



## **Developing and Managing a Successful Fundraising Campaign**

April 29, 2011  
12:00 – 3:00 p.m. ET

Venable LLP  
575 7<sup>th</sup> Street, N.W.  
Washington, DC 20004

### **Moderator:**

Jeffrey S. Tenenbaum, Esq.

### **Panelists:**

Paulette V. Maehara, CFRE, CAE

Kristalyn J. Loson, Esq.

H. Art Taylor

Lee Klumpp, CPA

VENABLE<sup>®</sup><sub>LLP</sub>



## **Presentations**

VENABLE<sup>®</sup> LLP



## Developing and Managing a Successful Fundraising Campaign

April 29, 2011

Moderator: Jeffrey S. Tenenbaum

Speakers: Paulette V. Maehara | Kristalyn J. Loson | H. Art Taylor | Lee Klumpp



## Developing & Managing a Successful Fundraising Program

**Paulette V. Maehara, CFRE, CAE**

Washington DC

April 29, 2011

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# START WITH THE BASICS

## What We Think We Know

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- **Philanthropy is an emotional decision, not just financial**
- **A process, not an event**
- **Investments follow information, interests and involvement**
- **People give to people, not projects**
- **95% Planning, 5% Asking**

## What We Think We Know

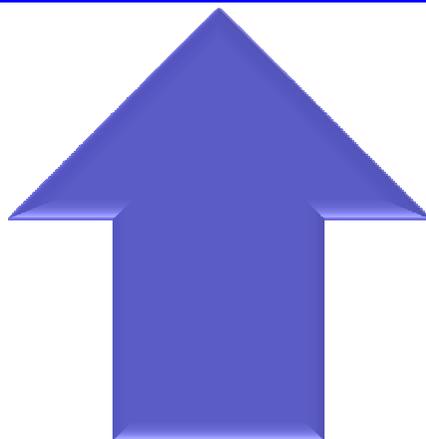
(cont.)

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- **No such thing as an average gift**
- **Success breeds success**
- **Needs of the donor and the organization must meet**
- **Biggest Mistake: NOT Asking**

## Fundraising Effectiveness

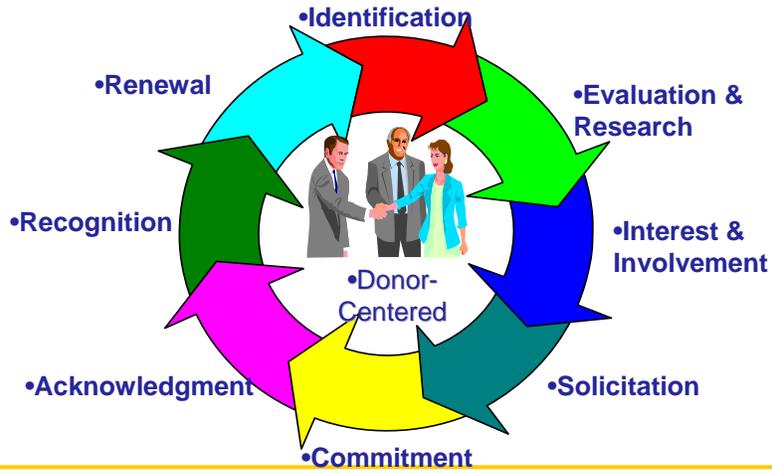
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**People Give to People!**

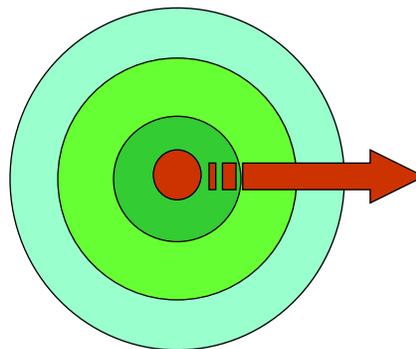
# The Fundraising Process

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# Finding Potential Donors

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## Rock in the Pond Theory

Start with those closest to the organization and work outward

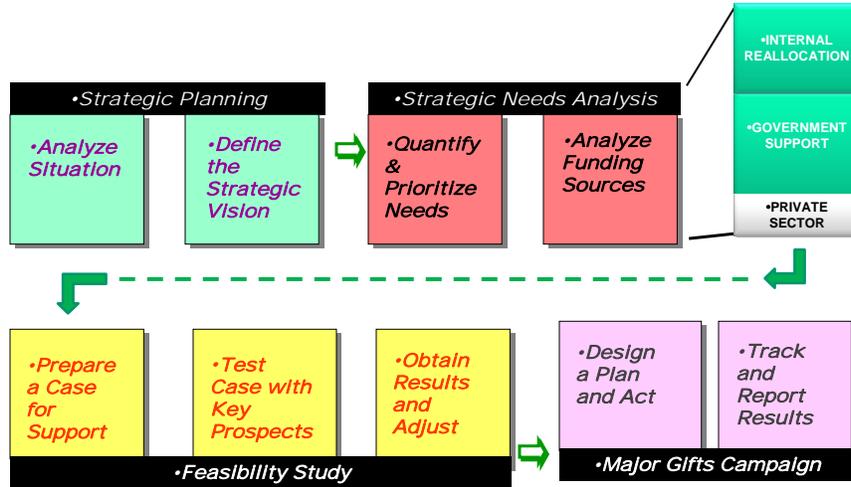
# Fundraising Programs

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# Laying the Groundwork

# A Sequential Process



# Six Elements of Success



## **An Essential Need** **Strategic Vision (Plan)**

- **Contains a clear vision of the future**
- **Specifies new or improved benefits for constituencies**
- **Provides impetus for institutional advancement**
- **Determines fundraising goals**

## **A Compelling Case** **for Support**

- **Establishes a unique identity**
- **Defines competencies and strengths**
- **Defines mission, goals and constituencies**
- **Becomes an effective marketing statement for the institution**

## **Inspired and Influential Leadership**

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- **Is of top quality based on influence and affluence**
- **Requires commitment and involvement**
- **Requires significant peer relationships (people give to people)**

## **Sufficient Prospects to Meet the Goal**

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- **Identifies individuals, corporations and foundations with:**
  - **A philosophical rationale for involvement**
  - **Effective methods of cultivation and solicitation**
- **Provides a marketing perspective—addresses programs in which donors are interested (theory of needs)**

## **A Plan of Action**

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- **Is a blueprint to reach specific fundraising goals**
- **Provides a schedule to carry out strategies**
- **Describes the most productive approach based on tested principles and experiences**
- **Achieves success by matching quality volunteers with prospective contributors**

## **Sound Management**

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- **Is generally the responsibility of the senior development officer**
- **Relies on enthusiastic volunteers of influence and affluence**
- **Motivates, stimulates, coordinates and sustains volunteers**

# Accounting for Private Gifts

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## Donor Intent Restrictions Management Accountability

