BBB STANDARDS FOR CHARITY ACCOUNTABILITY

All about BBB Charity Reviews

Value of Independent BBB Charity Review
These are challenging times for charities. Competition for funding is fierce. Reports about questionable activities by a few nonprofits often prompt intense media and regulatory scrutiny of charities in general. In this environment, it is valuable for charities to distinguish themselves as organizations committed to transparent and accountable practices. A BBB charity review provides confirmation of a charity’s practices in key performance areas, as captured by the BBB Standards for Charity Accountability, by a widely known and highly respected accrediting organization. Meeting the comprehensive BBB Standards helps position organizations to succeed, and also encourages charitable giving.

Why Does BBB Review Charities?
In 2011, more than 103 million consumers relied on the BBB to help them find and recommend businesses and charities they can trust across North America.

BBBs have reported on charities to benefit the public for at least 70 years or more. BBB charity review programs originated as early as the 1930’s, in response to requests from businesses and consumers for BBB information about the legitimacy of charities and solicitations. The Metro New York BBB charity review program was founded in 1987, and has logged over 25 years of promoting charity accountability and transparency. The national BBB system as a whole is celebrating its 100th Anniversary in 2012.

The BBB system currently publishes about 11,000 in-depth reviews on charities, assessing their performance against the 20 BBB Standards for Charity Accountability. This includes over 1,300 BBB Wise Giving Alliance reports on nationally soliciting charities; 785+ BBB reports on Metro New York area charities; as well as BBB reports on thousands of additional charities located across the BBB system.

BBB charity review is a core program of the Education and Research Foundation of the Better Business Bureau of Metropolitan New York, Inc. (BBB Foundation). The BBB Foundation promotes public recognition of accountable charities, provides charity effectiveness education, and encourages informed giving.

BBB Standards for Charity Accountability: Road Map for Success
The 20 national BBB Standards for Charity Accountability were developed by the BBB Wise Giving Alliance with guidance from a blue-ribbon panel of philanthropy and charity experts. They apply to all BBB charity reviews. Charities that meet all BBB Standards are considered “BBB Accredited.” Metro New York BBB charity reviews are done at no charge to the charity. There is a modest fee based on charity size if a charity that first meets all 20 BBB Standards decides to license the BBB Accredited Charity Seal, as a highly recognizable symbol of the charity’s performance against Standards, for fundraising purposes.

BBB Standards provide guidelines for successful nonprofit practices in these critical areas of operations:

- Governance
- Measuring Effectiveness
- Financial Management
- Fundraising and Communications
The basic principle underpinning the BBB Standards for Charity Accountability is that a charity should fully disclose relevant information to donors, especially at the point of solicitation or when requested. The Standards also recommend ethical management practices to ensure public confidence in the charitable sector and encourage giving. As voluntary guidelines, they also go beyond the requirements of local, state and federal laws and regulations.

In the context of BBB charity review, voluntary disclosure by the charity is seen as an important way to demonstrate transparency.

Charities are expected to hold themselves to the spirit as well as the letter of the BBB Standards, in order to show accountability. The Standards address key charity performance issues. Examples:

- The Standards emphasize accuracy and clear disclosure in fundraising solicitations; donated funds should therefore be used for the purposes stated in solicitations.
- While virtually all charities must necessarily incur some fundraising costs, the Standards state that those costs should not exceed a reasonable percentage of related contributions to the charity. Similarly, claims of “zero fundraising expenses” would be considered highly questionable.
- BBB Standards emphasize the importance of careful controls and ethical practices in all fundraising activities; so the prohibition against misleading solicitations would also forbid the use of unscrupulous fundraising tactics such as excessive pressure.
- To help assure donors that a charitable gift will result in the promised impact, the Standards state that a charity should have a formal board policy of self-evaluating its effectiveness at least every two years, with a written report on the results provided to the organization’s board of directors.
- Many of the Standards stress that adequate governance and management practices are essential to ensure charity integrity and effectiveness.

BBB Standards can be viewed online: [www.bbb.org/us/Standards-Charity](http://www.bbb.org/us/Standards-Charity)

For complete details on how the Standards are applied in BBB charity reviews, please visit Implementation Guide to the BBB Standards for Charity Accountability online: [www.bbb.org/us/Charity-Evaluation](http://www.bbb.org/us/Charity-Evaluation)

**Recommended Practices**

In addition to meeting the specific areas addressed in the attached Standards, the BBB urges charitable organizations to adopt the following recommended management practices to further the cause of charitable accountability.

