

# WISE GIVING™

GUIDE

BBB WISE GIVING ALLIANCE : WINTER/HOLIDAY 2023



## DONOR



## HANDBOOK

## 2023





A Publication of the  
BBB Wise Giving Alliance

The *Wise Giving Guide* is published three times a year to help donors make more informed giving decisions. This guide includes a compilation of the latest evaluation conclusions completed by the BBB Wise Giving Alliance.

If you would like to see a particular topic discussed in this guide, please email suggestions to

[guide@give.org](mailto:guide@give.org)

or write to us at the address below.

## WINTER/HOLIDAY ISSUE 2023

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# president's MESSAGE

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**A**s quickly as the world is changing, certain misperceptions and myths about charities endure. Two of our cover stories address long-held, common mistakes. One is the misperception that all charity salaries are part of the charity's "overhead." As we will see, this is inaccurate. Paid charity staff can carry out a variety of functions at an organization. The time spent on different functions should be accordingly allocated across program services, fundraising, and administrative expense categories.

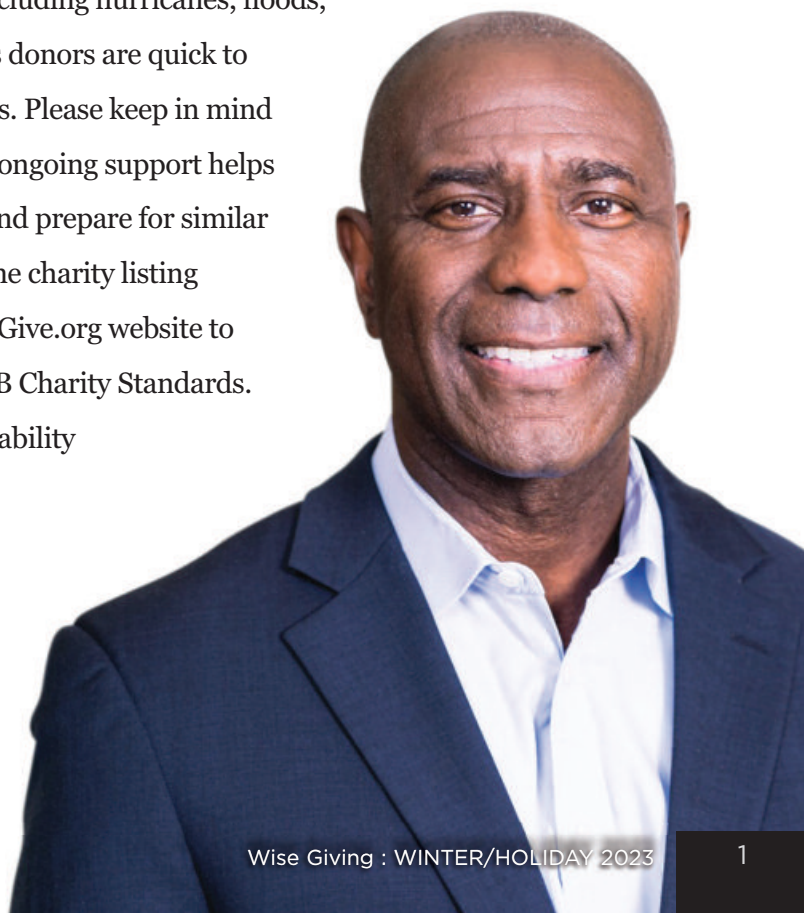
Another story features the often-misunderstood claim that "100%" of donations will be spent on a specific charity program, such as immediate disaster relief. While it is possible that the charity is restricting the use of some donations, it is likely that the associated administrative and fundraising expenses are still being incurred. The charity is just using other funds to pay for fundraising and administrative expenses, such as a special gift made by a celebrity or wealthy donor.

As we enter the holiday season and 2023 comes to a close, I reflect on the many tragic events that called for public support this year, including hurricanes, floods, fires, earthquakes, mass shootings and wars. Generous donors are quick to respond to the emotional pleas as they fill the headlines. Please keep in mind that many of these issues have long-term effects. Your ongoing support helps charities adequately address the long tail of disasters and prepare for similar events ahead. As always, we encourage you to review the charity listing appearing in this *Wise Giving Guide*, and to check the Give.org website to verify that the relief charities you support meet the BBB Charity Standards.

We are grateful for your interest in charity accountability and thank you for your support.



