MAKING THE MOST OF YOUR CHARITY NAVIGATOR RATING

October 8, 2020
Today’s Agenda

• Introductions
• Overview of Encompass Rating System
• The criteria and metrics behind your score
• How to improve your non-profit’s score
• How to make the most of your rating
• Questions & Answers
Meet Today’s Presenters

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charitynavigator.org/encompass
OVERVIEW OF THE ENCOMPASS RATING SYSTEM
Encompass Rating System (beta V1)

- **Ratings expansion**: increase of 9,000 to more than 160,000 ratings.
- **Holistic system**: four beacon system to evaluate nonprofit effectiveness.
- **Numeric ratings**: scored from 0-100 based on available data.
- **No effect on star ratings**: Star rated charities are not affected by this new system.
- **Agile methodology**: iterative process for ratings development (like software development).
"Give with Confidence"

90 out of 100

Finance & Accountability
- Current star-rated Financial Score
- Financial Health (OHC)

Impact & Results
- Program Results
- Program Strategy
- Program Reporting Transparency

Community & Culture
- Constituent Voice
- DEI
- Reputation
- People/HR
- Volunteerism

Leadership & Adaptability
- Leadership
- Organizational Strategy
- Programmatic response to crisis

Analysis: same for every rated charity

Metrics & Data: fluctuating methodology
Who received their first-ever Charity Navigator rating?

Encompass Rating System

- 150,000+ previously unrated organizations
  - Median Age: 24yrs
  - Median Size: $504K Total Expenses
- Criteria: 501(c)(3) nonprofits with three consecutive years of e-filed IRS Form 990s
- No action required to be rated
Our Motivation & Process for Developing the Encompass Rating System
A limited number of rated organizations creates information gaps for donors

- **Criteria in CN 2.1 limits pool of nonprofits**: Smaller, newer nonprofits weren’t equipped with a rating.
- **Hesitation to give**: Despite our efforts, donors assume the absence of a rating is risky.
- **Donors need assurance**: Prior to the Encompass launch, only 9,000 nonprofits were rated by Charity Navigator.
What assets do we have to enable new ratings?

- Data
  - Automated IRS 990s
  - Partners
  - Building Capabilities
- Brand
- Demand
- Experience
- Agile Methodology and Mindset
Collaboration to Uplift the Nonprofit Sector

- Nonprofit Ratings Expert Group
- Consultative Council of Nonprofits
- Charity Navigator Nonprofit Advisors
- Impact partners / data providers

25 nonprofit leaders from a wide spectrum of backgrounds & identities

- Board members & external experts
- Guidestar by Candid, ImpactMatters, Global Giving, Classy

300+ nonprofit leaders
Adjusting ratings for COVID-19’s effect on financials

- Financial impact
- Timing of datafeed from the IRS
- Ongoing surveying of nonprofits
  - 72% suffering financially
  - 54% have already cut back on programs
  - 56% have seen an increase demand in programs
- Dedicated workstream for issuing a ratings adjustment in 2021
- Four beacon system supplements financial data
THE CRITERIA AND METRICS AND HOW TO IMPROVE YOUR SCORE
Methodology for Finance & Accountability Beacon

- Program Expense Ratio
  (Average of last three 990s)
- Independent Audit or Financial Review
- Board Composition
- Liabilities to Assets
  (Per the most recent 990 filed)
- Website listed

- Program expense ratio > 70%
- NFP above $1mil in revenue, expected to have audit
- Three or more board members, with >50% independent
- Liabilities to assets < 50%
- List website on 990

25 points  
25 points  
25 points  
15 points  
10 points  
100 points total
<table>
<thead>
<tr>
<th>Metric</th>
<th>Score</th>
<th>Notes</th>
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<tr>
<td><strong>Encompass at Work</strong></td>
<td></td>
<td></td>
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<tr>
<td>Revenue size - $16,000,000</td>
<td></td>
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<tr>
<td>Asset size - $15,000,000</td>
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<tr>
<td><strong>Score - 100</strong></td>
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<td></td>
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<tr>
<td>Program Expense</td>
<td>25</td>
<td>$14 mil / $15mil 93%</td>
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<tr>
<td>Independent Audit</td>
<td>25</td>
<td>Yes audit Q12a, Part IV</td>
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<tr>
<td>Board Composition</td>
<td>25</td>
<td>&gt;50% Independent</td>
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<tr>
<td>Liabilities to Assets</td>
<td>15</td>
<td>$4.5mil / $64 mil</td>
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<tr>
<td>Website listed</td>
<td>10</td>
<td>Listed on 990</td>
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<tr>
<td>Board Composition</td>
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<td>No outside board</td>
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<tr>
<td>Liabilities to Assets</td>
<td>-0</td>
<td>$23Mil / $11mil</td>
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<td>Listed on 990</td>
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Low Score Scenario – What can NFP do?

