Council of Better Business Bureaus

2011 Annual Report

Start With Trust
Letter from the Chair

For 100 years, Better Business Bureau has been the premiere organization promoting and protecting trust in the marketplace: fostering honest and responsible relationships between businesses and consumers, instilling consumer confidence, and contributing to a trustworthy marketplace for all.

Our ethics programs are considered to be the “gold standard” for businesses, and nearly 400,000 Accredited Businesses meet BBB’s rigorous Standards. We also have almost 200 corporate partners, including many Fortune 500 and multi-national businesses that support BBB’s mission and our programs on a national level.

The Council of Better Business Bureaus (CBBB) is the umbrella organization for 116 local, independent, non-profit BBBS across the U.S. and Canada. The system as a whole (Council and local BBBS) has a combined budget of approximately $181 million, with approximately 2,000 employees serving consumers and the business community in every state and province. CBBB is also home to our globally-recognized national programs on dispute resolution, industry self-regulation, and online privacy.

Some key milestones from 2011 are:

• We kicked off our Centennial celebration, which will extend through the end of 2012. 100 years ago, visionary leaders from some of America’s largest corporations adopted “The Ten Commandments of Advertising” and launched the organization that came to be known as Better Business Bureau.

• We reached an all-time high of more than 103 million requests from consumers for information on businesses and charities. The majority of these were through our website, which got more than six million hits a month in 2011.

• Local BBBS received 927,000 consumer complaints, conducted hundreds of investigations, and began issuing regular “Scam Alerts” to warn consumers about fraudulent businesses and practices.

• CBBB integrated its U.S. and Canadian operations, bringing the two under one roof, so to speak, and made our dispute resolution services seamless between the two closely allied economies.

• We launched “BBB Search,” our iPhone App, which was one of the top 200 applications in the AppStore in the fourth quarter.

• We participated in a meeting with PROFECO, the government of Mexico’s consumer affairs agency, and began talks on how industry self-regulation enhances consumer protections for our neighbors south of the border.

This is just the beginning! This annual report highlights numerous other accomplishments and actions of our national programs. We are proud to present this year’s success.

Best regards,

Sharon Abrams
Chair, Board of Directors
Council of Better Business Bureaus
CBBB 2011 Board of Directors and Officers

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Procter & Gamble

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Assistant General Counsel
The Coca-Cola Company

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Senior Vice President & General Counsel
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Council of Better Business Bureaus, Inc.

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Council of Better Business Bureaus, Inc.

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Vice President, Brand & Digital Media

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Vice President
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Vice President, Standards and Services

Anaise Schroeder
Vice President, Human Resources

H. Art Taylor
President/CEO
BBB Wise Giving Alliance

Mary Lou Watkins
Senior Vice President, Chief of Staff
National Partners

National Partners are large national and multi-national companies that demonstrate their support for ethics and fairness in the marketplace by funding important self-regulation programs and initiatives provided by CBBB. The business community benefits from increased public confidence in the marketplace, and self-regulation is more efficient, effective, and less expensive than either litigation or government intervention.

