal government with a specific tax exemption; also, the term, charity, which includes individual acts as well as those of complex organizations, can connote an informality that is not acceptable for an organization qualifying for federal tax exemption.

# Summary of Findings

**M**ajor observations resulting from the joint task force study of rating and ranking organizations/publications include the following:

**Approaches and criteria vary:** The methodologies and criteria used vary significantly among the various rating and ranking organizations, making it difficult for a donor to understand the ratings and/or rankings, and making it difficult for an individual CNO to satisfy the varied criteria;

**Evaluation criteria may not be readily apparent:** Not all of the organizations and publications that rate or rank CNOs make it easy for the donor (or the CNO being evaluated) to determine the evaluation method and criteria being used, making it difficult for the donor to understand how the rating or ranking was established and making it difficult for the CNO to respond or react;

**Evaluators may use criteria that are overly simplistic:** In light of major differences in the financial, operational, organizational, and governance structures of charitable organizations (e.g., national organizations with and without affiliates, direct service organizations, membership organizations, coalitions), simple financial ratios and/or measures that apply in some circumstances may not apply at all in others. Unless the rating or ranking organization takes such distinctions into account in applying its criteria and/or explains such distinctions to the donor, a donor can be misinformed or confused by the information conveyed;

**Evaluators tend to focus on financial measures but overlook program effectiveness:** In the wake of the Pacific Tsunami, donors could fairly easily find which nonprofit organizations involved in relief efforts had low overhead: percents and ratios reported by charity watchdogs were cited frequently in the media. However, few news reports or the ratings they cited indicated *how effective* the nonprofit organizations were at delivering services. A couple of the CNO evaluators seek information on whether subject organizations evaluate program effectiveness but financial efficiency remains the primary focus in most third-party ratings/rankings at this time;

**Competence of the evaluator is critical and difficult to ascertain:** It is virtually impossible for the donor to determine the relevant credentials, expertise, and/or experience of the rating or ranking organization's staff, which is particularly important due to the complex and somewhat unique nature of CNOs and the accounting and financial reporting rules that apply;

**Evaluators may not meet their own criteria:** Not all of the organizations and publications that rate or rank CNOs meet the same standards or expectations that they apply to the CNOs they evaluate and/or are not subject to the same "transparency" requirements (e.g., public disclosure of financial information, funding sources). This makes it difficult for a donor to measure the credibility of an organization or publication that evaluates other organizations;

**Data sources and levels of due diligence vary:** Some raters or rankers obtain data from public or indirect sources while others obtain it directly from the CNO. Likewise, not all of the organizations and publications that rate or rank CNOs interact with the CNOs to validate the accuracy of the information the evaluator is using and/or to allow the CNO to provide clarifications, explanations, and/or corrections to the information used in the evaluation;

**Ratings often drive revenues to the evaluators:** Some of the organizations that rate CNOs use their ratings as a critical component of their own revenue model (e.g., to generate membership/subscription fees, licensing fees, report fees, web site advertisements) which leaves open to question whether they are motivated to inform donors or whether they are motivated by media attention that improves their revenue stream.

In light of the above, we believe that donors (and CNOs) are best served by a “watchdog” organization and/or publication that:

1. Makes its methodology and criteria readily available and understandable to donors and to the CNOs being evaluated.
2. Provides sufficient information about the relevant expertise and/or experience of its management and staff to enable donors to judge its overall competence to evaluate CNOs.
3. Interacts with the CNO being evaluated to validate and/or clarify the information being used and to allow the CNO to appeal/challenge any conclusions drawn by the evaluating organization or publication.
4. Provides its findings free-of-charge to potential donors and to the CNOs being evaluated.
5. Complies with the same criteria and/or standards it applies to the CNOs being evaluated.
6. Meets the same “transparency” requirements that apply to the CNOs being evaluated (e.g., public scrutiny of financial data, tax returns, and officer compensation).
7. Applies its criteria and publishes its findings in a way that recognizes major differences in the types and structures of charitable organizations (“one size does not fit all”).
8. Provides resources (training, reference materials, etc.) to assist the organization being evaluated in meeting their criteria.

Finally, third-party ratings and rankings would serve the public better if they either qualified the scope and limitations of their assessments—noting if they primarily measure financial efficiency or whether they also address program effectiveness, ethical and fundraising practices—or included indicators or measures of program effectiveness, ethical and fundraising practices in their assessments. Reasonable overhead and fundraising-to-program expenditure ratios are desirable but insufficient: how well a nonprofit delivers on its promises should be a primary consideration as well.

# Detailed Report

## Introduction

In recent years there has been unprecedented media attention focused on the operations of philanthropic organizations including foundations, funding intermediaries and charitable organizations. This attention has focused on a variety of issues from compensation of executives and trustees to efficiency practices to accounting procedures. It has led to increased concern by the public and public officials about accountability and transparency in the sector.

A response to this attention has been the proliferation of accountability standards and ratings designed to evaluate the activities of nonprofits. These standards and standard-setting organizations have grown in number and popularity creating confusion for all stakeholders including donors who are often the primary audience for these ratings/rankings. Organizations that are evaluated are also at a loss as to what these rankings mean and how they explain what their score means to potential donors, clients and members. The sheer number of these ratings also creates confusion for nonprofits about which of these systems may be the best tool for them. To alleviate this confusion, the National Council of Nonprofit Associations (NCNA) and the National Human Services Assembly (NHSA) decided to partner to produce an educational tool that reviews the existing accountability standards and ratings. The goal of this report is to help nonprofits and others understand exactly what and how standard-setting organizations measure and rate nonprofits.

Adding to the timeliness and importance of this report is the scrutiny the charitable sector is under by Congress, especially the Senate Finance Committee, which is committed to reforming charitable oversight in the 109th Legislative Session. This report and the tables contained within are intended as a resource for participants in and subjects of nonprofit rating and ranking processes and for consumers of the information those processes generate. For participant/subject organizations, it is the intent of this work by NCNA and NHSA to ensure that they are aware of the differences between the various models and rating organizations. This can be helpful in terms of deciding in which approach, among those that are voluntary or that invite the subject organization's participation, the organization wishes to participate. It can also be helpful in understanding and addressing the meaning of and variances between rankings/ratings in different listings.

For both subject organizations and other consumers of the information the various ratings and rankings provide, it is also the intent of the present comparison to help subjects, participants, and users of the information to assess the legitimacy and credibility of rating/ranking criteria, processes, and organizations.