## •DEVELOPMENT DATABASE •RECORDING, TRACKING AND REPORTING

- **Membership Manager**
  - Type (benefits, subscriptions)
  - Terms
  - Communications
  - Dues history
- **Event Manager**
  - General information
  - Budget
  - Vendors
  - Committees
- **Constituent Information**
  - General
  - Biographic
  - Relationships
  - Employment history
  - Financial information
  - Matching gift information
  - Involvement
  - Contacts
  - Photos
- **Volunteer Manager**
  - Assignments
  - General information
  - Volunteer information
  - Progress information
- **Campaign Manager**
  - Assignments
  - Tracking commitments
  - Financials (goals, budget versus revenue)
- **Prospect Manager**
  - Assignments
  - Ratings
  - Personal assets
  - Strategies
  - Actions
  - Projects
  - Correspondence
  - Research information
- **Gifts and Pledges**
  - Gift and payment processing
  - Pledge processing
  - Adjustments to commitments
  - Acknowledgements
  - Recognition credit
  - Split transactions
  - Matching gifts processing
  - Interface with general ledger
- **Planned Giving**
  - Purpose
  - Beneficiaries
  - Allied professionals
  - Present/future value
  - Distributions
  - Trusts/Poolled income funds
  - Life income gifts

•Constituent Types

- **Individuals**
  - Alumni
  - Donors
  - Parents
  - Students
  - Faculty
  - Staff
  - Friends
- **Organizations**
  - Foundations
  - Corporations
  - Community/State/Federal organizations
  - Associations

## **Benefits of a Fundraising Campaign**

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- **Provides additional financial resources over a 3-5 year period to advance the vision, mission and goals**
- **Develop stronger relationships between the institution, community leaders & donors**
- **Expand/enhance public relations programs**
- **Develop a trained cadre of dedicated volunteers**

## **Benefits of a Major Gift Fundraising Campaign (cont.)**

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- **Develop a pool of qualified potential members for boards, advisory councils and foundations**
- **Enhance skills/expertise of development staff**
- **Build base for annual giving, planned giving, major gifts**
- **Lay groundwork for future campaigns**

**Thank You.**

**Questions?**

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**Raising Funds, Not Eyebrows: Legal Considerations  
in Fundraising**

Kristalyn J. Loson, Esq.  
Venable LLP

April 29, 2011  
Developing and Managing a Successful Fundraising Campaign  
Washington, DC



## Agenda

- What Is Fundraising?
- State Regulation of Fundraising
- Federal Tax Considerations
- Raffles / Sweepstakes
- Mobile Giving
- Social Media



## Current State Regulation

- A. Charity / Nonprofit Organization
- B. Professional Solicitor
  - Professional Fundraiser
  - Professional Fundraising Counsel / Consultant
- C. Commercial Co-venturer



## Current State Regulation – Charitable Organization

- About 40 States Require Charities to Register
- **Triggering Definition** -Generally triggered by “solicitation” – affirmative act of asking for a gift (“contribution”) or selling goods/services that will benefit a charitable cause.
  - broad – “by any means”
  - may include grant solicitation
- **Typical Exemptions**
  - Religious organizations
  - Organizations that do not raise more than a specified amount from public (all states) if fundraising conducted by volunteers
  - Organization soliciting only within membership
  - Hospitals
  - Named individuals
- **Uniform Registration Statement** –currently accepted by 38 states (not CO, FL, OK)
  - <http://www.multistatefiling.org/>



## Current State Regulation – Charitable Organization

- Common Requirements
  - *Registration and renewal*
  - *Disclosures when soliciting (i.e. identification)*
  - *Annual reporting requirements*



## Internet Solicitations – Do I Need to Register Everywhere?!?

- **Charleston Principles** - set of voluntary principles drafted by the National Association of State Charity Officials (NASCO).
  - Adopted into statute by only a couple of states
  - Requires registration of:
    - (A) Charitable organizations domiciled in state
    - (B) Charitable organizations not domiciled in state that:
      - **offline activities** would be enough to assert jurisdiction (e.g. – send letter or make phone calls into state)
      - solicit donations on internet and (1) specifically target those within that state OR (2) receive contributions from the state on a repeated and ongoing basis or a substantial basis through their websites



## Charleston Principles - Application

- **Example** – a nonprofit, the Southwest Animal Charity, is headquartered in, has its principal office in, and holds all physical events within Texas. The organization provides funding to individuals throughout the US (or grants to organizations throughout the US). The organization has a website through which it accepts donations from throughout the US. Some of the individuals on the mailing list for emails and for US mail are located outside of Texas.
- **Technically must register in:**
  - Texas
  - States where sending US mail / email messages
  - States from which receive “substantial” or “repeated and ongoing” contributions
- **Consequences for not-registering**
  - Most of the time states will be lenient for first offense
  - BUT non-registration could be felony with fine of up to \$10,000
  - Reputational harm – consent orders



## Current State Regulation – Professional Solicitor / Professional Fundraising Consultant

- Professional Solicitor - for a fee, solicits the general public on behalf of a charity OR has custody and control of funds
- Professional Fundraising Counsel – manages, advises, plans, produces or designs a solicitation, no direct solicitation and not holding funds
- About 41 states require registration and other requirements
  - *Registration*
  - *Bond*
  - *Filing of Contracts*
  - *Disclosures*



## Current State Regulation – Professional Solicitor / Professional Fundraising Consultant

- Often mandatory requirements from states for **inclusion in contracts**:
  - Charity right to rescind
  - Gross collections delivered to charity
  - Donor list is intellectual property of charity
  - Listing of fee calculation
  - Signature of two charity officials



## Current State Regulation – Commercial Co-Venture

- **Commercial Co-Venture (“CCV”)** – An arrangement between a charity and a commercial entity under which the commercial entity advertises in a sales or marketing campaign that the purchase or use of its goods or services will benefit a charity or charitable purpose
  - *“Every time you buy a bottle of Ethos® Water, you contribute 5 cents to the Ethos® Water Fund, part of the Starbucks Foundation”*
- About **20 states** have laws that specifically regulate CCVs
  - *Registration*
  - *Bonding*
  - *Written Contract*
  - *Advertising Disclosures*
  - *Accounting & Recordkeeping*



## Current State Regulation – Commercial Co-Venture

- Commercial Co-Venturer – **“must have”** for contracts
  - Branding & Intellectual Property Terms
  - Term & Termination
  - Reps and Warrants Re: Compliance With Laws
  - Advance Approvals
  - Clear Tax Treatment & Description of Activities
  - Bifurcate Activities with Differing Tax Treatment or Enter into Separate Agreements
  - Indemnity & Insurance
  - Conflict of Interest & Confidentiality



## Federal Tax Treatment – Gift Rules

- General Rule – charitable contributions to 501(c)(3) organizations can be taken as deductions on donor's federal income taxes if (1) donative intent and (2) exceed fair market value of benefits in return
- Requirements
  - A. Recordkeeping – any amount - donor responsibility
  - B. Substantiation – more than \$250 – donor responsibility
  - C. Quid Pro Quo Disclosure Statement – goods or services provided and donor contribution more than \$75 – charity responsibility
- For more information see **IRS Publication 1771**



## Federal Tax Treatment – Capital Campaign Projects

- When carrying out a capital campaign project, be sure to avoid sufficiently direct nexus with amount pledged and any capital facilities for which tax-exempt financing sought
  - Solicitation materials should be broad in scope – avoid designating specific project funded
  - Avoid general publicity that suggests connection between fundraising activities and financing of project.