CORPORATIONS

3M
Abbott Laboratories
The Alberto-Culver Company
Alteon
American Express Company
Anheuser-Busch
AOL Inc.
Apple Inc.
AT&T Inc.
Avon Products, Inc.
BBDO
BIC Group
Boston Beer Company
Bridgestone Corporation
Burger King Corporation
Campbell Soup Company
Capital One
Chase Bank USA, N.A.
Church & Dwight Co., Inc.
ClearPoint Financial Solutions
The Clorox Company
The Coca-Cola Company
The Clorox Company
Solutions
Church & Dwight Co., Inc.
Cramer-Krasselt
Del Monte Foods
The Dial Corporation
Dr. Pepper Snapple Group
Dup & Bradstreet, Inc.
E. I. duPont deNemours & Company
E. T. Browne Drug Company
Energizer
Euro-Pro Operating LLC
Expedia, Inc.
The Ferrero Group
Ford Motor Company
FTD.com, Inc.
Fujifilm Corp.
General Mills
General Motors
Georgia-Pacific Professional
GlaxoSmithKline
Hearst Corporation
Henley Management Realty, Inc.
The Hershey Company
Hewlett-Packard Company
Highlights for Children
Hormel Foods Corporation
Hyundai Motor Company
I. L. Long Construction Company, Inc.
Insurance Auto Auctions, Inc.
Intelligent Beauty, Inc.
Intersections, Inc.
J.C. Penney Company, Inc.
Jelmars
Johnson & Johnson
The J.M. Smucker Company
Julius Zorn, Inc. (Juzo)
Just Brakes
Kao Corporation
Kellogg Company
Kimberly-Clark Corporation
Kraft Foods Inc.
The LEGO Group
Leo Burnett Worldwide
LG Electronics
Lifestyle Lifts
Long Term Care
Insurance Planners
L’Oreal USA
Luxtottica Group
Mars, Inc.
Mazda Motors of America
McDonald’s Corporation
Mead Johnson & Company
Merck & Co., Inc.
Merisant US
Michelin North America Inc.
Midas International Corporation
MillerCoors LLC
Mission Pharmacal Company
The Nestlé Group
The Nielsen Company
Nilfisk-Advance Group
Nissan Motor Corporation
in USA
Nokia North America
Novartis AG
Nu Skin Enterprises, Inc.
Ogilvy & Mather Worldwide
Old World Industries, LLC
ORC International
Oreck Corporation
Overstock.com, Inc.
Pep Boys
PepsiCo Inc.
Pfizer Consumer Healthcare
PriceLine.com
Procter & Gamble Company
Purdue Pharma LP
Rainbow Play Systems
Ralcon Holdings
Reckitt Benckiser Group
Reynolds Consumer Products
Rubin Postaer & Associates
Samsung
Sara Lee Corporation
S.C. Johnson
Schiff Nutrition International
Sergeant’s Pet Care Products, Inc.
Shaklee Corporation
Shell Lubricants
Shell Oil Company
Shiseido America
Specialized Fertilizer Products LLC
Sprint Nextel Corporation
Stanislaus Food Products
Subway Franchisee
Advertising Fund Trust
The Sun Products Corporation
The Talbots Inc.
Target Corporation
Tempur-Pedic International Inc.
Tupperware Brands Corporation
Unilever United States
Verizon Communications
Verizon Wireless
Visa, Inc.
Vulcan Materials Company
Weight Watchers
Whirlpool Corporation

LAW FIRMS

Arent Fox LLP
Arnold & Porter LLP
Axinn Veltrop & Harkrider LLP
Brinks Hofer Gilson & Lione
Coblentz, Patch, Duffy & Bass, LLP
Covington & Burling LLP
Davis & Gilbert LLP
Davis Wright Tremaine LLP
Debevoise & Plmpton LLP
Dorsey & Whitney LLP
Faegre Baker & Daniels LLP
Foley & Lardner LLP
Frankfurt, Kurnit, Klein & Selz
Hogan Lovells US LLP
Husch Blackwell LLP
Hyman, Phelps & McNaamara
Kelley Drye & Warren LLP
Kilpatrick Townsend & Stockton LLP
Kirkland & Ellis LLP
Kirkpatrick & Lockhart LLP
Kramer Levin Naftalis & Frankel
Loeb & Loeb LLP
Manatt, Phelps & Phillips LLP
Morrison & Foerster LLP
O’Melveny & Myers LLP
Patterson, Belknap, Webb & Tyler LLP
Pattishall, McAuliffe, Newbury, Hillard & Geraldson LLP
Paul Hastings LLP
Paul, Weiss, Rifkind, Wharton & Garrison LLP
Pillsbury, Winthrop, Shaw, Pittman LLP
Proskauer Rose LLP
Reed Smith LLP
Sidley Austin LLP
Simpson, Thacher & Bartlett LLP
Skadden, Arps, Slate, Meagher & Flom LLP & Affiliates
Troutman Sanders LLP
Venable LLP
Weil, Gotshal & Manges LLP
Wiley Rein LLP
Winston & Strawn LLP

ASSOCIATIONS

American Advertising Federation
American Association of Advertising Agencies
American Society of Composers, Authors and Publishers
Association of National Advertisers
Broadcast Music, Inc.
Cabletelevision Advertising Bureau
Consumer Healthcare Products Association
Council for Responsible Nutrition
Direct Selling Association
Electronic Retailing Association
Grocery Manufacturers Association
The Toy Industry Association

Weight Watchers
Whirlpool Corporation
THE STRENGTH OF THE BBB SYSTEM

The strength of the BBB system is the 116 local, independent, non-profit BBBs across the United States and Canada that work with businesses large and small to advance trust in the marketplace. In order to operate as a BBB, the organization must meet 23 operating standards.