## Study Selection Criteria

The present “rating-the-raters” initiative focused solely on rating, ranking, and standards-setting entities that met the following criteria:

- They were national in scope or being replicated across the country; and
- They rated, ranked, or set standards for diverse CNOs rather than specialized niche groups of nonprofits.

There are a few local rating and/or standards-setting processes and several other national processes that focus on specific types of organizations, e.g., health CNOs, faith-based organizations, child and family-serving agencies. Again, the present analysis addressed only those that were or could be applied to virtually any kind of CNO.

The study team considered two kinds of organizations/processes:

- Entities or processes that rate CNOs or make decisions about them based on established standards, criteria or processes.
- National publications which rank CNOs.

The entities/processes identified included: American Institute of Philanthropy, BBB Wise Giving Alliance, and Charity Navigator—all national rating systems. Also included was the Standards for Excellence Institute, which is home to a standards/evaluation process that began in Maryland but has recently gone national in scope. In this grouping, the NHSA-NCNA task force included the Combined Federal Campaign (CFC) as well, because it identifies standards a nonprofit group must meet in order to solicit donations (via the CFC) from federal employees.

The publications examined included the *Chronicle of Philanthropy*, *Forbes*, *Nonprofit Times*, and *Smart Money*, all of which publish rankings of CNOs. Worth Magazine has produced a “100 Best Charities” list but was no longer doing so at the time the study group conducted its assessment.

## Study Methodology

The entities reviewed were examined on three sets of factors: organization/structure, method of rating or ranking, and evaluation standards/criteria. All three were examined and are presented for the rating entities/processes in Table 1. Some of the factors employed were not as relevant for the publications, so an abridged set of comparative factors is reflected in Table 2.

Two members of the joint task force were assigned to each organization to gather the information contained in the tables. The information was gathered from public sources—including websites and publications—of the standards setting organization. If this information was not publicly available, the entity was contacted by phone and/or e-mail for the information. In addition, after the research was complete, each entity or

publication was contacted and given a chance to review what we found to guarantee that this would be an accurate representation of their program. Most of the entities responded, but some of the publications did not respond.

The reader should be informed of potential conflicts with two of the organizations that were reviewed and how the joint task force dealt with these conflicts.

The Standards of Excellence Institute is an operating division of the Maryland Association of Nonprofit Organizations, which is a member of NCNA. In addition, there were representatives on the task force from two organizations that offer Standards of Excellence and are NCNA members. To avoid bias in the Standard of Excellence review of this organization, no NCNA member of the task force was involved in the review.

A member of the board of the BBB Wise Giving Alliance was a part of this project. To avoid bias, this individual did not participate in the review of that organization.

The information contained in the two tables speaks for itself. Following are selected highlights:

## **Rating Entities/Processes (TABLE 1)**

### **Organization/structure:**

- All but the CFC are nonprofit organizations; two are parts of other organizations—BBB Wise Giving Alliance (BBBWGA); Better Business Bureau; and Standards for Excellence Institute (SFXI); Maryland Association of Nonprofit Organizations.
- All of the entities reviewed are national in scope, however, the Wise Giving Alliance can empower local BBB's to employ its approach locally.
- All of the nonprofit organizations are financed, to varying degrees, by philanthropic sources, including individual contributors and foundations. Two receive fees and/or earned income from their standards programs (BBBWGA and SFXI). One of the nonprofits—Charity Navigator (CN)—is financed substantially by one individual and a corporation with which that person is associated. The CFC is funded by funds appropriated from the federal government.
- Staffing for the rating/evaluation processes at these entities ranges from 4.5 FTE to 10.
- Of the four under nonprofit auspices, it is relatively easy to access audit and organizational information (e.g., governance structure, staffing) about three: American Institute of Philanthropy (AIP), BBBWGA, and SFXI. That is not the case for CN. Parallel information on the CFC can be obtained.
- Of the four under nonprofit auspices, three abide by their own standards: AIP, BBB WGA, and SFXI. It is unclear whether this is the case for CN. This factor is not applicable for the CFC.

## Approach/Methodology:

- All have standards that are readily accessible. Some are not available on the organization’s website, however, and must be ordered (AIP).
- The rating approaches of the five entities vary widely: one grades A+ to F and another rates on a scale of 0 – 4; two are essentially pass/fail; and two provide a seal of approval (for one, BBBWGA, the seal is optional and there is a cost).
- Participation in an SFXI or CFC process is voluntary on the part of a nonprofit organization. The others may initiate a review if asked to do so by a donor or member or may undertake a review at their own initiative.
- AIP, BBBWGA, SFXI, and CFC use information and materials provided by subject organizations as well as public information. CN relies substantially on public information (IRS Form 990 in particular).
- BBBWGA provides a draft report for a subject organization to review and comment on. All report they will consider additional information (if a subject organization disagrees with or wishes to update/revise the findings/rating). Only SFXI and CFC have formal appeals processes.

## Evaluation Standards/Criteria:

- All address financial measures but differ on percentages allowed/desired for fundraising costs.
- Four of the five also address “program spending,” though, again, allowable/desired percentages vary.
- Three of the five expressly address the subject of financial reserves or working capital, with the expected amount of reserves varying from one to three times the amount needed to sustain the organization for a year.
- CN and CFC do not address governance (e.g., board) involvement. BBBWGA and SFXI address governance in some depth.
- BBBWGA and SFXI are the only ones that address desirable fundraising practices, including donor privacy.
- BBBWGA and CFC require descriptions of programs. SFXI requires that organizations have defined “cost effective procedures for evaluating, qualitatively, and quantitatively,” its programs as related to mission.
- CFC regulations address lobbying and screening employees (to ensure none are on terrorist lists).

## Publications (TABLE 2)

### Organization/Structure:

The organization/structure dimensions examined for the rating organizations are not particularly relevant to the publications. However, it is noteworthy that two of the publications—*Chronicle of Philanthropy* and *Nonprofit Times*—are focused primarily on matters affecting and involving nonprofit organizations while nonprofit rankings by the other two publications—*Forbes* and *Smart Money*—are periodic features of magazines primarily focused on other subjects.

### Approach/Methodology:

- All four rank or rate organizations based on size—from the top 100 to the top 400.
- Two indicate that a CNO's participation is voluntary; however, all four determine, based on dollar amounts, which organizations they will include.
- The publications vary as to how they represent national organizations with affiliate networks, i.e., whether ratings/rankings are based on national headquarters operations only or headquarters combined with affiliate networks.
- All four base their rankings on information provided by the organizations ranked and tax returns. Each of the two business publications (*Forbes*, *Smart Money*) also uses one of the philanthropic publications as a source as well.

