Criteria & Methodology

Please see our FAQ (/about-charitywatch/faq/3113/3115) for information on how CharityWatch selects charities for evaluation. Please see The CharityWatch Difference (/about-charitywatch/charitywatch-difference/3113/3118) for a general overview of what makes our ratings different from other sources of charity information.

The Rating Basics

CharityWatch analysts perform in-depth evaluations of complex charity financial reporting, including audited financial statements, tax forms, annual reports, state filings, and other documents. Once our analysis of a charity is complete, and any required adjustments are made, we perform two end calculations, then assign the charity a letter grade efficiency rating on an A+ to F scale. The results of these end calculations include:

Program % reflects the percent of total expenses a charity spent on its programs in the year analyzed. For example, a Program % of 80% means that the charity spent 80% of its expenses on charitable programs. The remaining 20% was spent on overhead, which includes fundraising, and management & general.

Cost to Raise $100 reflects how much it cost the charity to bring in each $100 of cash donations from the public in the year analyzed. For example, a Cost to Raise $100 of $20 means that the charity spent $20 on fundraising for each $100 of cash donations it received.

CharityWatch considers a charity to be highly efficient when our end calculations produce a Program % of 75% or higher, and a Cost to Raise $100 of $25 or less. See our Top-Rated (/top-rated-charities) charities page for our list of highly efficient charities that have also met our benchmarks for governance and transparency.

Charity financial reporting can be extremely complex, making the analysis of a charity's financial efficiency time-intensive, as well as challenging to convey to donors who do not have a financial background. The information above is intended to provide a very basic overview of the end calculations CharityWatch performs prior to assigning a letter grade efficiency rating to a charity. We encourage donors to read through CharityWatch's complete Criteria & Methodology (/charitywatch-criteria-methodology) for a more in-depth understanding of the analysis behind our charity ratings.

How Grades Are Calculated

CharityWatch analysts perform in-depth evaluations of complex charity financial reporting, including audited financial statements, tax forms, annual reports, state filings, and other documents. Once our analysis of a charity is complete, and any necessary adjustments are made, we perform two end calculations for Program % and Cost to Raise $100. We average the two results on our scale then assign the charity a final letter grade efficiency rating ranging from A+ to F.

Program % reflects the percent of total expenses a charity spent on its programs in the year analyzed. For example, a Program % of 80% means that the charity spent 80% of its expenses on charitable programs. The remaining 20% was spent on overhead, which includes fundraising, and management & general.

Cost to Raise $100 reflects how much it cost the charity to raise each $100 of cash donations from the public in the year analyzed. For example, a Cost to Raise $100 of $20 means that the charity spent $20 on fundraising for each $100 of cash donations it received.

Many charities present their fundraising efficiency to donors, using pie charts or other means, by comparing their total revenue to their fundraising expenses. This method often has the effect of making a charity appear to be a more efficient fundraiser than it actually is. Many of the revenues charities report, such as investment income, sales proceeds, program service revenue, etc., are not brought in as a result of fundraising. CharityWatch helps you to judge the fundraising efficiency of a charity by comparing fundraising expenses with related contributions, not total revenue. Related contributions are funds raised as the result of fundraising activities.

To illustrate:

Using this formula, a charity can claim that only 10% of its total revenue was spent on fundraising. This percentage may look great in a charity's promotional materials but is not a meaningful measurement of fundraising efficiency.

Erroneous Comparison:

$100,000 Fundraising Expense ÷ $1,000,000 Total Revenue = 10%, or $10 to raise $100

In contrast, CharityWatch's Comparison shows donors how much a charity is spending to obtain their contributions, which provides a clearer picture of how much is left to spend on charitable programs and general administration:

$100,000 Fundraising Expense ÷ $200,000 Related Contributions = 50%, or $50 to raise $100

CharityWatch publishes ratings to help donors understand how efficiently their contributions to charities are being raised and spent. Our goal is to provide donors with the information they need to make their own, better informed decisions about which charities to support.

Financial efficiency matters. A charity's ability to keep its fundraising and other overhead expenses reasonable is what determines how much of your contribution will be available to fund the charitable programs you are intending to support with your donations. The letter grade ratings represent the opinion of CharityWatch and are based solely on financial efficiency measurements. CharityWatch encourages donors to consider a charity's financial efficiency along with other, qualitative factors, when making their giving decisions. See our Tips for Giving Wisely for more advice on selecting worthy charities to support.