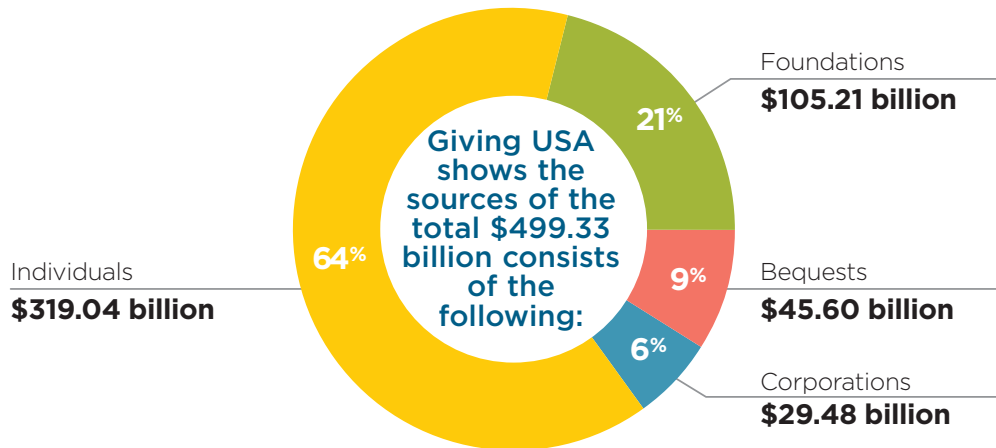
H. Art Taylor, *President & CEO*



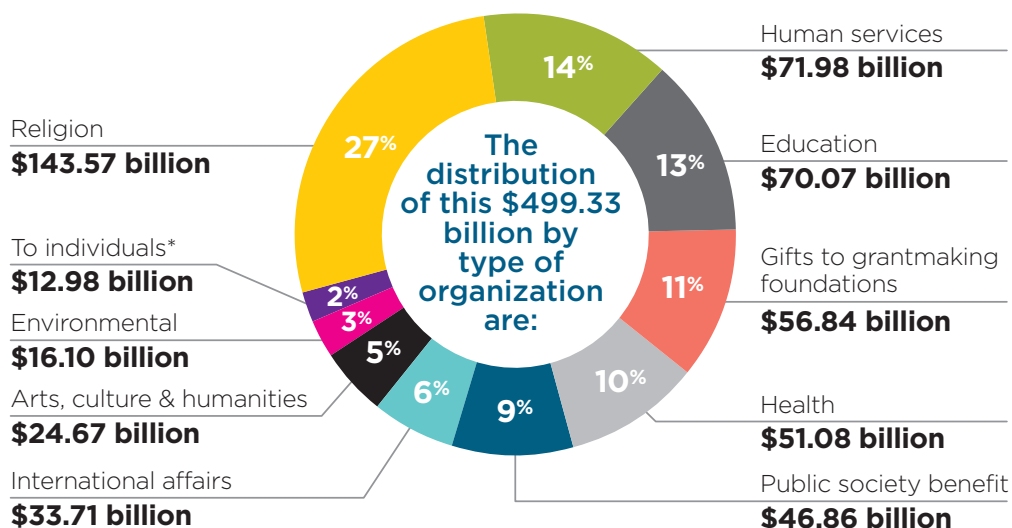
# 2022 Giving Statistics

According to *Giving USA: The Annual Report on Philanthropy*, total giving during 2022 was \$499.33 billion. This represents a \$17 billion (10.5%) drop in inflation-adjusted donations, as compared to \$516.65 billion in 2021. Raising further concerns, donations from individuals dropped 13.4 percent from the previous year, after adjusting for inflation. The high rate of inflation in 2022 was a significant factor affecting the purchasing power of donated dollars. The *Giving USA* report is published by the Giving Institute, with research conducted by the Indiana University Lilly Family School of Philanthropy. The charts below are based on their findings.

## 2022 Donations by Sources



## 2022 Donations by Type of Recipient Organization



\* Giving to individuals consists of in-kind gifts of medications made by pharmaceutical companies to patients in need.

# Be Cautious of 100% Claims in Appeals

Lately, it appears that disasters and tragedies are taking place with increasing frequency. Donors are being asked to be as generous as they can to support charities helping victims, their families and their communities recover. It's no surprise that some contributors become cautious and skeptical about each new wave of solicitations. To convince donors that their funds will be well-used, some charities, unfortunately, may turn to the pronouncement that all donated funds will be distributed to those in need. While charities that make such "100% claims" usually have the best of intentions, the resulting promotional language can end up being misleading.

