

Tips for Making Informed Giving Decisions

Every day, our lives are touched in some way by the work of charitable organizations. Whether providing social services to people in need; education for our children; job training for career-changers; environmental protection to ensure clean air and safe drinking water; public television and radio to keep us informed; or artistic and cultural enrichment to keep us inspired, charities play an essential role in making New Jersey an attractive state to live, work and grow.

But charities are being challenged by a slow economic recovery coupled with rising demand for services and tightening funding streams. While charities need donor support more than ever, donors may become overwhelmed by the various requests for contributions. And for donors trying to sort through these appeals, wise giving choices have never been more crucial.

You don't need to have an elaborate plan to "do good," but you can take steps that will help you to be confident in the decisions you make. Here are some tips to help you make informed giving choices.

- **Think about why you want to give** – whether to support a cause you care about; “give back” to society and support the public good; qualify for a tax incentive; respond to a friend or colleague involved in a charity; or any combination of these or other reasons.
- **Try to come up with a budget** to help determine how much you can (or would like to) give. Spacing out gifts during the year may boost your overall giving capacity.
- **Make a point of knowing about the charities** to which you donate (or are considering donating). Most charities realize that an educated donor is often their best friend.
- **Don't be shy about checking up on a charity.** Check out its website, social media or other communications, or ask them to send you more detailed information. You can look into a charity's mission, programs, recent accomplishments, governing board, personnel, finances and more.
- **Don't be pressured into donating immediately over the phone or online.** High-pressure pitches and coercive approaches are a sign of trouble. Ask the caller if they are being paid to solicit on behalf of the organization; and if so, how much of your gift will go to the charity vs. the paid solicitor.
- In New Jersey, most charities (except for very small organizations, religious organizations and a very small subset of educational institutions) and out-of-state organizations that solicit in New Jersey are required to register with the **New Jersey Division of Consumer Affairs, Charities Registration Section** prior to soliciting donations in the State. **Ask if the group is registered.** [Most other states](#) have also some form of registration requirement for charities and fundraisers.
- **The New Jersey Division of Consumer Affairs maintains a searchable database** of registered charities at www.state.nj.us/lps/ca2/charities/. Online databases can be finicky, so your search comes up empty, check for typos or standard abbreviations, or call the Charities Registration Information Line at 973/504-6215 during regular business hours to request information about any charity registered with the Division.

www.njnonprofits.org

Tel 732.227.0800 | Fax 732.227.0087 | 3635 Quakerbridge Road, Suite 35, Mercerville, NJ 08619

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- **Crowdfunding campaigns and online portals** such as KickStarter or GoFundMe might be run by individuals or causes that may not be associated with a charitable organization. Be sure to “vet” these campaigns carefully before you give, and keep in mind that donations to individuals are not tax-deductible (see the next item).
- If tax incentives are a consideration, **be sure that the organization is recognized by the IRS as a 501(c)(3) organization.** (Remember that you must itemize on your tax return in order to be able to take a deduction for charitable contributions.) You can check online for an organization’s 501(c)(3) status by searching IRS Publication 78 at www.irs.gov, or by searching third-party sites such as www.guidestar.org. If you can’t find the charity at first, try different spelling variations or ask the charity directly for a copy of their IRS determination letter. If you’re considering more sophisticated giving mechanisms, such as planned giving (through your will), gifts of property, etc., be sure to consult with your financial advisor or a knowledgeable attorney.

Financial information, while helpful, shouldn’t be the only consideration for giving.

