

**DOES MEETING BBB ACCOUNTABILITY STANDARDS AFFECT CHARITABLE
GIVING?**

A FOLLOW-UP STUDY OF NEW YORK METROPOLITAN AREA CHARITIES,
REPLICATED BY A NATIONAL SAMPLE

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Introduction

Donations are an essential source of revenue for most charities. Unrestricted contributions are especially important for support of general operations and capacity-building. The national aggregate amount of contributions revenue is significant. According to Giving USA, total charitable giving in the U.S. reached \$316.23 billion in 2012, an increase of 3.5 percent from 2011 (Giving USA, 2013).

However, the nonprofit sector has grown even more rapidly, outpacing the growth of contributions, leading to increased competition among charities and making giving decisions challenging for donors (Cnaan, et al. 2011; Hasenwinkel, 2006; Hager, 2003). Ideally, the performance of nonprofits in terms of effectiveness, efficiency and accountability should be evaluated with the results compared and reported to the public, so that donors can decide on which nonprofit to support, based not only on their values and taste, but also on the charity's performance and accountability. However, performance measurement of nonprofits is complicated. Practitioners and academic communities have not yet developed common methods and criteria for charity impact evaluation that can be applied across subsectors, and in some cases, even within service areas (Richie et al., 2004). Many charities also lack in-house expertise to conduct meaningful self-evaluations of outcomes or operations performance. In this context, donors may base their giving decisions on accountability measures such as nonprofit governance and oversight practices, accuracy of fundraising solicitations, financial elements such as budgets and program expense ratios, and transparency in terms of easy access to nonprofit information (Polonsky and Grau, 2011). Accountability information is therefore critical to help donors decide which charities to support, and to help society at large to allocate limited resources efficiently, especially after the recent recession (Cnaan, et al., 2011).

Better Business Bureau (BBB) efforts to report on charities date back to the 1930s when reports on nationally soliciting charities were produced by a program at the national office of the BBB. Today such national charity reports are produced by an organization known as the BBB Wise Giving Alliance (BBB WGA) located in Arlington, Virginia. . The Education and Research Foundation of the Better Business Bureau of Metropolitan New York (NYBBB) initiated its charity review program, called the New York Philanthropic Advisory Service (NYPAS), in 1987. The purpose of the program is to provide factual information about charitable organizations for potential donors. The BBB Wise Giving Alliance developed the current BBB Standards for Charity Accountability (BBB Standards) with significant input from both the charitable community and the public, and launched them nationally in 2003. The updated BBB Standards were phased in on a rolling basis in Metro New York starting in March 2003, with the last new standard coming into effect by March 2006. In the years since these revised BBB Standards came fully into application, the BBB Wise Giving Alliance and Metro New York BBB Foundation's NYPAS program have assessed publicly soliciting charities against these standards and disseminated the results in public reports, to serve donor and societal needs. BBB WGA has indicated that its website had over 880,000 unique visitors in 2012, and its national charity reports were cumulatively viewed 5 million times in that year. Comprehensive figures for unique visitors to all BBB charity reviews online are not available as of now. At this time, there are about 11,000 local and national BBB charity reviews that are publicly available either through www.bbb.org or the BBB WGA website, www.give.org. Approximately 1,300 are BBB WGA reports and the rest are local charity reports produced by 54 of the 113 BBBs. The extent to which charities meeting the BBB Standards for Charity

Accountability are successful in attracting publicly solicited contributions is of great interest to academia and practitioners.

This study intends to assess the extent to which the BBB charity review program achieves its goal of informing donors in donative decisions by estimating the relationship between charities meeting BBB Standards and the levels of donor financial support, controlling for variables of theoretical and documented effects, including nonprofit size, board size, fundraising expenses, and price. The study employs data from the New York Philanthropic Advisory Service, a program of the Education and Research Foundation of the Better Business Bureau of Metropolitan New York (NYBBB). The data was provided by participating charities in the Metro New York region and reviewed by evaluators at NYBBB; the data is hereafter referred to as the NYBBB dataset in this paper. The study was replicated by a similar analysis using an independently collected dataset from the BBB Wise Giving Alliance (BBB WGA). The BBB Wise Giving Alliance reviews nationally soliciting charities, using exactly the same BBB Standards for Charity Accountability. These nonprofits tend to be larger, they are located across the nation, and they are reviewed by BBB WGA evaluators. For notational simplicity, in this paper this dataset is referred to as BBB WGA data.

The information that follows is organized into four sections. First, it reviews the literature on giving behavior, and it correlates and develops the hypotheses that guide the research. Second, it outlines the research method, data, and statistical models utilized. Third, it provides and discusses the findings of the analysis. Finally, it summarizes the findings, discusses the implication of the results, outlines the limitations of the study, and suggests directions for future research.

