





<b>2</b>	2011: THE YEAR OF CN 2.0
<b>6</b>	WEBSITE ENHANCEMENTS
<b>12</b>	STAKEHOLDER COMMUNICATIONS
<b>16</b>	2012 STRATEGIC INITIATIVES AND PARTNERSHIPS
<b>18</b>	REACH AND IMPACT
<b>22</b>	AUDITED FINANCIAL STATEMENTS
<b>24</b>	WHO WE ARE AND WHAT WE STAND FOR

## 2011: THE YEAR OF CN 2.0

### 2011 in Review— A Message From Pat Dugan, Chairman, and Ken Berger, President and CEO

Dear Friends,

Last September 20th, the much-anticipated launch of CN 2.0 became a reality. The reaction to our 2-dimensional rating system, which adds a measure of charities' accountability and transparency to the analysis of their financial health, has been overwhelmingly positive from both users and charities alike. In the first 5 months since the launch of CN 2.0, over 25% of the charities featured on our site made positive changes to their accountability and transparency reporting!

There are so many people who deserve thanks for this herculean accomplishment, but, first and foremost, we thank YOU—our users and supporters—who provided so much encouragement and feedback along the way, not to mention your considerable financial investment in these efforts.

Today, as we prepare to begin celebrating Charity Navigator's 10th anniversary, we look back on 10 years of phenomenal growth and development. We also look forward with great anticipation to the next 10 years as we strive toward full realization of CN 3.0—adding results reporting to CN 2.0—and getting to 10,000 charities rated on all 3 dimensions.



Although CN 2.0 necessarily demanded the lion's share of our attention last year, we would like to share with you some other notable highlights of 2011 that reflect progress made in the 4 strategic directions established by the board and staff.

### **1. To create an enduring and scalable organization, we:**

- Completed our first Strategic Plan, which was approved unanimously by the Board in June
- Secured over \$30,000 of grant funding to develop a Business Plan as follow-up to the Strategic Plan

These vital documents are key drivers of our quest to secure the funding necessary for us to achieve our ultimate goal of CN 3.0 and roughly double the number of charities we rate.

### **2. To further product development to better serve you, we:**

- Created special web pages regarding Japanese tsunami relief (including flagging those organizations that committed to using donations for that disaster alone), US tornado disaster relief, the famine and drought crisis in East Africa, the September 11th ten-year anniversary, and charities working to cure breast cancer
- Secured a \$100,000 renewal grant from the Hewlett Foundation to continue testing CN 3.0; this effort will be funded at the same level once again in 2012. Our continued strategic partnership with university graduate programs and a cadre of dedicated volunteers frame this work as we move forward



### 3. To remain a leading industry authority and donor advocate, we:

- Were listed as one of “20 Financial Innovations You Can’t Afford to Ignore” by *Kiplinger’s Personal Finance* (June issue) and “Best Charity Review Site” in *Kiplinger’s Best of Everything 2011* (November issue)
- Were delighted that Pat Dugan, CN Co-Founder and Board Chair, was named one of the “100 Most Influential People in Business Ethics” by *Ethisphere* magazine
- Conducted, in collaboration with NYU’s Robert F. Wagner Graduate School of Public Service, a Managing to Outcomes forum with professors from around the country and 150 nonprofit professionals in attendance
- Met for the first time ever with a foreign country government delegation (South Korea) to consider implementing a Charity Navigator-type system in their country

### 4. To grow site utilization and donor markets, we:

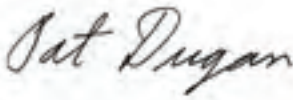
- Secured a \$20,000 grant from Craig Newmark (founder of Craigslist) to develop an API (Application Programming Interface) that will push our data out beyond our site to a wide array of potential partners and collaborators, including philanthropic advisers, workplace giving programs, and other giving portals
- Updated the CN site’s header and footer navigation to make it easier for users to quickly find the information most important to them in their efforts to be informed givers (eg, Tips, Top Ten Lists, FAQs)



Looking ahead, our #1 priority continues to be to provide you, our valued CN users and supporters, with the highest quality service to assist you in your charitable giving/social investing decision-making process.

We thank you again for your stalwart support and encouragement—you inspire us every day!