Scale:

The below scale does not reflect program or fundraising ratios calculated using a charity's self-reported numbers from its tax form, audit, or other documents. Rather, the ratios reflect the results of the two end calculations CharityWatch analysts make for Program % and Cost to Raise $100 after our in-depth financial analysis is complete and any necessary adjustments are made to a charity's reported figures. See our sections on Treatment of Non-Cash Goods & Services (/charitywatch-criteria-methodology#treatmentNonCashGoodandServices), Treatment of High Assets and Treatment of Joint Costs for more detailed information about some of the adjustments CharityWatch analysts make to an organization's reported figures prior to calculating its efficiency ratios.

Program %	Cost to Raise $100	Efficiency Rating
90-100%	$0 - 4	A+
80 - 89%	$5 - 11	A
75 - 79%	$12 - 15	A-
72 - 74%	$16 - 19	B+
68 - 71%	$20 - 26	B

65 - 67%	$27 - 30	B-
61 - 64%	$31 - 33	C+
56 - 60%	$34 - 37	C
50 - 55%	$38 - 40	C-
36 - 49%	$41 - 59	D
0 - 35%	$60 - 100	F

A range = Excellent

B range = Good

C range = Satisfactory / Average

D = Unsatisfactory / Poor

F = Failing

? = Insufficient Information

CharityWatch considers a charity to be highly efficient when our end calculations produce a Program % of 75% or higher, and a Cost to Raise $100 of $25 or less. See our Top-Rated charities (/top-rated-charities) page for our list of highly efficient charities that have also met our benchmarks for governance and transparency.

In CharityWatch's view, a program percentage of 60% or greater, and a Cost to Raise $100 of $35 or less, are the minimum efficiency standards reasonable for most charities. Ratios in this range typically indicate a "satisfactory" or "C range" rating (depending on grade averaging).

Treatment of In-Kind (non-cash) Donations of Goods and Services

Some non-profit organizations receive large donations of non-cash goods and services, which they are responsible for valuing. The dollar value a charity assigns to its non-cash donations is then mixed together with its cash revenue and expenses in its financial reporting. This often has the effect of making the nonprofit appear to be larger and operating more efficiently than it actually is. Accounting rules offer only very general guidance about how charities are required to value non-cash donations, and different charities often assign very different values to the same items. Such inconsistencies in the reporting make it difficult to compare the financial efficiency of different non-profit organizations.

For example: Charity A and Charity B both receive a donation of 100,000 pills from a pharmaceutical company on the same day this year. Charity A might decide that the pills are worth $3 each, and add $300,000 to its financial statements for the year. Charity B might assign a more realistic value of $.10 per pill, adding only $10,000 to its financial statements for the year. The financial reporting is impacted in the following way:

	Charity A	**Charity B**
Cash Contributions:	$100,000	$100,000
Non-Cash Contributions:	$300,000	$10,000
Total Reported Contributions:	$400,000	$110,000

As you can see, even though both charities raised $100,000 of cash contributions, and received the exact amount and type of non-cash donations this year, charity A appears to have raised nearly four times the amount of contributions Charity B has raised simply because Charity B valued its non-cash donations more honestly. Now, say that both charities spent $20,000 on fundraising this year. The fundraising efficiency of each charity would appear to be:

	Charity A	**Charity B**
Fundraising Expense:	$20,000	$20,000
Divided by Total Contributions:	$400,000	$110,000
Cost to Raise $100	$ 5	$ 18

As you can see, Charity A appears to have raised contributions much more efficiently than Charity B, simply because it chose to place a higher value on the non-cash donations it received. Charity B appears to be a less efficient fundraiser simply because it valued its non-cash donations more honestly.

The same issue arises when calculating a charity's program percentage. Say both charities distributed all the pills they received by the end of the current year. The value of the pills would be reported as a program expense in the charities' financial statements. The program spending efficiency of each charity would appear to be:

	Charity A	Charity B
Cash Program Expenses:	$80,000	$80,000
Non-Cash Program Expenses:	$300,000	$10,000
Equals Total Program Expenses:	$380,000	$90,000
Total Cash Expenses:	$100,000	$100,000
Non-Cash Program Expenses:	$300,000	$10,000
Equals Total Expenses:	$ 400,000	$ 110,000
Program Expense:	$380,000	$90,000
Divided by Total Expenses:	$400,000	$110,000
Program Spending Efficiency %:	95 %	82 %

As you can see, Charity A appears to be extremely efficient, spending 95% of its budget on programs and only 5% on overhead. Charity B looks less efficient by comparison, spending only 82% of its budget on programs and 18% on overhead. Of course, in reality, Charity A is no more efficient than Charity B. It just appears to be spending more on programs because it was less conservative or realistic about the value of its non-cash donations.