Literature review, theories and hypothesis

Major contributions have been made by previous nonprofit management scholars in conceptualizing and testing models of donation. Much of the inquiry has been conducted from the angle of the donors' traits and decision-making process. Many studies have documented donor decision-making based on emotional connections to a cause (Davis, Hull, Young, & Warren, 1987; Griffin, Babin, Attaway, & Darden, 1993; Kottasz, 2004). Other extant empirical work has tended to focus on distinguishing givers from non-givers (Radley & Kennedy 1992; Schlegelmilch & Tynan, 1989), differentiating low value givers from higher value givers for nonprofit revenue strategy (Jones & Posnett, 1991; Prince & File, 1994; Schervish & Herman, 1988), and delineating a range of individual motives for offering support (Davis, Hull, Young, & Warren, 1987; Griffin, Babin, Attaway, & Darden, 1993; Kottasz, 2004). Less attention has historically been given to the role that the charity itself might play in attracting and securing donations, and it is only recently that a new strand of research has emerged focusing on the use of specific fundraising techniques (Aldrich, 2004; Bennett & Barkensjo, 2005; Webber, 2004). Very few studies have been done to address the value of standard-setting organizations that provide charity reviews to aid donor decision-making from an accountability viewpoint. Given the scope of the present study, the literature review focuses on empirical and theoretical studies on the effectiveness of the BBB evaluation program and other key factors, which have a documented effect on donations. The review will lead to a specification of a hypothesis and a model to relate meeting BBB Standards for Charity Accountability to the amount of contributions received, controlling for alternative explanations.

Limited studies have been found in the literature that address the effects of meeting third party standards on donations. Tinkelman included meeting BBB Standards in his accounting

study on joint cost allocation, using a sample of 191 nonprofit organizations in New York State (Tinkelman, 1998). Combining standards from the former Philanthropic Advisory Service of the Council of Better Business Bureaus and National Charities Information Bureau (which subsequently merged to form BBB Wise Giving Alliance), Tinkelman found a positive and significant correlation between meeting standards and the amount of donations from institutional donors. The relationship remains positive but becomes insignificant when individual donors enter into the analysis. Tinkelman reasoned that the high search cost might have hindered individuals from acquiring the information.

Silvergleid (2003) assessed the impact of watchdog organizations on capital acquisition from venture capital viewpoints. Using regression model and lagged cross sectional data from American Institute of Philanthropy (now known as CharityWatch, an organization not related to BBB and using different review methods), the author found no significant relationship between this particular watchdog's evaluation results and the level of donations received by charities at the national level. Nevertheless, the author, applying the same model to data from a local charity evaluation and reporting program, the Charities Review Council in Minnesota (also not related to BBB), does find that participating in regionally focused evaluation programs improves public support. The author interprets this difference as a local effect, i.e., donors giving to locally based and locally focused charities are more motivated to obtain and consider the ratings assigned by a local watchdog when making donation decisions.

Chen (2009) conducted a preliminary study of the impact of meeting BBB Standards, using cross-sectional NYBBB data from the Metro New York region. The study revealed that organizations meeting BBB Standards received significantly higher levels of public donations, controlling for organization size, board size, fundraising effort, and price. The study was

preliminary given the limitations of the research methods and modeling technique used, which were confined by data available at that time.

In summary, scant information is available with regard to the impact on donations of participating in charity review programs and achieving positive reports or reviews. Given the public information needs and the aggregate amount of resources involved in fundraising revenue, well controlled studies are urgently needed.

Other potentially influencing and therefore confounding variables:

A number of organizational characteristics and operational factors have demonstrated effects on the level of public support. These include nonprofit organization size, board size, fundraising expense, mission, and price. Brief discussions on the theoretical and empirical effects of these variables and the resulting hypothesis for the construction of a public support model are presented in this section.

Nonprofit size

Theoretically, the size of a nonprofit organization is associated with the amount of public support for a number of reasons. Larger size represents maturity and name recognition, which tends to predict greater support from donations. A number of studies have assessed the relationship between public support and organizational size empirically (Tinkleman, 1998; Tinkleman, 1996; Olsen, 2000; Callen et al., 2003). Most of the studies report that large size is associated with greater amount of financial support from donations. The empirical evidence is not consistent, however. Stone and colleagues (2001) studied United Way affiliated nonprofits and showed that, on a percentage basis, larger organizations were not likely to receive more funding than smaller organizations from the United Way of Massachusetts Bay. Given the correlation found in the literature, we include nonprofit size as a control in the present study.