Sincerely,



**Pat Dugan**  
Chairman



**Ken Berger**  
President and CEO



L to R: Ken Berger, Pat Dugan

# WEBSITE ENHANCEMENTS

One important example of our ongoing commitment to donors is reflected in continuous quality improvement of our website. The development and implementation of CN 2.0 accounted for the majority of those efforts in 2011, but we were also able to add other significant features and functionality.

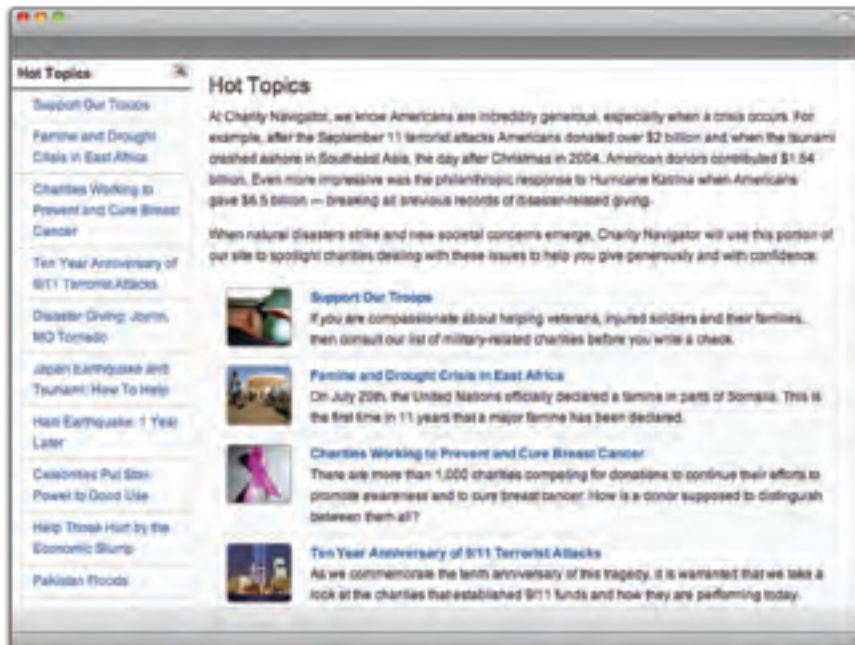
## CN 2.0

CN 2.0 arrived on September 20th! With the “switch” officially flipped, all 5,500 charities are now rated in 2 dimensions—financial health and accountability/transparency. Donors were thrilled and charities responded. In just the first 5 months since the launch of CN 2.0, more than 25% of the charities we rate made positive changes in their accountability/transparency reporting.



## Hot Topics— Special Web Pages

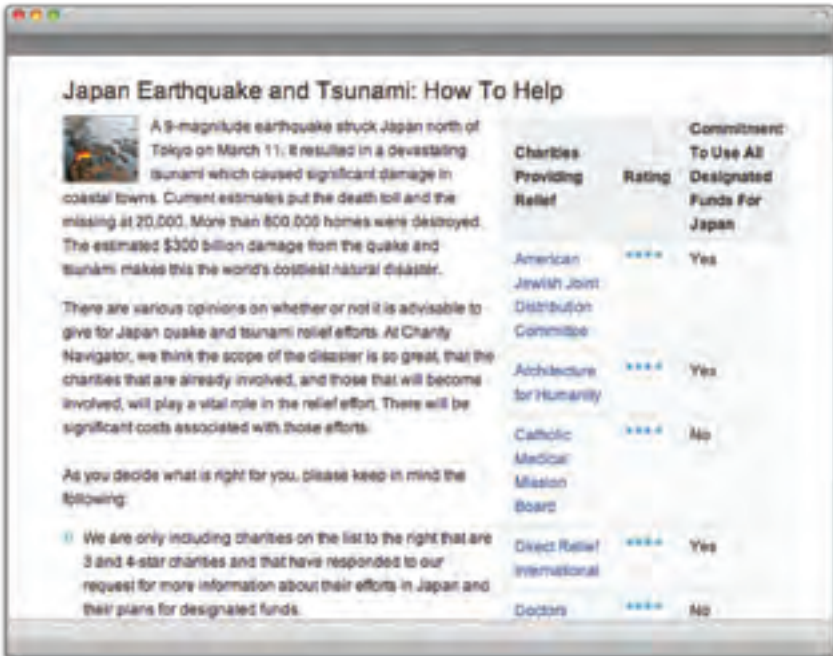
Several new special web pages were created to provide donors with actionable information on key disasters, causes, and other hot topics of note, including: the Japan Earthquake and Tsunami; Haiti Earthquake: 1 Year Later; US Tornado Disaster Relief; Famine and Drought Crisis in East Africa; and Charities Working to Prevent and Cure Breast Cancer.



