

Nonprofits Watch Nervously as Watchdog Groups Multiply and Demand More

By Jenni Bergal

As more organizations sprout to monitor the financial dealings and operations of charities and foundations, many people in the nonprofit world are worried about whether the new ratings systems are judging groups fairly and are scrambling to figure out how they can keep up with all the information demands they now face.

Just in the last month, two of the latest efforts made their debut:

- [Philamplify](#), started by the National Committee for Responsive Philanthropy, combines a Yelp-like website that seeks feedback on foundations from the public with in-depth research. It has issued three reports so far and hopes to assess 100 big grant makers.
- [Transparify](#), a group that rates think tanks based on how well they disclose their sources of financial support and how they spend their money, released its first report on 169 organizations, including 35 in the United States.

Those groups follow other projects that were started in recent years, such as [GreatNonprofits](#) and [Philanthropedia](#).

"There has been an explosion of these kinds of groups," says Ken Berger, chief executive of [Charity Navigator](#), which for 14 years has evaluated thousands of charities on their financial health and has just recently begun an ambitious and controversial effort to assess how well charities do in evaluating their progress toward meeting their missions.

Philamplify is hardly the only group taking a Yelp-like approach. [GreatNonprofits](#), for example, relies on volunteers, board members, clients, donors, and others to post their opinions about charitable organizations.

Others focus on gathering the views of experts.

Lisa Ranghelli, of the National Committee for Responsive Philanthropy, says each of the three foundation reports in its Philamplify project took about eight months to complete.

[Philanthropedia](#) asks policy makers, academics, and nonprofit leaders to rate and rank the best nonprofits based on measurements that include the impact of their services, effectiveness, and transparency. The experts also assess challenges they believe nonprofits need to overcome.

The website divides its rankings into 36 topic areas, such as efforts to help the elderly or curb climate change. It re-evaluates the rankings every two years.

Philanthropedia was started by a group of Stanford University graduate students in 2008 and acquired in 2011 by GuideStar, an information service that has been posting nonprofits' financial reports on its website for nearly two decades.

More Scrutiny

Perhaps the most notable change in the watchdog efforts is the expansion of groups subjected to scrutiny.

Transparify, which gets its \$39,834 budget from George Soros's Open Society Foundations, chose its focus on research centers because "think tanks in the U.S. play a special role in crafting and shaping policies and debate about policies. It's an increasingly important role, given the collapse of traditional journalism budgets," says Jennifer Lappin, a Transparify spokeswoman. "There needs to be a complete picture. It comes down to credibility."

Ms. Lappin says that only 10 of the 35 U.S. think tanks it rated are broadly or highly transparent. The group says its reports have already stimulated action: Seven groups that got low marks promised to update their websites with more details after Transparify contacted them to say what it planned to release to the public.

One of the organizations that received a zero rating was Open Society Foundations itself. The reason: Its website didn't make clear Mr. Soros was its exclusive supporter.

Because Open Society is a grant maker, it didn't think it should have been classified as a think tank and rated the same way, says Ms. Lappin, but Transparify did so because it relied on a list of think tanks identified by a widely respected research center at the University of Pennsylvania, and Open Society was included.

'Elementary' Methodology

Some of the other organizations ranked by Transparify also take issue with the watchdog's report and its methodology.

"They came out of nowhere. We really didn't know who they were," says Andrew Schwartz, a top official at the Center for Strategic and International Studies, which received only one out of a possible four stars in the report.

"Their study is helpful in that it is pointing the way for think tanks to be transparent in terms of their donors and put it out there. But the methodology is pretty elementary, and I don't think they dug deep enough to create a comprehensive ranking," he says. "We don't talk about who funds us on our website, but in every report and at every event we hold that's funded by someone, we do."

Mr. Schwartz concedes that his group, a bipartisan think tank that studies national security and foreign policy, does not list the amount it receives from each source in its reports. But he says that information is not a secret, either.

He says that the Transparify report does have his organization rethinking how it will disclose its donors, and he expects other think tanks to do the same.

"It's helpful they're doing this because they'll bring the think tanks together to put their financial information and their work out there in a way people will understand," he says.

Outside Critique

Philamplify, the National Committee for Responsive Philanthropy project, reviews foundations—whether they want to participate or not—based on their strategy, results, and relationships with grantees and suggests steps they could take to become more effective.