- **Diversity Policy.** Have a policy promoting pluralism, inclusiveness, and diversity within the organization’s board, staff, and constituencies.
- **Legal Compliance.** Ensure adherence to all applicable local, state and federal laws and regulations including submission of financial information.
- **Focus on Integrity.** Maintain an organizational commitment to accountability that transcends specific standards and places a priority on openness and integrity in all charity activities.

**Contact us about BBB charity review: nypas@newyork.bbb.org or 212.358-2873**

Information on charities can be obtained from the BBB’s websites at [www.newyork.bbb.org](http://www.newyork.bbb.org), [www.bbb.org/charity](http://www.bbb.org/charity), [www.give.org](http://www.give.org), by email through nypas@newyork.bbb.org, or by written request to BBB Foundation Charity Review, 30 East 33rd Street, 12th Floor, New York, NY 10016.
BBB Standards for Charity Accountability

GOVERNANCE
1. A board of directors that provides adequate oversight of the charity’s operations with its staff.
2. A board of directors with a minimum of five voting members.
3. A minimum of three evenly spaced meetings per year of the full governing body with a majority in attendance and face-to-face participation.
4. Not more than one or 10% (whichever is greater) directly or indirectly compensated person(s) serving as voting member(s) on the board. Compensated members shall not serve as the board’s chair or treasurer.
5. No transaction(s) in which any board or staff members have material conflicting interests with the charity resulting from any other relationship or business transaction.

MEASURING EFFECTIVENESS
6. Have a board policy of assessing, no less than every two years, the organization’s performance and effectiveness, and determining future actions required to achieve its mission.
7. Submit to the organization’s governing body, for its approval, a written report that outlines the results of the aforementioned performance and effectiveness assessment and recommendations for future actions.

FINANCIAL MANAGEMENT
8. Spend at least 65% of its total expenses on program activities.
9. Spend no more than 35% of related contributions on fundraising. Related contributions include donations, legacies and other gifts received as a result of fundraising efforts.
10. Avoid accumulating funds that could be used for current program activities. To meet this standard, the charity’s unrestricted net assets available for use should not be more than three times the size of the past year’s expenses or three times the size of the current year’s budget, whichever is higher.
11. Make available to all, on request, complete annual financial statements prepared in accordance with generally accepted accounting principles.
12. Include in the financial statements a breakdown of expenses (e.g., salaries, travel, postage, etc.) that shows what portion of these expenses was allocated to program, fundraising, and administrative activities.
13. Accurately report the charity’s expenses, including any joint cost allocations, in its financial statements.
14. Have a board-approved annual budget for its current fiscal year, outlining projected expenses for major program activities, fundraising and administration.

FUNDRAISING AND COMMUNICATIONS
15. Have solicitations and informational materials distributed by any means that are accurate, truthful and not misleading, both in whole and in part.
16. Have an annual report available to all, on request, that includes:
   (a) the organization’s mission statement,
   (b) a summary of the past year’s program service accomplishments,
   (c) a roster of the officers and members of the board of directors,
   (d) financial information that includes (i) total income in the past fiscal year, (ii) expenses in the same program, fundraising and administrative categories as in the financial statements and (iii) ending net assets.
17. Include on any charity websites that solicit contributions, the same information that is recommended for annual reports, as well as the mailing address of the charity and electronic access to its most recent IRS form 990.
18. Address privacy concerns for donors by:
   (a) providing in written appeals, at least annually, a means (e.g., such as a check off box) for both new and continuing donors to inform the charity if they do not want their name and address shared outside the organization,
   (b) providing a clear, prominent and easily accessible privacy policy on any of its websites that tells visitors (i) what information, if any, is being collected about them by the charity and how this information will be used, (ii) how to contact the charity to review personal information collected and request corrections, (iii) how to inform the charity (e.g., a check off box) that the visitor does not wish his/her personal information to be shared outside the organization, and (iv) what security measures the charity has in place to protect personal information.
19. Clearly disclose how the charity benefits from the sale of products or services (i.e. cause-related marketing) that state or imply that a charity will benefit from a consumer sale or transaction. Such promotions should disclose, at the point of solicitation:
   (a) the actual or anticipated portion of the purchase price that will benefit the charity (e.g., 5 cents will be contributed to abc charity for every xyz company product sold),
   (b) the duration of the campaign (e.g., the month of October),
   (c) any maximum or guaranteed minimum contribution amount (e.g., up to a maximum of $200,000).
20. Respond promptly to and act on complaints brought to its attention by the BBB Wise Giving Alliance and/or local Better Business Bureaus about fundraising practices, privacy policy violations and/or other issues.

For more information: nypas@newyork.bbb.org or 212.358-2873