### Standards/Criteria:

- Two provide straight rankings of CNOs (one the top 400, one the top 100) based on funds—one on private support raised, the other total income.
- *Forbes* and *Smart Money* determine rankings based on assessment of revenues and expenditures, e.g., fundraising efficiency, program expenditures.
- *Forbes* and *Smart Money* address fundraising and uses of funds (e.g., programs, reserves, administration). None of the publications address program delivery or effectiveness.

## Conclusion

Since nonprofits exist to provide services and products for the public good, accountability and transparency will continue to be important concerns for the public, policymakers, and the sector itself. As such, solutions from a variety of sources—legislators, attorneys general, watchdog groups, the private sector, and nonprofits themselves—will continue to be offered as a guarantee that the sector is worthy of public trust and investment. This report only looks at one of the approaches—standards and ratings—because of their gaining popularity and their growing impact on the sector.

There are many ratings and standards setting programs out there and as they gain popularity, more will be established. Our goal for this report is to help donors and CNOs navigate their way through these programs to find those that can provide the most useful and relevant information. Our research and review has led us to conclude that donors and CNOs are best served by a rating program that:

- Makes its methodology and criteria readily available and understandable to donors and to the CNOs being evaluated.
- Provides sufficient information about the relevant expertise and/or experience of its management and staff to enable donors to judge its overall competence to evaluate CNOs.
- Interacts with the CNO being evaluated to validate and/or clarify the information being used and to allow the CNO to appeal/challenge any conclusions drawn by the evaluating organization or publication.
- Provides its findings free-of-charge to potential donors and to the CNOs being evaluated.
- Complies with the same criteria and/or standards it applies to the CNOs being evaluated.
- Meets the same “transparency” requirements that apply to the CNOs being evaluated (e.g., public scrutiny of financial data, tax returns, and officer compensation).
- Applies its criteria and publishes its findings in a way that recognizes major differences in the types and structures of charitable organizations (“one size does not fit all”).
- Provides resources (training, reference materials, etc.) to assist the organization being evaluated in meeting its criteria.

Finally, while determining organizational and program effectiveness and adherence to ethical and fund-raising standards are complex and costly, especially given the wide range of organizations that CNO raters examine, an effective “watchdog” organization will not overlook these essential dimensions. At very least, it will examine whether procedures exist at the subject organization to periodically assess organizational and program effectiveness, as well as desirable ethical and fund-raising practices.

# TABLE 1

## COMPARISON OF NONPROFIT ORGANIZATION (NPO) EVALUATORS

### Part 1: Organization/Structure

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<b>Type of Entity</b>	501(c)(3)	501(c)(3)	501(c)(3) A private operating foundation with a 50% deductibility limitation.	A program of a 501(c)(3) NPO.	Government
<b>Parent Entity and/or Affiliation</b>	N/A	Affiliated with Council of Better Business Bureaus (CBBB).	None	Division of Maryland Association of Nonprofit Organizations (Maryland Nonprofits).	Program of the U.S. Office of Personnel Management (OPM).
<b>Number of Years in Existence</b>	Since 1992	Formed in 2001 as a result of merger between CBBB Foundation's Philanthropic Advisory Service and National Charities Information Bureau).	Registered in November 2001.	Maryland Nonprofits: 1992 SFX Program in Maryland: 1998 SFXI Institute: June 2004	Put in place in 1961 by Executive Order 10927 signed by President John F. Kennedy.
<b>Geographic Scope</b> (National, state, etc.)	National	National	National	<b>1998</b> Maryland <b>2001-2004</b> replicated in six areas LA, NC, OH, PA, GA, Chicago Metro. <b>2004</b> National Code available.	National, State & Local.  Different eligibility requirements available online.
<b>Major Funding Sources</b>	Public Contributions	Public Contributions Foundation Grants Support from CBBB Seal Licensing Fees	Start up funding provided by John Dugan, retired head of PDI, Inc. Primary funding from PDI Stock. Seeks additional individual, corporate & foundation support.	Philanthropic grants Earned income	Federal appropriated funds.

<b>Feature</b>	<b>American Institute of Philanthropy (AIP)</b>	<b>Better Business Bureau (BBB) Wise Giving Alliance (WGA)</b>	<b>Charity Navigator</b>	<b>Standards for Excellence Institute (SFXI)</b>	<b>Combined Federal Campaign (CFC)</b>
<b>Availability of Audited Financial Statements</b>	Available on request. IRS Form 990 available through link to GuideStar.	Available on request. IRS Form 990 available on website.	No audited financial data on website—IRS Form 990-PF for 2001 and 2002 available on GuideStar and on Foundation Finders.	Available at Maryland Nonprofits (parent organization) site.	Program expenses are included in OPM's financial statements. Financial statements from individual participating NPOs are available upon request from the NPO if applicable.
<b>Availability of Board/Staff Information</b>	Board member/key staff information available on website.	Board member/key staff information available on website.	Board and Executive Director identified on web site.	Board member information available on website.	Key staff information available on website.
<b>Board Composition</b>	5 members (including employee president).	17 members (including representation from National Assembly and Independent Sector).	7 members (including 3 from founding family). Chairman of the Board (John Dugan) is the only major contributor to the organization.	20 members on the Maryland Association Board; 13 member SFXI Advisory Board.	N/A
<b>Availability of Member Information</b>	N/A	N/A	Charity Navigator will not sell or share members' personal information with any other entity. Individuals may register for a free online membership.	Maryland Nonprofits Membership Directory which includes NPOs certified under the SFXI	List of local CFC programs available through OPM.
<b>Size of Staff</b>	5 (from Form 990).	10 (listed on website).	8	Maryland Nonprofits – 30 SFXI Institute: Maryland – 4 1/2 Replication Sites – at least 1 staff	7
<b>Expertise of Staff</b>	Available only for founder/president: 15 years relevant experience.	Includes former NPO CEO, attorney, CPAs, Master's Degrees related to nonprofit sector, and individuals with extensive experience in NPO standards application.	Analysts are drawn not only from the fields of education and non-profit management, but also from positions of skill from within the for-profit sector, and most have advanced degrees.	Staff bios available on the website.	Nonprofit sector management, grant-making, accounting, policy and regulations expertise.

