

# BBB Wise Giving Alliance

## Financial Statements

For The Years Ended  
December 31, 2016 And 2015



**HERTZBACH**  
*certified public accountants • consultants*

# BBB Wise Giving Alliance

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For The Years Ended December 31, 2016 And 2015

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## INDEPENDENT AUDITOR'S REPORT

**To The Board Of Directors**  
**BBB Wise Giving Alliance**  
3033 Wilson Boulevard, Suite 600  
Arlington, VA 22201

We have audited the accompanying financial statements of BBB Wise Giving Alliance (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BBB Wise Giving Alliance as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 9 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hertzbach & Company, P.A.*

Rockville, Maryland  
June 20, 2017

**FINANCIAL  
STATEMENTS**

**BBB Wise Giving Alliance**  
**Statements Of Financial Position**

<b>December 31,</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash	\$ 1,840,657	\$ 1,730,740
Accounts Receivable, Net	111,651	141,823
Prepaid Expenses	-	11,375
Equipment And Software, Net	<u>142,678</u>	<u>194,561</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,094,986</u></b>	<b><u>\$ 2,078,499</u></b>
<b>Liabilities And Net Assets</b>		
<b>LIABILITIES</b>		
Due To Affiliate, Net	\$ 199,330	\$ 114,421
Accrued Expenses	22,169	-
Deferred Revenue	<u>651,688</u>	<u>726,624</u>
<b>Total Liabilities</b>	<b><u>873,187</u></b>	<b><u>841,045</u></b>
<b>NET ASSETS</b>		
Unrestricted	<u>1,221,799</u>	<u>1,237,454</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,094,986</u></b>	<b><u>\$ 2,078,499</u></b>

## BBB Wise Giving Alliance Statements Of Activities

For The Years Ended December 31,	2016	2015
REVENUE AND SUPPORT		
Charity Seal License Fees	\$ 1,949,187	\$ 1,964,519
Grants And Contributions	212,066	260,406
Publications	19,259	14,826
Other Revenue	5,500	5,094
Total Revenue And Support	<u>2,186,012</u>	<u>2,244,845</u>
EXPENSES		
Program Services:		
Charity Reporting Activities	1,755,858	1,628,769
Supporting Services:		
Management And General	416,288	269,497
Fundraising	29,521	54,408
Total Supporting Services	<u>445,809</u>	<u>323,905</u>
Total Expenses	<u>2,201,667</u>	<u>1,952,674</u>
CHANGE IN NET ASSETS	(15,655)	292,171
Net Assets, Beginning Of Year	<u>1,237,454</u>	<u>945,283</u>
Net Assets, End Of Year	<u>\$ 1,221,799</u>	<u>\$ 1,237,454</u>

## BBB Wise Giving Alliance Statements Of Cash Flows

For The Years Ended December 31,	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change In Net Assets	\$ (15,655)	\$ 292,171
Adjustments To Reconcile Change In Net Assets To Net Cash		
Provided By Operating Activities:		
Depreciation And Amortization	51,883	57,947
(Increase) Decrease In Operating Assets:		
Accounts Receivable	30,172	(7,930)
Prepaid Expenses	11,375	18,221
Increase (Decrease) In Operating Liabilities:		
Accounts Payable	-	(3,015)
Due To Affiliate	84,909	(203,163)
Accrued Expenses	22,169	-
Deferred Revenue	(74,936)	(85,104)
Net Cash Provided By Operating Activities	<u>109,917</u>	<u>69,127</u>
NET INCREASE IN CASH	109,917	69,127
Cash, Beginning Of Year	<u>1,730,740</u>	<u>1,661,613</u>
Cash, End Of Year	<u>\$ 1,840,657</u>	<u>\$ 1,730,740</u>



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# BBB Wise Giving Alliance

## Notes To Financial Statements

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For The Years Ended December 31, 2016 And December 31, 2015

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### 1. NATURE OF ORGANIZATION

BBB Wise Giving Alliance (BBB WGA) has operated under this name since 2001 when the former Council of Better Bureaus' Foundation (founded in 1975) changed its bylaws and articles of incorporation to reflect a company reorganization. The predecessor organizations to the BBB WGA existed under a number of different names and had been reporting on national charities since the 1920s.

The mission of the BBB WGA is to provide information to donors to assist them in making knowledgeable choices about their giving practices. The BBB WGA helps the donating public verify the trustworthiness of charities by completing rigorous evaluations in relation to the holistic BBB Standards for Charity Accountability (the BBB Charity Standards). There is no charge to charities to be the subject of a BBB Charity Report, which reports are available to the public for free on the BBB WGA website at Give.org.

Charities that meet all 20 BBB Charity Standards are identified as BBB Accredited Charities. BBB Accredited Charities have the option of licensing a BBB Charity Seal for a fee. The BBB Charity Seal can be displayed on the charity's website and fundraising material. Charity evaluations are updated every two years. Any BBB Charity Seal holder that fails to meet the BBB Charity Standards is terminated from the BBB Charity Seal program.

BBB WGA is affiliated with the Council of Better Business Bureaus, Inc. (the Council) and is presented in the Council's consolidated financial statements. The Council is a business membership organization tax exempt under section 501(c)(6) of the Internal Revenue Code. The Council's office in Arlington, Virginia serves as the organizing body for the Better Business Bureau system.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared on the accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized when the obligation is incurred.

ACCOUNTS RECEIVABLE – Accounts receivable consists primarily of amounts owed from licensees for BBB Charity Seal revenue. Accounts receivable are presented at the net amount due. BBB WGA management periodically reviews the status of all accounts receivable balances for collectability. Receivables that are deemed to be uncollectable are typically reserved in the allowance for doubtful accounts. If subsequent collection efforts are unsuccessful, the receivable and corresponding allowance are written off. As of December 31, 2016 and 2015, the balance of allowance for doubtful accounts was \$120,000 and \$60,000, respectively.

