

Carlos Ramirez and daughter Delliah look at cats at PAWS Chicago, which was rated highly by Charity Navigator and GreatNonprofits.

## CONSUMER WATCH

### Helping donations truly make difference

Charity evaluators offer guides to groups that use money effectively

By MONICA ENG  
Tribune reporter

In the swirl of the holiday season, consumers can find themselves flooded with pitch letters, phone calls, food drive appeals and donation boxes for what appear to be legitimate charities.

The decision to donate is often made quickly, for emotional reasons or simply because we are asked — not because we know a lot about the organization's operations and track



ANTONIO PEREZ/TRIBUNE PHOTO

Volunteer Ivan Budd comforts dogs fitted with e-collars and up for adoption at the highly rated charity PAWS Chicago.

record.

Few bell ringers, for instance, are ready to tell you how their charity characterizes the value of in-kind donations on its financial filings, how much its CEO makes each year in relation to heads of similar organizations or how effective the charity is at improving the lives of those it

serves. A growing number of resources are designed to help consumers find the answers to such questions. Still, knowing which service to use can be as hard as choosing a charity itself.

The sites range from the new

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## Guides to making a difference

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GiveWell.org, offering a small number of deeply researched charities, to CharityNavigator.org, with thousands of star ratings for nonprofits based largely on self-reported figures.

In between are GreatNonprofits.org, which relies on user reviews; Philanthropedia, which polls subject experts; and CharityWatch, which combines reported numbers with analysis and customized investigations. Other resources include the Better Business Bureau, GuideStar.com and state attorneys general offices.

Each evaluator offers a slightly different approach (and some combine reviews with other groups'), but all seem to agree that thoroughly evaluating a wide swath of diverse charities — from animal welfare advocates and education groups to international aid organizations and cancer support providers — is a complicated business.

Self-reported financial filings, for instance, can be misrepresented and can require a fair amount of interpretation and further investigation to assess properly. It can be even more difficult to evaluate the true results of the work that the organization is doing.

"That's what we lovingly call the holy grail," said Sandra Miniutti of Charity Navigator, which offers reviews of about 5,500 nonprofits on its site. "It's really a tough nut to crack, but the positive thing about this sector is that when we entered this marketplace in early 2000, nobody was even thinking about rating results."

To that end, Guidestar.org (an aggregator of information on nonprofits, which recently acquired Philanthropedia and is partnering with GreatNonprofits.org) has launched a section of its site called Charting Impact in which organizations are asked to submit information about their goals and accomplishments that will help them and others assess their effectiveness.

For groups that rely on the money of informed donors, this element of the equation may be more important than ever.

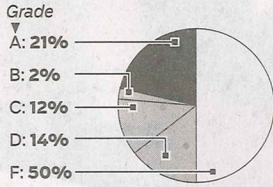
### Evaluating charities

Nonprofit watchdog CharityWatch evaluates about 550 charities, organizes them into categories and assigns letter grades to each charity based on money spent on charitable purpose and other factors.

#### Categories with a high percentage of charities with low grades

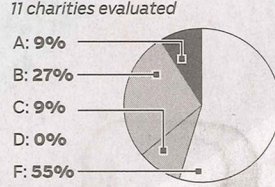
##### Veterans and military

42 charities evaluated



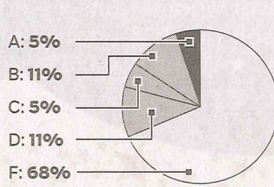
##### Terminally or chronically ill children

11 charities evaluated



##### Crime and fire prevention

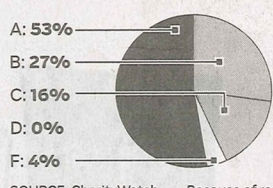
19 charities evaluated



#### Categories with a high percentage of charities with good grades

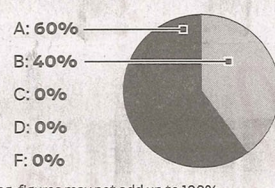
##### Environment

49 charities evaluated



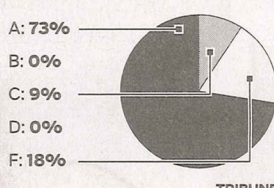
##### Homelessness and housing

5 charities evaluated



##### Human services

11 charities evaluated



SOURCE: CharityWatch Because of rounding, figures may not add up to 100%

"Charities hadn't been focused on (reporting results), but the whole conversation has changed in recent years," Miniutti said. "There is a big emphasis on having charities track their results, measure them, make course corrections based on what they're seeing and provide that information to the public."