The committee is spending \$500,000 in unrestricted foundation grants to run Philamplify and so far has published detailed reports about three foundations. Each took about eight months to complete, according to Lisa Ranghelli, the committee's director of foundation assessment. Researchers reached out to community leaders, local elected officials, journalists, grantees, and other foundation officials to compile the reports.

"We want to create a new culture in philanthropy where there's more robust discussion and debate about how foundations do their work," Ms. Ranghelli says. "There's a certain deference paid to the foundation CEO. Having a third-party assessment tool and interviewing the foundation stakeholders allows for that really critical constructive feedback that foundations often don't get any other way."

Ms. Ranghelli concedes that some foundations may not be happy with the concept of an outside group assessing them without their consent.

"In the private sector, it's more common for this to happen," she says.

"Nobody talks about that stuff in philanthropy. The result is nobody learns. It's a fear of looking bad, like you've made a mistake. But we've all made mistakes."

3 Reactions

The three foundations that were the focus of the first reports all took different approaches to working with Philamplify. Lumina participated right from the start, and William Penn did so after seeing a draft, saying it had not done so initially because of leadership changes it had in the works, Ms. Ranghelli said.

The Robert W. Woodruff Foundation did not participate at all.

"We were taken aback when they contacted us. No one ever offered to advise us or consult us. Our initial reaction was no thanks," says Russell Hardin, the foundation's president. "Then we came to understand that they were going to do this anyway."

Mr. Hardin says that Philamplify's researcher ended up doing a "really good job" and accurately captured the way the foundation operates and the role it plays in its community.

But he says he didn't agree with all of Philamplify's recommendations for his organization, such as urging Woodruff to take a more activist role in supporting social advocacy. That, he says, would be inconsistent with the fund's mission, which requires it to be "scrupulously nonpartisan."

The report also recommended that Woodruff diversify its holdings, which are mostly in Coca-Cola stock, because of criticism that the company's products harm consumers' health as well as claims that its environmental practices in India and Latin America cause damage.

"Our foundation wouldn't exist without that stock," Mr. Hardin says. "We're not going to let the NCRP give us investment advice."

Time Requirements

As the number of ratings groups grows, some in the nonprofit world worry that the sheer volume makes it hard to keep up.

Jennifer Chandler, vice president of the National Council of Nonprofits, says that while her members welcome the push for more transparency, they are concerned about the amount of time it will take to ensure that their information is current and accurate on multiple transparency-group websites.

"There are so many websites now for reviewing or evaluating public charities, one has to question whether one should spend your time reviewing these sites or accomplishing your mission," Ms. Chandler says. "But you have to think, 'if I ignore even one of them, what's the downside?'"

Doug White, a philanthropy-ethics expert who is director of Columbia University's Fundraising Management master's degree program, says that nonprofits should take more actions to be transparent without watchdogs urging them to do so.

"But they're not," he says. "They're very bad at being transparent. That's why these groups are cropping up."

Mr. White credits what he calls the "new wave" transparency websites for being "more user-friendly and more narrative." But he cautions that they still have their limitations.

"I'm not sure these groups are doing anything more than talking to themselves. They are very wonky, very inside-baseball sites," he says. "We still haven't found the perfect algorithm to convey accurately and fairly easily how charities are affecting their community in a fiscally responsible way."

New Groups Keeping an Eye on Nonprofits

[PHILAMPLIFY](#)

How it started: Begun in 2014 by the National Committee for Responsive Philanthropy

What it does: Comprehensively evaluates transparency, governance, outcomes, and other practices of big grant makers. Its goal is to assess the 100 foundations that hold the most in assets and make the most grants.

How it works: Conducts in-depth research and seeks feedback from the public on its site

Where the money comes from: \$500,000 in general-support grants from foundations

[TRANSPARIFY](#)

How it started: Started in 2013 by a small nonprofit and a think-tank expert in Tbilisi, Georgia

What it does: Rates the financial transparency of 169 think tanks in 47 countries, including 35 in the U.S.

How it works: Examines whether the think tanks' websites provide information about who funds them and how much they receive from each source

Where the money comes from: \$39,834 grant provided by Open Society Foundations

[PHILANTHROPEDIA](#)

How it started: Created in 2008 by Stanford University graduate students. GuideStar acquired it in 2011 for \$1.

What it does: Enlists experts to rank and rate nonprofits based on their transparency and effectiveness. Chooses groups to rank based on what experts say are the best at dealing with a specific cause.

How it works: 3,000 experts rate groups that work on 36 causes.

Where the money comes from: GuideStar