Board Size

Board size is expected to affect public support. Some researchers have theorized that a larger board should increase public support through personal contributions and community penetrations. Pfeffer (1973) argues that larger board size is needed to tie nonprofits to broader constituencies and funding bases in the community. Evidence from scant empirical investigations seems to lend support to this postulation. Contributed revenue is positively and significantly associated with board size in studies involving diverse nonprofit organizations (Olson, 2000; Provan, 1980; Stone, et al., 2001). However, opposing evidence was also found in studies relating contributions to board size (Callen, et al., 2003). Further empirical investigation is needed. Given the strong theoretical support of a positive relationship, for the present study, we include board size in the study to control for this effect.

Fundraising expenses

One important way for charities to generate donations is through fundraising. Consequently, the effort and the amount of resources that a charity spends on fundraising are postulated to be positively related to the resulting public support. Empirical studies have mostly confirmed this relationship. For example, Frumkin and Kim (2001) found a significant positive relationship between fundraising expenses and private donations. In some studied circumstances, higher spending on fundraising tended to improve the reach to potential donors, promoting the service of the organization and conveying the values of its mission. Tinkelman (1998) found a similar result in his 1991-92 study of 191 national nonprofits with public education programs. However, he found that the effect is primarily for individual donors, not institutions. He reckoned that institutional donors often require the submission of detailed

proposals from nonprofits and base their donative decisions on many factors other than the emotional urgency of the fundraising appeal. Okten and Weisbrod (2000) reported a countervailing effect of fundraising on public support in their panel studies. In their study, fundraising was positively associated with total contributions as an advertising effect in the short run. In the long run, higher fundraising expenses reduce the efficiency of the nonprofit, and potentially decrease the amount of public support. Given the focus and time frame of the present study, we include both fundraising revenue and fundraising revenue squared in the present study.

Type and mission services

The attractiveness of a charity's mission affects public support. Public support has been found to be associated with organizational type and the services they deliver. Some research suggests that charities which focus on art and culture, education, and research tend to receive more public support (Young, 2007). In contrast, some studies have found that charities which provide law and public advocacy services receive less public support. LeClair and Gordon's 2000 study found that corporate support for charities was based on subsector preference. Giving to cultural/artistic charities was identified as a means to advertise for the firm, while supporting educational nonprofits within the same industry benefited the corporation by providing better prepared labor forces (LeClair et al., 2000). Consequently, we consider including dummy variables for charity service types initially.

Price

Price represents the amount of money that donors contribute to obtain one dollar of output from a charity. Price is often used as a proxy for efficiency as it is inversely related to the proportion of total revenue used for administration and fundraising purposes (Tinkleman,

1998). Weisbrod and Dominguez (1986) defined price as $1/(1 - (f + a))$, where f is the percentage of the total revenue used for fundraising expenses, and a is the proportion of administrative expenses. This definition of price is used in the present research.

Empirical evidence suggests that lower price is correlated to higher donations (Weisbrod and Dominguez, 1986; Callen, 1994; Tinkleman, 1998). Steinberg (1986) also found a negative effect of price on donation, but the effect was not statistically significant. However, more recent studies seem to suggest inconsistent price effect, depending on the type of nonprofit organization concerned. The price elasticity on donation has been found to be positive for U.S. hospitals, and negative for scientific research nonprofits (Marudas & Jacobs, 2004). Again, further empirical investigation is required. For the present study, and considering donor sensitivity on efficiency measures, we include price as a control before the assessment of the effect of program participation and meeting BBB Standards on donative revenue generation.

Hypothesis

To guide the present study, the following hypothesis is specifically stated:

Meeting BBB Standards for Charity Accountability is associated with a higher level of public giving, controlling for important organizational and contextual factors, nonprofit type, organization size, board size, fundraising expense, and giving price.

Research design

The study employs a multi-data and multi-method approach to investigate (and potentially corroborate study findings) on the effect of program participation and meeting BBB Standards for Charity Accountability on charitable giving, controlling for other key documented effects on public support. The study endeavors to corroborate prior study findings, while keeping the mind open for divergence of findings among replications, which could be due to the

different locations of program implementation or the different participating subject organizations.

Data

Multiple years of data were obtained from the Education and Research Foundation of the Better Business Bureau of Metropolitan New York. The data represent reports on participating charities in the NYBBB evaluation program for each year between 2006 and 2011. The BBB program conducts evaluations and reports evaluation results on individual participating charities; completed reports are valid for two years. This makes it theoretically possible to issue three NYBBB charity reviews on a participating individual charity in a 6 year period. After initial cleaning-up, the dataset includes 2,154 charity-year records from 674 charities. Not every charity participated in all three separate reports, making the dataset imbalanced.