The information can be key in separating effective charities from the rest of the pack as nonprofit numbers grow and donation dollars don't.

"We have a million-plus charities in America today," Miniutti said, "and the level of giving doesn't really change much from year to year, so we have more organizations fighting over the same slice of pie."

According to Indiana University's Center on Philanthropy, giving increases slightly around the holiday season. And while it dropped by about 13 percent in 2008 and 2009, it rose again slightly in 2010 and has remained steady in 2011.

Can donors ever really know exactly how effective their dollars will be in changing lives? Daniel

Borochoff, president of Chicago-based CharityWatch — formerly the American Institute of Philanthropy — said he thinks that element may always be somewhat elusive.

"Program evaluation is wonderful," said Borochoff, whose organization is celebrating its 20th anniversary. "It's just really expensive and hard to do. And we are prisoners of the information that is available. So maybe the best you can do is base it on the track record of groups that have had accomplishments over time and try to make sure their staff and board are credible people."

Hope Neighbor, founder and CEO of the philanthropy consulting firm Hope Consulting, said she believes that imperfections in results reporting shouldn't stop watchdogs and charities from trying to make this area more transparent.

"The field has allowed itself to be stymied at that level, saying that because we can't make comparable evaluations across the whole field, we can't do anything at all," she said. "But if 1,000

charities submitted one piece of information (about their results), that would be more than we have today."

Another area of charity evaluation that is changing is the emphasis on formulas that rate financial efficiency — such as how much of the organization's budget is spent on programs as opposed to overhead and staff, how much the CEO is paid and how much money is spent on fundraising relative to the amount fundraisers bring in.

Borochoff, whose CharityWatch considers these factors among others in its 500-plus reviews, agrees these figures don't paint the whole picture but said he still believes they are valuable and that people who want them ignored might have an agenda.

"There is a movement where people say ratios of financial efficiency are of no value," Borochoff said. "It's very convenient because a lot of these are fundraising consultants and they want to keep more money themselves. If there are fundraisers who keep 90 percent of the money, I think they would love if people didn't look at

these percentages because they don't want to be found out."

Borochoff also criticizes other charity evaluators for what he calls "robo-ratings" that can mislead donors because they lack detailed analysis.

As an example, Borochoff cites low ratings from other groups for a charity called the Intrepid Fallen Heroes Fund, which builds hospitals for injured military personnel. CharityWatch gives the group its highest rating, despite the relatively low percentage of budget spent on program costs, because the expense of building a hospital cannot be placed under program costs. It must be filed as capital outlay until the hospital is finished.

Similarly, CharityWatch gives the Salvation Army very high ratings that are based on the group's annual financial report. But other evaluators don't review it at all because, as a religious organization, it's exempt from filing disclosure forms with the Internal Revenue Service that are required of other nonprofits.

One more emerging area of evaluation includes rating charities on accountability and transparency — whether the organization discloses certain types of information and whether it has protections in place for whistleblowers or against potential conflicts of interest.

Foundations, grant-giving groups and journalistic organizations all make use of the data on these sites, but operators hope more individual donors also will visit.

"Only about 32 percent of donors research their charitable gifts," Neighbor said. "And for all of those who haven't, these sites are a good place to start, especially GuideStar and Charity Navigator."

To Tim Seiler, director of the Fund Raising School at the Center on Philanthropy at Indiana University, the best guide to donating remains the individual's passions and values.

"They should think about what they care about the most and who is doing work in that area and whose work they'd like to support," Seiler said. "I favor making your charitable choices by your own values system and the charities that match them."

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## Tips on giving

Experts in the area of philanthropy offer these tips on charitable giving:

■ **See where foundations are spending money.** Large foundations often require charities to present extensive documentation to receive grants.

■ **Beware of charities bearing predonation gifts.** If they send you a gift out of the blue, it's an expense that signals they may have high fundraising costs in relation to money coming in.

■ **Make sure they won't share your name with another charity.** People who give to a questionable group may find their names are sold or traded to others, bringing a flood of solicitations.

■ **Calls from "fraternal orders" are not charity calls.** These donations go to support a union-like professional organization, not a charity, and the gift will not be tax-deductible, warns Daniel Borochoff of CharityWatch.

■ **Beware of copycat names and groups that latch on to popular causes.** There are a few good police and firefighting charities, but most get failing grades from CharityWatch. Ditto for veterans charities and those serving chronically or terminally ill children. In the last category, all charities with the word "wish" in their names received F's from CharityWatch except the Make-A-Wish Foundation.