The muscle behind that strength is the depth of information provided to consumers through our BBB Business Reviews and BBB Charity Reviews. Consumers contacted BBB more than 103 million times in 2011, the most in BBB’s 100-year history. BBBs handled fewer complaints in 2011 (927,000) than in 2010 (just over a million). The better informed consumers are, the more likely they are to make wise marketplace decisions.

BBB launched a new-look Business Review in 2011 to replace BBB Reliability Reports. BBB Business Reviews improve on Reliability Reports by allowing businesses to post photos and videos, offering maps and directions to the business, and offering more detail about consumer complaints on businesses. Consumers can also offer instant feedback, get a quote for service from the business, link to file a complaint about a business, like or share a Business Review on Facebook or Google+, and more.

By The Numbers...

FACTS ABOUT THE BBB SYSTEM OF NORTH AMERICA

<table>
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<th>Metric</th>
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<td>Consumer Complaints Processed</td>
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TOP 10 MOST COMMON COMPLAINTS

- Cellular Telephone: 38,420
- Auto Dealers - New: 25,983
- Television - Cable: 25,518
- Collection Services: 18,090
- Auto Dealers - Used: 16,264
- Banks: 15,989
- Telephone Companies: 15,691
- Furniture - Retail: 14,521
- Auto Repair/Service: 14,490
- Internet Shopping: 12,877

TOP 10 MOST COMMON INQUIRIES

- Roofing Contractors: 3,343,214
- Contractors - General: 2,232,022
- Auto Dealers - Used: 1,606,226
- Auto Repair/Service: 1,581,440
- Movers: 1,205,158
- Heating & Air: 1,227,787
- Construction/Remodeling: 1,293,423
- Mortgage Brokers: 1,471,565
- Auto Dealers - New: 1,517,950
- Plumbers: 1,524,559
- Auto Repair/Service: 1,581,440
- Furniture - Retail: 1,606,226
- Auto Dealers - Used: 14,490
- Internet Shopping: 12,877
DISPUTE RESOLUTION

Dispute resolution, an alternative to costly litigation, is an efficient, cost-effective way to resolve disputes between businesses and customers. BBBs at the local level helped consumers resolve nearly a million complaints in 2011 through an informal, user-friendly process. At the national level, CBBB maintains dispute resolution services for several major industries.

BBB AUTO LINE

BBB AUTO LINE, the longest running and largest dispute resolution program, celebrated two milestones in 2011. The service reached its 30th anniversary and also served its two millionth customer.

BBB AUTO LINE helps businesses and consumers resolve automotive warranty or lemon law disputes in a timely, cost-effective manner that complies with all applicable laws and regulations. CBBB has contracts to provide dispute resolution services with more than 29 companies, including leading brands such as General Motors and Ford, luxury brands such as Lotus and Bentley, start-up companies making hybrid and electric vehicles, such as THINK EV, and motorcycle companies.

In 2011, CBBB added three new participants. In February, THINK EV joined BBB AUTO LINE as a state-by-state participant. In April 2011, both Ferrari North America and Maserati North America also joined as state-by-state participants.

The program works effectively for both consumers and manufacturers and has the highest percentage of mediated claims for any automotive dispute mechanism. The effective settlement process is only possible since both parties trust BBB. Every settlement saves money, time and restores the relationship between the business and its customers.

BBB SPECIALITY DISPUTE RESOLUTION PROGRAMS

CBBB also expanded its out-of-court dispute resolution system to a broader section of the marketplace. This year CBBB administered several court-approved class action settlements per the terms of the settlement. Businesses and the courts recognize the importance of fast and immediate relief to class members which is accomplished by BBB and builds upon decades of experience and a successful track record in this field.

CBBB also provides dispute resolution to national companies that have chosen to write BBB into their customer agreements. In conjunction with local BBBs, CBBB continues to provide services to enable businesses to resolve disputes in an impartial, cost-effective manner.
Advertising Self-Regulation

U.S. advertisers are expected to spend more than $151 billion in 20121 to enchant, engage or enlighten consumers, a sharp increase in spending over 2011, led primarily by online and mobile advertising. As the advertising industry expands across new media platforms, the advertising self-regulation programs administered by CBBB continue to establish and enforce high standards of truth and accuracy and have expanded to enforce industry standards for consumer privacy and advertising to children.

