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Standards for Accountability

Donors understandably demand accountability from the not-for-profit organizations they support. Some turn to the Better Business Bureau (BBB) for guidance. Its *Wise Giving Alliance* has established standards by which it evaluates tax-exempt 501(c)(3) organizations that submit a report.

You might find it useful to see how your organization measures up to the standards. Presented in abbreviated form, here are the BBB requirements:

- Have a board of directors that provides adequate oversight of the charity's operations and staff.
- Have a board of directors with a minimum of five voting members.
- Hold a minimum of three evenly-spaced meetings per year of the full governing body. A majority should be in attendance, with face-to-face participation.
- Don't have more than one or 10 percent (whichever is greater) directly or indirectly compensated person(s) serving as voting member(s) of the board. Compensated members cannot serve as the board's chair or treasurer.
- Don't enter into transactions in which any board or staff members have material conflicting interests with the charity resulting from any relationship or business affiliation.
- 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.
- Submit to the organization's governing body, for its approval, a written report that outlines the results of the aforementioned performance and effectiveness assessment, as well as recommendations for future actions.
- Spend at least 65 percent of its total expenses on program activities.
- Spend no more than 35 percent of related contributions on fund raising.
- 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.
- Make available to all, on request, complete annual financial statements prepared in accordance with generally accepted accounting principles.
- Include in the financial statements a breakdown of expenses (for example, salaries, travel, postage) and show what portion of these expenses was allocated to program,

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fund raising and administrative activities.

- Accurately report the charity's expenses, including any joint cost allocations, in its financial statements.
- Have a board-approved annual budget for the current fiscal year, outlining projected expenses for major program activities, fund raising and administration.
- Have solicitations and informational materials that are accurate, truthful and not misleading.
- Have an annual report available to all, on request.
- Include on any charity Web sites 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.
- Address the privacy concerns of donors.
- Clearly disclose how the organization benefits from the sale of products or services.
- Respond promptly to and act on complaints brought to its attention by the BBB Wise Giving Alliance and/or local BBB about fund raising practices, privacy policy violations and/or other issues.

Click here for a description of the standards and information on submitting a charity report to the BBB for evaluation.

Whether or not you choose to submit a charity report to the BBB, developing such a report can serve as a useful tool. It can demonstrate to donors and potential donors that your organization is responsibly governed, allocates money appropriately for programs and fund raising, represents itself truthfully and is willing to disclose information to the public.

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