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<p><b>Degree of Adherence to Their Own Standards</b></p>	<p>All standards are met.</p>	<p>All standards are met.</p>	<p>The Charity Navigator methodology for rating a charity requires four years' worth of financial data. Since Charity Navigator has been around only two years, attempting to rate itself would yield zero and null values.</p>	<p>Adherence is a requirement of all replication partner organizations offering the voluntary certification program.</p>	<p>N/A</p>
<p><b>Other NPOs/ Affiliates Licensing (or using) Their Methodology</b></p>	<p>None identified.</p>	<p>Some local BBBs report on local NPOs using same standards.</p>	<p>None</p>	<p>Adapted by and licensed to: Louisiana Association of NPOs North Carolina Center for Nonprofits; Ohio Association of NPOs; Pennsylvania Association of NPOs Georgia Center for Nonprofits; The Giving Trust (Chicago Metropolitan Area).</p>	<p>Local Federal Coordinating Committees (LFCC), a group of Federal officials designated by the director of OPM, conduct the CFC in a particular community.</p>
<p><b>Other Unique Organizational Factors</b></p>	<ul style="list-style-type: none"> <li>Fiercely independent.</li> <li>Does not have members of NPO, associations or others on board that could compromise "watchdog role".</li> <li>Does not charge NPO a fee for using ratings in promotional materials.</li> <li>Questions NPO's self-reported information rather than just passing it along or simply running it through a formula.</li> </ul>	<p>Merger partners were the first in the nation to develop national NPO accountability standards and have over a century of experience in reporting on NPOs.</p>	<p>Assets at \$3 million. Since it is an operating foundation, total giving is \$0</p>	<p>Representatives from GuideStar and the BBB WGA serve on the SFXI Advisory Board</p>	<p>Workplace giving campaign organized by federal employees</p>

# COMPARISON OF NPO EVALUATORS

## Part 2: Approach/Methodology

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
Published Standards and/or Explanation of Rating/Evaluation Approach	Yes	Yes	Yes	Yes	Publishes regulations and guidelines for fundraising campaigns as well as substantial review of fundraising and governance practices of participating NPOs.
Publishing Format/Media for Standards	Web (and print upon request).	Web (and print upon request).	Web	Web (and print upon request).	Web
Additional Resources/ Training Available to Explain or Implement Standards	Explanation of standards application on website.	40-page implementation guide on application of 20 standards available on website. National presentations on standards by WGA executives. Offers training in NPO reporting to local BBBs.	Analysts are available to answer questions.	Training and educational series available to nonprofits. 22 educational resource packets covering all issues related to implementing the Standards for Excellence. Training and educational resources available to members of the SFXI and organizations served by Standards replication partners.	Information on website. Offers two workshops annually on the application process, how to organize a successful campaign, etc.

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<b>Rating Approach</b>	Grades A+ to F plus accountability measures as noted by open/closed book designation.	Pass/fail applied to each standard. WGA states it does not refer to its conclusions as “ratings,” which imply comparative judgments.	Uses a set of financial ratios to rate two broad areas of an NPO’s financial health: organizational efficiency and organizational capacity. An overall rating on a 0 to 4-star scale is based on performance in both areas.	NPOs are reviewed by staff team of 3 trained peer reviewers, and steering committee. Approved NPOs are awarded a SFXI Seal of Approval and sign a license agreeing to abide by the Standards. Recertification initially after 3 years and every 5 years thereafter.	Participating organizations must provide detailed information that certifies they are in compliance with specific eligibility requirements. Campaign compliance is assessed via CFC audit and Office of Inspector General audits.
<b>Allowance/Room for Judgment vs. Strict, Objective Application of Standards</b>	Rigorous and fair analysis of objective criteria. Does not simply repeat self-reported information from NPO.	Draft reports shared with NPO prior to publication to provide an opportunity for comments that are considered in evaluation process.	Employs a strict objective evaluation of the financial health of NPO based on the data from the most recent Form 990. <b>Note:</b> Ratings for some specific performance categories, however, can depend on the specific type of NPO.	Applicants may indicate special circumstances that may preclude implementation of standard	Applicants provide documentation and certification that they meet the requirements. OPM relies on info provided to them from applicants.
<b>Selection Process and/or Criteria for NPOs to be Evaluated</b>	Members who are required to file Form 990 and who have annual expense budget of > \$500K may request evaluation.	Donor inquiries identify NPO to be reviewed. NPO may also request to be evaluated.	NPO soliciting gifts from individuals.	Voluntary	A tax exempt 501(c)(3) organization that must provide specific information to prove that they meet the CFC’s requirements.
<b>Voluntary or Non-Voluntary Participation by NPO Being Evaluated</b>	Non-voluntary. Information is requested	Will request information from NPOs that are the subject of donor inquiries. NPOs may also request to be evaluated.	Non-voluntary	Voluntary	Voluntary, if they want to participate in the CFC.

<b>Feature</b>	<b>American Institute of Philanthropy (AIP)</b>	<b>Better Business Bureau (BBB) Wise Giving Alliance (WGA)</b>	<b>Charity Navigator</b>	<b>Standards for Excellence Institute (SFXI)</b>	<b>Combined Federal Campaign (CFC)</b>
<b>Handling of Headquarters (HQ) and Affiliates</b>	Dependent upon organizational structure; may be separate or combined.	Dependent upon organizational structure, but predominantly separate evaluations of HQ and affiliates.	Dependent upon how the Form 990 is filed: if filed as one organization the evaluations will be combined. If affiliates file individually the evaluations will be separate unless a pro-forma consolidated Form 990 is made available.	Dependent upon organizational structure. 501(c)(3), 501(c)(6) & 501(c)(4) classifications are used for as units for review.	Dependent upon whether being evaluated as a federation or as an unaffiliated entity, defined as a private, non-profit, philanthropic, human health and welfare organization.
<b>Number of Evaluations Performed Each Year</b>	About 250.	About 500 national NPO reports. This figure does not include local BBB NPO reporting statistics.	Changes continually based on evaluating new NPOs as well as updating ratings from NPOs already evaluated but submitting a new Form 990.	Based on number of applications submitted.	Over 1,600 national NPOs.
<b>Total Number of NPOs Evaluated (inception to date)</b>	About 500 currently evaluated.	Cumulatively, merger partners reported on thousands of national NPO over the years. Reports over 2 years old are not distributed and NPOs are dropped from or returned to the list, depending on inquiries.	Over 3000.	Evaluated and Approved: Maryland – 54 Ohio – 6 Pennsylvania – 7 Louisiana – 23	National: 1,620 (2004); Local: 10,000 (estimated).
<b>Evaluation Process and Sources of Data/Information</b>	Review of information submitted by NPO. Public information. Financial analysis of audits, tax forms and annual reports.	Review of information submitted by the NPO.	Public information. Form 990. Website and brochures.	Review of information submitted by the NPO**. Site visit offered in some locations. **an application fee is charged	Review of information submitted by the NPO.