A second dataset was obtained from the BBB Wise Giving Alliance and is composed of nationally soliciting charities. The dataset includes 1,657 records, derived from 1,051 participating charities. It can be inferred from the charity-record combination that some of the charities have one or two years of data. This data structure has ramifications for the selection of available analytical methods, i.e., panel studies cannot be applied. The problem and implication will be discussed later in this section.

Variables

The dependent variable in this study is fundraising revenue. Fundraising revenue or public support refers to the publicly solicited contributions received by a charity over a one year period. For many charities, donations are the main source of revenue, especially for the unrestricted funds that are so critical for operations. Recognizing the constraints of future

government support, and observing the rising competition for contributed revenues, charity managers are increasingly concerned about the ability of their organizations to attract donations for survival and growth (Hasenwinkel, 2006). In the following, fundraising revenue and public support are used interchangeably.

Fundraising revenue is measured by the dollar amount of annual donations from publicly solicited sources, such as individual contributions, foundation support, corporation support, bequests, legacies, planned giving, United Way, and UJA Federation. It also includes in-kind donations and services, special events (less certain related costs), non-contract government grants, and membership when it is a fundraising tool, such as at an art museum. The primary dependent variable was treated by log function before it was modeled in the analysis. The treatment was intended to reduce heteroscedasticity which is a required assumption in the ensuing statistical analysis.

The independent variable is meeting the BBB Standards. It is a dichotomy variable where it is coded as one if the nonprofit meets the BBB Standards and zero if it failed to meet all the standards. The BBB Standards for Charity Accountability (BBB Standards) are composed of four major categories: Governance and Oversight; Measuring Effectiveness; Finances; and Fundraising and Informational Materials. Charities participate in the evaluation programs by making voluntary disclosures of information relevant to the BBB Standards. The results of the assessments are intended to help charities show that they meet high accountability standards and also to help donors make sound charitable giving decisions. Although not focused on the worthiness of a charity's programs or mission in terms of outcomes and impacts, the BBB Standards do reflect an understanding of the governance and management practices that lead to accountable and successful performance. There is no charge to charities for the BBB

evaluation and the resulting reports are freely accessible to the public. Charities that meet all BBB Standards are invited to license, at its option, a charity seal for a sliding scale fee. The seal can be placed on the organization's solicitation mailings, website, newspaper and magazine advertisements, letterhead, and other transient information dissemination tools so that they can be easily identified for donors making giving decisions.

The control variables comprise organization size as measured by total assets, board size measured by the number of directors, fundraising expense measured by total annual expense in fundraising and price as defined by Weisbrod and Dominguez (1986). Organization type based on BBB classification was initially considered for inclusion, but was removed after a preliminary correlational analysis. The correlation matrix among fundraising revenues and the dummy variables generated for each nonprofit type showed very small correlation (the largest correlation coefficient is less than 0.12). For model parsimony, nonprofit type was not included in causal modelling. It remains in the description analysis though to document the types of organizations being included in the present study for future replication and potential generalization of the findings. The control variables selection intends to reduce estimate bias due to model specification error. It is balanced by model parsimony for statistical power. Natural log was taken for variables measured in dollar amount to reduce the potential heteroscedasticity, similar to the treatment of the dependent variable. Further efforts to reduce potential violation of assumptions were also made in the model construction process as outlined below.

Analytical approach, model specification and statistical analysis

The study takes a multi-datasets and multi-methods approach to address the research question, using independently collected data and correspondingly most suited analytical

techniques. This is purposeful, as well as out of necessity. The study intends to assess the correlations between charities voluntarily participating in and meeting BBB Standards and the ability of those same organizations to attract and acquire donative support. The study was conducted using Metro New York data provided by NYBBB in the first analysis. The study is then replicated by a similar model, using a national dataset obtained from the BBB WGA. If the results of the two separate analyses converge, that will provide stronger evidence for program effects. If the results diverge, that will raise new questions with regard to program robustness in varying contexts, as well as implementation equivalence by two groups of staff, presumably using the same criteria and same procedure.