## Federal Tax Treatment – UBIT & Corporate Sponsorship

- Generally, organization must be exclusively organized and operated for tax-exempt mission, taken to mean substantial part of activities must be for tax-exempt purpose.
- More than insubstantial amount – could lose exemption, even if “insubstantial” could pay UBIT (regularly carried on trade or business not substantially related to tax-exempt purpose)
- **Exception for Qualified Sponsorships** - *“any payment made by any person engaged in a trade or business with respect to which there is no arrangement or expectation that such person will receive any substantial return benefit other than the use or acknowledgement of the name or logo...”* 513(i)
  - Less than 2% fair market value of contribution
  - Acknowledgment vs. advertising



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## Other Forms of Fundraising – Raffles / Sweepstakes

- Most states govern raffles – defined differently by states
- If permit or application required, allow lots of time (weeks or months)
- Federal Tax Issues
  - May be considered UBIT – exclusion for income and gaming events staffed by volunteers and bingo - IRS Code 513(a)(1) / 513(f)
  - File Schedule G with IRS Form 990 if raise more than \$15,000 in gaming events
  - Private Benefit Concerns



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## Other Forms of Fundraising – Mobile Giving

- Area where the technology is ahead of the law
- **Telephone Consumer Protection Act** – prohibits using automatic dialing systems to make calls to wireless devices without express prior consent
  - Text messages included in “calls”
  - *Satterfield v. Simon & Schuster* – must have prior consent from the consumer to receive messages from that specific entity (not affiliate)
    - Prior donor or membership doesn’t count as consent
  - **FCC Rulemaking** – text messaging could require express written authorization
- **Carrier Rules and Regulations** have additional requirements for engaging in mobile giving campaigns – size of charity, years in existence, etc.



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## Other Forms of Fundraising – Social Media

- Social Networking sites – Facebook, Twitter, LinkedIn – have their own rules for promotions that may apply to nonprofits.
  - **E.g., Facebook’s Promotion Guidelines:** Restrictions are different for administering vs. publicizing a promotion:
    - **Administering a promotion on Facebook:** Promotion may not be administered directly on the site, must be administered through a Facebook Platform (until 12/1/10, needed consent). Cannot condition entry to the promotion upon taking any other action on Facebook, for example, liking a status update or photo, commenting on a Wall, or uploading a photo, or directly or indirectly indicating that Facebook is a sponsor or administrator of, or in any way associated with, the promotion
    - **Publicizing a promotion on Facebook:** Requirements less restrictive to *publicize* a promotion on Facebook
    - The guidelines’ other requirements and restrictions include specific disclosures regarding Facebook’s non-affiliation with the promotion and the promotion sponsor’s collection of data from entrants
  - **E.g., Sweepstakes and Contests on Twitter:** Cannot structure a sweepstakes so it requires/encourages “retweeting”
- Must also consider state **registration for sweepstakes, charitable registrations, and how any income treated for federal tax purposes.**



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## Developing and Managing a Successful Fundraising Campaign

H. Art Taylor  
President & CEO

BBB Wise Giving Alliance

April 29, 2011

Washington, D.C.



Better Business Bureau<sup>®</sup>

Start With Trust<sup>™</sup>

## Charity Watchdog Merger

- 2001 Merger of 2 Groups
- National Charities Information Bureau (1918)
- Philanthropic Advisory Service of the Council of Better Business Bureaus (1971)
- Over 100 Years Combined Experience in Charity Review



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## Charity Watchdog Role

- Beyond the Law
- Enhancing Public Trust
- Fostering Ethical Practices
- Addressing Donor Concerns



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## **BBB Charity Review**

- **Inquiry Based Reporting System**
- **However, Charity Can Request Evaluation at Its Own Initiative**
- **Does Not Comment on “Worthiness” of Any Charitable Organization or Cause**
- **Voluntary Charity Participation**



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## **How Does the BBB Differ from Other Charity Monitors?**

**More Than Just a Financial Review**

**Charity Review Experience**

**Comprehensive Standards**

**In-Depth Evaluations & Reports**

**Standards Development Process**



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## Charity Reporting Activities



- Produce Evaluative Reports on Charities
- BBB Wise Giving Alliance – national charities
- BBBs – local charities
- Educate Donors on Wise Giving Practices
- No Charge for Charity Evaluation
- No Charge for Public Access to Reports



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## Development of BBB Charity Standards

- BBB Standards Review Panel - July 1999
- Distribution of Discussion Document Seeking Advance Input - April 2000
- Watchdog Merger - March 2001
- Survey of General Public - Spring 2001
- Small Business Survey - Summer 2001
- Release of Exposure Draft - January 2002
- Final Standards Released - March 2003



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## Standards for Charity Accountability

20 Voluntary Standards Addressing:

- Governance and Oversight
- Measuring Effectiveness
- Finances
- Fund Raising & Informational Materials



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## Standards for Charity Accountability

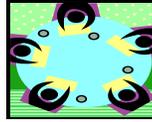
- Following Slides Only Show a **Summary** of Selected Standards
- Go to **[www.give.org](http://www.give.org)** for Complete List & Application of Charity Standards



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## Governance and Oversight



- Board reviews audit, 990, budget
- Five Board Members
- Three Board Meetings
- No More Than 10% Compensated
- No Conflict of Interest Transactions



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## Measuring Effectiveness



- Board Policy of Assessing,
- No Less Than Every Two Years,
- Organization's Performance and Effectiveness and of Determining Future Actions Required to Achieve Its Mission



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## Finances



- Spend 65% of expenses on programs
- Spend no more than 35% of contributions on fund raising
- Audit Report if Income > \$250,000
- Accurately Report Charity Expenses



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## Solicitations & Informational Materials



- Truthful & Accurate Appeals
- Produces an Annual Report
- Charity Website Disclosures
- Donor Privacy
- Cause Related Marketing Disclosures
- Respond Promptly to Complaints



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## Online Charity Reporting & Evaluation System



- Charities Enter Information Online
- Data Automatically Evaluated
- Conclusions Verified by Staff
- System Generates Draft Report



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## BBB Accredited Charity Seal

- Long Standing Policy on Use of BBB Name
- Charity Seal Began in 2003
- Optional For Charities That Meet Revised Standards
- License Agreement & Seal Fee



[bbb.org/charity](http://bbb.org/charity)



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## BBB Wise Giving Alliance



- **Want More Information?**
- **Website:** [www.give.org](http://www.give.org)
- **Email:** [ataylor@council.bbb.org](mailto:ataylor@council.bbb.org)



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## Developing and Managing a Successful Fundraising Campaign

### Contribution Accounting

April 29, 2011

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# Contributions

## What is a Contribution?

- A formal, irrevocable donation to an organization.
- Can be from individual, foundation or other entity.
- Can be either general use funds or restricted (i.e., time or purpose).
- It is not a vendor receivable, a split interest agreement or membership dues.

