

# BBB Wise Giving Alliance

## Financial Statements

For the Years Ended December 31, 2019 and 2018



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

# BBB Wise Giving Alliance

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For the Years Ended December 31, 2019 and 2018

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## Independent Auditor's Report

To the Board of Directors  
BBB Wise Giving Alliance  
3033 Wilson Boulevard, Suite 710  
Arlington, Virginia 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, 2019 and 2018, and the related statements of activities, functional expenses, 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 audits 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, 2019 and 2018, 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.

## **Emphasis of Matter**

As discussed in Note 3 of the financial statements, during the year ended December 31, 2019, BBB Wise Giving Alliance adopted Financial Accounting Standards Board Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Hertzbach & Company, P.A.*

Potomac, Maryland  
September 22, 2020

# BBB Wise Giving Alliance

Statements of Financial Position  
As of December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Assets</b>		
Cash	\$ 1,400,938	\$ 1,667,655
Accounts receivable, net	69,653	24,313
Prepaid expenses	23,799	24,114
Other assets	8,170	8,170
Equipment and software, net	78,140	116,233
	<u>1,580,700</u>	<u>1,840,485</u>
Total assets	<u>\$ 1,580,700</u>	<u>\$ 1,840,485</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 32,799	\$ 24,213
Due to affiliate, net	-	170,919
Contract liabilities	637,561	810,424
	<u>670,360</u>	<u>1,005,556</u>
Total liabilities	<u>670,360</u>	<u>1,005,556</u>
<b>Net assets</b>		
Without donor restrictions	910,340	834,929
	<u>910,340</u>	<u>834,929</u>
Total net assets	<u>910,340</u>	<u>834,929</u>
Total liabilities and net assets	<u>\$ 1,580,700</u>	<u>\$ 1,840,485</u>

*See independent auditor's report and notes to financial statements.*

# BBB Wise Giving Alliance

Statements of Activities  
For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>Revenue and other support without donor restrictions</b>		
Charity seal license fees	\$ 1,847,359	\$ 1,926,047
Grants and contributions	215,107	211,281
Publications	19,124	17,657
Net assets released from donor restrictions	-	10,000
Total revenue and other support without donor restrictions	<u>2,081,590</u>	<u>2,164,985</u>
<b>Expenses</b>		
Program services:		
Charity reporting activities	1,432,107	1,849,823
Other programs	402,308	27,271
Total program services	<u>1,834,415</u>	<u>1,877,094</u>
Supporting services:		
Management and general	125,911	475,029
Fundraising	45,853	58,800
Total supporting services	<u>171,764</u>	<u>533,829</u>
Total expenses	<u>2,006,179</u>	<u>2,410,923</u>
Change in net assets without donor restrictions	<u>75,411</u>	<u>(245,938)</u>
<b>Net assets with donor restrictions</b>		
Net assets released from donor restrictions	-	(10,000)
Change in net assets with donor restrictions	-	(10,000)
Change in net assets	75,411	(255,938)
Net assets, beginning of year	<u>834,929</u>	<u>1,090,867</u>
Net assets, end of year	<u>\$ 910,340</u>	<u>\$ 834,929</u>

*See independent auditor's report and notes to financial statements.*

# BBB Wise Giving Alliance

## Statement of Functional Expenses For the Year Ended December 31, 2019

	Program Services		Supporting Services		Total
	Charity Reporting Activities	Other Programs	Management and General	Fundraising	
Salaries and benefits	\$ 1,079,927	\$ 230,308	\$ 26,896	\$ 27,275	\$ 1,364,406
Professional services	10,634	58,364	49,523	1,075	119,596
Marketing	50,241	44,244	95	-	94,580
Information technology	48,088	14,293	13,199	632	76,212
Depreciation and amortization	57,932	12,426	1,451	1,472	73,281
Wise Giving guide	64,122	-	-	-	64,122
Office expenses	34,593	11,875	11,556	704	58,728
Occupancy	41,593	11,349	1,188	1,072	55,202
Travel	6,825	6,483	4,738	-	18,046
Dues and subscriptions	9,256	4,442	424	203	14,325
Insurance	9,619	2,393	1,177	250	13,439
Conferences and events	1,987	5,802	5,394	-	13,183
Advertising and promotion	12,530	-	-	-	12,530
Direct mail	1,053	-	-	13,170	14,223
State registration fees	-	-	10,270	-	10,270
Storage	3,707	329	-	-	4,036
Total expenses	<u>\$ 1,432,107</u>	<u>\$ 402,308</u>	<u>\$ 125,911</u>	<u>\$ 45,853</u>	<u>\$ 2,006,179</u>