# WEBSITE ENHANCEMENTS

## Disaster Giving— 100% Donation Earmark Feature

In the wake of the Japanese tsunami disaster, we developed a system to inform donors of charities' commitment to dedicate funds raised for that event alone.



**Japan Earthquake and Tsunami: How To Help**

 A 9-magnitude earthquake struck Japan north of Tokyo on March 11. It resulted in a devastating tsunami which caused significant damage in coastal towns. Current estimates put the death toll and the missing at 20,000. More than 800,000 homes were destroyed. The estimated \$300 billion damage from the quake and tsunami makes this the world's costliest natural disaster.

There are various opinions on whether or not it is advisable to give for Japan quake and tsunami relief efforts. At Charity Navigator, we think the scope of the disaster is so great, that the charities that are already involved, and those that will become involved, will play a vital role in the relief effort. There will be significant costs associated with those efforts.

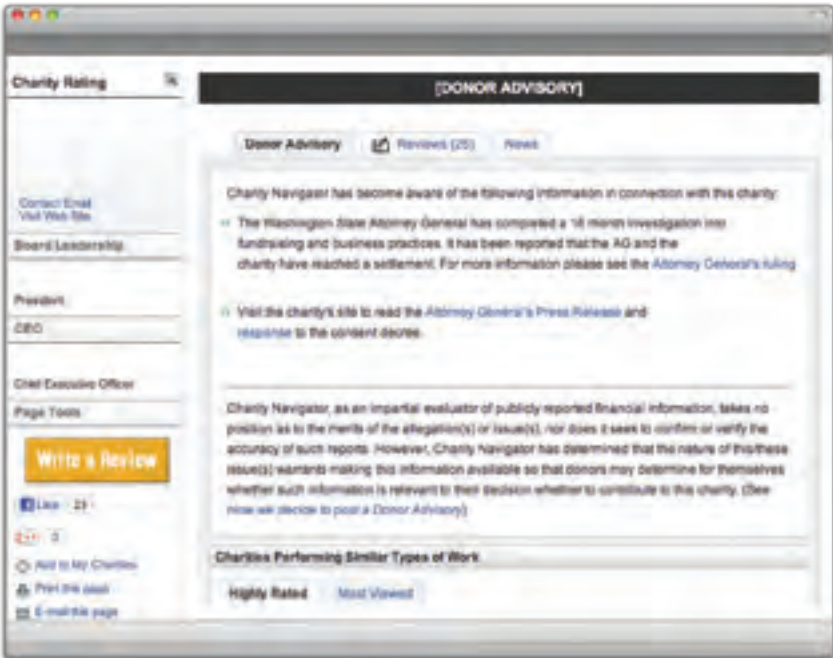
As you decide what is right for you, please keep in mind the following:

- 1 We are only including charities on the list to the right that are 3 and 4-star charities and that have responded to our request for more information about their efforts in Japan and their plans for designated funds.

Charities Providing Relief	Rating	Commitment To Use All Designated Funds For Japan
American Jewish Joint Distribution Committee	****	Yes
Architecture for Humanity	****	Yes
Catholic Medical Mission Board	****	No
Direct Relief International	****	Yes
Doctors	****	No

## Modified Donor Advisory

Charities with Donor Advisories no longer have ratings. This policy was instituted to more clearly reflect the potential seriousness of the issue(s) affecting those charities with Donor Advisories and our reasons for questioning whether information reported in those charities' 990s can be relied upon to be accurate. Pages describing how we decide to post and remove Donor Advisories were also added to the CN site.