All charities have some level of overhead expenses to carry out their work. At a minimum, among other things, there will be fees associated with processing credit card donations, the need to maintain a donor list, accounting records, filing of applicable state government charity registrations, and periodic meetings of the governing board for proper oversight of operations. In turn, there will be paid staff members who help complete these tasks.

So, a disaster relief promotion that states "100% of your donations will be spent on XYZ emergency relief programs" can raise an eyebrow of credibility unless it appears along with some explanation on how this is being accomplished. For example, if board members or celebrity donors are covering overhead expenses, that should be disclosed alongside any 100% claims made in appeals. To do otherwise could result in a potentially misleading appeal that would not meet BBB Charity Standard 15 which calls for charitable solicitations and informational materials to be accurate, truthful and not misleading, both in whole, and in part.

Depending on the circumstances, it is possible that some 100% claims in appeals could result in the solicitation of donor-restricted funds, which represents a legal restriction on how money can be used. Most charities do not seek such a restriction since it can create additional tracking and expenditure requirements that limit the ability of a charity to spend funds where they are needed most.



# \$749 Million Contributed at the Checkout in 2022

*America's Checkout Champions*, a biennial report issued by Engage for Good, shows that in 2022, American retailers raised more than \$749 million for charities at various point-of-sale campaigns, such as consumers rounding up their purchase to the nearest dollar with the overage going to charity. This was the sixth time Engage for Good issued this report. This latest edition focused on 77 campaigns that each raised \$1 million or more for charity. Examples of retailers mentioned in this report include eBay, Albertsons Companies, Walgreens, Costco Wholesale, and Walmart. The cumulative amount donated represented a 24% increase over what was raised in 2020.

Engage for Good also notes that 67% of the campaigns they researched consisted of enabling consumers to round up their purchases. While the most popular category of charity was children's health, a variety of other causes were also featured such as, hunger relief, needs in Ukraine, and disaster assistance. In addition, 43% of the companies featured were not part of the roster of participants they reviewed two years earlier, demonstrating a different mix of retailers was now engaged in these \$1 million and above fundraising efforts.

In addition to the rounding up at the register, other campaign approaches include purchasing a paper icon for a fixed dollar amount that is displayed in the store, asking for a specified donation amount to be added to the amount paid by the consumer or a canister, or similar coin collection device placed at the point of purchase.

BBB Wise Giving Alliance provides the following tips for consumers/donors invited to donate at the checkout:

**Look for clarity in the ask.** See if the retailer specifies which charities will receive the collected funds. If the campaign just references a cause, such as breast cancer, this may make it more difficult to find out how your donation will be used.

**Don't assume the charity has been vetted.** If a specific charity has been named, we encourage potential donors to take the time to verify the trustworthiness of the selected charity. Visit [Give.org](https://www.give.org)

to see if the organization is a BBB Accredited Charity (i.e., meets the 20 BBB Charity Standards.)

**If unsure, don't be pressured to donate immediately.** Be wary of excessive pressure to donate, even at the register. If interested, you can always donate at your next visit, after you've had a chance to find out more.

In turn, BBB WGA advises retailers to consider the following:

## **Make charity arrangements in writing.**

For various reasons, a company should have a written agreement with the specified charity giving the company permission to use the charity's name and/or logo, specifying arrangements for when funds will be sent, and confirming that the charity will approve the disclosures made to consumers/donors in the campaign.

**Verify accuracy of disclosures.** Campaign transparency will be appreciated by customers but remember that they generally are the ones making the donation. The company usually serves as a go-between and forwards the

cumulative funds that have been donated for the charity recipient(s). In 2022 a lawsuit was filed against a major retailer by a consumer who alleged the language used in a point-of-sale charity campaign misled them.

## **Check out potential charity participants.**

Before engaging in a point-of-sale donation option, visit [Give.org](https://www.give.org) to find out if the potential charity partner meets the BBB Charity Standards.

Given its history and growth, BBB Wise Giving Alliance anticipates this form of fundraising will continue to grow in popularity both at brick-and-mortar retail locations as well as online.