*See independent auditor's report and notes to financial statements.*

# BBB Wise Giving Alliance

## Statement of Functional Expenses For the Year Ended December 31, 2018

	Program Services		Supporting Services		Total
	Charity Reporting Activities	Other Programs	Management and General	Fundraising	
Salaries and benefits *	\$ 1,068,323	\$ -	\$ 52,293	\$ 26,429	\$ 1,147,045
Professional services	205,577	12,056	331,838	-	549,471
Information technology	154,965	12,000	6,330	2,928	176,223
Marketing	109,571	-	27,393	-	136,964
Depreciation and amortization	118,085	-	5,780	2,921	126,786
Wise Giving guide	64,544	-	-	-	64,544
Occupancy	56,551	-	3,470	1,336	61,357
Office expenses	5,176	3,181	21,245	2,603	32,205
Advertising and promotion	26,475	-	-	-	26,475
Travel	11,219	34	11,476	-	22,729
Direct mail	-	-	-	22,391	22,391
Bad debt expense	15,375	-	-	-	15,375
Insurance	7,774	-	380	192	8,346
State registration fees	-	-	8,301	-	8,301
Conferences and events	88	-	6,523	-	6,611
Dues and subscriptions	6,100	-	-	-	6,100
Total expenses	<u>\$ 1,849,823</u>	<u>\$ 27,271</u>	<u>\$ 475,029</u>	<u>\$ 58,800</u>	<u>\$ 2,410,923</u>

\* Council of Better Business Bureaus, Inc. employees dedicated full time to work for BBB WGA (Note 1).

*See independent auditor's report and notes to financial statements.*



# BBB Wise Giving Alliance

## Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 75,411	\$ (255,938)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	73,281	77,658
Bad debt expense	13,183	15,375
Change in operating assets:		
Accounts receivable	(58,523)	(10,193)
Prepaid expenses	315	(24,114)
Other assets	-	(8,170)
Change in operating liabilities:		
Accounts payable	8,586	24,213
Due to affiliate	(170,919)	(45,451)
Accrued expenses	-	(18,055)
Contract liabilities	(172,863)	(117,504)
Net cash used in operating activities	<u>(231,529)</u>	<u>(362,179)</u>
<b>Cash flows from investing activities</b>		
Purchases of equipment and software	<u>(35,188)</u>	<u>-</u>
Net cash used in investing activities	<u>(35,188)</u>	<u>-</u>
<b>Net change in cash</b>	(266,717)	(362,179)
Cash, beginning of year	<u>1,667,655</u>	<u>2,029,834</u>
Cash, end of year	<u><u>\$ 1,400,938</u></u>	<u><u>\$ 1,667,655</u></u>

*See independent auditor's report and notes to financial statements.*

# BBB Wise Giving Alliance

Notes to Financial Statements

For the Years Ended December 31, 2019 and 2018

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## 1) Nature of Organization

BBB Wise Giving Alliance (BBB WGA) was incorporated under the laws of the District of Columbia on November 14, 1975, and is located in Arlington, Virginia. 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.

Other Programs includes the Advancing Collaboration project. This initiative includes a 12-part article series produced in conjunction with *Stanford Social Innovation Review* which featured insights from charities, foundations and other philanthropic leaders that provided advice on how to operate with the aim of finding trusted partners with complimentary assets to execute a shared vision that a single organization could not accomplish alone. BBB WGA also invited organizations to participate in an Advancing Collaboration Pledge that provided a symbol that not-for-profit organizations and other entities could share on websites and social media to help communicate their commitment to seeking potential collaborators.

At December 31, 2018 and for earlier periods, BBB WGA was affiliated with the Council of Better Business Bureaus, Inc. (the Council) and was 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 served as the organizing body for the Better Business Bureau system. On January 1, 2019 BBB WGA, a separately incorporated 501(c)(3), was no longer considered an affiliated entity to the Council's successor organizations for consolidated financial reporting and continued operations as an independent entity.

## 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 realizable 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 an allowance for doubtful accounts. Management is of the opinion that all accounts receivable are fully collectible and therefore no allowance for doubtful accounts is provided.

