

Memorandum



To:

From:

Date:

Subject:

After September 11, 2001 attacks, donations to Muslims charity organizations experienced a dramatic decline as the Treasury Department charged some of them with funding terrorist activities. Many Muslim organizations faced accusations that they were using the funds given to them for purposes other than intended. In fact, the government arrested leaders of some Muslim charities for their alleged associations with Hamas. For this reason, some of these charities are willing to allow the Better Business Bureau (BBB) to vet their activities for financial accountability and transparency. Certification from the Better Business Bureau (BBB) will boost donor confidence in the organization and consequently enable organizations to obtain funding from sponsors to be able to accomplish their goals, which include feeding the hungry among others.

Many charity organizations employ the services of independent CPA to evaluate their financial statements and give a position as to whether the statements represent a true and fair value of the company. However, this is

not adequate to promote donor confidence since there are several other activities involved in running the organization. For this reason, donors rely on the BBB Wise Giving Alliance Standards to build confidence and make sound decisions before advancing any donations. The BBB uses twenty criteria to evaluate the charity organizations. Charities that comply with the accountability standards set by the BBB provide documentation that show how the organizations are governed and how they spend their funds as well as reliability of their representatives and their willingness to make their information public.

Financial audits provide the greatest degree of assurance for users of the financial statements. Independent Certified Public Accountants make use of various systems to determine the accuracy of the information presented in the statements. The CPA firm gives written assurance that the provided statements conform to the generally accepted accounting principles. The review is usually detailed, and the auditors are careful not to give opinions that would mislead the board of directors, investors, donors, and other users of the financial statements. This is usually applicable to large organizations with large volumes of transactions. Financial reviews, on the other hand, offer much less dependable data than the audits. During the financial reviews, the CPA firm makes enquiries about an organization's performance and then conducts analytical procedures necessary to give limited assurance that there are no material changes in the financial data. This kind of review is applicable to small organizations or for a small function in a large organization.

The Better Business Bureau is always willing to accept financial reviews from small charities because they have fewer volumes of transactions,

and it is easier to notice any material changes in the statements. However, big charity organizations have large volumes of transactions and handle large amounts of donor funds. For this reason, the Better Business Bureau requires independent assurance from a qualified Certified Public Accountant that the financial statements represent a true and fair position of the company.

The certifications from the Better Business Bureau benefit charities in many ways other than just improving donors' confidence in the charity. The Better Business Bureau encourages charities to initiate a policy that promotes diversity and pluralism within the organization's constituencies, staff, and the board. It also prompts charities to adopt practices that adhere to all federal, state, and local regulations, including submitting financial statements to the relevant authorities. In addition, the BBB encourages organizations to sustain their commitment to accountability that goes beyond specific standards. It also places a lot of emphasis on ethical behavior and openness in the organization's activities and programs.