## Distinguishing a Conditional Pledge From a Restricted Pledge

Both have donor stipulations attached to them:

- One (conditional) is an uncertain future event that must occur before the recipient is entitled to the gift at all;
- Future is usually unambiguous, but Uncertain is often not (How uncertain is the event?)

Examples:

- I'll give the Red Cross \$100 if there is another earthquake in Los Angeles" is this [certain or uncertain].
- I'll give you \$1,000 if you raise a matching amount by [date] is uncertain.
- I'll give \$100 if the sun rises tomorrow" is not uncertain [trivial condition].
- The other (restricted) is a (time or purpose) limitation on the use of the gift after receipt.

## Distinguishing a Contribution From an Exchange Transaction:

- The Key is whether the payor receives something of roughly equal value in return for the payment.
- Whose program is it? Is it the organization's program, which a funder is helping to fund, or is it the funder's program which the organization has been hired to run?

Note: Some believe that all government grants are exchange transactions ("governments never give anything away"); others believe that each grant must be considered on its own terms.

## How do you Account for Unrestricted Contributions?

- When formally committed, record a receivable and revenue.
- Formal commitment is generally in the form of a letter or related agreement stating amount, restrictions (if any), date, donor.
- To audit a contribution, you need to review the agreement, donor (i.e., ability to pay), any contingencies, etc.

## Contributions Receivable

## Contributions Receivable

- Long term receivables.
- What are restricted contributions?
- How to account for contingent receivables.

## Long Term Contributions Receivable

- Same accounting but....
- Receivable must be discounted to NPV using the discount rate at time of contribution.
- Record the calculated discount and amortize into revenue over the term of the receivable.
- Common mistakes to avoid:
  - Recalculating discount each year
  - Discounting using an average rate for all long term contributions

## What are Restricted Contributions?

- Contributions which are required to be used for specific purpose or held for a period of time at donor's request.
- Generally delineated in donor agreement.
- Example 1: The \$100 contribution is to be used for general use over the next five years (time restriction)
- Accounting at receipt:
  - Dr. Cash \$100
  - Cr. Temp restricted assets \$100
- Year 1 accounting (through year 5):
  - Dr. Temp restricted net assets \$20
  - Cr. Revenues \$20

## What are Restricted Contributions? (cont.)

- Example 2: The \$100 contribution is to be used for building the new recreation center (rec center to be built four years in the future)
- Accounting at receipt:
  - Dr. cash \$100
  - Cr. Temp restricted assets \$100
- No activity in years 1-3
- Accounting when building costs incurred:
  - Dr. Temp restricted assets \$100
  - Cr. Operating revenues \$100

## How to Account for Contingent Receivables

- Contribution that is revocable in nature and requires additional commitments to become irrevocable
- Typically related to a matching campaign (i.e., Ernst & Young will contribute dollar for dollar up to \$500 to XYZ University if employees of the firm contribute to XYZ University.
- Disclosed in financial statement footnotes, but not recorded due to revocable nature.

## Special Events

## Whether or not the Revenue Stream is a Special Event

- Is the event ongoing, major and/or central to the organization
  - Events are considered ongoing, major and central if:
    - They are normally part of an organization's strategy and it normally carries on such activities, or,
    - The event's gross revenues or expenses are significant in relation to the organization's annual budget.
- If the event is not ongoing (is not happening every day, week or month i.e. regular basis), major and/or central then it would be considered a special event as long as the events is peripheral or incidental meaning it is not an integral part of an organization's usual activities or if their gross revenues or expenses are not significant in relation to the organization's annual budget

## Whether or not the Revenue Stream is a Special Event (cont'd)

- Events are peripheral or incidental if they are not an integral part of an organization's usual activities or if their gross revenues or expenses are not significant in relation to the organization's annual budget

## Special Event Example

Let's assume the following as to ABC's annual Gala and Awards Dinner:

- The price of dinner is \$100.
- The cost of dinner is \$ 25.
- The fair value of the dinner is \$30.
- Additional costs incurred with promoting the dinner is \$10.

## Three Examples of Reporting a Special Fundraising Dinner

Example 1		Example 2	
Contributions	\$ 0	Contributions	\$ 0
Special event revenue	100	Special event revenue	100
Less: Cost of direct benefits to donors	(25)	Total revenue	100
Net revenue from special events	<u>75</u>	Cost of direct benefits to donors	25
Total contributions and net revenue	<u>75</u>	Fundraising expenses	10
Fund-raising expenses	<u>10</u>	Total expenses	<u>35</u>
Increase in unrestricted net assets	<u>\$ 65</u>	Increase in unrestricted net assets	<u>\$ 65</u>
Example 3		Important Point	
Contributions	\$ 70	These three examples assume that the special event is part of the organization's ongoing major or central operations and therefore the revenues and expenses from such events are reported gross. If the special event is peripheral or incidental, the organization is permitted to report the activity net of related direct costs.	
Dinner sales	30		
Less: Cost of direct benefits to donors	(25)		
Gross profit on special events	<u>5</u>		
Total contributions and net revenue	<u>75</u>		
Fund-raising expenses	<u>10</u>		
Increase in unrestricted net assets	<u>\$ 65</u>		

# Gifts In-Kind

# Gifts In-Kind

The question is would the recipient of the donated services have to purchase the services?

- What is meant by 'have to purchase?' Have to, or what?
- Consider 'Central and important' vs. 'Incidental or peripheral,' from FASB Concepts Statement No. 6.
- Almost unique in accounting, this deals with a hypothetical situation, which will likely never occur.
- Case by case judgment needs to be applied and it needs to be reasonable.

Consider the following for example:

- Nurse in blood bank
- Usher in community theater
- Museum docent:
  - Art museum
  - A Living Museum (e.g., Colonial Williamsburg)

# Bequest

## What is a Bequest?

A bequest is a special kind of pledge that is ultimately conditional upon a future event that although is certain it can not usually be predicted when it might happen.

Therefore the pledge can not be recorded until which time the donor dies.

## Items to Consider

- The pledge should be recorded as soon as the organizations receives not of the pledge and the release of the condition or upon receipt of the funds.
- There often questions about what to record.
- The question that should be asked:
  - Are the other beneficiaries.
  - Has the estate cleared probate.
  - Are the claims by disinherited relatives.

## Joint Cost Allocation

## Guidance

The Guidance for Joint Cost Allocations was originally promulgated by the American Institute of Certified Public Accountants in Statement of Position 98-2 *Accounting for Joint Costs Activities of Not-For-Profits and State and Local Governmental Entities that Include Fund-raising* and now can be found in the Financial Accounting Standards Board Codification 958-720-05 to 958-720-55.

Note: The Appendix to the SOP includes flowcharts and examples that can be extremely helpful.

## Joint Cost Activities - Defined

A Joint Cost Activity is an activity that is part of the fund-raising function and has elements of one or more other functions, such as program, management and general, membership development and other functional categories used by a nonprofit organization.

Additionally, joint costs are costs of conducting joint activities that are not identifiable with a particular component activity.

