



Kerrin: Welcome to the Untapped Philanthropy Podcast.

Tim: We're your hosts, Fluxx co-founder, Kerrin Mitchell, and Neon One's Tim Sarrantonio. We've spent our career learning how to leverage technology and data in the social sector to better connect and serve our collective causes, constituents, and communities.

Kerrin: In this podcast series, we profile leaders, public figures, philanthropists, and industry experts to explore the fascinating intersection of funding, technology, and policy. We're here to analyze the most formative topics and trends that shape the present and future of philanthropy.

Happy 2023 everyone! We hope your year is starting off in the best possible way. To kick off the new season, we wanted to bring insights from an incredible voice and visionary who brings us a vantage point of the collective. Michael Thatcher is the CEO and president of Charity Navigator. Charity Navigator is a 501c3 assessment platform that evaluates hundreds of thousands of charities based in the U.S. And so today, we want to welcome Michael. Hello.

Michael: Hello. Thanks for having me.

Kerrin: Absolutely. And we always enjoy kicking off our conversations by getting to know you as a person. First, we'd love to have you introduce yourself. Tell us what brought you to your career in philanthropy.

Michael: So, I started out in life as a musician and a dancer and worked for about 10 years running a small dance company. We were not able to successfully run the company or let's say make money running this company. And so, one of the things that I had been doing since high school even was writing software. I supported myself by writing software and eventually ended up leaving the art world and going into for-profit at Microsoft of all places. And I spent 15 years at Microsoft first starting in coding on the Windows team, then working within the standard-setting team, working on industry standards. And then finally, and probably the most interesting part of my time with them, I was Chief Technology Officer for their public sector accounts, working in Africa, the Middle East, and Greater Asia. And the work that I was involved in there was interfacing with governments on their technology policy initiatives in the country.

And a lot of that had to do with social and economic change imperatives and with technology as a lever for change. And often we were interfacing with the local nonprofits or NGOs in the countries that we were working with. I did this for about 10 years.

Then in 2011, I went through a significant change in my life. My wife got sick, and suddenly we were faced with a stage four cancer diagnosis, and the next two years were spent focused on helping her with her situation and engaging in the cancer battle. She passed away in 2013, and I went into a major rethink and started figuring out what to do.

By 2014 I left Microsoft. And in that year, between 2014 and August 2015, I found Charity Navigator at a point when their CEO had departed. And what I realized was that if I came to Charity Navigator, I could focus on change in the world without necessarily having to focus on the quarterly numbers and the bottom line that we had at Microsoft at that time. That was seven and a half years ago. This has allowed me to focus on really building a system that helps donors find good organizations that are making a difference in the world and then also build an evaluation system that helps nonprofits improve performance.



Tim: Well Michael, I want to thank you first for sharing that journey. And I think it's those types of formative things that we hear across the industry. And I always call it: how did you get on the island of misfit toys? In a way one of the things that I love about the work that you folks are doing is that it's helping to make sense of all these different swirling things happening that are both qualitative and quantitative.

But I wanted to take a step back before we get into that and talk about those more quiet moments of generosity that you have witnessed or experienced and ask you; is there something that stands out as a really transformative moment that you experienced yourself during that journey? Is there something that stands out that says, wow, this is exactly why I'm doing this work?

Michael: That's a wonderful question. The images that come to me are from when I was working overseas, and it was almost the acts of generosity that were coming from people that really didn't have anything to give. There's a magic in the giving process that I think is innately human. I've seen it in every country in the world that I've been to, and I've seen many people care for each other.

When someone's in need, they step up. Probably the most visceral example was when my wife was ill, she was in the ICU. I was sitting by her bedside, and every morning there was a woman that came in who cleaned the floors. There was something about her energy, the way she attended and did not want to disrupt my wife or disrupt me while I was tearing my hair out. And so I've seen that in so many different instances, and I see it when people find what they're looking for in an organization that's actually addressing a problem that they care about.

Kerrin: That was wonderful. I love that. That's something that resonates with me very deeply. Not to overshare either, but I lost my mom over the fall. And I have to admit the words you just put together is exactly the feeling I have. So, I just wanted to honor that and just say thank you for that.

I think it's a really compelling conversation to your point about having the ability to locate and take action on those things that we're inspired by, whether it be from personal experience or things we care about. I am curious as we start to look at this landscape; how do you envision Charity Navigator, its mission, and the organization evolving?

Michael: The key thing that Charity Navigator does is that it helps build a bridge of trust between donors and the charities they want to support. It's an impediment to giving, particularly in the United States. There's a lack of trust in the nonprofit sector. So really our mission is to make impactful philanthropy and giving easier for everyone. And my observation of the nonprofit sector and the charities that are doing the work that people we seek to support is that they are generally really well-intentioned. Some are doing better work than others, but there's not a lot of inappropriate behavior.

There may not be the most efficient behavior sometimes, but charities are generally really trying their best. And so what we're trying to do through our rating system is help a donor find an organization that is addressing needs that they care about and helping them make sense of the data that they need in order to make that decision.