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<b>Intensity/Level of Effort Required</b> (amount of time spent by NPO being evaluated)	Usually nominal, unless interaction required to address specific issue(s).	Varies depending on size of the NPO and whether it meets standards.	Minimal effort in order to complete an evaluation.	Somewhat involved.	Intense effort—organizations have to gather and submit a lot of information.
<b>Appeal/Challenge Process</b>	Will consider additional information that may affect rating at any time.	Provides draft evaluation for NPO's review and comment. Will discuss conclusions through correspondence, telephone and in-person meetings if necessary.	Analysts are available to discuss evaluations with NPO's lead staff. Changes to the rating is an exception and not the norm, since evaluations are objective and based largely on information from the Form 990.	<p><b>National NPOs</b> Must submit a written request to the CFC director outlining the facts that support a reversal of the original decision within ten (10) days of notification of denial. The request may not be used to supplement applications that had missing or outdated data.</p> <p><b>Local NPOs</b> Must first appeal to the LFCC within seven (7) business days from the receipt of the initial LFCC decision or 14 calendar days from the date the decision was mailed, whichever is earlier. If unsuccessful, may appeal to the director of the CFC in writing within ten (10) days of LFCC denial.</p>	<p><b>National NPOs</b> Listed on OPM's website.</p> <p><b>Local NPOs</b> Listed in local CFC campaign brochures.</p>
<b>Format/Media for Dissemination of Ratings/Evaluations</b>	Summary reports available on website. "Rating Guide" available for members but not for sale.	Individual reports on national NPOs available on website. Summary chart appears in quarterly magazine.	Evaluations including monthly "top 10" lists are available on website. Annual metro market study. Periodic press releases (such as during the traditional holiday giving season) issued to assist donors in making intelligent giving decisions.	NPO that successfully completes peer review process publicly announced through press releases, website.	N/A

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<b>Information Provided Regarding Findings/Ratings of Non-Compliance</b>	Ratings discussed with NPO.	Individual reports identify standards not met, reasons for conclusions and, if applicable, NPO's comments.	Evaluations available on website; since evaluation is non-voluntary there are no instances of non-compliance.	Certified NPOs that fall out of compliance have seal removed—public announcement in press releases. SFXI and replication partners do not publicly announce organizations that apply for the Seal and are not initially approved; only successful organizations are announced.	NPOs are sent a rejection letter outlining reasons for denial.
<b>Update/Follow-up Process</b>	NPO is invited to submit updated materials.	NPO is invited to submit updated materials.	Publishes monthly updates on newly rated NPOs as well as NPOs who have been rated previously but have filed a new Form 990 (obtained from the IRS automatically after the NPO files).	Recertification after initial 3 years; every 5 years thereafter.	See Appeal Process.
<b>Update/Follow-up Frequency</b> (i.e., how long is rating/evaluation valid)	Updates requested annually.	Reports generally updated every 2 years and amended, as needed, to reflect any changes before the 2-year review.	Financial data, mission statement and CEO information is updated when a new Form 990 is filed. Contact information is updated annually or upon notification from the NPO.	Seal awarded for three years. Seal holders may be required to respond to annual requests for updated information and documentation.	NPOs must apply annually.

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
Limits on/ Requirements for Dissemination of Rating/Evaluation by Evaluated NPO	None. No fees charged.	The rating questionnaire submitted by the NPO includes an agreement not to use BBB WGA name or BBB logo. Use of national organization seal requires licensing and fee.	NPOs may promote their ratings to current and potential funders. Logos and statements of support are made available to NPOs who have received a 4-star rating.	Licensing agreement governing use of the seal must be signed by all certified groups.	During the annual fundraising campaign (6 weeks), participating NPOs: <ul style="list-style-type: none"> <li>may distribute materials describing its services and programs (with permission from the head of the federal organization);</li> <li>publicize their activities outside federal facilities;</li> <li>broadcast messages targeting federal employees in the media and other outlets.</li> </ul>
Fees/Costs for Evaluation	None	None for review. Licensing fee for use of national organization seal.	None	<b>Maryland</b> \$400 for members; \$250 for members with revenues less than \$300,000; \$1,500 for nonmembers, Nominal annual fee for seal. <b>Other locations</b> Sliding fee scale from \$250 to \$1,750.	None
Fees to Individuals Requesting Information	One free <i>Charity Rating Guide &amp; Watchdog Report</i> for nonmembers. \$35 annual membership fee includes 3 tri-annual issues of <i>Charity Rating Guide &amp; Watchdog Report</i> .	None	None	None	None

# COMPARISON OF NPO EVALUATORS

## Part 3: Evaluation Standards/Criteria

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<b>Program Spending</b>	Minimum 60% of total expenses (may change NPOs reported amounts based on research).	Minimum of 65% of total expenses.	Rated 4 stars if over 75%. 0 stars if under 50%.	Section on program evaluation indicates percentage of total organizational effort expended on each program. NPO's board should evaluate percentage of overall expenses spent on programs each year.	Does not specifically address.
<b>Fundraising Expenses</b>	Maximum 35% of related contributions (may change NPO's reported amounts of dollars raised).	Maximum of 35% of contributions	Rated 4 stars if under 10% 0 stars if over 25% (based on total expenses) Adjustments made for select types of NPOs that generally have either more substantial or more minor expenses in fund-raising.	Ratio of 3 to 1 of funds raised to funds spent on fundraising activities. NPO board should evaluate percentage of overall expenses spent on fund-raising each year.	NPOs must certify: that the NPO has spent 25% or less of its total support and revenue on administrative and fundraising expenses in the preceding year and provide the actual percentage; - OR - that the NPO has spent in excess of 25% of its total support and revenue on administrative and fundraising expenses in the preceding year and provide the actual percentage. If so they must include an attachment that details justification of the NPO's administrative and fundraising expenses and a formal plan to reduce expenses to 25%.