Advertising self-regulation is good for consumers and advertisers. The self-regulatory system monitors the marketplace, holds advertisers responsible for their claims and practices and tracks emerging issues and trends. Rigorous review builds consumer trust in the marketplace; the self-regulatory system offers an expert, cost-efficient, meaningful alternative to litigation, and it provides a framework for the development of self-regulatory solutions to other emerging issues and public policy concerns.

Children’s Food and Beverage Advertising Initiative

The Children’s Food and Beverage Advertising Initiative (CFBAI) celebrated its fifth anniversary in 2011. CFBAI was launched in large part to respond to the Federal Trade Commission (FTC) and Institute of Medicine’s (IOM) call for self-regulation to do more to address concerns about food advertising to children because of childhood obesity. CFBAI’s 16 participants commit to use meaningful nutrition standards to govern what they advertise to children under 12 (“child-directed” advertising) or to not advertise at all to that audience.

CFBAI’s work regarding what foods are advertised to children complements the work of another BBB self-regulation program for children’s advertising, the Children’s Advertising Review Unit (CARU), which focuses on how foods and all products are advertised to children.

During 2011, CFBAI marked a milestone in self-regulation with the completion of new category-specific uniform nutrition criteria to replace company-specific nutrition criteria on December 31, 2013. The CFBAI-developed criteria were submitted as part of CFBAI’s response to a request for comments on proposed guidance for self-regulation. The request came from the congressionally-created Interagency Working Group (IWG), comprised of the FTC, Food and Drug Administration, Centers for Disease Control and Prevention, and Department of Agriculture.

Although signaling that it is unlikely to issue a final report, the IWG has indicated that the report would have taken CFBAI’s work into account.

KEY 2011 ACCOMPLISHMENTS

• CFBAI addressed an important meeting of the Institute of Medicine Committee on Accelerating Progress in Obesity Prevention in January.

• CFBAI initiated a Nutrition Science Review in 2010. It culminated in CFBAI’s July 2011 category-specific uniform nutrition criteria, to be implemented in December 2013.

• CFBAI filed a comment in July 2011 on the IWG’s proposed guidance for self-regulation, contending that the nutrition principles were unworkable and unrealistic. CFBAI also explained that the IWG’s definitions of child-directed marketing were vague and overly broad, and described why the CFBAI’s focus on child-directed advertising is better.

• CFBAI testified in October before the House Energy and Commerce Committee’s Subcommittee on Commerce, Manufacturing and Trade and the Subcommittee on Health. The topic was CFBAI’s comments to the IWG at the hearing, “Food Marketing: Can ‘Voluntary’ Government Restrictions Improve Children’s Health?”

National Advertising Review Council (NARC)²

For 40 years, CBBB has had a strategic alliance with six of the nation’s largest advertising and marketing trade associations, forming the National Advertising Review Council. NARC sets policies and procedures for CBBB administered advertising self-regulation programs, with three key objectives:

- To enhance the overall credibility of advertising and educate the advertising industry about truthful advertising claims.
- To demonstrate to the public, media, and government that the industry can police itself.
- To provide an expert, efficient forum for the resolution of competitive disputes over the truth and accuracy of advertising claims and compliance with industry standards on collection of interest-based advertising data and children’s advertising guidelines.

National Advertising Division (NAD)

In addition to its monitoring responsibility, NAD accepts competitive challenges from companies that question the accuracy of their competitors’ claims. Competitive challenges require companies to put their best evidence front and center and to prove that they possess strong substantiation for their advertising claims; NAD acts as a judge and issues detailed decisions that document its findings.

As Slate magazine columnist Seth Stevenson noted, “I find it surprisingly reassuring that someone out there is making sure this stuff is on the level.”

NAD also accepts complaints from local BBBs and individual consumers. NAD’s decisions represent the single largest body of legal decisions related to truth and accuracy in the U.S.

In 2011 cases of first impression, NAD issued decisions regarding the value of Facebook “Like-gated” advertising campaigns and post-production enhancements in cosmetics advertising. NAD also issued landmark decisions regarding offers for “free” merchandise, the messages communicated by Fair Trade certification seals, and the marketing of telecommunication services as “fiber-optic networks.”

