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Perspectives

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Is Your Charity Naughty or Nice?

Certain nonprofits produce better results than others

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By [Mark Colgan, CFP](#) | Posted: 12-17-10 | 11:26 AM | [E-mail Article](#)

Before you made your holiday purchases this year I suspect you analyzed the potential gift to make sure it would serve the intended purpose and was reasonably priced. After all, why purchase something that didn't meet your needs or was overpriced? This is purchasing 101.



You would think that this same logic would apply to monies being donated to nonprofits. However, up until just recently, people frequently donated monies to nonprofits without thinking twice about whether the nonprofit was naughty or nice. Okay, maybe none of them intentionally underperform, but a successful charity has to deliver strong results not just serve a good cause and possess good intentions.



About the Author

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In the absence of due diligence, donors really don't know whether or not their philanthropic donations are being utilized effectively. Today, however, the rules have changed and the new generations of donors are seeking greater accountability from nonprofits and are demanding that their dollars are making a significant impact—financially and socially.

A number of organizations have emerged to help donors make intelligent decisions. From a purely factual standpoint, [Guidestar](#) provides comprehensive, up-to-date information on more than 1.8 million nonprofits. And taking it one step further, [GlobalGiving](#) will actually educate you about what projects the nonprofits are working on—so you can actually select projects you want to support. Incidentally, many experts agree that donor's channeling money to a specific project is not necessarily in the best interest of the nonprofit as it can inhibit their ability to appropriate funds where needed.

Yet with the plethora of facts available to donors one can easily become overwhelmed. Thankfully, several solutions now exist to address this challenge. Organizations such as [Charity Navigator](#) will interpret the raw data and rate the nonprofits based on quantitative factors such as financial and administrative efficiencies. While this is very helpful information, sometimes it is not enough by itself. As I am sure you would agree, just because a nonprofit is demonstrating financial and administrative success doesn't mean its efforts are producing a strong social impact. Hence, many believe that it is important to also measure the nonprofit from a qualitative point of view— i.e., whether or not they are having a positive effect on society and the people they serve. This belief has given way to the emergence of organizations such as [Philanthropedia](#), [GreatNonprofits](#), [GiveWell](#), and [Root Cause](#).

Interestingly, while all of these organizations serve the same purpose of evaluating the nonprofit's social impact, each of them takes a unique approach. Philanthropedia takes a top-down approach and develops ratings based on information collected from industry experts while GreatNonProfits has more of a bottoms-up approach and collects reviews from the volunteers who actually interact with the charities. GiveWell and Root Cause on the other hand, have a staff of analysts that do the evaluations.

So, the next time you decide to transfer your values and beliefs into in action plan that involves philanthropic strategies be sure to harness the power of these resources. Whether you're making direct donations, facilitating them through donor advised funds or establishing a foundation, by writing a list and checking it twice you will be rest assured your monies are being distributed wisely—and not going to someone naughty but rather nice.