Review of an Organization’s Accounting policies and review of the 990 is key to proper scoring

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<thead>
<tr>
<th>KPI</th>
<th>What NFP can do</th>
<th>Score</th>
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<tbody>
<tr>
<td>Program Expense</td>
<td>Double check allocations</td>
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<td>Independent Audit</td>
<td>Charitable registration requirements</td>
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<td>Board Composition</td>
<td>Are they just being left off</td>
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<tr>
<td>Liabilities to Assets</td>
<td>Grants receivable and deferred</td>
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<td>Website listed</td>
<td>List it. Why wouldn’t you</td>
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HOW TO MAKE THE MOST OF YOUR RATING
Benefits for Nonprofits and Donors

- Scale
- Flexibility
- Comprehensiveness
- Better Storytelling
Help your organization leverage their Encompass rating

- Over 70% of Encompass rated NPOs received a “Give with Confidence” score.
- A passing score grants access to a toolkit, including the promotional seal.
- An Encompass rating can help NPOs raise much needed funds.

Share the news...
The Diaper Bank of Connecticut Inc.

Mission:
The Organization mission is as follows: 1) to ensure that low income families have an adequate supply of diapers for their infants and toddlers; 2) to raise community awareness. (More)

@ www.thediaperbank.org | 370 STATE STREET SUITE B North Haven CT 06473-3157

The Diaper Bank of Connecticut Inc. is headquartered in North Haven, CT, has an EIN of 20-1179912, and is a 501(c)(3) organization. Donations are tax-deductible. It is classified by the IRS as a Charitable Organization, with a ruling year of 2005.

(Source: IRS Business Master File and Form 990)

Encompass Rating System by Charity Navigator

Charity Navigator’s Encompass Rating System evolves on a quarterly basis as we add new measures and indicators, which we call Beacons. Check back often to see how this organization’s score changes.

Learn about the Encompass Rating System: Announcement | FAQ | Release Notes
Accessing Your Rating Toolkit

We invite you to highlight your Encompass rating in your own marketing materials.

We have some guidelines for how you use our brand and reference Charity Navigator and the Encompass Rating System so that we are consistent across all mediums.
A Powerful Trust Indicator

GIVING TODAY

JFCS is pleased to share that we have been rated 100/100 “Give with Confidence” by Charity Navigator. Our agency was evaluated within Charity Navigator’s new rating system, the Encompass Rating System, which takes a holistic view on a charity’s effectiveness by examining four performance indicators: Finance & Accountability, Impact & Results, Leadership & Adaptability, and Culture & Community. Check out our Charity Navigator Profile to learn more [www.charitynavigator.org/eln/231352026](http://www.charitynavigator.org/eln/231352026).
A Powerful Trust Indicator

We’re rated by Charity Navigator!

11 likes

We’re excited to share some news! [Charity Name] has been evaluated by Charity Navigator through their revolutionary Encompass Rating System and received a 100 out of 100 rating!

This milestone achievement for [Charity Name] couldn’t have happened without you and your support. Thank you for being part of our family as contributors, funders, and volunteers. Your trust in us is what makes the difference to us and the [individuals/families/communities] we serve.
Womanspace receives 100/100 rating from Charity Navigator

Womanspace has announced that it has been evaluated by Charity Navigator through its Encompass Rating System and received a 100 out of 100 rating.

The Lawrence–based nonprofit organization serves the greater Mercer County area and the state of New Jersey by providing an array of emergency and follow-up services to individuals and families impacted by domestic violence and sexual assault.

The Encompass Rating System is an evaluation tool used to analyze nonprofit performance based on four key indicators. More information about the Charity...
Questions & Answers

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