²On April 23, 2012 NARC announced it was rebranding as the Advertising Self Regulatory Council (ASRC).
Children’s Advertising Review Unit (CARU)

CARU, founded in 1974, focuses exclusively on advertising primarily directed to children under 12 years of age. Recognizing the special vulnerability of young children, CARU holds advertisers to high standards of truth and appropriateness when they direct advertising to a child audience.

Through its self-regulatory program for children’s advertising, CARU provides detailed guidance to all children’s advertisers on how to deal honestly and sensitively with children. CARU’s guidelines provide, in part, that advertisers cannot: state or imply that their products will make children more popular with their peers, advertise vitamins or other products that carry “keep out of reach of children” labels, or advertise products that are unsafe for young children to use.

CARU examines advertising in all media, including electronic media, and monitors websites to assure the sites comply with CARU’s guidelines and with the federal Children’s Online Privacy Protection Act (COPPA). When CARU finds advertising to be inconsistent with its high standards, the group works with advertisers to bring their advertising into compliance.


Electronic Retailing Self-Regulation Program (ERSP)

ERSP, launched in 2004, serves as the watchdog for advertising claims made in direct-response advertising. The ERSP program is an important example of an industry coming to the NARC/CBBB to administer rigorous third-party self-regulation.

ERSP focuses exclusively on the truth and accuracy of claims made in electronic retailing ads and it provides a focused, expedited review. Like NAD, it monitors advertising to detect misleading claims and accepts complaints from consumers. ERSP has reviewed advertising claims made in Twitter feeds, on Facebook pages and in the virtual world of Second Life.

Since ERSP’s inception, it has reviewed nearly 6,000 hours of direct-response advertising, including long- and short-form infomercials. ERSP has tracked advertising for nearly 3,500 individual products, monitored nearly 400 hours of home-shopping broadcasts, and examined nearly 3,400 website advertisements.

Through conferences, webinars and speaking engagements, ERSP educates the direct-response industry and guides entrepreneurs behind some of America’s most famous products to better advertising.

National Advertising Review Board (NARB)

NARB is the appellate body for NAD and CARU decisions. It is composed of 70 volunteers, drawn from the ranks of the nation’s largest advertisers and most prestigious advertising agencies. In addition, NARB is served by public members – most often academics who are experts in advertising or advertising law. In cases where NAD or CARU decisions are appealed by the advertiser, NARB will convene a five-person panel to review the advertising claims at issue and make a determination. The structure of the NARB helps ensure broad industry support for self-regulation.
Online Behavioral Advertising has become a critical component of the online experience. OBA is defined as the collection and use of data from a particular computer or device regarding web viewing behaviors over time and across non-affiliate websites for the purpose of delivering personalized advertising. The mission of CBBB’s Online Interest-Based Advertising Accountability Program (The Accountability Program) is to build consumer trust online by ensuring that companies engaged in OBA comply with the Self-Regulatory Principles for Online Behavioral Advertising (OBA Principles).

The OBA Principles were developed in 2009 by a cross-industry coalition of the leading advertising and marketing associations and CBBB to create robust, industry consensus standards. They address consumer privacy concerns as well as provide businesses with clear ground rules for engaging in OBA in a manner that meets the privacy expectations of consumers. The OBA Principles provide guidance in the areas of consumer education, transparency, consumer control, data security, material changes to OBA practices, sensitive data and accountability.

The Accountability Program was created by CBBB and the National Advertising Review Council at the request of the Digital Advertising Alliance (DAA) to provide an independent, third-party enforcement mechanism for the OBA Principles. It enforces two key pillars of the OBA Principles: provision of transparency and consumer choice. The Transparency Principle requires that companies ensure that consumers have clear and meaningful notice of data collection and use for OBA purposes. The Consumer Control Principle requires that companies must provide the consumer with an easy-to-use mechanism that allows the consumer to exercise choice regarding the collection and use of data from his or her device for OBA purposes.

The Accountability Program monitors covered entities’ compliance through an accountability technology platform, research, and complaints; institutes inquiries into cases of potential non-compliance; and works with covered entities to expeditiously resolve instances of non-compliance. To ensure transparency, the Accountability Program publishes its decisions and refers cases of non-participation or uncorrected non-compliance to the Federal Trade Commission.

