

EMAIL COMMUNICATION

RECEIVED April 18, 2011
FROM Doug White
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RE April 11, 2011 article in *The Register-Guard* regarding United Way of Lane County's drop in Charity Navigator rating from four stars to two.

In 2001 I developed the formulas and design to start what would become Charity Navigator.

In late 2000 Pat Dugan called me after seeing the comprehensive for-profit web site I had built, which provided information on many aspects of thousands of individual charities (the site didn't succeed financially).

On the site I was always adamant about not rating charities.

Pat asked about developing a "Morningstar" for charities (Morningstar rates mutual funds). I told him the idea of rating charities using 990 data has inherent problems - a 990 is very late in coming to the public and the information on it is often too subjectively reported to provide accurate comparisons; furthermore, ratings using only financial data are woefully incomplete reflections of a charity's worthiness - and so the Morningstar metaphor would be fatally flawed.

But I took the job (at the time I needed it), and in a little less than a year I constructed the mathematical models. For the most part, that math continues to be used at CN.

I actually have no quarrel with Pat. He's a good and likable (and hard-driving) guy and, in 2000, having just retired and sold a chunk of the shares in his very successful company - and foreseeing his own increased philanthropy - he wanted to know more about charities. And I have no quarrel with the group trying to make a mark; his first executive director was very good at that and put it on the map.

CN claims to rate charities, and its language strongly implies that the mathematical results measure whether they are good or bad charities. That process does nothing for our sector or society. In my position now, I continue to look for ways to better evaluate charities (I am working quietly on that matter with leaders throughout the country and outside the United States), and I am quite certain that CN's approach does more harm than good.

I have never stopped criticizing CN. In my book, "Charity on Trial" (published some years ago), I devoted a full chapter to the fallacy of rating charities. (I also described the problem more fully, and from the perspective of board responsibilities, in my most recent book, "The Nonprofit Challenge.") I wrote about one charity, picked at random, that received zero stars. It was actually a very good charity, a public television station in Tampa, that was forced to spend lots of money to upgrade its signal service - a mandate from the government. That added up, in CN's vernacular, to a poor charity. Your situation, although it's for a different reason, is another good example of the problem.

Until we discover the perfect and so-far elusive algorithm, rating charities will always be unfairly subjective. As important, we must come to realize that "rating" and "evaluating" are not the same things.

I haven't done my own full analysis of the United Way of Lane County, but I have learned that your numbers don't fit well into CN's formulas (which, as I said and now confess, I had a hand in developing). It seems that you made some tough but essentially good choices - for which you have been punished.

CN might respond by saying that the only information required by law to be made available to the public is that which is found on the 990. That's true, but that doesn't answer the question of why the group insists on fitting a round peg (the 990 data) into a square hole (the desire for a better understanding and analysis of how charities work). CN needs to find a peg that fits, but it can't; instead of admitting that the tool isn't right, CN, with no small amount of hubris, simply declares the round peg to be adequate.

And the charitable community suffers.

(And don't let anyone try to make the argument that the recent revisions in the 990 help in *this* process; the IRS is going after something entirely different with that update.)

In my perfect world, charities that receive good rankings at CN would stop touting the news; in my view, the breadth and seriousness of their work are diminished when charities lower themselves to being proud of something so elementary and, often, misleading.

I'll go a step further: in its present format, CN should be deemed irrelevant to the nonprofit world and to donors. That's only one person's opinion, but, after researching this issue for almost 20 years, it's what I think.

I offer nothing but my support, but I hope it helps just a little.

Doug

PS – In that same book – just so you'll know – I wrote about the United Way and Bill Aramony.

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