■ **Consider groups benefiting the environment, homelessness and hunger.** In CharityWatch reports, these categories often produce the greatest number of highly rated charities.

■ **Beware of phone pitches that advise you to buckle up, not to drink and drive or to be patriotic.** Saying those things can qualify a fundraising call as a program service, meaning that your donation might help pay for more solicitation.

■ **Beware of groups claiming they give 100 percent of donations to charity.** Experts say this is often misleading and can be unfair to groups that are being honest about their financial picture.

■ **Beware of pitches on the street.** Take some literature, then go home and do some research.

■ **Don't give cash.** If you contribute, write out a check to the official name of the charity, not to an individual or other party collecting the donation.

■ **Consider donations other than money.** Volunteering your time or making material donations is often useful to charities.

— Monica Eng

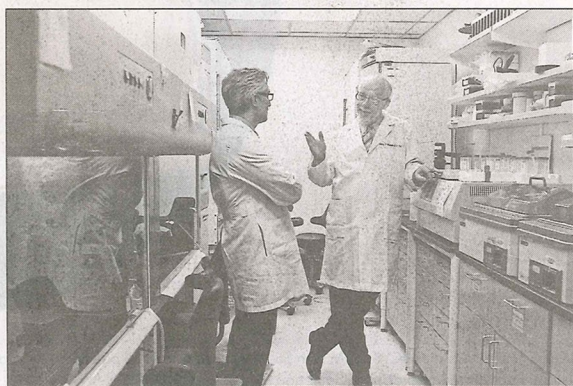
### TOP-RATED CHARITIES

Individual evaluators may not agree on exactly how to assess the performance of charities, but here are some charities that get top ratings from at least two organizations:

**African-American:** National Urban League  
**AIDS:** Elizabeth Glaser Pediatric AIDS Fund  
**Animals:** Best Friends Animal Society, D.E.L.T.A. Rescue, Dian Fossey Gorilla Fund International, Farm Sanctuary, Wildlife Conservation Society, Performing Animal Welfare Society, PAWS Chicago  
**Visually impaired:** Helen Keller International/Childsight, National Federation of the Blind  
**Cancer:** Cancer Care, Leukemia & Lymphoma Society, Livestrong (formerly Lance Armstrong Foundation), Multiple Myeloma Research Foundation, Prevent Cancer Foundation, St. Jude Children's Research Hospital (ALSA), Susan G. Komen for the Cure

**Child protection:** Children's Health Fund  
**Child sponsorship:** Christian Foundation for Children and Aging, Compassion International, Save the Children  
**Civil rights:** American Civil Liberties Union  
**Disabilities:** Goodwill Industries International  
**Environment:** Alaska Conservation Foundation, American Forests, American Rivers, Chesapeake Bay Foundation, Conservation Fund, Earth Island Institute, Earthjustice, Environmental Defense Fund, Friends of the Earth, Keep American Beautiful (National), Natural Resources Defense Council, Rainforest Alliance, Resources for the Future, Rocky Mountain Elk Foundation, Sierra Club Foundation, Trout Unlimited, Union of Concerned Scientists, World Resources Institute  
**Health:** American Kidney Fund, Diabetes Action Research and Education Foundation, Michael J. Fox Foundation for Parkinson's Research, Parkinson's Disease Foundation  
**Homeless:** Coalition for the Homeless,

**National Alliance to End Homelessness**  
**Human services:** American Red Cross  
**Hunger:** Action Against Hunger USA, Bread for the World Institute, Freedom from Hunger, Global Hunger Project  
**International relief and development:** Accion International, Africare, American Near East Refugee Aid, American Refugee Committee, CARE, Charity:water, Grameen Foundation USA, International Medical Corps, International Rescue Committee, Medical Teams International, Partners in Health, Project Concern International, Rotary Foundation of Rotary International, Save the Children, Technoserve  
**Senior citizens:** National Council on Aging  
**Veterans:** Armed Services YMCA of the USA, Homes for Our Troops, Injured Marine Semper Par, National Military Family Association, Operation Homefront (National)  
**Youth development:** Big Brothers/Big Sisters of America (National), National 4-H Council, Scholarship America  
**Youth residential care:** CEDARS (Home for Children & Youth Services)



Drs. Todd Zimmerman, left, and Andrzej Jakubowiak, talking in a U. of C. lab, are affiliated with the Multiple Myeloma Research Foundation.

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