# WEBSITE ENHANCEMENTS

## Enhanced “No Government Support” Feature

At the urging of many of our users, those who are registered can now use this advanced feature to filter their search results to display charities that do not receive any government funding.



# Write a Review

Our partnership with GreatNonprofits was fully realized with the implementation of this feature on our website. Users can write a review as well as view those of others to assist them in their charitable giving/ social investing decisions. While this information is not included in our expert rating methodology, we believe it is a valuable additional resource for our users.

Write a Review



# STAKEHOLDER COMMUNICATIONS

In 2011, Charity Navigator continued its efforts to be the go-to resource and a thought leader for charitable givers of all kinds.

## CN Blog and “Ken’s Commentary”

These online forums continue to offer donors Charity Navigator’s take on a wide variety of timely and relevant topics influencing and affecting the nonprofit sector. In fact, it was the July 29th blog post, “Donor Shares Question About Famine Aid,” that was the catalyst for one of our Hot Topics special Web pages, “Famine and Drought Crisis in East Africa.”



## Social Media Milestones

In 2011, Charity Navigator supporters pushed our Facebook fans over the 4,000 mark and our Twitter followers over 9,000. Clearly, they value the timely information we provide and eagerly share that information with others.



**MORE THAN 4,000  
FACEBOOK FANS**



**MORE THAN 9,000  
TWITTER FOLLOWERS**

## Media Relations

Major news and media outlets, including CNN and Fox Business News, once again turned to Charity Navigator for expert advice and commentary on charitable giving following the Japan tsunami and other major events as well as during the year-end holiday season. *Kiplinger's Personal Finance* afforded Charity Navigator 2 accolades, selecting the site as one of **"20 Financial Innovations You Can't Afford to Ignore"** and **"Best Charity Review Site"** in its *Best of Everything 2011* list. Charity Navigator Co-Founder and Board Chairman John P. "Pat" Dugan was selected as one of the **"100 Most Influential People in Business Ethics"** by *Ethisphere* magazine.



## Sector Conferences

In June, Charity Navigator and the NYU Wagner Research Center for Leadership in Action, with funding from The William and Flora Hewlett Foundation and Liquidnet, co-hosted a forum titled, "Managing to Outcomes." Leading teachers, field experts, and nonprofit professionals attended the forum and had an opportunity to examine and discuss creative approaches to measuring nonprofit performance. Charity Navigator presented its CN 2.0 Case Study, highlighting the results of the 2010 fall semester student rating project and preliminary results from the 2011 spring semester.

Also, Ken Berger, President and CEO, presented on a wide range of topics at several additional conferences and symposia throughout the year.



With CN 2.0 launched successfully, we are now concentrating our efforts on expanding Charity Navigator’s evaluative methodology to CN 3.0, increasing the number of charities rated in 2 dimensions and then 3 dimensions, and pushing our data out beyond the Charity Navigator website. These initiatives will be the key drivers of our work in 2012 and beyond. They form the basis of the organization’s Strategic Plan, approved unanimously by the Board in June 2011, and the Business Plan, which we expect to complete in mid-2012.

## CHARITY NAVIGATOR 3.0

The William and Flora Hewlett Foundation has thus far provided \$175,000 in seed support to fund our nascent work on CN 3.0. They have committed another \$100,000 to continue this work in 2012. At present, we are advancing our CN 3.0 research efforts in partnership with university graduate programs and local volunteers. Working with our strategic partner, UK-based Keystone Accountability, Charity Navigator is in the process of fashioning a long-term collaboration with universities that is expected to evolve over time. We are taking a developmental approach, wherein charities will be engaged with the intention of incentivizing progressive improvement in results measurement and reporting practices. In addition, we have set a goal to increase the number of charities we rate, expanding the universe of 2- and then 3-dimensional ratings to 10,000 charities over the next 5 years. These are the organizations that receive roughly 70% of all US charitable contributions made annually.

# GREAT★Nonprofits

Begun last year, Charity Navigator's strategic partnership with GreatNonprofits, a website that aggregates constituent reviews of nonprofit organizations, continues in 2012. Thus far, close to 100,000 reviews have been posted for 13,000 charities, with many reviews coming from Charity Navigator users. This partnership has enabled the conversion of the comments tab on Charity Navigator individual charity rating pages to a listing of charity reviews that users can access to assist them in their charitable giving/social investing decision-making process. Users can also add their own review if they wish.