The replicated study design is also out of technical necessity as the data from the two data sources are not suited for one grand model. Although the variables and the way they are measured are supposed to be identical, the number of repeated data collections in the two datasets provided for this study is different, which has methodological implications. The NYBBB data provides approximately three waves of observations for each charity over six year time period, which allows for the use of panel analysis, the most powerful statistical method for cross sectional, time series dataset. The BBB Wise Giving Alliance sample available at the time of analysis has two waves of data, (and for many charities, only one year of evaluation data are available), which can only be modeled with cross-sectional regression analysis¹. To make the most efficient use of the available data, two separate analyses, using the most suitable analytical techniques were conducted. This allows for variations due to implementations of the same

¹ BBB charity reviews are valid for two year periods; this is true for both BBB Wise Giving Alliance and NYBBB charity reports. The sample difference here had to do with the extent of datasets that WGA and NYBBB were able to produce and provide at the time this study was done.

program by the two separate BBB organizations, thereby improving internal validity and strengthening external validity through more powerful modeling and replications across sites and participating organizations.

A random effect model implemented in Stata statistical analysis software was fitted to the NYBBB data to study the effect of meeting BBB Standards on fundraising revenue, controlling other key documented influential factors. The decision was made after comparing the random effect model with the fixed effect model of panel studies. From a theoretical viewpoint, the random model seems to fit the data better, as variations can come from both the cross sectional and the time series dimensions. Given the limited variability in the time dimension due to the limited waves of data collection, leaving the cross-sectional variation out of the analysis is an inefficient use of data.

A statistical test was performed to assess the appropriateness among the two potential modeling techniques. All test statistics, including the Breusch and Pagan Lagrangian multiplier test for random effects and Hausman test statistics are insignificant, rejecting the fixed effects model and in favor of a random effect model. Based on theoretical and technical considerations, we decided to use the random effect model for the analysis of the NYBBB data.

For the national data analysis, pooled cross-sectional linear regression was adopted, due to the lack of observations across time. For comparison purposes, the variables were measured identically and the models, except for error terms, were specified in mathematically similar forms in the two analyses. The model for the NYBBB analysis is illustrated in the following equation:

$$\log\text{Fundraisingrev}_{i,t} = \beta_0 + \beta_1 * \text{meetstandard}_{i,t} + \beta_2 * \text{board_size}_{i,t} + \beta_3 * \text{logtotassets}_{i,t} + \beta_4 * \log\text{fundraisingexp}_{i,t} + \beta_5 * \text{price}_{i,t} + e_{i,t}$$

Where:

$\log\text{Fundraisingrev}_{i,t}$ is the logarithm of revenue through fundraising of i -th charity in t -th year.

$\text{meetstandard}_{i,t}$ is an indicator as to whether the charity meets all BBB standards in t -th year.

$\text{board_size}_{i,t}$ is the number of board members for i -th charity in t -th year.

$\log\text{totassets}_{i,t}$ is the logarithm of total assets for i -th charity in t -th year.

$\log\text{fundraisingexp}_{i,t}$ is the logarithm of fundraising expense for i -th charity in t -th year.

$\text{price}_{i,t}$ is defined as $1/(1-\% \text{ fundraising} - \% \text{ administration})$ for i -th charity in t -th year.

The data from both datasets were reviewed, cleaned and prepared for analysis. For instance, duplicate records or records with missing values for fundraising related donations and records with zero total assets were deleted from the dataset prior to analysis. The data of the samples were then summarized, using descriptive statistics for initial investigation, before fitting into the panel analysis model for the estimation of effect of participating and meeting BBB Standards for Accountability on fundraising revenue.

Results and discussions

As outlined in the method section, the effects of meeting BBB Standards for Charity Accountability on acquiring public support as measured by fundraising related revenues are investigated through two studies, using NYBBB datasets and verified with BBB WGA datasets. They are reported therefore separately.

NYBBB data analysis

Although 2,154 records were provided from the NYBBB data source in total, just 1,354 of those records contained fundraising revenue data, a key studied variable. The records lacking this data belonged to "nondisclosure" reports, which were published by NYBBB when charities did not voluntarily provide sufficient information to allow preparation of a full evaluation. The following summary statistics are based on all available data, excluding 4 apparent duplicates, which are removed from the dataset.

Descriptive statistics

The mean and the variance of quantitative variables for the NYBBB dataset are presented in Table 1. As shown in the table, the participating charities are large on average and varied in size. The mean for assets in the group is \$35.9 million, ranging from a low of \$1,245 to a high of \$2.66 billion. The mean for revenue from fundraising is over \$7 million, varying from a minimum of \$4,282 to a maximum of \$313 million. The majority, more than 70 percent, of the participating charities in this dataset meet all the BBB Standards for Charity Accountability.