## Example of a Joint Cost Activities

If you have a mailer that is providing mission related material to your mailing list and on the back of the flyer is a request for donations (those little check-boxes that encourage \$75, \$100, \$150 pledges), that mailer is possibly a joint activity (also referred to as joint cost). Other joint activities might include special fundraising events that also function as member drives or serve educational or awareness purposes. Joint activities can create some accounting confusion in terms of how to allocate the expenses between program membership development, management and general or fundraising.

## Fund-raising Expense

Fund-raising expenses are the costs related to activities that involve inducing potential donors to contribute assets, services or time. Fund-raising activities include the following:

- Publishing and conducting fund-raising campaigns,
- Maintaining donor lists,
- Conducting special fund-raising events,
- Preparing and distributing fund-raising manuals, instructions and other materials, and
- Conducting other activities involved with soliciting contributions from individuals, foundations, governments agencies and others.

## Proper Treatment for Fund-Raising Expenses

Per FASB ASC 958-720-25-4, a Fund-raising expense is a period cost and should be expensed as incurred regardless of the fact that the contributions resulting from these activities may be generated in a future period.

## Types of Fund-Raising Activities

Many nonprofits solicit all if not most of their funds from the public. Some of the various fundraising activities that they perform are as follows:

- Direct mail
- Door-to-Door canvassing
- Telephone solicitation
- Telethons
- Special events

## Types of Costs

### Fund-raising Costs:

- Fund-raising Consultants
- Printing
- Mailing

### Joint Costs (not meant to be inclusive):

- Postage
- Paper
- Event Advertising
- Air Time
- Mailing
- Communication (Telephone, Internet, etc.)

It is sometimes difficult to distinguish between the two types of costs.

## Program Activities

These activities are the activities that result in goods and services being distributed to beneficiaries, customers and/or members that fulfill the purpose and mission of the for which the nonprofit organization exists.

## Management and General Activities

These activities are those activities other than program, fundraising or membership development activities, but that are indispensable to the conduct of those activities and to the organizations existence.

## Membership Development Activities

These activities include soliciting for prospective members, membership dues, membership relations and similar activities.

## The Three Basic Criteria

- Purpose
- Audience
- Content

If criteria of purpose, audience and content are met, costs of a joint activity identifiable with a function should be charged to that function, and joint costs should be allocated between fundraising and the appropriate program or management function.

Except: costs of sales for exchange transactions (e.g. direct donor benefits of special event) are not fundraising.

## Allocation Method

The cost allocation methodology for distributing costs between fundraising, program, mission or administrative functions should be:

- Rational and systematic;
- A reasonable allocation of joint costs;
- Applied reliably given comparable facts and circumstances.

# BDO Resources

Developing and Managing a Successful Fundraising Campaign



## BDO's Institute for Nonprofit Excellence - Resources

*For almost 100 years, BDO has provided assurance, tax, financial advisory and consulting services to a wide range of publicly traded, privately held companies and nonprofits. We offer a sophisticated array of services and access to global capabilities combined with a local presence and the personal attention of experienced professionals.*

*Below is a summary of just some of the many resources BDO makes available at no additional charge to our clients.*

### Client Advisories

Our Client Advisories are concise documents that provide timely commentary, analysis and insights on events and trends of interest to managers and directors. To subscribe to future client advisories, please use our RSS (Really Simple Syndication) Feeds or send an e-mail to BDO's National Assurance practice at [assurance@bdo.com](mailto:assurance@bdo.com).

### Nonprofit Financial Reporting and Tax Webinars

BDO conducts regular webinars for our clients and friends on current nonprofit issues involving timely and relevant nonprofit accounting, auditing and tax updates and issues. We make the archives of our calls available to our clients and contacts. To receive invitations to future conference calls, please send an e-mail to [lklumpp@bdo.com](mailto:lklumpp@bdo.com).

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## BDO's Institute for Nonprofit Excellence Resources

### Newsletters

BDO's Institute for Nonprofit Excellence issues a quarterly newsletter discussing current issues involving nonprofit accounting, auditing and tax updates, which include new accounting and auditing standards, executive compensation and benefit issues, areas of concentration of the Internal Revenue Service, industry best practices and information for those that are required to have an OMB Circular A-133 audit (Single Audit) to name a few.

### Industry Publications

BDO's industry publications are numerous and include the nonprofit, technology, retail and consumer products, and real estate sectors to name a few.

For a complete listing of services, publications, archives of various webinars and events, and other information regarding BDO, please contact Lee Klumpp at [lklumpp@bdo.com](mailto:lklumpp@bdo.com).

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## Speaker Biographies



## Jeffrey S. Tenenbaum

Partner

Washington, DC Office

T 202.344.8138 F 202.344.8300

[jstenenbaum@Venable.com](mailto:jstenenbaum@Venable.com)

### AREAS OF PRACTICE

Tax and Wealth Planning  
 Antitrust  
 Political Law  
 Business Transactions Tax  
 Tax Controversies  
 Tax Policy  
 Tax-Exempt Organizations  
 Wealth Planning  
 Regulatory

### INDUSTRIES

Nonprofit Organizations and  
 Associations  
 Financial Services  
 Consumer Financial Protection  
 Bureau Task Force

### GOVERNMENT EXPERIENCE

Legislative Assistant, United States  
 House of Representatives

### BAR ADMISSIONS

District of Columbia

### EDUCATION

Jeffrey Tenenbaum chairs Venable's Nonprofit Organizations Practice Group. He is one of the nation's leading nonprofit attorneys, and also is an accomplished author, lecturer and commentator on nonprofit legal matters. Based in the firm's Washington, D.C. office, Mr. Tenenbaum counsels his clients on the broad array of legal issues affecting trade and professional associations, charities, foundations, advocacy groups, and other nonprofit organizations, and regularly represents clients before Congress, federal and state regulatory agencies, and in connection with governmental investigations, enforcement actions, litigation, and in dealing with the media.

Mr. Tenenbaum was the 2006 recipient of the American Bar Association's Outstanding Nonprofit Lawyer of the Year Award, the inaugural (2004) recipient of the *Washington Business Journal's* Top Washington Lawyers Award, the 2004 recipient of The Center for Association Leadership's Chairman's Award, and the 1997 recipient of the Greater Washington Society of Association Executives' Chairman's Award. He also was a 2008-09 Fellow of the Bar Association of the District of Columbia and is AV Peer-Review Rated by *Martindale-Hubbell*. He started his career in the nonprofit community by serving as Legal Section manager at the American Society of Association Executives, following several years working on Capitol Hill.