Non-cash donations can be difficult to value and distort the calculation of how efficiently a charity raises and spends its cash donations. Both charities received the exact same type and amount of cash and non-cash donations, but because each charity valued them differently, one charity appeared to be operating far more efficiently than the other. Charities have incentive to inflate the values they place on the non-cash donations they receive for this very reason. CharityWatch "follows the cash" and generally excludes the value of in-kind goods and services from its calculations of Program % and Cost to Raise $100. Our ratings provide donors with a clear picture of how efficiently charities are using their cash donations. They also offer superior comparability of different charities than do other sources of information that do not separate charities' non-cash goods and services from their cash.

See our many articles on Donated Goods & Services (/charitywatch-articles/41) for specific examples of the issues outlined above.

Treatment of direct mail, telemarketing, and other "Joint Cost" Solicitation Expenses

Under current accounting rules (FASB ASC 958-720; formerly AICPA SOP 98-2), a charity that includes an "action step" in its phone or mail solicitations such as "don't drink and drive," or "buckle your seatbelt," can claim that it is "educating" the public, and can therefore report much of the cost of these appeals as a program expense, rather than a fundraising expense, in its financial reporting. Such "action steps" are typically relayed to potential donors through for-profit professional fundraising companies hired by charities to broadly solicit the public for donations. The "educational" component is often information that is common knowledge, or that could otherwise be distributed to the public using a method far more efficient and targeted than fundraising solicitations. Professional telemarketers, on average, keep two-thirds of the money they raise before the charity receives anything. What this means is that someone donating $50 to charity through a professional fundraiser may have just paid over $30 to be solicited and "learn" that they should buckle their seatbelt.

When a charity claims that it spends "85% on programs," many donors do not realize that this 85% may include money the charity spends on activities such as telemarketing, direct mail solicitations, and consulting or other fees paid to professional fundraising companies. While accounting rules allow charities to report certain portions of their solicitation costs as program expenses, CharityWatch believes that most donors do not consider a charity's joint solicitation/educational activities to be equivalent to the purely programmatic activities they are intending to support with their donations; e.g., sheltering and feeding the homeless, assisting injured veterans, conducting literacy programs, funding cancer research, etc. For this reason, during our financial analysis we adjust such solicitation expenses out of reported program expenses and add them to fundraising prior to calculating a charity's efficiency ratios and letter grade rating. Activities that are purely educational and do not contain a fundraising component are not "joint costs" and are included in a charity's reported program spending. CharityWatch treats expenses spent on purely educational activities as legitimate programs and does not reallocate them to fundraising when making our efficiency calculations.

Donors who agree with CharityWatch's treatment of "joint costs" should refer to the program and fundraising efficiency ratios displayed in the pie charts on a charity's Rating & Metrics tab. Donors who consider direct mail, telemarketing, and other joint cost solicitations to be true charitable programs should instead refer to the unadjusted efficiency ratios provided under the "Joint Costs" header of the Rating & Metrics tab.

Treatment of High Assets

Giving is a fixed pie, remaining steady at about 2% of gross domestic product (GDP) for over four decades. Because charitable dollars are limited and society's needs are not, it is vital that charities do not hoard the funds they raise. When a charity sets aside excessive funds for possible, future needs that may or may not ever occur, this necessarily makes these funds unavailable for other charities to use to address more urgent needs. Charities that hoard donations are in some cases ignoring the intentions of donors who contributed in response to a solicitation for a charity's current programs, not programs that might be conducted five, eight, or even ten years in the future.

CharityWatch believes it is reasonable for a charity to set aside less than three year's worth its annual budget for financial stability and possible future needs. When a charity's available assets in reserve exceeds three year's worth its annual budget, CharityWatch downgrades its final letter grade rating. However, we continue to show what a charity's efficiency rating was prior to being downgraded for those donors who do not wish to factor a charity's high assets into their giving decisions.

Example: If a charity annually spends about one million dollars, CharityWatch will not downgrade the charity's rating for high assets as long as it has less than three million dollars of available assets in reserve. CharityWatch reduces the letter grade ratings of charities holding available assets in reserve equal to between 3 and 4 years their annual budgets. CharityWatch downgrades to an F rating any charity holding available assets in reserve equal to 5 years or more of its annual budget.