COMPUTER SOFTWARE AND EQUIPMENT – Computer software and equipment are stated at cost. The cost of repairs and maintenance is charged to operations when incurred. Major renewals, betterments, and additions in excess of \$5,000 are capitalized. When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to revenue. Depreciation is computed using the straight-line method over three to five years.

DEFERRED REVENUE – Deferred revenue primarily consists of BBB WGA Charity Seal fees received at the beginning of the subscription period. Subscription revenue is recognized over the life of the subscription period.

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## BBB Wise Giving Alliance Notes To Financial Statements (Continued)

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For The Years Ended December 31, 2016 And December 31, 2015

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS – The BBB WGA complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, and is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period. BBB WGA does not have temporarily restricted or permanently restricted net assets as of December 31, 2016 and 2015.

FUNCTIONAL EXPENSES – The costs of providing various programs and supporting services are summarized on a functional basis in the statements of activities and in the supplemental schedules. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of time records and other support, or by estimates made by management.

ESTIMATES – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATION – Certain amounts for the year ended December 31, 2015 have been reclassified to conform to the presentation for the year ended December 31, 2016, which had no effect on the change in net assets as reported in the prior year.

INCOME TAXES – BBB WGA is a nonprofit organization and is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is required for the years ended December 31, 2016 and 2015, as BBB WGA had no significant net unrelated business income.

In accordance with FASB Accounting Standards Codification (ASC) 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes, BBB WGA recognizes the tax benefit from uncertain tax positions only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

### 3. CONCENTRATION OF CREDIT RISK

BBB WGA maintains its cash balances at a financial institution and at times these balances may exceed the federal insured limits. BBB WGA has not experienced any losses with respect to its bank balances in excess of government provided insurance and management believes there is no significant concentration of credit risk as a result of maintaining these accounts.

**BBB Wise Giving Alliance**  
**Notes To Financial Statements**  
**(Continued)**

**For The Years Ended December 31, 2016 And December 31, 2015**

**4. EQUIPMENT AND SOFTWARE**

Equipment and software at December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Equipment And Software	\$ 276,312	\$ 342,847
Accumulated Depreciation	<u>(133,634)</u>	<u>(148,286)</u>
Total Equipment And Software, Net	<u>\$ 142,678</u>	<u>\$ 194,561</u>

During the years ended December 31, 2016 and 2015, BBB WGA recorded depreciation and amortization expense related to equipment and software of \$51,883 and \$57,947, respectively.

**5. RELATED PARTY TRANSACTIONS**

The Council allocated to BBB WGA the following operating costs, as detailed below:

	<u>2016</u>	<u>2015</u>
Salaries And Benefits	\$ 1,104,163	\$ 998,362
Professional Services		
Accounting	58,262	64,815
Legal Services	44,365	46,542
Management Services	105,789	77,775
Information Technology	135,691	164,647
Office Space	42,401	42,999
Other Expenses	<u>37,033</u>	<u>43,511</u>
Total Costs Reimbursable To The Council	<u>\$ 1,527,704</u>	<u>\$ 1,438,651</u>

BBB WGA reimbursed the Council \$1,442,795 and \$1,641,814 during the years ended December 31, 2016 and 2015, respectively, and owed the Council \$199,330 and \$114,421 at December 31, 2016 and 2015, respectively.

**6. SUBSEQUENT EVENTS**

Management has evaluated subsequent events and transactions for potential recognition or disclosure through June 20, 2017, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

**SUPPLEMENTARY  
INFORMATION**

**BBB Wise Giving Alliance**  
**Schedules Of Functional Expenses**  
**For The Years Ended December 31, 2016 And 2015**

	For The Year Ended December 31, 2016				For The Year Ended December 31, 2015			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Charity Reporting Activities	Management And General	Fundraising	Total	Charity Reporting Activities	Management And General	Fundraising	Total
Salaries And Benefits *	\$ 1,024,401	\$ 68,680	\$ 11,842	\$ 1,104,923	\$ 926,830	\$ 50,399	\$ 21,133	\$ 998,362
Professional Services	167,609	199,948	-	367,557	157,044	166,806	704	324,554
Information Technology	131,167	8,434	1,454	141,055	197,833	23,832	3,485	225,150
Advertising And Promotion	138,135	-	-	138,135	27,069	858	-	27,927
Office Expenses	21,960	104,643	345	126,948	84,718	5,084	1,360	91,162
Conferences And Events	74,317	4,372	-	78,689	24,366	829	-	25,195
Depreciation	66,708	4,472	771	71,951	73,802	4,014	1,683	79,499
Wise Giving Guide	67,640	-	-	67,640	72,071	-	-	72,071
Occupancy	42,310	2,636	454	45,400	39,919	2,171	910	43,000
Travel	9,770	13,458	-	23,228	17,300	5,445	-	22,745
Direct Mail	-	-	14,603	14,603	-	-	25,034	25,034
State Registration Fees	-	9,298	-	9,298	-	9,811	-	9,811
Dues And Subscriptions	7,334	45	-	7,379	3,250	-	-	3,250
Insurance	4,507	302	52	4,861	4,567	248	99	4,914
<b>Total Expenses</b>	<b>\$ 1,755,858</b>	<b>\$ 416,288</b>	<b>\$ 29,521</b>	<b>\$ 2,201,667</b>	<b>\$ 1,628,769</b>	<b>\$ 269,497</b>	<b>\$ 54,408</b>	<b>\$ 1,952,674</b>

\* Council employees dedicated full time to work for BBB WGA.