*See independent auditor's report.*

# BBB Wise Giving Alliance

Notes to Financial Statements (Continued)  
For the Years Ended December 31, 2019 and 2018

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## 2) Summary of Significant Accounting Policies (Continued)

### *Equipment and Software*

Equipment and software 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 or amortization are removed from the accounts and the resulting gain or loss is credited or charged to revenue. Depreciation and amortization are computed using the straight-line method over three to five years.

### *Contract Liabilities*

Contract liabilities 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.

### *Basis of Presentation*

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BBB WGA are classified in the following two classes:

**Net assets without donor restrictions** represents funds that are available for support of the operations of BBB WGA, and that are not subject to donor restrictions.

**Net assets with donor restrictions** consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit BBB WGA to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. Donor-imposed restrictions are initially reported in the net assets with donor restrictions class, even if it is anticipated such restrictions will be met in the current reporting period.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose by board resolution.

### *Revenue Recognition*

Charity seal license fees are reported at the amount that reflects the consideration BBB WGA expects to receive in exchange for the services provided. Charity seal license fees are based on anniversary date and exclusive benefits are provided continuously over the course of the membership period. Revenue is recognized on a straight-line basis over the one-year term.

Unconditional promises to give are recognized as revenue in the period pledged. Grant revenue is recorded as expenses are incurred unless the grant is unconditional.

BBB WGA produces magazines three times per year. Publications are reported at the amount that reflects the consideration BBB WGA expects to receive in exchange of the product provided. These publications are recognized as revenue at a point in time when the sale occurs.

*See independent auditor's report.*

# BBB Wise Giving Alliance

Notes to Financial Statements (Continued)  
For the Years Ended December 31, 2019 and 2018

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## 2) Summary of Significant Accounting Policies (Continued)

### *Disaggregation of Revenue*

BBB WGA's charity seal license fees and publications are recognized over time or at a point in time based on the performance obligation of each contract. Various economic factors affect revenues and cash flows. All customers are in the United States. Revenue from each source is typically collected within ninety days.

The following table disaggregates BBB WGA's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2019:

	Services transferred over time	Services transferred at a point in time	Total
Charity seal license fees	\$ 1,847,359	\$ -	\$ 1,847,359
Publications	-	19,124	19,124
Total	<u>\$ 1,847,359</u>	<u>\$ 19,124</u>	<u>\$ 1,866,483</u>

The following table disaggregates BBB WGA's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2018:

	Services transferred over time	Services transferred at a point in time	Total
Charity seal license fees	\$ 1,926,047	\$ -	\$ 1,926,047
Publications	-	17,657	17,657
Total	<u>\$ 1,926,047</u>	<u>\$ 17,657</u>	<u>\$ 1,943,704</u>

### *Functional Expenses*

The costs of providing various programs and supporting services are summarized on a functional basis in the statements of activities and functional expenses. 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. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of BBB WGA. Those expenses include professional services, information technology services, marketing services, depreciation and occupancy expenses. All such costs are allocated based on estimates of time and specific utilization.

### *Advertising*

Advertising costs are expensed when incurred. BBB WGA has no significant nondirect-response advertising. Advertising expense for the years ended December 31, 2019 and 2018 were \$12,530 and \$26,475, respectively.

*See independent auditor's report.*

# BBB Wise Giving Alliance

Notes to Financial Statements (Continued)  
For the Years Ended December 31, 2019 and 2018

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## 2) Summary of Significant Accounting Policies (Continued)

### *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.

### *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, 2019 and 2018, as BBB WGA had no significant net unrelated business income.

## 3) Accounting Pronouncements Adopted

On January 1, 2019, BBB WGA adopted ASU No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)* using a modified retrospective method of adoption to all contracts with customers at January 1, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to members in amounts that reflect the consideration to which BBB WGA expects to be entitled in exchange for those goods or services. The amount to which BBB WGA expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services. Adoption of ASU 2014-09 resulted in no changes in presentation of financial statements. Because contracts are generally completed within a year, BBB WGA used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the period ending December 31, 2019.

In 2019, BBB WGA adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of ASU 2018-08 resulted in no changes in presentation of financial statements.

## 4) 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. Non-interest and interest-bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, cash exceeded federally insured limits by \$1,150,938.