CharityWatch's computation of available assets is not as simple as dividing a charity's net fund balance by its total operating budget. Rather, we conduct a review of a charity's tax Form 990 and Audit balance sheets and prior to performing our end calculation of available assets, subtract out items such as the equity in Land, Buildings, and Equipment used in operations; Construction in Progress; Permanently Restricted Funds; Accounts Receivable due in greater than five years, and assets that a charity is prohibited by an outside party from using. We do not subtract out Cash, Investments, Temporarily Restricted, Board-Restricted, and other funds that the charity could use if it chose to do so. We also review audit notes for information related to assets, such as imminent and specific plans for large, capital outlays for which the charity is holding funds in reserve, or to see if the charity received an unusually large donation during the fiscal year that it would not reasonably be able to spend by the end of the fiscal period.

A charity's Years of Available Assets reflects how many years a charity could continue to operate at current spending levels without raising any additional contributions or other revenues. Read our article Don't Judge a Not-For-Profit by its Profits (/charitywatch-articles/don-39-t-judge-a-not-for-profit-by-its-profits/100) for factors to consider when assessing a charity's financial stability. See our High Asset Chart (/high-asset-charities) to view charities whose grades have been reduced due to High Assets.

Types of Non-Profits and Impact on Rating Calculations

There are nearly two dozen different types of nonprofit organizations under the tax code, each with its own set of rules and reporting requirements based on how the organization is structured, its membership, the activities it conducts, population it serves, and other factors. CharityWatch primarily rates 501(c)3 public charities. We also rate some 501(c)4, 501(c)19, and other types of organizations, but generally only do so when such groups broadly solicit the public for donations.

CharityWatch provides general information describing some of the basic differences between 501(c)3, 501(c)4, and 501(c)19 nonprofit organizations in our section on Tax Status (/charitywatch-criteria-methodology#taxStatus). For a comprehensive understanding of the different tax rules and reporting requirements of each different type of nonprofit organization, visit the IRS's web site (http://www.irs.gov/Charities-&-Non-Profits/Types-of-Tax-Exempt-Organizations-) , or seek specific advice from your accountant. To confirm a charity's tax status and whether or not donations to a particular organization are tax-deductible, contact the charity directly and visit the IRS's searchable database (http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check).

Because donations to 501(c)4 organizations are not tax-deductible, such organizations often must spend more on fundraising than 501(c)3 public charities to raise the same level of contributions. Due to this and other accounting differences, the letter grade ratings of these non-profits trend lower. See our article Sorting Out Nonprofit Pairs (/charitywatch-articles/sorting-out-nonprofit-pairs/89) for information about related 501(c)3 and 501(c)4 organizations.

Exception for Social Welfare 501(c)4 organizations: The mailings and phone calls of social welfare organizations that are not eligible to receive tax-deductible contributions may serve a dual purpose: raising funds and recruiting/educating members to write their congressperson or to make other attempts to influence legislation. Many organizations report most or all of the expenses related to such activities as program expenses. Because such mailings and phone calls do contain a fundraising component, CharityWatch believes a portion should be counted as a fundraising expense. In our computation of a 501(c)4 organization's program efficiency ratio, we count up to 30% of the cost of such mailings and phone calls as a program expense. Amounts allocated to program exceeding 30% are reallocated to fundraising. The results of this adjustment are included in the pie charts located on an organization's Rating & Metrics tab. To view data without these adjustments, refer to the ratios provided under the "Joint Costs" header of the organization's Rating & Metrics tab.

Treatment of Related Organizations

Many of the groups rated by CharityWatch are single-entity organizations that publish one audit and one tax form. However, other organizations are more complex and publish combined or consolidated audited financial statements that may include a national office, local affiliates, and/or several related organizations. It is generally not enough to analyze and publish a rating based on only one entity of an organization that has multiple, related entities. This is because some charities use one entity primarily to raise funds and pay overhead costs, then grant funds to another, related entity whose activities include primarily programs. Calculating separate program and fundraising efficiency ratios for the two, related charities would make the fundraising entity appear to be highly inefficient, and the entity conducting the charity's programs highly efficient. To understand whether or not the resources of a charity are being used efficiently on the whole, the finances of the two related entities must be analyzed together. This is accomplished by analyzing the charity's consolidated or combined audit in conjunction with the tax Form 990 of each related entity.

In other instances, one entity of a charity may be holding excessive assets in reserve while another related charity "cries poor" in an effort to raise funds from donors more easily. Clearly, evaluating only one or the other entity of such an organization does not provide donors with a complete picture of the total resources a charity controls.

Under Generally Accepted Accounting Principles (GAAP), an organization is required to issue consolidated audited financial statements that include its multiple, related entities if the reporting entity has sufficient control over the others. In cases where a charity has related entities but is not required to issue a consolidated audit, it may or may not be possible to make certain adjustments depending on whether the related organizations share the same fiscal year-end date, and other factors.