### REPRESENTATIVE CLIENTS

American Academy of Physician Assistants  
 American Association of Homes and Services for the Aging  
 American Association of Museums  
 American College of Radiology  
 American Forests  
 American Institute of Architects  
 Air Conditioning Contractors of America  
 American Society for Microbiology  
 American Society for Training and Development  
 American Society of Anesthesiologists  
 American Society of Association Executives  
 American Society of Civil Engineers  
 American Society of Clinical Oncology  
 American Staffing Association  
 Association for Healthcare Philanthropy  
 Association of Corporate Counsel  
 Association of Private Sector Colleges and Universities  
 Automotive Aftermarket Industry Association  
 The College Board  
 Council on Foundations  
 Foundation for the Malcolm Baldrige National Quality Award  
 Homeownership Preservation Foundation

J.D., Catholic University of America, Columbus School of Law, 1996

B.A., Political Science, University of Pennsylvania, 1990

## MEMBERSHIPS

American Society of Association Executives

California Society of Association Executives

New York Society of Association Executives

The Humane Society of the United States  
Independent Insurance Agents and Brokers of America  
Money Management International  
National Association of Chain Drug Stores  
National Athletic Trainers' Association  
National Coalition for Cancer Survivorship  
National Defense Industrial Association  
National Fallen Firefighters Foundation  
National Hot Rod Association  
National Propane Gas Association  
National Retail Federation  
National Student Clearinghouse  
National Telecommunications Cooperative Association  
The Nature Conservancy  
Professional Liability Underwriting Society  
Project Management Institute  
Public Health Accreditation Board  
Public Relations Society of America  
Recording Industry Association of America  
Romance Writers of America  
Texas Association of School Boards  
Trust for Architectural Easements  
Volunteers of America

## HONORS

Fellow, Bar Association of the District of Columbia, 2008-09

Recipient, American Bar Association Outstanding Nonprofit Lawyer of the Year Award, 2006

Recipient, *Washington Business Journal* Top Washington Lawyers Award, 2004

Recipient, The Center for Association Leadership Chairman's Award, 2004

Recipient, Greater Washington Society of Association Executives Chairman's Award, 1997

Legal Section Manager / Government Affairs Issues Analyst, American Society of Association Executives, 1993-95

AV® Peer-Review Rated by *Martindale-Hubbell*

Listed in *Who's Who in American Law* and *Who's Who in America*, 2005-present editions

## ACTIVITIES

Mr. Tenenbaum is an active participant in the nonprofit community who currently serves on the Editorial Advisory Board of the American Society of Association Executives' *Association Law & Policy* legal journal, the Advisory Panel of Wiley/Jossey-Bass' *Nonprofit Business Advisor* newsletter, and the ASAE Public Policy Committee. He previously served as Chairman of the *AL&P* Editorial Advisory Board and has served on the ASAE Legal Section Council, the ASAE Association Management Company Accreditation Commission, the GWSAE Foundation Board of Trustees, the GWSAE Government and Public Affairs Advisory Council, the Federal City Club Foundation Board of Directors, and the Editorial Advisory Board of Aspen's *Nonprofit Tax & Financial Strategies* newsletter.

## PUBLICATIONS

Mr. Tenenbaum is the author of the book, *Association Tax Compliance Guide*, published by the American Society of Association Executives, and is a contributor to numerous ASAE books, including *Professional Practices in Association Management*, *Association Law Compendium*, *The Power of Partnership*, *Essentials of the Profession Learning System*, *Generating and Managing Nondues Revenue in Associations*, and several Information Background Kits. He also is a contributor to *Exposed: A Legal Field Guide for Nonprofit Executives*, published by the Nonprofit Risk Management Center. In addition, he is a frequent author for ASAE and many of the other principal nonprofit

industry organizations and publications, having written more than 250 articles on nonprofit legal topics.

### SPEAKING ENGAGEMENTS

Mr. Tenenbaum is a frequent lecturer for ASAE and many of the major nonprofit industry organizations, conducting over 30 speaking presentations each year, including many with top Internal Revenue Service, Federal Trade Commission, U.S. Department of Justice, Federal Communications Commission, and other governmental officials. He served on the faculty of the ASAE Virtual Law School, and is a regular commentator on nonprofit legal issues for *The New York Times*, *The Washington Post*, *Los Angeles Times*, *The Washington Times*, *The Baltimore Sun*, *Washington Business Journal*, *Legal Times*, *Association Trends*, *CEO Update*, and other periodicals. He also has been interviewed on nonprofit legal issues on Voice of America Business radio.



Paulette V. Maehara, CFRE, CAE  
Retired President and Chief Executive Officer  
Association of Fundraising Professionals (AFP)

Paulette V. Maehara, CFRE, CAE, served as the president and chief executive officer of the Association of Fundraising Professionals (AFP) for thirteen years retiring in March 2011. AFP is the professional association of individuals responsible for generating philanthropic support for nonprofit organizations. Prior to joining AFP, Maehara served as chief executive officer of the Epilepsy Foundation. She has also held executive positions with Project HOPE, the American Red Cross (both at its national headquarters and at the National Capital Chapter), the March of Dimes Birth Defects Foundation (Hawaii Chapter) and the University of Hawaii Foundation.

Maehara's background combines extensive fundraising knowledge with strong association management experience. Her leadership abilities were underscored in 1994 when *The NonProfit Times* named Project HOPE (where she served as vice president of development) as the fastest growing nonprofit organization in the country. At both the Epilepsy Foundation and the American Red Cross, she successfully completed initiatives that unified and consolidated the organizations and their affiliates, leading to significantly streamlined services and activities.

Maehara's work has led to a number of honors. In 1994, her work for Project HOPE led to a Best Direct Mail Program award from the Direct Marketing Association of America. She has won the American Red Cross Distinguished Service Award twice for her work at both the national headquarters and the National Capital Chapter. Maehara has been selected by *The NonProfit Times* as one of the Top 50 Most Influential People in Philanthropy for the last ten years, 1999-2009, and she was one of 100 women chosen to participate in the 2000 Leadership America Program. Most recently, Maehara was awarded the prestigious Hank Rosso Medal for Ethical Fundraising by the Center on Philanthropy, at the University of Indiana in Indianapolis.

Maehara served as chair of the board of directors of the American Society of Association Executives (ASAE) August 2005-2006 and as immediate past-chair in 2007. She has also served on the ASAE board as Treasurer in 2003, and as past chair of the Executive Management Council of ASAE. In addition, Maehara has served on the executive committee of the International Bureau for Epilepsy, as well as the board of directors of the National Health Council. She has also been a member of the executive committee of International Service Agencies and chaired its Membership Committee.

Ms. Maehara was born in Happy, Texas, holds a Bachelor of Arts from the University of Hawaii, and is married with two children. She is a Certified Fund Raising Executive (CFRE), a Certified Association Executive (CAE) and has been a member of AFP since 1987.



## Kristalyn J. Loson

Associate

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### AREAS OF PRACTICE

Regulatory

### INDUSTRIES

Nonprofit Organizations and Associations

### BAR ADMISSIONS

District of Columbia  
Florida

### EDUCATION

J.D., *with honors*, The George Washington University Law School, 2009

*The Public Contract Law Journal*, member

George Washington University Domestic Violence Project Clinic

B.A., *cum laude*, University of Miami, 2005

Department of Political Science  
Honoree

Kristalyn J. Loson is an Associate in Venable's Regulatory Practice Group. She focuses her practice primarily on nonprofit organizations, assisting charities, membership associations, and other nonprofits on a wide array of legal issues, including incorporation and tax-exemption applications, tax-exemption compliance and IRS audits, corporate governance, membership issues, contracts, and charitable solicitation regulation, among others.