*See independent auditor's report.*

# BBB Wise Giving Alliance

Notes to Financial Statements (Continued)  
For the Years Ended December 31, 2019 and 2018

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## 5) Equipment and Software

Equipment and software at December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Equipment and software	\$ 397,699	\$ 379,409
Accumulated depreciation and amortization	<u>(319,559)</u>	<u>(263,176)</u>
Total equipment and software, net	<u>\$ 78,140</u>	<u>\$ 116,233</u>

During the years ended December 31, 2019 and 2018, BBB WGA recorded depreciation and amortization expense related to equipment and software of \$73,281 and 77,658, respectively.

## 6) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2018:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Released from restriction</u>	<u>Ending balance</u>
Advancing collaboration project	\$ 10,000	\$ -	\$ (10,000)	\$ -
Total	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ -</u>

## 7) Related Party Transactions

During the year ended December 31, 2018, the Council allocated to BBB WGA the following operating costs:

	<u>2018</u>
Salaries and benefits	\$ 1,147,045
Professional services	
Accounting	65,063
Legal services	58,934
Management services	186,687
Information technology	126,412
Marketing	136,964
Occupancy	57,989
Other expenses	<u>57,474</u>
Total costs reimburseable to the Council	<u>\$ 1,836,568</u>

*See independent auditor's report.*

# BBB Wise Giving Alliance

Notes to Financial Statements (Continued)  
For the Years Ended December 31, 2019 and 2018

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## 7) Related Party Transactions (Continued)

BBB WGA reimbursed the Council \$170,919 and \$1,882,019 during the years ended December 31, 2019 and 2018, respectively, and owed the Council \$0 and \$170,919 at December 31, 2019 and 2018, respectively.

## 8) Commitments and Contingencies

On September 4, 2018, BBB WGA entered into a non-cancellable operating lease for office space in Arlington, Virginia effective January 1, 2019 and terminating December 31, 2019. The lease calls for monthly payments of \$4,330. Rent expense for the year ended December 31, 2019 was \$55,202.

## 9) Retirement Plan

On January 1, 2019, BBB WGA established a 401(k) defined contribution retirement plan that covers all employees who completed six months of service. Employees are fully vested in salary deferred and employer matching contributions. Employer matching contributions included in the statement of activities was \$63,619 for the year ended December 31, 2019.

## 10) Business Risk Factor

BBB WGA could potentially be affected by natural disasters, public health crisis, such as pandemics and epidemics, or other events outside of their control, which would cause their business and operating results to suffer.

## 11) Liquidity Analysis

The following reflects BBB WGA's financial assets as of December 31, 2019:

Financial assets as of December 31, 2019

Cash	\$	1,400,938
Accounts receivable, net		<u>69,653</u>
Total financial assets		1,470,591
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>1,470,591</u></u>

As part of BBB WGA's liquidity management, BBB WGA has a policy to structure its financial assets to be available and liquid as its obligations become due. BBB WGA has no debt on the statement of financial position as of December 31, 2019 and typically pays its obligations using cash. As of December 31, 2019, BBB WGA has financial assets equal to approximately 8 months of operating expenses.

*See independent auditor's report.*

# BBB Wise Giving Alliance

Notes to Financial Statements (Continued)  
For the Years Ended December 31, 2019 and 2018

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## 12) Subsequent Events

Management has evaluated subsequent events and transactions subsequent to the statement of financial position date for potential recognition or disclosure through September 22, 2020, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements, except as noted below.

### *Operating Lease*

On January 1, 2020 BBB WGA renewed their operating lease. The lease will commence on January 1, 2020 and expire on December 31, 2020.

### *Paycheck Protection Program*

The passage of the CARES Act created the Paycheck Protection Program (PPP), a new loan package designed to provide funding to small businesses for use in paying employee wages and other critical expenses during the COVID-19 pandemic. Under the terms of the PPP loans, once a borrower receives the funds, the amount spent over the covered period weeks on payroll mortgage interest, rent and utilities is eligible to be completely forgiven tax free. Any portion of a PPP loan that is not forgiven must be repaid over two or five years; however, payments are deferred until the earlier of ten months following the covered period or the date the amount of forgiveness is determined at an interest rate of 1%.

Subsequent to the statement of financial position date, BBB WGA applied for and was approved for a PPP loan in the amount of \$195,000. The funds were received May 19, 2020.

*See independent auditor's report.*