# Charity Salary Misperceptions

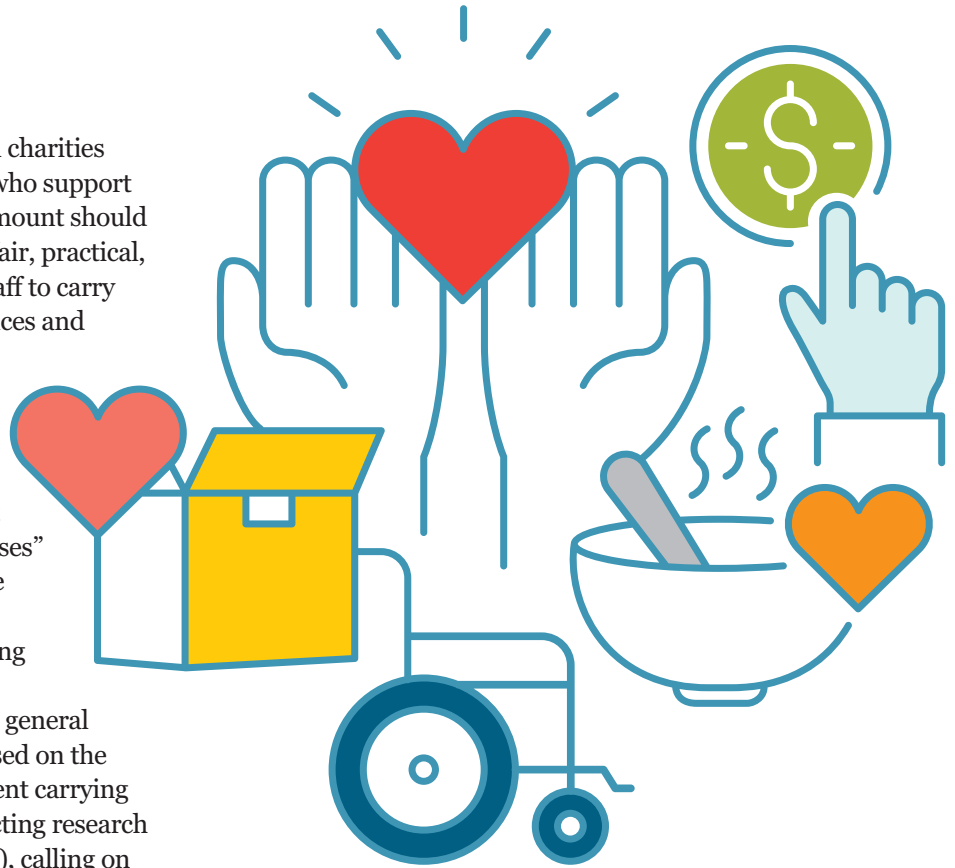
Unfortunately, some donors believe that all charities should be run by volunteers. And of those who support paying staff to run things, they argue the amount should be relatively low. Of course, this is neither fair, practical, nor realistic. Charities need to have paid staff to carry out their operations and to deliver the services and activities for which they are created.

## Are salaries just “overhead” expenses?

There is a serious misperception that the amount that charities pay in salaries is part of the organization’s “administrative expenses” also known by the lay term “overhead.” The reality is that charity financial statements appropriately allocate salary expenses among three major expense categories: program services, fundraising and management and general expenses. These allocations are usually based on the actual or estimated portion of staff time spent carrying out various activities. For example, conducting research on environmental issues (program services), calling on major donors (fundraising), and meeting expenses for the board of directors (management and general.) Sometimes a single individual will carry out multiple functions and have a portion of his/her compensation recognized in each of these expense categories. In other cases, a staff member will have all his/her salary allocated to just one expense category, such as an accounting staff member’s salary recognized as management and general expense.

## Is executive compensation of charity staff members considered public information?

Compensation information of the charity’s officers and key employees is routinely included as part of the IRS Form 990, the annual financial form completed by charities (other than houses of worship). This transparency of compensation information has been a fact of life for charities for decades. While this openness is sometimes a challenging concept for former business executives who join the paid staff of a charity, most executives recognize this transparency as a routine aspect of philanthropy that is different than the private



sector. In response to donor interest in this area, BBB Wise Giving Alliance routinely includes the total compensation of the charity’s CEO in its evaluative reports on soliciting charities.

## Who is responsible for setting charity executive compensation?

Determining the compensation of the charity’s chief executive officer is one of the basic responsibilities of an organization’s board of directors. The governing board usually considers a variety of factors, including but not limited to: information gathered from nonprofit salary surveys, the geographic location of the charity’s offices, and the size of the organization’s finances and staff. One would not expect the CEO of a \$100 million charity to be paid the same wage as the CEO of a charity that brings in \$1 million. In any event, solely considering compensation will not provide a complete picture of a charity’s trustworthiness. Refer to the *BBB Standards for Charity Accountability* to better understand key factors that help verify trust.