Prior to joining Venable, Ms. Loson served as a *pro bono* staff attorney for the Guardian ad Litem Program, 20th Judicial Circuit of Florida. While earning her law degree, she also completed internships with the U.S. Department of Justice's Civil Division, and the U.S. Attorney's Office. She also served for a year as a judicial intern in the chambers of the Honorable Fern Flanagan Saddler of the District of Columbia Superior Court.

Prior to entering law school, Ms. Loson worked as a fundraiser for a large multi-national nonprofit organization. Through her experience in the nonprofit sector, she has gained perspective on the unique needs of these organizations, both legal and otherwise.

### PUBLICATIONS

- April 13, 2011, Considerations in Mergers and Asset Transfers of Credit Counseling Agencies
- October 18, 2010, Avoiding UBIT Pitfalls
- October 2010, Key Steps to Forming and Operating a Nonprofit, Tax-Exempt Charity
- June 3, 2010, A Lesson in Compliance: IRS Releases Interim Report on Nonprofit Colleges and Universities Compliance Project (Short Version)
- June 3, 2010, A Lesson in Compliance: IRS Releases Interim Report on Nonprofit Colleges and Universities Compliance Project (Long Version)
- May 7, 2010, Massive Loss of Tax Exemptions Looming
- February 5, 2010, Mortgage Assistance Relief Services Targeted in Federal Trade Commission Rulemaking, Credit Counseling Alert
- 2009, *Improving Privatization: How Federal Procurement Concepts Can Solve Lingering Problems in State Contracts for Child Welfare*, 38 Pub. Cont. L.J. 956

### SPEAKING ENGAGEMENTS

- April 29, 2011, Developing and Managing a Successful Fundraising Campaign
- October 18, 2010, "Confusing Stuff You Need to Know to Keep You and Your Chamber Out of Trouble" for the Western Association of Chamber Executives (WACE)

- 
- September 21, 2010, "Nonprofit 101" at Howard University Business School, hosted by Delta Sigma Phi



H. Art Taylor  
President and Chief Executive Officer  
BBB Wise Giving Alliance

Herman “Art” Taylor is president and chief executive officer of the BBB Wise Giving Alliance. As its head, he oversees all aspects of the organization’s work, which includes setting standards for soliciting organizations, evaluating individual national charities in relation to these standards, promoting charity accountability and providing a variety of materials on informed giving to individual, institutional and business donors.

Mr. Taylor is a respected and sought after voice in the non-profit sector on charity accountability and issues affecting the sector’s health and viability. He has several times testified before congress. He is a featured speaker at charity meetings and has contributed to numerous print news stories. He appears regularly on broadcast and cable news programs. The Non-Profit Times named him four times one of its “Power and Influence Top 50” people in the non-profit sector and is a member of the Power and Influence Top 50 Hall of Fame.

Under Mr. Taylor’s leadership the Alliance developed an online charity evaluation tool that has allowed the organization to expand radically its capacity to report on charities at the national and local level. In addition, the organization introduced and implemented a charity seal now used by national and local charities to indicate adherence to the comprehensive standards for charity accountability. The Alliance estimates that more than 1 billion impressions of the charity seal exist in the public domain on solicitations, web sites and other charity publicity giving donors a clear concise and accessible means of knowing whether an organization meets the WGA standards.

Before joining the Alliance, Mr. Taylor headed the Opportunities Industrialization Centers of America, Inc. (OICA) from 1990 to 1999. During his tenure, the OICA network of employment and training programs grew to serve more than two million disadvantaged and under-skilled Americans, with affiliates in 70 cities. He now serves as OICA’s Board Chair.

He has been a trustee of Franklin & Marshall College since 1996 and is a member of the Association of Fundraising Professional’s Ethics Committee. He served as vice chair of Independent Sector, where he was a Board member from 1998 to 2003.

Early in his career, Mr. Taylor worked for Keystone Foods Corporation, UGI Corporation and Deloitte & Touche, where he obtained the status Certified Public Accountant (inactive).

He is a graduate of Franklin and Marshall College (1980) and in 2002 he received an honorary Dr. of Laws from his alma mater. He also has a JD from Temple University School of Law.



## Lee Klumpp, CPA

National Nonprofit Industry Group's Accounting and Auditing Technical Leader

### Experience

Lee is a Director with BDO Seidman and has been with the firm for over five years and prior to joining BDO; Lee worked in the audit practices of Ernst and Young, LLP and KPMG. His representative clients have included the State of Maryland, University of Maryland System, Howard University, Education Finance Council, the District of Columbia, INOVA Healthcare System, Children's National Medical Center, the American College of Cardiology, World Wildlife Fund, The Greater Washington Educational Telecommunications Association (WETA) and United Way Worldwide.

Lee spends an extensive amount of time:

Researching, writing and disseminating information related to recent accounting and auditing pronouncements promulgated by the Financial Accounting Standards Board, the Government Accounting Standards Board, the Office of Management and Budget (OMB), the Government Accountability Office, the Auditing Standards Board and others that provide guidance for the nonprofit industry.

Providing consultation to BDO engagement teams and our alliance firms around the country on various financial, accounting, auditing and reporting issues related to the nonprofit organizations. Additionally, Lee provides assistance to our international offices on OMB A-133 topics and issues for their clients that are foreign sub-recipients of funds from United States Federal Agencies.

Preparing and presenting speeches, seminars and webinars on various accounting, auditing, internal control, governance, financial reporting and Single Audit Issues (OMB Circulars A-133, A-122, A-87 and A-21) topics related to nonprofit organizations around the country.

Listed below are a few of the organizations that Lee has spoken for:

American Institute of Certified Public Accountants  
American Society of Association Executives  
The Environmental CFO Roundtable  
The Nonprofit CFO Roundtable  
The Knowledge Congress  
and over forty state societies.

Lee's work experience includes:

Working with organizations in the governmental and not-for-profit community with multiple divisions, reporting units and nonprofit and for-profit entities

Significant expertise in compliance auditing of organizations receiving federal financial funding in accordance with OMB A-133

### Areas of Experience:

Not-for-profits

Higher Education

HealthCare

State and Local  
Government

Employee Benefit  
Plans



BDO Seidman, LLP  
Accountants and Consultants

Preparing, reviewing and auditing indirect cost rates proposals

Presenting audit reports and management letters to Boards of Directors and Audit Committees.

## **Professional Affiliations**

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Member of the American Institute of Certified Public Accountants and serves as National Instructor for various Nonprofit and Governmental accounting and auditing topics and is a member the Ethics Committee's Technical Standards Subcommittee

Member of the Financial Accounting Standards Board's Nonprofit Resource Group

Member of the Greater Washington Society of CPAs and serves as the Chairman of the Not-for-Profit Committee

Member of the Maryland Association of Certified Public Accountants

Member of the Greater Washington Society of CPAs and serves as the Chairman of the Not-for-Profit Committee

Lee also serves on the Board of Directors and is the Vice-President of Budget and Finance of the Bethesda Chevy Chase Chamber of Commerce, Board of Directors of the Congressional Awards Foundation and is the President of the Board of Directors of Montgomery Community Television.