Whenever practicable, CharityWatch obtains consolidated/combined audited financial statements that include all of the entities of a charity. Such an audit eliminates related party transactions between/among related groups, and allows us to determine how efficiently an organization is operating on the whole. In cases where we rate only the larger entity of an organization with multiple, related groups, we make certain adjustments during our analysis so that a charity's grade is not artificially inflated. For example, since a charity does not expend fundraising dollars to receive contributions from a related organization, we generally subtract related party contributions from our contributions figure before performing our calculation of Cost to Raise $100.

CharityWatch issues separate ratings for 501(c)4 organizations, even when such groups are included in a charity's consolidated/combined audit, due to the different tax treatment these groups. See our sections on Types of Non-Profits (/charitywatch-criteria-methodology#typesOfNonProfits) and Tax Status (/charitywatch-criteria-methodology#taxStatus) for more information.

Charity Tabs/Reports

CharityWatch provides individual reports on each of the nearly 600 charities we rate. The reports are broken into 5 tabs of data: Rating & Metrics, Governance & Transparency, Analysts' Notes, Salaries, and Articles & Media.

Rating & Metrics Tab

The Rating & Metrics tab of a Charity Report provides the following information:

Other Names: The charity's primary (typically legal and/or dba) name is displayed prominently. A charity may solicit donors under other, multiple names for purposes of direct mail or phone solicitations, or may use other names in its marketing materials and/or reporting documents. In these cases, CharityWatch also provides a list of the additional names we are aware of the charity using currently or in the past. This list is updated as we become aware of any new names.

Address: The charity's address as reported on its IRS tax Form 990 for the financial year analyzed. In cases where CharityWatch's rating is based on multiple entities of a charity with different addresses, generally the address of the largest entity is listed. In cases where we rate only the national office of a charity that has local affiliates, we list the address of the national office.

Phone: The charity's phone number, as reported by the charity on its IRS tax Form 990, or on its web site. In cases where CharityWatch's rating is based on multiple entities of a charity with different phone numbers, we will generally list the phone number of the largest entity. In cases where we rate only the national office of a charity that has local affiliates, we generally list the phone number of the national office.

Web Site: The charity's web site address, as reported by the charity on its IRS tax form 990, or on the Internet. In cases where CharityWatch's rating is based on multiple entities of a charity with different web addresses, generally the web address of the largest entity is listed. In cases where we rate only the national office of a charity that has local affiliates with separate web addresses, we generally list the web address of the national office.

Tax Status: There are nearly two dozen different types of nonprofit organizations under the tax code, each with its own set of rules and reporting requirements based on how the organization is structured, its membership, the activities it conducts, population it serves, or other factors. CharityWatch primarily rates 501(c)3 public charities. We also rate some 501(c)4, 501(c)19, and other types of organizations, but generally only do so when such groups broadly solicit the public for donations.

CharityWatch provides general information below describing some of the basic differences between 501(c)3, 501(c)4, and 501(c)19 nonprofit organizations. For a comprehensive understanding of the different tax rules and reporting requirements of each different type of nonprofit organization, visit the IRS's web site (http://www.irs.gov/Charities-&-Non-Profits/Types-of-Tax-Exempt-Organizations-) , or seek specific advice from your accountant. To confirm a charity's tax status and whether or not donations to a particular charity are tax-deductible, contact the charity directly, or visit the IRS's IRS's searchable database (http://www.irs.gov/Charities-&-Non-Profits/Exempt-Organizations-Select-Check).

501(c)3 nonprofits are public charities that are organized for charitable, religious, scientific, literary, educational, or cruelty-prevention purposes. Donations to such charities are generally tax-deductible. These groups are prohibited from participating in political campaigning, but may engage in limited amounts of lobbying, and conduct nonpartisan educational activities such as promoting voter registration.

501(c)4 nonprofits are social welfare organizations that are allowed to conduct lobbying and engage in limited amounts of political activity. With some exceptions, donations to such charities are typically not tax-deductible.

501(c)19 nonprofits are organizations formed by or for veterans. Donations to such nonprofits may or may not be tax-deductible depending on what percentage of the organization's membership consists of veterans and active-duty members of the U.S. armed forces.