**Craig Newmark**  
Founder of Craigslist

Late last year, we received a \$20,000 grant from Craig Newmark of Craigslist to develop an API that will provide an open database of information about all of the charities rated by Charity Navigator. We expect the API, to be launched in mid-2012, will be in high demand from a wide array of organizations such as donor-advised funds, giving portals, and corporate giving programs. All have one thing in common—a lot of constituents, clients, and users who want to do a lot of good. With the API in place, we anticipate millions more people will be turning to Charity Navigator's information to guide their charitable giving/social investing.

# REACH AND IMPACT

## Donors Continued to Place Their Trust in Us

Our donors said it best:

**“I believe in what you do.”**

**“You keep us on top of charities we desire to support through our business.”**

**“The information you provide is invaluable.”**

**“Through your work I am able to verify the legitimacy of charities and am therefore willing to donate more.”**

**“We may not have much to donate, but your service lets us know that what we offer is used wisely.”**

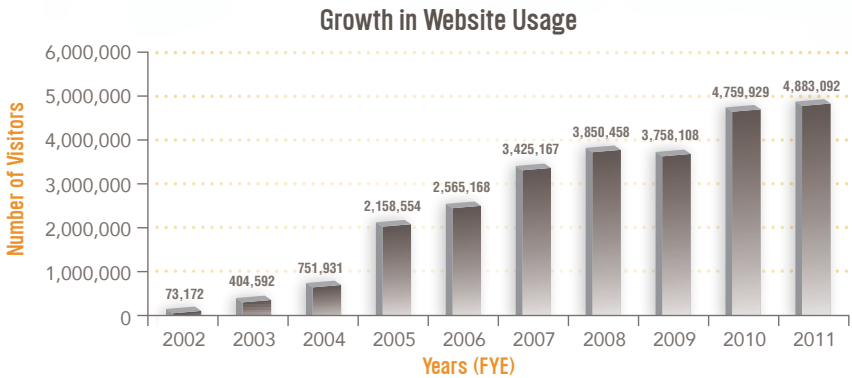
**“I am not a rich person  
by any means, but thanks to CN,  
I can choose the charities I feel  
will do the most good.  
That means a lot to me.”**

**“These are shark-infested  
waters, and without a navigator,  
we’d be on the rocks.”**

”  
“

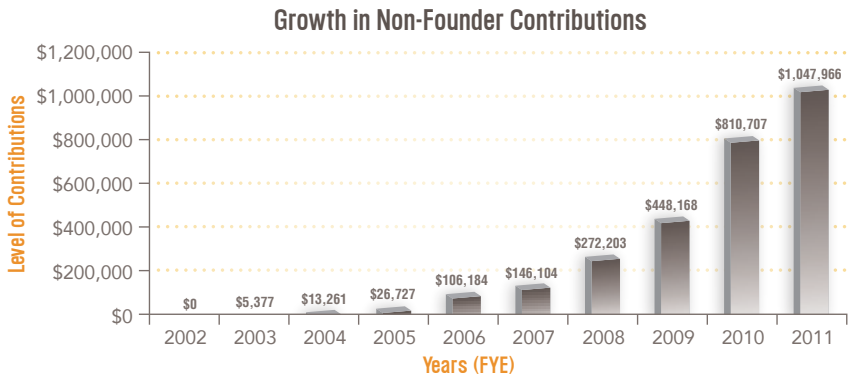
# REACH AND IMPACT

## More People Are Coming to Our Website



Website traffic was up 3% in 2011, breaking the record set in 2010 fueled by the Haiti earthquake disaster.

## Contributions Continue to Grow



Non-founder contributions were up 29% in 2011 due to robust growth in foundation funding and user contributions.



## Charities Sat Up and Took Notice

During the first 5 months since CN 2.0 launched on September 20th, more than 25% of charities featured on our site have made positive changes in their accountability and transparency practices.