Table 1. Descriptive Statistics for New York Sample

Variable	Observations	Mean	Std. Dev.	Min	Max
Fundraising revenue	1354	\$7, 358, 056	\$22, 200, 000	\$4, 282	\$313, 000, 000
Meet standards	1446	0. 70	0. 46	0	1
Board size	1418	22. 10	13. 60	3	162
Fundraising expense	1407	\$668, 625	\$2, 024, 336	\$0	\$34, 000, 000
Assets	1434	\$35, 900, 000	\$134, 000, 000	\$1, 245	\$2, 660, 000, 000
Price	1435	1. 32	2. 45	1. 00	93. 46

Note: These figures represent analysis of BBB charity reports in the dataset which provided complete BBB evaluations of charity data against the 20 BBB Standards for Charity Accountability.

Table 2 shows that the charities included in the study are of diverse types. Mirroring the overall population of nonprofits in the Metropolitan New York area, the largest group of charities in this study are in the Health and Human Services category, representing more than 41 percent of the sample. This is followed by Arts and Culture related charities. The groups for Religious-related charities and Law & Public Interest charities are small, each making up about two percent of the sample.

Table 2. Frequency Distribution of Charity by

Nonprofit type	Frequency	Percent
Animals & Environment	129	6.56
Arts & Culture	361	18.36
Children, Youth & Families	199	10.12
Community Development	239	12.16
Education	97	4.93
Health & Human Services	811	41.25
Law & Public Interests	46	2.34
Religious-Related	40	2.03
General and others	44	2.24
Total	1966	100

Panel analysis

For the panel study, 636 nonprofits with 1335 institution/year combination records have complete data. They are fitted into the random variance model. The analysis indicates that the model fits the data well ($\chi^2 = 1714$, $p < 0.001$). The model accounts for more than 72 percent of the total variance in fundraising revenues.

The estimates of the regression coefficient are presented in Table 3. As shown in the table, most of the effects of the control variables are consistent with predictions in the literature review. Size, as measured by total assets, board size as measured by the number of board

members, and fundraising expense are all positively and significantly correlated to fundraising revenue. The results confirm previous studies and support the hypothesis in the present study.

Table 3. Robust Random Effect Panel Analysis of Meeting BBB Standards on Fundraising Revenue, Controlling for Key Other Potentially Confounding Variables

logdonation	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
meetstandards	0.135	0.056	2.44	0.015	0.026	0.244
boardsize	0.006	0.002	2.75	0.006	0.002	0.010
logtotassets	0.277	0.024	11.75	0	0.230	0.323
logfundraisingexp	0.466	0.030	15.59	0	0.407	0.525
price	-0.009	0.003	-3.07	0.002	-0.015	-0.003
Constant	4.296	0.272	15.81	0	3.763	4.828

Price has a negative coefficient, which is also statistically significant ($p= 0.005$), as predicted. By definition, price is inversely related to the proportion of administrative expense and fundraising expense. Higher price reflects a lower proportion of program spending, that is, a lower level of efficiency as often used in nonprofit accounting literature. The results that a higher level of price, or lower level of efficiency predicts a lower level of public support is consistent with the hypothesis of the present study.

Controlling for the above key organizational and operational factors, meeting all BBB Standards has demonstrated an independent positive and significant effect on public support at the conventional 0.05 level ($p= 0.015$). The regression coefficient indicates that meeting all BBB Standards in this NYBBB dataset predicts an average increase in total public support by 13.5 percent, other organizational and operational characteristics included in the model being equal. The hypothesis that meeting BBB standards is associated with a higher level of public support is therefore supported.

BBB WGA data analysis

The results of the NYBBB study were verified by fitting the BBB WGA data to an as identical model as technically feasible. The BBB WGA program has the same features as the NYBBB program, using the same BBB Standards for Charity Accountability and the same formal guidelines to assess participating charities and distribute the information, although implemented by two separate BBB organizations, in different contexts. Subsequently, similar results from both studies should provide corroborative evidence for program effects in informing donors for donation decisions, channeling the limited resources from society to the most accountable organizations, meanwhile methodologically improving the internal and external validity of the present study.

Descriptive statistics

Following the same procedure, the mean and the variance of the variables for the national BBB WGA dataset were calculated, and the results are presented in Table 4. Compared to the charities in the NYBBB sample, the participating charities in the BBB WGA sample are even larger in size. The mean for revenue from fundraising sources was considerably greater at over \$38 million, compared to the \$7 million average for the NYBBB sample. The assets of the charities in the sample vary significantly from a minimum of \$1,669 to a maximum of \$11.2 billion, representing the diversity of the organizations in the national sample. More than half of the participating organizations (56 percent) in the BBB WGA dataset met all BBB Standards. A few of the national charities in the BBB WGA sample did not meet standards, in part, because they claimed to have zero fundraising expenses.