<b>Feature</b>	<b>American Institute of Philanthropy (AIP)</b>	<b>Better Business Bureau (BBB) Wise Giving Alliance (WGA)</b>	<b>Charity Navigator</b>	<b>Standards for Excellence Institute (SFXI)</b>	<b>Combined Federal Campaign (CFC)</b>
<b>Administrative Expenses</b>	Maximum 40% when combined with fundraising.	Not specified.	Rated 4 stars if under 15%. 0 stars if over 30% (based on total expenses). Adjustments made for select types of nonprofits that generally have either more substantial or more minor expenses in administration.	NPO board should evaluate percentage of overall expenses spent on administration each year.	This percentage must be computed from information on the IRS Form 990 by adding the amount spent on "management and general" (line 14) to "fundraising" (line 15) and dividing the total by "total revenue" (line 12).  See fundraising expenses above.
<b>Reserves/ Net Assets</b>	Less than 3 years annual expense budget. Automatically fail any NPO with more than 5 years annual expense budget.	Maximum of 3 times total expenses (prior year actual or current year budget) in available (unrestricted net assets).	Rated 4 stars if sufficient "working capital" (net liquid assets) to sustain the organization for 1 year or more—the higher the better.	NPOs should provide evidence of board-approved financial policies adequate for their size and complexity governing unrestricted current net assets.	Does not specifically address.
<b>Public Access to Financial Data</b>	Open Book accountability measure.	Financial statements must be available to all on request. Also, 990 must be accessible on website if NPO solicits on website.	990 data is the basis for financial evaluation. Includes link to the NPO's website.	Section on openness and public access—annual report should be available to the public. NPOs should have at least one staff member who is responsible to assure compliance with both the letter and the spirit of federal and state laws that require disclosure of information to the public.	Must : <ul style="list-style-type: none"> <li>provide a copy of most recently completed 990, signed by officer not just preparer.</li> <li>certify that it accounts for its funds in accordance with GAAP.</li> <li>provide an annual report to the public.</li> </ul>

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<b>Independent Audit</b>	<p>Open Book accountability measure.</p> <p>Requires complete audit report if income exceeds \$250,000. A review by CPA is sufficient if income is between \$100,000 and \$250,000.</p> <p>Requires financial statements to include detailed functional breakdown of expenses for all NPOs whether or not required by GAAP.</p> <p>Expenses in financial statements reviewed for potential understating (e.g., zero fundraising costs) and or overstating.</p> <p>Expenditure plan should identify amounts to be spent on programs, fund-raising and administration.</p>	<p>Uses the Form 990 exclusively because it is the only financial statement that NPOs are required by law to make publicly available.</p> <p>The instructions for filling it out are straight-forward and universal, ensuring that the data is uniform, comparable, and allows for standardized growth measurements.</p>	<p>Required if annual revenue is in excess of \$300,000. Full board should also approve the findings of the organization's annual audit and management letter and plan to implement the recommendations of the management letter.</p>	<p>NPOs must provide a copy of annual audit, unless annual revenue of less than \$100,000 on line 12 of the IRS Form 990.</p>	
<b>GOVERNANCE Board Composition</b>	<p>Minimum of 5 members.</p> <p>May be addressed in articles in <i>Charity Rating Guide</i>, at <a href="http://www.charitywatch.org">www.charitywatch.org</a>, or in communications with donors or media.</p>	<p>None</p>	<p>Minimum of 5 unrelated members with term limits set forth in bylaws (term limits not required in all states' versions of the Standards). Board diversity also required.</p>	<p>Does not specifically address.</p>	
<b>Board Meetings</b>	<p>Minimum of 3 "evenly-spaced" meetings</p> <p>May be addressed in articles in <i>Charity Rating Guide</i>, at <a href="http://www.charitywatch.org">www.charitywatch.org</a>, or in communications with donors or media.</p>	<p>None</p>	<p>Minimum 4 times per year.</p>	<p>Does not specifically address.</p>	

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<b>Board Conflicts of Interest</b>	Require all NPOs to provide upon request a copy of their conflict of interest policy and board-approved written documentation that it has been followed. Detailed guidelines published in <i>Charity Rating Guide</i> , at <a href="http://www.charitywatch.org">www.charitywatch.org</a> , or in communications with donors or media.	No transaction(s) in which board or staff members have material conflicts due to business or other relationships.	None	Board-approved policy required; statement signed by board members, staff and volunteers at time of initial affiliation with the organization and at least annually thereafter.	Must certify no material conflict of interest.
<b>Board Oversight</b>	May be addressed in articles in <i>Charity Rating Guide</i> , at <a href="http://www.charitywatch.org">www.charitywatch.org</a> , or in communications with donors or media.	Indication of adequate oversight includes regularly scheduled appraisals of the CEO's performance, evidence of disbursement controls such as board approval of the budget, fundraising practices, establishment of a conflict of interest policy, and establishment of accounting procedures sufficient to safeguard NPO finances.	None	Indication of adequate oversight including: <ul style="list-style-type: none"> <li>• long and short term planning;</li> <li>• approval of budget</li> <li>• annual review of Executive Directors performance</li> <li>• involvement in program evaluation</li> <li>• approval of financial, human resource, volunteer, fundraising, and advocacy policies annual budget approval. Hires and receives auditor reports</li> </ul>	Must certify that an active and responsible governing body directs the NPO.
<b>Board Compensation</b>	May be addressed in articles in <i>Charity Rating Guide</i> , at <a href="http://www.charitywatch.org">www.charitywatch.org</a> , or in communications with donors or media	Chair and treasurer may not be compensated. Other limits on compensated members. "No more than one person or 10% of Board (whichever is greater) may be compensated."	None	Board members should serve without compensation. Where an employee is a voting member of the board, the circumstances must insure that the employee will not be in a position to exercise undue influence.	Must certify that the majority of board members serve without compensation.