**One charity wrote to us:**

**“The business of nonprofit work can be difficult, as it is ever evolving and changing, but with the additional requirement of results and transparency to your rating criteria, 501s will finally have a checklist to base their actions off of and that can only lead to greater successes!”**

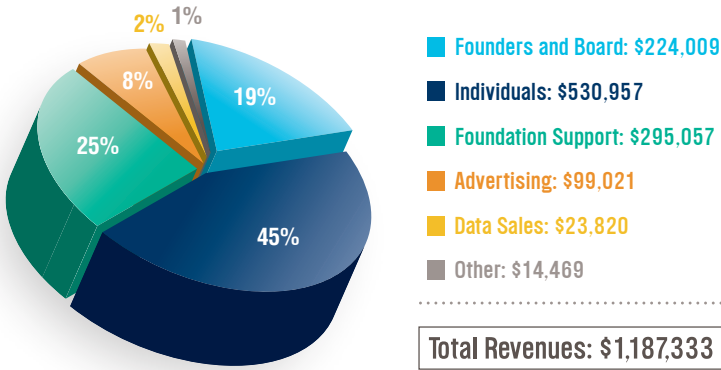


# AUDITED PERFORMANCE FINANCIAL STATEMENTS

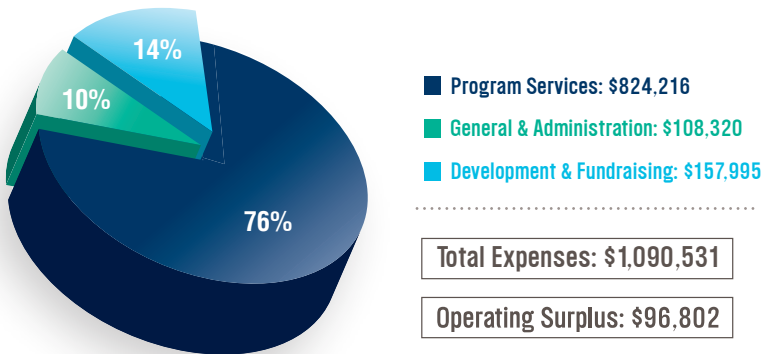
## Financial Report

For the 12 months ending November 30, 2011

### Operating Revenue



### Operating Expense



## Financing Our Future

Thanks to the generous support of our users, our Board, and foundations, the growth in our earned income and advertising revenue, as well as diligent management of our financial resources, we ended fiscal 2011 with an operating surplus. However, to meet our goals, we will need to continue growing our revenues in all areas as we look ahead.

We have set 3 primary goals for 2012 and beyond: (1) adding 1,000 new charity ratings per year (to reach our goal of 10,000 by 2016), (2) further deepening our rating system by adding a third dimension (CN 3.0—results reporting), and (3) adding to our website a page of information on each and every US nonprofit organization that we do not rate (with an option for you to “vote” on which charities we rate next and a guide for you to evaluate them yourself in the meanwhile). These goals will require significant investments in human and financial capital to make them a reality. In the first year alone, we plan on increasing our staffing by 40% (from 9 to 15) in order to jumpstart our efforts and ensure we have the “hands on deck” needed to get to our intended outcomes!

So please do not let our small operating surplus give you the impression that your continued support is not critically important! While our core service has always been free of charge (and we are committed to it remaining so), we will need significant increases both in donations as well as other sources of revenue, including foundations (we are seeking \$1.65 million in capacity-building grants through 2015), earned income (from customized products and services), and advertising, in order to sustain operations, achieve these ambitious goals, and be even more effective in serving you as your guide to intelligent giving.

