



April 15, 2015

Jan Masaoka  
CEO  
400 Montgomery Street, Suite 500  
San Francisco, CA 94104

Dear Ms. Masaoka,

Since Charity Navigator was founded in 2001, we have encouraged and welcomed feedback for ways in which we can enhance our approach to rating charities. So, on behalf of the Board and staff of Charity Navigator, I want to thank the California Association of Nonprofits for taking the time to share your ideas for our future as we select a new CEO.

Charity Navigator's goal has always been, and will always be, to ensure donors have the data they need to make informed giving choices while rating charities objectively and fairly. With that guiding principle in mind, I'd like to respond to your specific suggestions:

- **Joint Costs:** We believe Charity Navigator's policy is in keeping with our goals (outlined above) – that is it is both fair to charities and insightful to donors. We do not apply the joint cost reversal to charities without significant review by our analysts. If our team of professional staff determines that a charity's programs are focused primarily on education or advocacy, then we accept that their mailings are mainly program related, even if a small 'ask' is included. In these cases, we *do not* reverse the joint cost allocations. By using this approach, only a small fraction of the charities that we rate are impacted. Specifically, of the more than 8,000 charities we rate, just 5% even report joint costs and less than 1% have seen their rating impacted because we reversed their joint costs. Finally, we always welcome conversations with the staff of those charities that have been impacted by a reversal to ensure that they understand our approach.
- **Overhead Expenses:** Part of our work at Charity Navigator is educating donors about the nonprofit sector. We take that role seriously and thus, through the years, we've consistently shared the message that overhead expenses are a necessary part of operating a charity. Furthermore, this is reflected in our methodology in that the financial health of a charity accounts for just 50% of its rating. And in the future, as we work towards including measurements around results reporting, financial health will potentially play an even smaller role in each charity's rating. So, your organization can rest assured that we will continue to educate the public about the importance of charities' spending a reasonable amount of their budget on overhead.

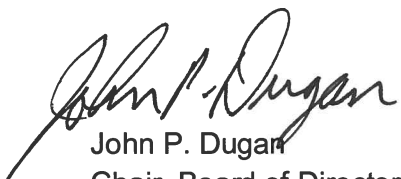
- The Value of Volunteer Time: There can be no doubt that volunteers play an integral role in many charities. Last year alone, nearly 63 million Americans volunteered for an estimated value of \$173 billion. We would like to include these figures in our ratings and have had numerous conversations with nonprofit leaders and industry experts on this topic. So far, these have not resulted in a viable solution. Why? Because, as your organization rightly points out, this information is not included on the Form 990 and thus not reflected in our financial analysis. We could, as you note, turn to the audited financial statements to obtain the data. But those are not public documents and, as such, we do not have access to the data for all of the charities we rate. That means we can't uniformly present such data. Furthermore, the data isn't presented consistently on audited financial statements and many times we are unable to determine how volunteer time was allocated across the functional expenses, rendering it useless for our purposes. Although we can't include the value of volunteer time in our methodology today, we hope to be able to do so someday.


We appreciate the thoughts of the California Association of Nonprofits about selecting a new CEO for Charity Navigator. We hope to have a range of candidates to select from and value the qualities that your organization finds important.

It's a bit of a cliché, but true, that the person we engage should: be a proven leader of a successful organization; have a history of nonprofit passion and experience; and have a high level of familiarity with the technology that is critical to reaching our ambitious goals.

Again, we are thankful for your interest in and appreciation for what Charity Navigator is doing. And we hope this letter conveys our willingness to continue the sharing of views.

Sincerely,

  
John P. Dugan  
Chair, Board of Directors

  
Sandra Miniutti  
VP Marketing and CFO