Charitable Advisory Service
Standards for Charity Accountability
Finances Standards

The following is an explanation of Standards 8, 9 and 10 under the finances category of your Better Business Bureau’s Standards for Charity Accountability. Listed you will find how the BBB derives the percentages presented in your organization’s Charitable Advisory Service report as well as a BBB guideline for meeting the standards. Your organization may also choose to use this information as a worksheet to assist in evaluating its own financial position.

C - Finances

8. Spend at least 65% of its total expenses on program activities
   a. Total Program Expenses divided by Total Expenses
   Standard holds this percentage should equal at least 65%

9. Spend no more than 35% of related contributions on fund raising.
   b. Total Fund Raising Expenses divided by Total Contributions
   Standard holds this percentage should not exceed 35%

10. Avoid accumulating funds that could be used for current program activities. The charities unrestricted net assets should not be more than three times the size of the past year’s expenses.
    c. Unrestricted Net Assets divided by Total Expenses
    Standard holds this amount should not be 3 times the size of the past year’s expenses

Your BBB’s Charitable Advisory Service reports may also indicate the following percentage. However, there is not a standard applied to this information:

   d. Total Management/General Expenses divided by Total Revenue

Description of Expense Categories

The following is a brief description of the three separate expense categories to which your Better Business Bureau requests your organization’s expenses be allocated. Please understand your BBB cannot make assumptions when interpreting a financial statement.

Program Expenses: Time and other expenses directly related to the organization’s purposes. This is the time and money spent on carrying out the organization’s programs.

Management/General Expenses: This category covers the organization’s administrative expenses such as bookkeeping, budgeting, some staff salary, etc.

Fund Raising Expenses: Costs associated with the solicitation of funds. Such costs include but are not limited to printing and postage for direct mail appeals, travel, staff time involved in personal appeals, the costs to develop grants and fees paid to professional fund raisers.