Multiple is listed as the tax status for charities whose letter grade rating is based on multiple entities of an organization that have (or may have) different tax designations. For example, a charity's consolidated audit may include the financial activities of its national office, some or all of its local affiliates, foreign entities based outside the U.S., or other related organizations. In these cases CharityWatch may not have access to the individual tax designations of each legal entity included in a charity's audit and will list "Multiple" as its tax designation. However, if a charity's rating is based on multiple entities of a charity, and CharityWatch is aware that the included entities are all reporting 501(c)3 status, we will list 501(c)3 as the charity's tax status. Donors who are concerned about donating to a specific entity of a charity, for tax-deductibility or other reasons, should contact the charity directly to ask for the Tax ID number of the specific organization they are interested in supporting.

Stated Mission: The charity's mission, generally as reported on its tax form for the year analyzed, or on its web site. CharityWatch seeks to succinctly convey to donors a charity's broad mission, and may truncate a charity's reported mission in cases where it is too lengthy for the format of our report. For a complete description of a charity's mission and programs, donors may visit the organization's web site or review its IRS tax Form 990. Please contact the charity directly to request a copy of its tax form, or visit our LINKS (/charity-donation-links) page for a list of sources where these may be obtained online.

Issued Date: Reflects the month and year CharityWatch completed an analysis of the charity and published our findings on charitywatch.org. Rating, governance, and salary information for a charity is generally analyzed and updated by CharityWatch every other fiscal year. Please see the FAQ (/about-charitywatch/faq/3113/3115#rating_update) for more information.

Fiscal Year: Reflects the financial year on which a charity's rating is based. There is a time lag between a charity's fiscal year-end and when its financial information becomes available to the public. For example, tax forms and audits containing one to two year old financial information are typically the most current documents available. See our FAQ (/about-charitywatch/faq/3113/3115#rating_update) for more information on the time lag between when a charity's fiscal year ends and when its financial documents generally become available to the public and to CharityWatch for our review. Charities are generally required to file an IRS tax Form 990, along with applicable schedules, each year. For many charities the fiscal year end is the same as the calendar year, or 12/31. Other common financial year-end dates are 3/31, 6/30, and 9/30. However, a charity's financial year can end on any date. A charity's fiscal year-end date can be found on page 1 of the IRS tax Form 990, line A. If/when this field is left blank by a charity, and no error has been made, the charity is reporting that its fiscal year-end matches the calendar year-end, or 12/31. CharityWatch also analyzes the independent audited financial statements for the same fiscal year that corresponds with the charity's tax form.

Rating: Reflects the letter grade financial efficiency rating that CharityWatch has assigned the charity for the fiscal year analyzed. The grades range from A+ to F, with A+ signaling a highly efficient charity, and F signaling a highly inefficient charity. Possible grades are A+, A, A-, B+, B, B-, C+, C, C-, D, F. See How Grades are Calculated for a more detailed description. See the FAQ (/about-charitywatch/faq/3113/3115) for information about the frequency with which CharityWatch updates an organization's rating.

Program Percentage: A charity's Program % is the percentage of its cash budget it spends on programs out of its total cash expenses for the year analyzed. CharityWatch computes this ratio after performing an in-depth analysis of an organization's financial documents and making necessary adjustments, if any, to reported figures. The end calculation performed is Program Expenses divided by Total Expenses. See How Grades are Calculated for a more detailed description.

Cost to Raise: A charity's Cost to Raise $100 signifies how many dollars a charity spends on fundraising to raise each $100 of Contributions. CharityWatch computes this ratio after performing an in-depth analysis of an organization's financial documents and making adjustments, if necessary, to reported figures. The end calculation performed is Fundraising Expenses divided by Total Related Contributions. See How Grades are Calculated for a more detailed description.

Years of Available Assets: A charity's Years of Available Assets reflects how many years a charity could continue to operate at current spending levels without raising any additional contributions or other revenues. CharityWatch computes this ratio after adjusting for permanently restricted funds; equity in land, buildings, and equipment used in operations; contributions/accounts receivable due in greater than five years; and other assets that a charity is restricted by outside parties from using. CharityWatch believes it is reasonable for a charity to hold less than three years worth of assets in reserve. Read our article Don't Judge a Not-For-Profit by its Profits (/charitywatch-articles/don-39-t-judge-a-not-for-profit-by-its-profits/100) for things to consider when assessing a charity's financial stability. See our High Asset Charities (/high-asset-charities) Chart to see which charities' grades have been reduced due to High Assets. See Treatment of High Assets for a more detailed description.