“Today, although it is still a work in progress, the ad industry has obtained buy-in from companies that deliver 90 percent of online behavioral advertisements; and, with the Better Business Bureau, it has established a mechanism with teeth to address non-compliance, backed up with FTC enforcement.”
Jon Leibowitz, FTC Chairman
February 23, 2012
The European Data Privacy Directive prohibits the transfer of personal data from member states in the European Union (EU) and Switzerland to destinations that do not meet the European “adequacy” standard for privacy protection. Because the United States is one of those destinations, the U.S. Department of Commerce, along with the European Commission and Swiss Data Protection authorities, developed “Safe Harbor” frameworks to bridge the different privacy approaches between the U.S. and Europe.

The Safe Harbor enables U.S. businesses to receive and process personal data from the EU countries and Switzerland if they self-certify their adherence to the protections set out in seven Safe Harbor Privacy Principles. Certifying to the Safe Harbor ensures that European organizations and consumers know that a U.S.-based business provides adequate privacy protection to their citizens.

In addition, U.S. businesses participating in the Safe Harbor are required to provide an independent dispute resolution option to residents of the EU and Switzerland whose personal data they collect. BBB EU Safe Harbor helps businesses meet this requirement so they can continue to conduct business in Europe.

In 2011, BBB’s EU Safe Harbor program admitted a record number of new companies, provided assistance with Safe Harbor Framework requirements, reviewed privacy policies and handled disputes through an online complaints mechanism.
BBB INTERNATIONAL TORCH AWARDS

For 15 years the BBB International Torch Awards program has brought positive attention to the many businesses and individuals that have exemplified BBB’s mission to advance marketplace trust. The Torch Awards attract more than a thousand entries at the national and local levels each year.

2011 BBB International Torch Awards Winners

Advancing Marketplace Trust Award
Outback Steakhouse
(OSI Restaurant Partners, LLC)
Tampa, FL

Consumer Leadership Award
Don Blandin
President and CEO
Investor Protection Trust
Washington, DC

Marketplace Excellence Award
CustomInk.com
McLean, VA

President’s Award
USAA
San Antonio, TX

Excellence in Customer Care Award
Lex Brodie’s Tire Company
Honolulu, HI

Leader in Customer Care Award
David Mackay
Retired CEO
Kellogg Company

2011 Program Salutes Our Troops and Their Families

In 2011, the Torch Awards theme – ‘a salute to our troops and their families’ – promoted BBB Military Line, which makes a difference in the lives of thousands of military families by providing financial education and support services to address the specific financial concerns they face. Many of the award recipients were honored especially for products or programs that benefit the men and women of our Armed Forces and their families.

“IT is ultimately our purpose and identity that motivate us and inspire us, and it does start and stop with the servicemembers and their families. So we welcome the chance to join BBB to salute our military personnel and their families. It is a wonderfully noble purpose and it’s one we are honored to pursue and to hold ourselves accountable to fulfill every single day.”

- Kevin Bergner, Chief Administrative Officer, USAA
POLICY AND INFLUENCE

Government Relations

In 2011, the CBBB initiated its first government affairs program, fulfilling several elements of its current strategic plan. The purpose of the program is to expand business self-regulation by educating Congress, the Administration, and other key influencers about the value of self-regulation, holding CBBB’s programs up as examples of success.

Throughout the year, CBBB succeeded in building BBB’s presence and stature with official Washington (Congress and the federal agencies) and other stakeholders (trade associations and consumer organizations) by strengthening its identity and value proposition as a resource and partner to these groups. CBBB educated more than one hundred members of Congress and/or their staffs on the important role of BBB in American commerce.

Other meetings throughout the year included the Office of the U.S. Trade Representative, the new Consumer Financial Protection Bureau at the White House, the National Association of Attorneys General, the National Association of Insurance Commissioners, the National Conference of State Legislators and the American Legislative Council. Issues included the benefits of BBB Military Line, mortgage loan modification, alternative dispute resolution, and identifying new national partners for future mediation/arbitration programs based on the demonstrated success of BBB AUTO LINE.

Media Relations and Social Media

CBBB responds to hundreds of media inquiries every year, working directly with national media and referring local media to the appropriate BBB in their market. Outreach to traditional news media outlets, such as newspapers, television and magazines, is augmented by an assertive social media program that grew exponentially in 2011.