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<p><b>FUND-RAISING Fundraising Practices</b></p>	<p>May be addressed in articles in <i>Charity Rating Guide</i> at <a href="http://www.charitywatch.org">www.charitywatch.org</a>, or in communications with donors or media.</p>	<p>Accurate, full-disclosure required, including cause-related marketing. If NPO's website solicits, then website should include specified information on program, finances and governance.</p>	<p>None</p>	<p>Materials should be accurate and truthful and correctly identify mission and intended use of funds; the organization should honor known intentions of a donor regarding use of funds.</p> <p>Solicitations should be free from undue influence or excessive pressure, and should be respectful of the needs and interests of the donor or potential donor.</p> <p>Organizations should have policies in place to govern the acceptance and disposition of charitable gifts.</p>	<p>NPOs must certify that it effectively uses the funds contributed by federal personnel for its announced purposes; be a 501(c)(3); 25% AFR; prohibits the sale or lease of contributor list. Publicity &amp; promote material that is truthful and non-deceptive. NPOs that receive over 80% of revenue from government sources are not eligible to participate.</p>
<p><b>Donor Privacy</b></p>	<p>May be addressed in articles in <i>Charity Rating Guide</i>, at <a href="http://www.charitywatch.org">www.charitywatch.org</a>, or in communications with donors or media.</p>	<p>Policy disclosure and donor "op-out" capability required.</p>	<p>None</p>	<p>Privacy policy; confidentiality of donor information; ability to be removed from mailing lists.</p>	<p>The pledge cards must allow federal employee to indicate whether they want their information forwarded on to the charitable NPO that they designate.</p>

Feature	American Institute of Philanthropy (AIP)	Better Business Bureau (BBB) Wise Giving Alliance (WGA)	Charity Navigator	Standards for Excellence Institute (SFXI)	Combined Federal Campaign (CFC)
<p><b>PROGRAM DELIVERY</b></p> <p><b>Evaluation of Program Effectiveness</b></p>	<p>May be addressed in articles in <i>Charity Rating Guide</i>, at <a href="http://www.charitywatch.org">www.charitywatch.org</a>, or in communications with donors or media.</p>	<p>Evaluations are accurate, truthful and include a clear description of programs.</p>	<p>Ratings exclusively based on Form 990. Future goals include evaluating programmatic effectiveness.</p>	<p>Programs have defined cost-effective procedures for evaluating, qualitatively and quantitatively, its programs and projects in relation to its mission.</p> <p>Program evaluation should address efficiency, effectiveness, impact versus the costs of achieving them, outcomes for program participants, and should include input from program participants.</p>	<p>NPOs must provide a detailed description of the programs, services, benefits, etc. provided and <i>how</i> those programs, services, benefits, etc. benefit the health and/or welfare of the target population. Must also include financial information.</p>
<p><b>Other</b></p>		<p>Charity Navigator rates NPOs based on how they exceed or outperform their peer organizations. Peers are assigned based on the organization's mission represented by the activity code each organization selects in its filings with the IRS and by taking into account the organization's location, size and how it functions financially.</p>		<p>NPOs must certify that they do not knowingly employ individuals or contribute funds to organizations found on terrorist-related lists promulgated by the U.S. Government and the United Nations</p> <p>NPOs must certify about lobbying activities.</p>	

## TABLE 2

# COMPARISON OF NONPROFIT ORGANIZATION (NPO) EVALUATOR PUBLICATIONS

### Part 1: Organization/Structure

<b>Feature</b>	<b>Chronicle of Philanthropy</b>	<b>Forbes</b>	<b>NonProfit Times</b>	<b>Smart Money</b>
<b>Type of Entity</b>	For-Profit	For-Profit	For-Profit	For-Profit
<b>Parent Entity and/or Affiliation</b>	Chronicle of Higher Education, Inc.	<i>Forbes Magazine</i>	NPT Publishing Group	Dow Jones and Hertz
<b>Number of Years in Existence</b>	26	1990-1991; 1999-current.	Ranking has been done for approximately 15 years.	11 years
<b>Geographic Scope</b> (National, state, etc.)	National	National	National	National
<b>Major Funding Sources</b>	Publication sales	Private	Subscription revenues and advertising.	Subscription revenues and advertising.
<b>Availability of Audited Financial Statements</b>	No financial information on the website.	Not expected for private organization.	No financial information on website.	Dow Jones statements are available to the public.
<b>Availability of Board/Staff Information</b>	Name of Board chairman and president (CEO) in each print issue.	Unknown	Name of Board chairman and president (CEO) in each print issue.	Same as for any for-profit corporation.
<b>Board Composition</b>	Unknown	Unknown	Unknown	CEO's of for-profit corporations including many financial institutions. For a complete reference of Board constituency, see page 34 of the annual report located at <a href="http://www.dowjones.com/annualreports/2003/2003Annual.pdf">http://www.dowjones.com/annualreports/2003/2003Annual.pdf</a> .

<b>Feature</b>	<b>Chronicle of Philanthropy</b>	<b>Forbes</b>	<b>NonProfit Times</b>	<b>Smart Money</b>
<b>Availability of Member Information</b>	N/A	N/A	N/A	N/A
<b>Size of Staff</b>	<i>Chronicle of Philanthropy</i> – 25 ; <i>Chronicle of Higher Education</i> – 200.	William Barrett is a <i>Forbes</i> senior editor and author of this series.	Approximately 15	Approximately 60 with just a few people responsible for publishing the report on NPOs.
<b>Expertise of Staff</b>	Unknown	Unknown	Unknown	Journalism and research experience. For support with the NPO report, they rely on advice from experts in the field, in particular, Wise Giving Alliance.
<b>Degree of Adherence to Their Own Standards</b>	N/A	N/A	N/A	N/A
<b>Other Organizations/Affiliates Licensing (or using) Their Methodology</b>	N/A	None	Smart Money uses their list	They get their information from <i>Nonprofit Times</i> .
<b>Other Unique Organizational Factors</b>				

# COMPARISON OF NPO EVALUATOR PUBLICATIONS

## Part 2: Approach/Methodology

<b>Feature</b>	<b>Chronicle of Philanthropy</b>	<b>Forbes</b>	<b>NonProfit Times</b>	<b>Smart Money</b>
<b>Published Standards and/or Explanation of Rating/Evaluation Approach</b>	Annual ranking of top 400 NPOs by amount of private support raised.	Minimal (on website).	100 largest NPOs ranked by income (must raise at least 10 percent).	Two standards are published: 1) percent of budget that goes to programs; 2) ratio of fundraising revenue to fundraising expense.
<b>Publishing Format/Media for Standards</b>	Website & print purchase.	Limited info on website, more in publication.	Print and website.	Media—published once a year in <i>Smart Money</i> .
<b>Additional Resources/ Training Available to Explain or Implement Standards</b>	N/A	Some additional info available in publication.	Correspondence with editorial staff and Grant Thornton.	None
<b>Rating Approach</b>	N/A; information reporting with no rating involved.	Ratios based on Form 990 in categories: “charitable commitment”, “fundraising efficiency”, and “donor dependency”.	Rating based on financial data.	Percentage of budget going to programs accounts for 65 points of the total score. Percentage of each dollar raised that goes into fund-raising (less is better) accounts for 25 points of the total score. The savings score shows the percentage of funding that was “squirreled away” and accounts for the remaining 10 points of the total score. NPOs that build endowments over funding programs won’t score well.
<b>Allowance/Room for Judgment vs. Strict, Objective Application of Standards</b>	N/A	Publishes ratios but does not require specific targets. Indicates that for each category, a “higher number indicates your dollar is being better used.” Text of articles suggests that numbers don’t tell the whole story.	Reports numbers	Reports numbers only