Joint Costs: When a charity claims that it spends "85% on programs" in a particular year, many donors do not realize that this 85% may include money the charity spends on activities such as telemarketing, direct mail solicitations, and consulting or other fees paid to professional fundraising companies. While accounting rules allow charities to report certain portions of their solicitation costs as program expenses, CharityWatch believes that most donors do not consider a charity's solicitation activities to be the true programs of a charity they are intending to support with their donations. For this reason, during our financial analysis we adjust such expenses out of reported program expenses and add them to fundraising prior to calculating a charity's efficiency ratios and letter grade rating. Donors who agree with CharityWatch's treatment of "joint costs" should refer to the program and fundraising efficiency ratios displayed in the pie charts. Donors who consider direct mail, telemarketing, and other joint cost solicitations to be true charitable programs should instead refer to the unadjusted efficiency ratios provided under the "Joint Costs" header of the Rating & Metrics tab. See our section on Joint Costs for a more detailed description.

Financial Documents: Listed here are the tax forms and audited financial statements that CharityWatch analysts reviewed for the fiscal year analyzed. Many of the groups rated by CharityWatch are single-entity organizations that publish one audit and one tax form. However, other organizations are more complex and publish combined or consolidated audited financial statements that may include a national office, local affiliates, and several related organizations. In such cases CharityWatch generally analyzes the consolidated audit and several tax forms during our financial evaluation. Using a charity's consolidated audited financial information in our ratings is what allows us to provide donors with a clear picture of how efficiently an organization is operating on the whole, rather than simply how efficiently one piece of a charity appears to be operating. See our section on Treatment of Related Organizations for more information.

Government Support: Reflects the percentage of a charity's cash revenue received from the government, expressed in one of three ranges: 0-24%, 25-49%, or 50-100%. CharityWatch provides this information for those donors who would like to consider a charity's range of government funding as a factor in their giving decisions.

Governance & Transparency Tab

The Governance & Transparency tab of a Charity Report provides the following information:

Top-Rated Status: Indicates whether or not a charity is Top-Rated by CharityWatch. See the Top-Rated page (/top-rated-charities) for a list of highly efficient charities and for an overview of the benchmarks a charity must meet to receive Top-Rated status. Specific criteria include:

a. A charity must earn a grade of B+ or higher, as calculated by CharityWatch, for the financial year rated. See the section on How Grades are Calculated for more specific information.

b. A charity must not hold excessive assets in reserve. See the section on Treatment of High Assets and CharityWatch's list of High Asset Charities (https://www.charitywatch.org/high-asset-charities) for more specific information.

c. A charity must meet CharityWatch's Transparency benchmarks. A charity must post a complete copy of its most current, independent audited financial statements on its public web site. It must also provide complete copies of its IRS tax form(s) 990 to CharityWatch upon request, and may be required to answer questions related to its financial reporting and/or provide additional documentation if such information is necessary for CharityWatch to complete a meaningful evaluation. See the Transparency Benchmark section of the Criteria & Methodology page for more specific information.

d. A charity must meet CharityWatch's Governance benchmarks. CharityWatch reviews a charity's tax form to see if it reports having certain policies in place, a sufficiently large and independent governing body, and other basic governance information that serve as standard benchmarks for large charities of national scope or interest. To be eligible for Top-Rated status, charities must pass all nine benchmarks, and, in addition, CharityWatch must not be aware of any serious governance issues at the charity that would cause it to fail our overall standards for good governance. See the Governance Benchmarks section of the Criteria & Methodology page for more specific information.

Transparency Benchmark: Indicates whether or not a charity has met CharityWatch's transparency benchmarks for the fiscal year analyzed. To meet transparency benchmarks, a charity must post a complete copy of its most current, independent audited financial statements on its public web site. It must provide complete copies of its IRS tax form(s) 990 to CharityWatch upon request, and may be required to answer questions related to its financial reporting and/or provide additional documentation if such information is necessary for CharityWatch to complete a meaningful evaluation.

The Form 990 is the tax form that larger charities are required to file with the IRS each year. The Form 990 contains information such as financial statements, a description of the charity's mission and spending on significant programs, salary data, information about its governance and policies, and more. Charity tax forms are public information and are ubiquitously available from many online sources. Visit our Links (http://www.charitywatch.org/charity-donation-links) page for a list of resources where copies of charity tax forms may be obtained.