A number of BBB-generated stories gained widespread media coverage, including the “Top 10 Scams of 2010,” warnings on tax identity theft, advice for job seekers, tips on selling gold, pet boarding, counterfeit sports memorabilia, scams that target the elderly, and dozens of other topics. Of particular interest in 2011, were scams related to the deaths of Osama bin Laden, Steve Jobs and other newsmakers. Year-end interest focused on holiday shopping (including “Black Friday,” “Small Business Saturday” and “Cyber Monday”), and making year-end charitable donations. Several news outlets turned to CBBB for information on the Fair Debt Collection Practices Act, and federal privacy legislation.

Numerous CBBB programs received national media attention, including the Children’s Food and Beverage Advertising Initiative, the Accountability Program, the National Advertising Division, the Children’s Advertising Review Unit and others.
Major media coverage over the past year included:

- “Dateline NBC” on air duct cleaning scams
- *The Wall Street Journal* on work-at-home scams, charity scams following the Japanese tsunami, BBB ratings of banks, and how to use layaway programs
- CNN “Headline News” on debt collectors, scholarship scams, and phishing
- *Forbes* on online banking, food packaging labels, and how to file a BBB complaint
- Associated Press on the StubHub scam and how to choose a pest control company
- *The New York Times* on charity scams, Internet-based advertising, tax preparers, and mortgage lenders
- CBS “Money Watch” on penny auctions, handling a disaster, credit card solicitation on college campuses, and the StubHub scam
- MSNBC on free cruise scams and predatory lending aimed at military families
- Fox News on puppy mills, “storm chasers”, penny auctions, and paying off debt
- *U.S. News and World Report* on charity scams and safe online shopping
- *The Washington Post* on insurance companies, “Black Friday” tips, charity scams, and door-to-door sellers
- *USA Today* on Super Bowl ticket scams, moving advice, selling gold, and “storm chasers”
- National Public Radio on acai berry weight loss products, locksmiths, and auto repair scams
- Bloomberg News on debt settlement firms
- *Consumer Reports* on the new BBB iPhone app, penny auctions, and auto report scams
Financial Statements

The Consolidated Statements of Financial Position of the Council of Better Business Bureaus, Inc. (CBBB), BBB Wise Giving Alliance (WGA), BBB Center (the Center) and the related Consolidated Statements of Activities and Statements of Cash Flows, and all representations contained within, are prepared by and are the responsibility of CBBB’s management. Several integral parts of the statements, which are necessary for a complete understanding of the financial position and activities of CBBB, are not presented here. Those excluded items are the independent auditors’ report, the Statement of Cash Flows, and the Notes to the Financial Statements.

Internal Control System

CBBB’s management has the responsibility for the adoption of sound accounting policies, as well as the development and implementation of both records keeping procedures and internal control systems designed to provide reasonable assurances to the board of directors. These assurances include controls for the safeguarding of assets against unauthorized acquisitions, use or disposition and preparation of reliable financial statements. The policies and procedures for an effective internal control system include an organizational structure that defines the segregation of duties, individual responsibilities and a code of conduct that fosters a strong ethical working environment.
Results Of Operations

CBBB’s consolidated operations (CBBB, BBB Wise Giving Alliance, and BBB Center) decreased its consolidated net assets in 2011 by $288,740 (before depreciation expense of $309,882 related to donated software from Microsoft recorded in 2010 as revenue of $676,107 and depreciated over three years). The 2011 annual budget was a break even budget based on revenues and expenses of $19,734,759, resulting in an unfavorable variance of $288,740. Consolidated expenses were favorable to budget in 2011 by $453,347 while consolidated revenues were unfavorable to budget by $742,087.

CBBB continued in 2011 to find ways to reduce costs and streamline its operations. In 2011, CBBB was allowed to terminate its current Virginia office lease agreement twenty-two months early with a move-out date of January 31, 2012. CBBB signed a new lease agreement that reduced square footage by 47% and cut rent expense by approximately $800,000 for the two year period of 2012 – 2013. CBBB moved into its new office space on February 1, 2012. CBBB continues to work towards financial goals of increasing both net assets and cash reserves. New and increased revenue sources were generated from the National Advertising Division, BBB EU Safe Harbor Program, Online Behavioral Advertising, WGA Seal Charity program, and BBB Military Line. BBB AUTO LINE revenue of $4,375,591 decreased slightly from 2010 revenue of $4,447,769. National Partner revenue in 2011 finished the year $819,200 unfavorable to budget. Expenses in 2011 were favorable to budget due in part to cost cutting and/or postponed spending.