- **Is the organization making an IMPACT?** This is the most important question to consider when looking into a charity. Take a look at what the organization has done, what kinds of impact it has had in fulfilling its mission, its successes and -- yes -- even failures, as these can provide important lessons for program improvement. For a newer organization, find out how it plans to execute its programs and evaluate its progress.
- **Resist the temptation to rely too heavily on ratios** that compare the percentage of dollars spent on program vs. administration (also called “management and general”) or fundraising. Except in extreme cases where the amount spent on programs is negligible, these ratios are of limited value because they reveal nothing about the effectiveness of an organization’s programs. Whether an organization is spending 65% or 75% on programs won’t matter much if those programs are ineffective in accomplishing its charitable purpose.
- For in-depth financial information, **you can ask to see a charity’s Form 990 information return**, or you can look it up on a third-party site such as www.guidestar.org. If understanding a Form 990 is new to you, the Nonprofit Coordinating Committee of New York offers an [excellent guide](#).
- **When comparing charity appeals or finances, compare apples to apples.** For example, don’t compare a large health organization with a community theatre. A smaller, startup organization is likely to have higher fundraising costs before it gets up to scale. Fundraising methods such as direct mail or phone appeals can often seem less efficient than a single grant from a foundation or corporation; but that doesn’t necessarily mean they are bad. Different types of charities may need to employ different methods in order to be successful. The key is ensuring that the fundraising is done honestly and ethically, and that the organization is effective in pursuing its mission.
- **Salaries are a necessary part of most charities’ work.** A common misconception is that all salaries are administrative costs, or that funds spent on salaries are a diversion from charitable work. In fact, except for the smallest organizations, most non-profits employ staff to pursue their missions, and this work often requires specialized training, education and expertise. Non-profits need to pay their employees adequately in order to be effective in reaching their charitable goals. Federal law requires that compensation be reasonable, and charities have to describe on their Form 990 how compensation decisions are reached.
- **While everyone wants to see program purpose dollars maximized, bear in mind that administrative and fundraising expenses are an indispensable part of running an organization.** They help to ensure efficiency, accountability and compliance with the law; can help an

organization by increasing awareness of and support for its activities; and can lead to stronger operations and sustainability through the building of a more stable, diversified funding base.

- With only limited exceptions such as all-volunteer organizations, most established charities have to spend something on fund raising and administration, so **be wary of organizations that report having no fund raising or administrative costs**. If either of those figures is reported as zero for anything except a very small or newly formed organization, ask why.
- **It's customary to expect reputable for-profit businesses to invest a reasonable amount in their own capacity** to ensure that they are meeting customer needs and investing in their long term viability. **For a charity to pursue its mission effectively, it needs to be able to do the same.** Activities such as strategic planning, staff training and program evaluation produce better, more effective organizations, and they should be expected and encouraged.

Other ways to help besides money

- In some cases, **noncash donations (computer equipment, furniture, clothing) can be valuable to an organization**. Most of these items should be in new or nearly new condition to be useful, so check with the charity to be sure. Be aware that the IRS has special rules governing deductibility of donated property, and there are additional requirements concerning donated vehicles.
- **Consider volunteering your time** in some capacity, or perhaps joining a committee or even serving on a charity board (board service is an important commitment, so be sure you understand the responsibilities involved). Your personal involvement will help you gain new insights into the organization and strengthen your relationship with it.
- **Talk up the charities you care about!** Tell your friends and colleagues so that they might also donate, become involved or become more familiar about the charity's area of focus. Your passion can inspire others to aid the cause.

Finally, while the overwhelming majority of charities operate honestly, legally and ethically, there are some scam artists who masquerade as legitimate charities and take advantage of donors' good will. Most state attorney general offices offer information to help insure that your gift goes to a reputable organization. The [NJ Division of Consumer Affairs](#) publishes a [charitable giving brief](#) as well as other information.

If you suspect a charity is engaged in fraudulent activity, you can contact the Division at 973-504-6215 (or contact the applicable [state charity office](#) official if outside of New Jersey) to find more information or file a complaint.

Resources

- IRS – www.irs.gov
- NJ Division of Consumer Affairs – www.njconsumeraffars.gov
- Guidestar – www.guidestar.org
- Center for Non-Profits – www.njnonprofits.org

The Center for Non-Profits is New Jersey's umbrella organization for the charitable community. Founded in 1982, the Center exists to build the power of New Jersey's non-profit community to improve the quality of life for the people of our state. The Center provides education, advocacy, resources, training and information to strengthen non-profits and help them thrive in pursuit of their charitable work. The Center is a New Jersey non-profit organization and a federally recognized 501(c)(3) publicly supported charity. For more information, visit www.njnonprofits.org, or call the Center at 732-227-0800.