## **Education**

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B.S., Accounting, University of Maryland



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## **Additional Information**

# BBB WISE GIVING ALLIANCE STANDARDS FOR CHARITY ACCOUNTABILITY

## PREFACE

The BBB Wise Giving Alliance *Standards for Charity Accountability* were developed to assist donors in making sound giving decisions and to foster public confidence in charitable organizations. The standards seek to encourage fair and honest solicitation practices, to promote ethical conduct by charitable organizations and to advance support of philanthropy.

These standards replace the separate standards of the National Charities Information Bureau and the Council of Better Business Bureaus' Foundation and its Philanthropic Advisory Service that were in place at the time the organizations merged.

The *Standards for Charity Accountability* were developed with professional and technical assistance from representatives of small and large charitable organizations, the accounting profession, grant making foundations, corporate contributions officers, regulatory agencies, research organizations and the Better Business Bureau system. The BBB Wise Giving Alliance also commissioned significant independent research on donor expectations to ensure that the views of the general public were reflected in the standards.

The generous support of the Charles Stewart Mott Foundation, the Surdna Foundation and Sony Corporation of America helped underwrite the development of these standards and related research.

Organizations that comply with these accountability standards have provided documentation that they meet basic standards:

- ♦ In how they govern their organization,
- ♦ In the ways they spend their money,
- ♦ In the truthfulness of their representations, and
- ♦ In their willingness to disclose basic information to the public.

These standards apply to publicly soliciting organizations that are tax exempt under section 501(c)(3) of the Internal Revenue Code and to other organizations conducting charitable solicitations. The standards are not intended to apply to private foundations, as they do not solicit contributions from the public.

The overarching principle of the BBB Wise Giving Alliance *Standards for Charity Accountability* is full disclosure to donors and potential donors at the time of solicitation and thereafter. However, where indicated, the standards recommend ethical practices beyond the act of disclosure in order to ensure public confidence and encourage giving. As voluntary standards, they also go beyond the requirements of local, state and federal laws and regulations.

In addition to the specific areas addressed in the standards, the BBB Wise Giving Alliance encourages charitable organizations to adopt the following management practices to further the cause of charitable accountability.

- ♦ Initiate a policy promoting pluralism and diversity within the organization's board, staff and constituencies. While organizations vary widely in their ability to demonstrate pluralism and diversity, every organization should establish a policy, consistent with its mission statement, that fosters such inclusiveness.
- ♦ Ensure adherence to all applicable local, state and federal laws and regulations including submission of financial information.
- ♦ Maintain an organizational adherence to the specific standards cited below. The BBB Wise Giving Alliance also encourages charities to maintain an organizational commitment to accountability that transcends specific standards and places a priority on openness and ethical behavior in the charity's programs and activities.

## GOVERNANCE AND OVERSIGHT

**The governing board has the ultimate oversight authority for any charitable organization. This section of the standards seeks to ensure that the volunteer board is active, independent and free of self-dealing. To meet these standards, the organization shall have:**

**1. A board of directors that provides adequate oversight of the charity's operations and its staff.** Indication of adequate oversight includes, but is not limited to, regularly scheduled appraisals of the CEO's performance, evidence of disbursement controls such as board approval of the budget and fund raising practices, establishment of a conflict of interest policy and establishment of accounting procedures sufficient to safeguard charity finances.

**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, with face-to-face participation.** A conference call of the full board can substitute for one of the three meetings of the governing body. For all meetings, alternative modes of participation are acceptable for those with physical disabilities.

**4. Not more than one or 10% (whichever is greater) directly or indirectly compensated person(s) serving as voting member(s) of 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 relationship or business affiliation.**

Factors that will be considered when concluding whether or not a related party transaction constitutes a conflict of interest and if such a conflict is material, include, but are not limited to: any arm's length procedures established by the charity; the size of the transaction relative to like expenses of the charity; whether the interested party participated in the board vote on the transaction; if competitive bids were sought and whether the transaction is one-time, recurring or ongoing.

## MEASURING EFFECTIVENESS

An organization should regularly assess its effectiveness in achieving its mission. This section seeks to ensure that an organization has defined, measurable goals and objectives in place and a defined process in place to evaluate the success and impact of its program(s) in fulfilling the goals and objectives of the organization and that also identifies ways to address any deficiencies. To meet these standards, a charitable organization shall:

**6. Have a board policy of assessing, no less than every two years, the organization's performance and effectiveness and of 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.**

## FINANCES

This section of the standards seeks to ensure that the charity spends its funds honestly, prudently and in accordance with statements made in fund raising appeals. To meet these standards, the charitable organization shall:

*Please note that standards 8 and 9 have different denominators.*

**8. Spend at least 65% of its total expenses on program activities.**

**Formula for Standard 8:**

$$\frac{\text{Total Program Service Expenses}}{\text{Total Expenses}}$$
 should be at least 65%

**9. Spend no more than 35% of related contributions on fund raising.** Related contributions include donations, legacies and other gifts received as a result of fund raising efforts.

**Formula for Standard 9:**

$$\frac{\text{Total Fund Raising Expenses}}{\text{Total Related Contributions}}$$
 should be no more than 35%

**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.**

An organization that does not meet Standards 8, 9 and/or 10 may provide evidence to demonstrate that its use of funds is reasonable. The higher fund raising and administrative costs of a newly created organization, donor restrictions on the use of funds, exceptional bequests, a stigma associated with a cause and environmental or political events beyond an organization's control are among factors which may result in expenditures that are reasonable although they do not meet the financial measures cited in these standards.

**11. Make available to all, on request, complete annual financial statements prepared in accordance with generally accepted accounting principles.**

When total annual gross income exceeds \$250,000, these statements should be audited in accordance with generally accepted auditing standards. For charities whose annual gross income is less than \$250,000, a review by a certified public accountant is sufficient to meet this standard. For charities whose annual gross income is less than \$100,000, an internally produced, complete financial statement is sufficient to meet this standard.

**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, fund raising and administrative activities.**

If the charity has more than one major program category, the schedule should provide a breakdown for each category.

**13. Accurately report the charity's expenses, including any joint cost allocations, in its financial statements.**

For example, audited or unaudited statements which inaccurately claim zero fund raising expenses or otherwise understate the amount a charity spends on fund raising, and/or overstate the amount it spends on programs will not meet this standard.

**14. Have a board-approved annual budget for its current fiscal year, outlining projected expenses for major program activities, fund raising and administration.**

**FUND RAISING AND  
INFORMATIONAL MATERIALS**

A fund raising appeal is often the only contact a donor has with a charity and may be the sole impetus for giving. This section of the standards seeks to ensure that a charity's representations to the public are accurate, complete and respectful. To meet these standards, the charitable organization shall:

**15. Have solicitations and informational materials, distributed by any means, that are accurate, truthful and not misleading, both in whole and in part.** Appeals that omit a clear description of program(s) for which contributions are sought will not meet this standard.

A charity should also be able to substantiate that the timing and nature of its expenditures are in accordance with what is stated, expressed or implied in the charity's solicitations.

**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, fund raising 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 of 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, and

(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 fund raising practices, privacy policy violations and/or other issues.**