And we're also trying to do that at a significant scale. When I joined Charity Navigator, we were rating 8,000 organizations. We were doing it on two access points. It was accountability,



transparency metrics, and financial metrics. We're actually rating about 200,000 organizations. We still have the accountability and financial part, but we're also looking at leadership and adaptability. We're looking at culture and community, which looks at things like, how do they listen to their beneficiaries and what are their internal equity practices with their own staff and constituents? And for a subset, we're also doing an impact assessment of the work that they're doing.

Kerrin: That's really interesting. I think it also calls forward some of the trends that we're seeing right now on data, making things searchable, and getting the right information to people so that donations and philanthropy can occur in the right places. And you've been quite outspoken about this in a great way that the democratization of data is required. There are a lot of great initiatives out there like the philanthropic Data Commons and Giving Tuesday — and the role of Charity Navigator is evolving within that too. How do you see some of these common standards aligning with your mission and your objectives as you move through to this next step?

Michael: There's kind of a give and take in this. If you think about it, Charity Navigator is an evaluator, and we need data in order to perform evaluations. And so, how we get access to data is critical to our success. I often think about the analogy of healthcare and my personal healthcare information. A lot of people are consuming it, but one of the challenges that we run into as individuals is going to a new doctor and filling out the same silly forms every time with the same or almost similar data. And that's being done to nonprofits on a daily basis. Every time they apply for a grant, there's a different set of information that they're putting in. And so there's an overload into the sector of having to supply information. So when I think about the Philanthropy Data Commons I think about how we empower nonprofits and make their data available to whomever they want.

So, how do we as infrastructure players in the sector, figure out ways to share data? We do need to standardize. Although I think initially it's going to take some time to do the standardization work, the vision is that it's a lot easier for nonprofits to submit their information so that donors can find them. And then for the people that are making sense of that information, we have standard data formats that we can work from.

I think one of the issues we run into across the board is that the data goes stale fairly quickly. And how do we make it easier for people to keep their information up to date?

Tim: Really interesting, Michael. So one of the fun parts about me joining the podcast is that I represent the individual giving side. We work with individual nonprofits trying to help them manage their annual appeals and events, all that kind of stuff. And with that, we have the Fundraising Effectiveness Project, which is an initiative of several donor database providers where we're standardizing three key fields. So, where do you hope to see things going in the next five years, maybe even 10 years? How can these swirling initiatives work together?

Michael: So, I think we will get to some standardization. If you're working on education, we'll do some standardization within different educational areas. And that's going to be categorically different from the information that we have around Symphony Orchestra, or ballet, or a health entity. And so figuring out how we do the categorization is going to be one part of it. But I also think that the nonprofits themselves are going to start to see the value of their data, and they're going to use that data to tell their impact story.



And what we've been doing for the last few decades is we've been telling our overhead story and how many cents on the dollar are actually going to spend. That's not a good story because it doesn't tell you anything about the work that's done. I really do think that the future is in articulating impact. And I also think that the word giving may be replaced by the word investing and that if people start to invest in social change, they will follow their investments a little bit more closely than some of their giving.

Tim: And that actually flags a really interesting point. When I was gearing up and doing research for individual nonprofits at my very first job, our entire budget was a hundred thousand dollars for everything. For me, the other person, the church, and the stipends we gave out to day laborers. And then, a few years later, I worked for a very large nonprofit. And the first week on the job, I was handed a \$10,000 check. And I was the same person in some ways, but the organization was different. And there are so many out there in the US alone that are basically under a million dollars in revenue, and the vast majority [of organizations] are under 5 million in revenue. And one of the things that somebody even asked me when they knew I was going to talk to you is that there's this perception that things like Charity Navigator make nonprofits compete against each other. And I wanted to ask you about that perception for the folks listening who are at these small community nonprofits who feel like they're trying their best. How should they think about this as a positive for them?

Michael: Oh, I think it's a huge positive for them because having the rating makes you more discoverable. And a lot of the information that's being requested in the rating is allowing the donor to search for them. We've done a lot of work on improving our search so that it lets you filter on a lot more attributes. And so if we don't have some of that rating information, you won't show up in someone's search.

If you don't have a rating you might be missed. The rating doesn't cost you any money. And I think one really important thing to note is that Charity Navigator is free to the donor. It is free to the nonprofit, it's a founding principle of ours. We're a nonprofit. We're more on a Wikipedia model where we have donors and individual donors that support us because they find value in the service that we're providing, but we don't charge anybody.

So, just to put a cap on it I'd say you want the rating because if you have a good rating, you can promote, use it on your website, you can use it on a branding kit for the three-star and the four-star ratings, so it's also a way of being discovered. And there are 1.6 million charities out there. Donors are only going to give to one or two charities. So you want them to find you.

Kerrin: Are there any other common misconceptions for nonprofits? Are there any other ones that we should dispel while we have the topic of what Charity Navigator can do and where that value can really be pulled forward for folks? Anything else you wish they were taking advantage of?

