

Use this Checklist for Nonprofit Transparency

By Joanne Fritz

Unfortunately, many people do not trust some nonprofits to use their donations wisely.

Although nonprofits are more trustworthy than many businesses, when one of them does something wrong, we all feel even more appalled. That's because we have higher expectations for organizations whose missions are to do good.

One way to overcome public suspicion is to be completely open about your finances. In nonprofit language, this means that you must be transparent, especially when it comes to finances. If the public can find all of your information quickly, you can make sure potential donors don't have any reason to distrust your organization.

Use this checklist to ensure your nonprofit measures up in an ever-skeptical world.

- **01**

[Is Your Charity Listed on the IRS List of Tax-Exempt Charities?](#)

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The IRS maintains a list of registered nonprofits that are eligible to receive tax-deductible charitable contributions. If you are a registered 501(c)(3) nonprofit in good standing, [make sure that your name appears on this list](#). Some small nonprofits may not even be aware that they have [lost their tax exemption](#) for various reasons, including [not filing a 990 tax form](#) each year.

- **02**

[Have You Updated Your Listing at GuideStar?](#)

GuideStar

GuideStar publishes your 990 information from the IRS. But, you can also include much more information about your organization by including your [mission](#), programs, board members, goals, accomplishments, and needs. GuideStar is one of the first stops when a donor or a foundation looks for information about a nonprofit. Your listing at GuideStar can be a great marketing tool, so write your profile with that in mind.

- **03**

[Is Your Charity Rated at CharityNavigator?](#)

Charity Navigator

This watchdog organization rates 501(c)(3) charities based on their finances transparency, and how well they fulfill their missions.

Not all nonprofits are on the Charity Navigator list, but it does provide a guide for donors looking for reliable nonprofits. Charities receive one to four stars based on finances, transparency, and accountability.

CharityNavigator assesses the ratio of overhead expenses (particularly fundraising costs) to a nonprofit's overall budget. Donors want most of a nonprofit's revenue to go toward its programs. But Charity Navigator has revised its evaluation process considerably so that overhead expenses are only one part of the rating equation.

Charity Navigator only rates larger charities that receive a substantial percentage of their revenue from individual donors. It does not evaluate small organizations, religious organizations, foundations, or nonprofits that receive their funding primarily from the government or foundation grants.

Although CharityNavigator does not evaluate every nonprofit, by following its criteria for highly-rated organizations, you can bolster your reputation among donors.

Charity Navigator is not the only [charity evaluator](#) though. Others include CharityWatch, Universal Giving, Philanthropedia, GiveWell, Great Nonprofits, and The Life You Can Save. All of these consider various aspects of nonprofit organizations, but their criteria can be a blueprint for how to handle your nonprofit's structure and financing to be more appealing to donors.

- **04**

[Does Your Nonprofit Have a Better Business Bureau Accredited Charity Seal?](#)

BBB Wise Giving Alliance

The Wise Giving Alliance at the Better Business Bureau provides a way for citizens to check up on nonprofit behavior just like they can do with businesses. Anyone can check its site to make sure a nonprofit has met the BBB's standards for accountability.

Have you read the Better Business Bureau's Wise Giving Alliance Standards for Charity Accountability? Charities that meet those standards can become accredited and display the accredited charity seal.

Even if your organization does not apply for the BBB's seal of approval, its Standards for Charity Accountability provide an excellent road map to any prospective nonprofit for setting up its organization in the most ethical way.

- **05**

Do You Post Your 990 on Your Website?

Your IRS form 990 tax return is a public document. It is available to the public through the IRS, and on websites such as [GuideStar](#). You must have a copy available in your office for people who inquire. Why not make it easy to find by posting it on your website as well?

In addition to your 990, put contact information on your site, a list of your [board of directors](#) and senior staff, and consider posting your most recent audit and a summary of the most recent board activity and decisions made.

- **06**

Do You Know What the Sarbanes-Oxley Act Is?

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The Sarbanes-Oxley Act was passed in 2002 by Congress to remedy some of the accounting shortcomings of publicly-traded companies. Remember Enron?

However, it provides some "best practices" that many nonprofits have adopted to ensure transparency to their organizations. Get to know Sarbanes-Oxley, and how nonprofits can apply it to their financial management.