# WHO WE ARE AND WHAT WE STAND FOR

## Board of Directors

**John P. Dugan**,  
Co-Founder & Board Chair

**Marion Dugan**, Co-Founder

**Thomas H. Murray, PhD**,  
Vice-Chair

**Kenneth S. Rose, Esq**, Treasurer

**William von Mueffling**, Secretary

**Ken Berger**, President & CEO

**Lisa Bernhard**

**Pete Dugan**

**Matt Giegerich**

**Jeffrey R. Graubard**

**Richard Nathan**

**Dan Weiss**

## Staff

**Ken Berger**, President & CEO

**Tim Gamory**, CIO &  
Human Resources Manager

**Sandra Miniutti**,  
VP, Marketing & CFO

**Joanne Reisser**, VP, Development  
& Operations Manager

**Vince Bogucki**,  
Senior Program Analyst

**Leonie Giles**,  
Senior Program Analyst

**Matthew Viola**,  
Senior Program Analyst

**Molly Graepel**, Program Analyst

**Michelle Tang**, Program Analyst

## Volunteers

**Dr Robert Penna**, International  
Coordinator & Author

**Peter Miragliotta, Jr**,  
Planning Consultant

**Mary DiLandro**,  
Communications Specialist

### Advisory Panel

26 experts from the field of  
philanthropy, assisting with the  
development of CN 3.0

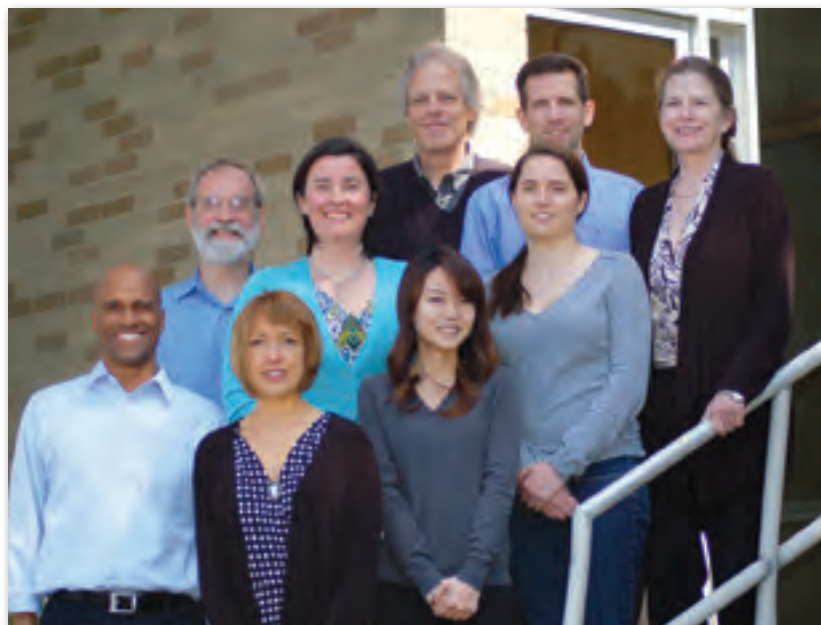
### Financial Metrics Task Force (CN 2+)

7 financial professionals assisting  
with possible changes to our  
original financial metric

### CN Volunteer Advisory Task Force

10 professionals from around  
the country, helping us develop  
a volunteer rating approach

Our partnerships with student  
and faculty volunteers from  
Indiana University and Syracuse  
University continued with the  
spring semester of 2011, with  
28 students assisting in research  
for the ongoing development  
of CN 3.0.



### The Charity Navigator Staff

1st Row, L to R: Tim Gamory, Sandra Miniutti, Michelle Tang  
2nd Row, L to R: Vince Bogucki, Leonie Giles, Molly Graepel  
3rd Row, L to R: Ken Berger, Matt Viola, Joanne Reisser

### Our Core Values

1. **A Team Approach** that ensures respect for all who we serve and work with, encourages their input, and underscores our value for open communication.
2. **A Client-Centered Approach** wherein concern for our website users, other key constituents, and stakeholders is at the heart of all ideas and decisions.
3. **A Continuous Improvement Process** aimed at ensuring optimization of client services and organizational standards.

## About Charity Navigator

Charity Navigator's mission is to guide intelligent giving—in doing so, it aims to advance a more efficient and responsive philanthropic marketplace, in which charitable givers/social investors and the charities they support work in tandem to overcome the nation's most persistent challenges. We provide 2-dimensional ratings of roughly 5,500 large- and mid-size charities (these charities receive roughly 50% of all charitable contributions made to non-religious institutions in the US each year). In fiscal 2011, our website had 4.88 million visits and influenced an estimated \$10 billion o charitable donations, continuing the upward trajectory experienced since our launch in 2002. This makes Charity Navigator far and away the largest and most utilized charity rating service that exists anywhere.