Michael: Let's say we perform the rating based on the IRS tax forms, you might have a rating and not even know you have a rating. Because we've worked out the automation and because nonprofits are now e-filing their tax forms, we have access to a significantly larger pool of data. And so, one thing I would say is that nonprofits may not know they have a rating. So if you're a nonprofit, definitely go to charitynavigator.org and see if you have a rating.

And then the other piece is that you can't do anything about your rating. You can do something about your rating. Because of the expansion of the rating system, every nonprofit if they find



themselves on Charity Navigator you have access to the nonprofit portal where you can update your information and even your IRS information. The IRS is quite delayed in publishing the 990 information. So we've built into our portal a way to consume that 990 information directly from the charities.

You can give us your new 990 and you can give us new information. There's actually a lot you can do to improve your rating and it's worth knowing that you have a rating. The other new thing is that three-star charities now have a branding kit as well as four-star charities. So there are two different branding kits that allow you to promote a higher rating if you have one.

Kerrin: From that perspective, is there anything that you feel like funders or folks from the other side can do to help? So while obviously, the public charities can come in and update their information, is there something for those who are coming from the funder side that they should be aware of that would aid in your ability to serve the community?

Michael: I think because we've been through a significant amount of change with the whole design of the website and the search features, I think donors are learning the new system. Many are loving it. Some folks are sort of wondering what happened to this particular element. The thing I would say to donors is you really want to look for the impact an organization is trying to make in the world and begin to focus less on the overhead ratios because that's not telling you the real impact of an organization.

Tim: Yeah, I absolutely agree. Michael, one of the things that this conversation helps flag to me is how so much has changed in the last 10 years. And I think it's a very astute and correct observation to say that the nonprofits themselves, regardless of size, should think about their data. But what did you folks see? What made you want to evolve this?

Michael: I came to Charity Navigator to work on impact assessment and expansion of the rating systems. And so I came with the mandate to do this, and I'm seven and a half years into it, and I feel as though we've just begun, but we've made a lot of progress. We went at this to make modifications to the existing system and realized that there was too much legacy baggage built into that system. So, we created a parallel system which then became the Encompass rating system. There were a lot of people looking at just financials, that's not enough. We wanted to make an impact. But at the end of the day, if we go back to this concept of investing in an organization, you actually want to invest in a healthy organization that is going to have good years and not so good years who have the resilience and the adaptability to move with the changes.

And so, what are some of the things that you want to know? You have to have strong leadership. You want to know that they will adapt. I believe very strongly in beneficiary voice or constituent voice and feedback because a lot of times, we design interventions that are designed by very smart people, but they're not the people that are actually affected by the situation. And so closing that loop and getting that information is essential. And so we started looking at bringing this together. How do we structure it in a way that is going to help a donor understand this is a healthy nonprofit, and how are we able to articulate the impact they're making?

Tim: This reinforces that these types of systems are there to actually support the abundance mindset we should be approaching because the generosity is there. People want to give. And so I think this evolution is going to help us a lot. So I'm really appreciative of that.



Michael: Oh, thank you. There is an abundance of nonprofits to give to and helping people differentiate and find their way through that is huge. Because I think if you look at the tax forms, they're overwhelming. And I would say we exist, and we have done well over the last 20 years because we've made the IRS tax form a simple, more accessible document for people to read. And now we're taking that to the next level where we're going way beyond just the tax forms and really trying to look at much more pertinent information to really make a difference in the world.

Kerrin: So Michael, we have one final question really before we get into the rapid-fire of the episode. And I know, Tim, this is your favorite question, so I'm going to let you do the honors.

Tim: Thank you. So if you could take a magic wand and wave it and change one thing about the industry, what would it be?

Michael: It would be the spirit of abundance. And I'm going to rephrase it slightly — it's collaboration. And if we could have greater collaboration across the nonprofit sector, I think we would have a just magical reduction in some of the problems in the world if we could just work better together.

Kerrin: I love it. When Tim and I talked about coming together for this podcast as a team, so much of it is bringing those two sides of the coin to one centered conversation about what needs to happen. So we're with you. That collective mindset is the most important thing that we can do to realize that we are all equally invested and going to accelerate together. So we could not be more in agreement with you.

Michael: Yeah, we can't be fighting each other to try and solve the same problem.

Kerrin: Well, so let's go ahead and jump into rapid-fire questions, and I will just encourage you to respond with whatever comes first to your mind. There's no right answer. So are you ready for this? What book have you been reading lately, and why would you recommend it?

Michael: So the book is Play How It Shapes the Brain, Opens the Imagination and Invigorates The Soul by Stuart Brown. And it's a scientific study of how play is inherently human. And if you can bring it into all aspects of your life, magic happens.

Tim: I love that book. Yes.

Michael: It's an amazing book. It's really good.

Kerrin: If you had one superhero power, what would it be?

Michael: I can read people's energy and understand intuition.

Kerrin: Last question. What is one jargony word you'd banish from our sector?

Michael: Overhead.

Kerrin: Well, Michael, thank you so much for joining us on the podcast today and sharing more about yourself and your work.