Table 4. Descriptive Statistics for National Sample

Variable	Observations	Mean	Std. Dev.	Min	Max
Fundraising Revenue	1,660	\$38,500,000	\$133,000,000	\$4,180	\$3,210,000,000
Meets Standards	1,665	0.56	0.5	0	1
Board Size	1,658	19.41	74.45	2	2945
Total Assets	1,665	\$64,400,000	\$386,000,000	\$1,669	\$11,200,000,000
Fundraising Expenses	1,654	\$3,003,143	\$9,609,203	\$0	\$143,000,000
Price	1,655	1.35	2.49	1	92.59

Similar to the NYBBB sample, Table 5 shows that the charities in the national sample are also from diverse service categories. The largest subsector in the national sample is Human Services, accounting for approximately 15 percent of the sample. This is followed by Health, Children & Youth, Relief & Development and the Environment. Apparently, the two evaluation programs use different classification methods to categorize charities in their databases. Comparing the charity subsector in the two samples seems difficult to interpret. Given the insignificant results of charity type in the NYBBB study, nonprofit type was not included in further analysis, beyond providing a piece of information about the charities in the sample.

Table 5. Frequency Distribution of Charity by Type - National Sample

Type of Charity	Frequency	Percent
Animal Protection	82	4.91
Arts & Culture	26	1.56
Blind & Visually Impaired	46	2.76
Cancer	94	5.63
Children & Youth	179	10.72
Civil Rights	49	2.94
Community Development & Civic Organization	50	3
Education & Literacy	99	5.93
Environment	126	7.55
Health	210	12.58
Human Services	249	14.92
Law & Public Interest	36	2.16
Relief & Development	154	9.23
Religious	92	5.51
Veterans & Military	57	3.42
OTHER	120	7.18
Total	1669	100

Results of regression analysis

A pooled regression model was fitted into the BBB WGA data, using the same model specification. Analysis of the national data produced very similar results to the analysis of NYBBB data. The regression model also fits the national data well ($F = 1,033$, $p < 0.001$). The model accounts for more than 76 percent of the total variance in fundraising revenue. The estimates of model coefficient are presented in Table 6.

Table 6 suggests that most of the effects are consistent with the literature review and support the respective hypotheses. Size, as measured by total assets and fundraising expense, is positively and significantly related to fundraising revenue. Larger organizations and higher fundraising expenses predict higher fundraising-related donations. Price is negatively and significantly correlated with fundraising revenue. Higher price is associated with lower

fundraising revenue. The effect of board size is insignificant for the national BBB WGA dataset.

Table 6. Regression Analysis of Effect of Participating and Meeting BBB Standards on Fundraising Revenue, Controlling for Potentially Confounding Variables ó National Sample

logdonation	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
meetstandards	0.078	0.046	1.68	0.093	-0.013	0.169
boardsize	0.000	0.000	-0.95	0.341	-0.001	0.000
logtotassets	0.419	0.016	25.97	0	0.387	0.451
logfundraisingexp	0.389	0.017	22.88	0	0.356	0.422
price	-0.021	0.009	-2.22	0.027	-0.039	-0.002
Constant	4.038	0.168	23.97	0	3.708	4.369

As shown in Table 6, and corroborating the results of the NYBBB study, participating in a BBB charity review and meeting all the BBB Standards for Charity Accountability predicts an increase in fundraising related donations. The effect size is, however, somewhat lower for the national sample: meeting all BBB Standards predicts an average increase in total public support by about 8 percent, other organizational and operational characteristics in the model being equal. Moreover, the effect is only statistically significant at another conventional, however elevated, 10 percent level ($p=0.093$).

Overall, the two studies have produced very similar results directionally and statistically. It therefore provides corroborating evidence to support the claim that meeting BBB Standards for Charity Accountability is positively associated with increased levels of public support as measured by fundraising revenue from donative sources. The difference in effect size and significance level of the two studies could be attributed to a number of factors. It could be speculated that, due to the lack of longitudinal dimension in the national data, that dataset did not lend itself to more powerful statistical analysis techniques; and so this circumstance may have contributed to the lack of power to detect effects. The two datasets showed variations in

participating charities in terms of type, location, and size. Also, the two datasets reflected the implementation of the Better Business Bureau charity reporting program by the two separate BBB organizations, albeit using the same BBB Standards and implementation guidelines. These factors may have contributed to the differences between the datasets in the effect of the evaluation program. The effort to use the evaluation results in soliciting donations may also vary between the two samples, as one is regional and the other is national, corresponding to the differences identified Silvergleid's study (2003) reviewed earlier.