<b>Feature</b>	<b>Chronicle of Philanthropy</b>	<b>Forbes</b>	<b>NonProfit Times</b>	<b>Smart Money</b>
<b>Selection Process and/or Criteria for Organizations to be Evaluated</b>	Amount of private support.	200 largest NPOs as measured by private support (sum of lines 1A, 1B, and 9C from Form 990), excluding academic institutions, community foundations operating as umbrella organizations, and religious organizations that don't report.	Top 100	Top 100 NPOs
<b>Voluntary or Non-voluntary Participation by NPO Being Evaluated</b>	Voluntary	Non-voluntary. NPOs are asked to complete survey, but Forbes will use Form 990 information if that is all that is available.	Voluntary	Non-voluntary
<b>Handling of Headquarters (HQ) and Affiliates</b>	Prefer combined.	Try to look at combined organization. Note that "results may be skewed due to unconsolidated data of national and affiliated groups, rounding or incomplete information".	Combined	Combined
<b>Number of Evaluations Performed Each Year</b>	400+	Survey "considerably more" than 200 orgs to end up with final total of 200 largest.	Top 100 are reported; not clear how many are evaluated each year.	100
<b>Total Number of NPOs Evaluated (inception to date)</b>		200 per year, mostly the same orgs.	Top 100 are reported; not clear how many are evaluated each year.	100 per year for six years—thus approximately 600 evaluations. Note: Many of the same NPOS appear on the list each year, so it is difficult to give an overall non-duplicative count.
<b>Evaluation Process and Sources of Data/Information</b>	Direct request for information.	Form 990, annual report, surveys completed by individual NPOs; <a href="http://www.guidestar.org">www.guidestar.org</a> ; <a href="http://www.ministrywatch.org">www.ministrywatch.org</a> , <i>Chronicle of Philanthropy</i> .	Data provided by NPO.	Process described above in rating approach. Source of data is the <i>Nonprofit Times</i> .

<b>Feature</b>	<b>Chronicle of Philanthropy</b>	<b>Forbes</b>	<b>NonProfit Times</b>	<b>Smart Money</b>
<b>Intensity/Level of Effort Required</b> (amount of time spent by organization being evaluated)	Somewhat involved.	Survey is not that difficult to complete.	Medium—depending on availability of financial data.	None. Occasionally clarifying information is requested.
<b>Appeal/Challenge Process</b>	N/A	No established process.	No established process.	None
<b>Format/Media for Dissemination of Ratings/Evaluations</b>	Annual issue in October.	<i>Forbes Magazine</i> and <i>Forbes Magazine</i> website.	Annual report posted on website, in paper edition and available upon request.	Annual magazine publication and website.
<b>Information Provided Regarding Findings/Ratings of Non-Compliance</b>	N/A	Ratings in each category provided	N/A	N/A
<b>Update/Follow-up Process</b>	Staff will seek to clarify issues where unclear.	Annual updates show red or green down or up arrows to indicate change in ratio from previous reporting period.	Solicit data each year.	None
<b>Update/Follow-up Frequency</b> (i.e., how long is rating/evaluation valid)	One year	One year	One year	One year
<b>Limits on/Requirements for Dissemination of Rating/Evaluation by Evaluated Organization</b>	N/A	None stated.	None	None
<b>Cost to Charity Being Evaluated</b>	None	None	None	None
<b>Cost to Donor/Information Requestor</b>	\$4/issue; \$65/annual subscription.	None except that most complete information is provided to subscribers and some pieces of the article are only available to non-subscribers for a small fee.	None	None on website.

# COMPARISON OF NPO EVALUATOR PUBLICATIONS

## Part 3: Evaluation Standards/Criteria

Category	<b>Chronicle of Philanthropy</b>	<b>Forbes</b>	<b>NonProfit Times</b>	<b>Smart Money</b>
<b>FINANCIAL</b> <b>Program Spending</b>	Report for ranked entity.	Characterized as “charitable commitment”. “This shows how much of the money a nonprofit organization spent went to its charitable purpose, as opposed to management, overhead, or fund-raising.” Calculation is based on “charitable services”/ “total expenses”.	List program expenses.	The percentage of expenses devoted to programming.
<b>Fundraising Expenses</b>	Report for ranked entity.	Characterized as “fundraising efficiency”. “This measures how much of the money raised from private sources was left after fundraising expenses.” Calculation based on private support-fundraising expenses/ private support.	Report amount for NPO.	Use a fundraising ratio to report how much NPO spent to raise a dollar.
<b>Administrative Expenses</b>	Not addressed.	Characterized as “charitable commitment”. “This shows how much of the money a nonprofit spent went to its charitable purpose, as opposed to management, overhead, or fundraising.” Calculation is based on “charitable services”/“total expenses”.	Report for entity.	Not addressed.

<b>Category</b>	<b>Chronicle of Philanthropy</b>	<b>Forbes</b>	<b>NonProfit Times</b>	<b>Smart Money</b>
<b>Reserves/Net Assets</b>	Not addressed.	Characterized as “donor dependency”, i.e., how much the NPO depends on contributions as opposed to other sources of revenue. Formula is private support minus surplus/private support. If ratio is over 100%, NPO had to spend all its contributions and dig into its reserves. The average for Forbes-rated NPOs is about 75%.	Lists assets and reports on net change in assets.	Not addressed.
<b>Public Access to Financial Data</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.
<b>Independent Audit</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.
<b>GOVERNANCE</b>				
<b>Board Composition</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.
<b>Board Meetings</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.
<b>Board Conflicts of Interest</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.
<b>Board Oversight</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.
<b>Board Compensation</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.
<b>FUND-RAISING</b>				
<b>Fundraising Practices</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.
<b>Donor Privacy</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.

<b>Category</b>	<b>Chronicle of Philanthropy</b>	<b>Forbes</b>	<b>NonProfit Times</b>	<b>Smart Money</b>
<b>PROGRAM DELIVERY</b>				
<b>Evaluation of Program Effectiveness</b>	Not addressed.	Not addressed.	Not addressed.	Not addressed.
<b>Other</b>	Calculates % of fundraising expense compared with private support and total revenues.	Notes total compensation paid, including benefits.		