CBBB’s consolidated December 31, 2011 cash balance is $1,582,224, representing 30 days of cash reserve. The average daily cash balance throughout 2011 was $2,212,956, or 42 days of reserve. Total net assets as of December 31, 2011 equal $1,942,108.
**Consolidated operations**

**ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,582</td>
<td>$2,713</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>628</td>
<td>657</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>687</td>
<td>253</td>
</tr>
<tr>
<td>Furniture, equip., software and leasehold improvements, net</td>
<td>761</td>
<td>898</td>
</tr>
<tr>
<td>Funds held for service awards for Bureau officers</td>
<td>314</td>
<td>361</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>3,972</strong></td>
<td><strong>4,882</strong></td>
</tr>
</tbody>
</table>

**LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>755</td>
<td>934</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>961</td>
<td>1,046</td>
</tr>
<tr>
<td>Funds held for service awards for Bureau officers</td>
<td>314</td>
<td>361</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>2,030</strong></td>
<td><strong>2,341</strong></td>
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</tbody>
</table>

**Net assets**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>1,427</td>
<td>2,056</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>515</td>
<td>485</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>1,942</strong></td>
<td><strong>2,541</strong></td>
</tr>
</tbody>
</table>

**Total liabilities and net assets**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$3,972</strong></td>
<td><strong>$4,882</strong></td>
<td></td>
</tr>
</tbody>
</table>
## COUNCIL OF BETTER BUSINESS BUREAUS, INC.
Statements of Financial Activities

### Consolidated operations

<table>
<thead>
<tr>
<th>Revenue</th>
<th>2011 (in thousands)</th>
<th>2010 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seals and self-regulation</td>
<td>$5,422</td>
<td>$7,461</td>
</tr>
<tr>
<td>Dispute resolution - BBB AUTO LINE</td>
<td>4,376</td>
<td>4,447</td>
</tr>
<tr>
<td>BBB dues</td>
<td>4,349</td>
<td>2,117</td>
</tr>
<tr>
<td>National partner dues</td>
<td>2,646</td>
<td>2,750</td>
</tr>
<tr>
<td>Contributions and sponsorships</td>
<td>686</td>
<td>520</td>
</tr>
<tr>
<td>Dispute resolution - other</td>
<td>596</td>
<td>445</td>
</tr>
<tr>
<td>BBB programs</td>
<td>398</td>
<td>465</td>
</tr>
<tr>
<td>Interest and other</td>
<td>269</td>
<td>131</td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td><strong>18,742</strong></td>
<td><strong>18,336</strong></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2011 (in thousands)</th>
<th>2010 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seals and self-regulation</td>
<td>6,314</td>
<td>5,793</td>
</tr>
<tr>
<td>General and administration</td>
<td>4,345</td>
<td>4,023</td>
</tr>
<tr>
<td>BBB programs</td>
<td>4,159</td>
<td>3,844</td>
</tr>
<tr>
<td>Dispute resolution - BBB AUTO LINE</td>
<td>3,658</td>
<td>4,149</td>
</tr>
<tr>
<td>National partner development</td>
<td>282</td>
<td>246</td>
</tr>
<tr>
<td>Fundraising</td>
<td>142</td>
<td>157</td>
</tr>
<tr>
<td>Military Line</td>
<td>131</td>
<td>102</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>19,031</strong></td>
<td><strong>18,314</strong></td>
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</tbody>
</table>

Changes in net assets before other items

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributed software</td>
<td>-</td>
<td>676</td>
</tr>
<tr>
<td>Depreciation expense - contributed software</td>
<td>(310)</td>
<td>(56)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in net assets</strong></td>
<td><strong>(599)</strong></td>
<td><strong>642</strong></td>
</tr>
</tbody>
</table>

### Net assets

<table>
<thead>
<tr>
<th></th>
<th>2011 (in thousands)</th>
<th>2010 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>2,541</td>
<td>1,899</td>
</tr>
<tr>
<td>End of year</td>
<td>$1,942</td>
<td>$2,541</td>
</tr>
</tbody>
</table>