CharityWatch also analyzes a charity's audited financial statements during our evaluations. Unlike the IRS tax Form 990, which contains a charity's self-reported information, audited financial statements are produced by independent, third-party auditors. Though the IRS requires certain information to be reported in a charity's annual tax filing, charities have been found to omit schedules, attachments, and other reporting from publicly posted tax forms as a means to hide from public scrutiny information that donors may find unfavorable. Auditors, on the other hand, must adhere to generally accepted accounting principles (GAAP) and follow specific audit rules that encourage transparency and prohibit charities from omitting or hiding significant information from their audited financial statements. Audit notes may report issues such as weak internal financial controls, pending lawsuits, significant financial commitments or outstanding debts, credit risks, compliance with government filings and regulations, and financial instability. By requiring charities to post a copy of their complete audited financial statements on their web sites as a condition of meeting our transparency benchmark, CharityWatch hopes to encourage more charities to make their audits publicly available. Charities should visit our Charities FAQ (http://www.charitywatch.org/about-charitywatch/faq/3113/3115#charities) for more information about which audit(s) must be posted in cases where a charity or its parent organization, related organizations, or affiliates publish more than one audit.

Governance Benchmarks: Charities required to file a tax Form 990 with the IRS are asked to answer basic questions each year about their governing body and management, governance policies, and disclosure practices. CharityWatch reviews a charity's tax form to see if it reports having certain policies in place, a sufficiently large and independent governing body, and other basic governance information that serve as standard benchmarks for large charities of national scope or interest. Meeting such benchmarks, in the opinion of CharityWatch, should be viewed by donors as the bare minimum standard rather than an assurance that a particular charity is well-governed. Charities must pass all nine benchmarks in order to meet CharityWatch's overall benchmark for Governance.

When in the course of our research and analysis CharityWatch becomes aware of a serious governance issue at a charity that is not adequately reflected in the nine standard governance benchmarks, we flag the Governance section of a charity's Governance & Transparency tab with "CharityWatch Governance Concerns." We then encourage readers to navigate to the Analysts' Notes tab where an explanation is provided. This indicates that the charity has failed to meet CharityWatch's overall standard for good governance, which can occur even in instances where the charity otherwise self-reports meeting the nine individual governance benchmarks in its tax filing.

Privacy Policy: CharityWatch reports on charity privacy policies as an informational benchmark. We do not factor privacy policy information into determining a charity's letter grade rating or into our benchmarks for Governance & Transparency. In order to meet our informational Privacy Policy benchmark, a charity must have a privacy policy or policies that apply to the collection of donor information both online and offline, and must post its policies on its public web site. CharityWatch reports on the type of privacy policy a charity maintains among three possible types: a policy of no sharing; an opt-in policy; or an opt-out policy, as described below. Charities whose privacy policies lack clear information about how donors can opt-in or opt-out of personal data sharing will not pass CharityWatch's benchmark:

a. Policy of No Sharing: The organization will not share, sell, or exchange a donor's information for third party fundraising or marketing purposes.

b. Opt-In Policy: The organization will not share, sell, or exchange a donor's information for third party fundraising or marketing purposes unless the donor explicitly grants permission for the organization to do so.

c. Opt-Out Policy: The organization will not share, sell, or exchange a donor's information for third party fundraising or marketing purposes if a donor opts out of allowing the organization to do so. An opt-out policy needs to include clear instructions for how donors can opt out in order to meet the benchmark.

Analysts' Notes Tab

CharityWatch Analysts perform in-depth analyses of charities' audited financial statements and IRS tax filings, and often review other documents such as state filings, annual reports, and fundraising contracts during their evaluations. CharityWatch reports information on this Tab that we believe may be of interest to donors. The information is typically derived during our analysis of a charity's financial documents.

Salaries Tab

The Salaries tab lists the names, job titles, and compensation received by the three highest paid individuals at the organization. The salary information is based on our analysis of the charity's IRS tax Form 990 and includes compensation, contributions to employee benefit plans, expense accounts and other allowances, and deferred compensation earned in the reporting year. When an employee receives payments from multiple entities controlled by or related to a charity, CharityWatch will calculate and report the total from all entities on which we have information. IRS rules do not require salaries of less than $100,000 to be broken out by individual employee on the tax form, other than for officers, directors, trustees, and key employees. In cases where most or all salaries fall under the reporting limit, CharityWatch may report fewer than three top salaries due to limitations on publicly available data.

Articles & Media Tab

CharityWatch conducts research and publishes articles on charities. We also regularly contribute research or commentary to articles produced by outside media. Links to articles, videos, and other media related to a specific charity are posted on this tab.

Charity Ratings (/charities) | Top-Rated Charities (/top-rated-charities) | Top Compensation (/top-charity-salaries) | High Assets (/high-asset-charities) | Articles (/charitywatch-articles) | About Us (/about-charitywatch) | Links (/charity-donation-links) | Membership (/join)