Summary, implications, and directions for future research

This study investigated the effect of meeting BBB Standards on the amount of fundraising revenue, while controlling for documented key confounding factors. The study uses multiple datasets including a regional sample from the Metro New York BBB and a BBB Wise Giving Alliance national sample. The study uses somewhat different statistical methods, i.e., panel analysis and pooled regression, contingent on data quality. The study confirms that large organizational size and higher fundraising expenses are significantly positively related to public support. The effect of price, a measure related to the program expense ratio, is one of many elements assessed through the BBB Standards for Charity Accountability, and therefore potentially overlapping with the effect of the BBB accountability program.

The study finds a significant effect of meeting BBB Standards on the amount of public giving. This suggests that the BBB Charity Review Program may perform an important service to donors who are making giving decisions. Meeting all BBB Standards is associated with a 13.5 percent increase in fundraising revenue in the NYBBB sample and an 8 percent increase for the national BBB WGA sample, over and above the actual characteristics, the effort of fundraising, and performance of the charity, controlled for in the present study. Charities that

meet all BBB Standards become “BBB Accredited Charities,” a status that is displayed for public review and consideration on the BBB website. Charities that meet all BBB Standards and that also voluntarily license the BBB Accredited Charity Seal are permitted to use the BBB Seal in fundraising. Participating in the BBB’s Charity Review Program and meeting all BBB Standards is demonstrably associated with stronger fundraising results, and is therefore recommended as a consideration for charities that seek to increase revenue from donative sources.

From the societal perspective, the BBB evaluation program seems to serve its function to channel more of the limited donative resources to the most accountable charities. It could be a very useful tool in bringing higher levels of transparency, accountability, public trust, and total funding to the charitable sector. Over time, the BBB Charity Review Program could contribute to improving allocative efficiency of society’s limited resources, while building a stronger nonprofit sector as a whole.

A number of common limitations in social science studies apply to this present study. The study is based on results from a maximum of three rounds of evaluations. Not all participating charities were involved in all three successive BBB reviews during the time period covered by this study, making the data imbalanced even for the NYBBB dataset. The national data is even more limited in time frame, making it unsuitable for the use of panel analysis method. Neither sample is randomly selected, limiting the projection of the results to charities in other places and under different circumstances. In this regard, the present analysis can only be treated as two case studies, although the accumulation of convergent case studies paves the way for a valid knowledge base.

Future studies might replicate the present study, using longer term panel data and representative samples, or data from other local BBB charity review programs. The effect of the BBB Accredited Charity Seal issued to qualifying and participating charities could also be explored for its effects on fundraising.

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APPENDIX: BBB STANDARDS FOR CHARITY ACCOUNTABILITY

GOVERNANCE

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

MEASURING EFFECTIVENESS

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

FINANCES

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

FUNDRAISING AND INFORMATIONAL MATERIALS

15. Have solicitations and informational materials distributed by any means that are accurate, truthful and not misleading, both in whole and in part.
16. Have an annual report available to all, on request, that includes:
 - (a) the organization's mission statement,
 - (b) a summary of the past year's program service accomplishments,
 - (c) a roster of the officers and members of the board of directors,
 - (d) financial information that includes (i) total income in the past fiscal year, (ii) expenses in the same program, fundraising and administrative categories as in the financial statements and (iii) ending net assets.
17. Include on any charity websites that solicit contributions, the same information that is recommended for annual reports, as well as the mailing address of the charity and electronic access to its most recent IRS form 990.
18. Address privacy concerns for donors by:
 - (a) providing in written appeals, at least annually, a means (e.g., such as a check off box) for both new and continuing donors to inform the charity if they do not want their name and address shared outside the organization,
 - (b) providing a clear, prominent and easily accessible privacy policy on any of its websites that tells visitors (i) what information, if any, is being collected about them by the charity and how this information will be used, (ii) how to contact the charity to review personal information collected and request corrections, (iii) how to inform the charity (e.g., a check off box) that the visitor does not wish his/her personal information to be shared outside the organization, and (iv) what security measures the charity has in place to protect personal information.

19. Clearly disclose how the charity benefits from the sale of products or services (i.e. cause-related marketing) that state or imply that a charity will benefit from a consumer sale or transaction. Such promotions should disclose, at the point of solicitation:

- (a) the actual or anticipated portion of the purchase price that will benefit the charity (e.g., 5 cents will be contributed to abc charity for every xyz company product sold),
- (b) the duration of the campaign (e.g., the month of October),
- (c) any maximum or guaranteed minimum contribution amount (e.g., up to a maximum of \$200,000).

20. Respond promptly to and act on complaints brought to its attention by the BBB Wise Giving Alliance and/or local Better Business Bureaus about fundraising practices, privacy policy violations and/or other issues.

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Additional information on these standards is available at give.org.