



# Building Trust In The Marketplace



Better Business Bureau®

2005 Annual Report of the Council of Better Business Bureaus

## The Council of Better Business Bureaus

The Council of Better Business Bureaus is the international organization for 130 Better Business Bureaus (BBBs) across North America. Founded in 1912, the BBB is supported today by more than 380,000 business members ranging in size from local enterprises to multinational corporations. The BBB is dedicated to advancing trust between businesses and consumers, deepening consumer confidence, and contributing to a flourishing marketplace. This is accomplished through a range of programs and mechanisms, designed for the constituencies they serve, and modified over time to meet the changing needs of consumers and businesses. These programs are described in more detail in this Annual Report.

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### BBB Wise Giving Alliance

**H, Art Taylor**

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**James R. Guthrie**

President & CEO

# Building Trust in the Marketplace

## President's Letter

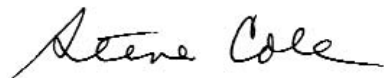


There were many changes at the CBBB in 2005, including my own role within the organization. I was honored—as well as humbled—to be named CEO of the Council last summer, and I continue to be energized by the spectrum of opportunities that lie before us. These new opportunities would not be possible were it not for the steady stewardship of my predecessor, Ken Hunter.

Today, the Council of Better Business Bureaus is standing strong, and actively building to better serve its key constituencies. We are growing financially: we ended 2005 favorable to budget by more than \$1 million. This strong performance enabled us to increase net assets by \$1.259 million. Revenue grew across the range of our programs, as we welcomed new partners into BBB AUTO LINE, the National Advertising Division, National Membership, the Children's Advertising Review Unit, BBB*OnLine* and BBB MILITARY LINE.

We are determined to continue this positive trend. The strategic planning process that began in late 2005 has led us to step back and take a careful view of the CBBB and the BBB system at large. We are examining our core programs, looking at how the marketplace has changed since the Council's inception in 1970, and considering the resulting implications for how we deliver our services...both existing and prospective. On a parallel path, we have begun a branding initiative to help us determine how to invigorate the BBB brand and leverage it in new ways.

This is an exciting time for the BBB system as we build upon our unique mission of promoting trust in the marketplace. Trust is a greater need than ever, as evidenced by the 90 million requests for service recorded by the BBB system in 2005. I fully expect this figure to continue increasing as our organization creates new ways to serve its constituencies. The reliability, dependability and impartiality of the BBB and the data it collects and distributes is more relevant than ever before.



Steven J. Cole  
President & CEO

## Chair's Letter



This past year was an eventful one for both the CBBB and for me as chairman. New programs and partnerships were launched, we grew in strength and stature as an organization, and we underwent a change in leadership when our CEO, Ken Hunter, accepted an opportunity outside the Council. Ken was elected to lead the CBBB in 1999 and was tireless in his efforts on our behalf. I want to recognize him for his many contributions to the BBB system, and thank him for his years of service.

Filling a CEO spot is among the most challenging duties of a chair and board of directors. Fortunately, we had an excellent candidate close at hand. Steve Cole, formerly senior vice president and general counsel of the CBBB, was well-positioned to step in and apply his extensive knowledge of the BBB system, as well as his passion for our mission. Not only is he the right person, but his experience and expertise has enabled us to continue our strong forward momentum without interruption.

This is particularly important in light of the formal strategic planning process that CBBB launched in 2005. The Council's Executive Committee, serving as the Strategic Planning Committee, has set an ambitious schedule for plan completion in 2006. This has been an all-encompassing and all-inclusive effort, beginning with surveys of our core constituents to obtain their input on our future direction. The process has involved the entire BBB system, examining how we can best perform our unique and valuable mission in the years ahead.

This report highlights the many positive forces underway at the national (CBBB) and local level (BBBs) in 2005. These activities would not be possible without the steady support of CBBB members and both Steve and I are grateful for their commitment to the BBB's mission. As we look to the years ahead, we can take confidence that our strategic plan will help drive our efforts towards ensuring a promising and productive future for the BBB system.



Thomas J. Ryan  
Chair

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Canadian Automobile Association (CAA)  
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**Douglas Simpson \***  
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Canadian Council of Better Business Bureaus

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Council of Better Business Bureaus, Inc.

**Alan Cohen \***  
Vice President, General Counsel  
& Corporate Secretary  
Council of Better Business Bureaus, Inc.

\* Executive Committee  
Roster as of March 15, 2006

# Building Trust in the Marketplace

## Serving Member Companies

While today's marketplace rapidly changes with the emergence of new technologies and communications tools, some principles endure. "Trust" is a point-of-difference that increasingly influences buying decisions. The CBBB launched several initiatives in 2005 to serve the many national and multi-national industries that are members of the Council and that value the BBB system's ability to reinforce their trustworthiness to important constituencies.

The BBB is working with industry leaders on the national and local level to expand efforts to strengthen data security and thereby increase consumer trust in the marketplace. In 2005, CBBB President Steve Cole was a featured panelist in Visa U.S.A.'s "Security Summit," which brought together a broad cross-section of stakeholders to discuss new ways to combat identity theft and fraud.

CBBB also joined with Visa U.S.A., Wells Fargo & Company and CheckFree to promote the findings of the 2005 Identity Fraud Survey Report, conducted by Javelin Strategy & Research. The BBB system generated more than 2,000 media impressions, offering tips to consumers for guarding their personal information in the "real world" and the virtual world. BBBs also issued helpful advisories to the small-business community about the importance of protecting the personal financial information of customers and employees.



National companies with a small-business customer base appreciate the value of the BBB's network of 380,000 business members across North America as an important communications channel. The CBBB is beginning new collaborations with national members to develop customized education programs that will assist these small-business owners to grow their business by establishing trustworthy relationships with customers.

A venture that will launch in early 2006 is designed to assist small businesses on the data security and privacy front. The CBBB is partnering with industry privacy expert, Dr. Alan F. Westin, and security expert, Dr. Lance Hoffman to create an ongoing series of security and privacy tutorials, targeting the needs of specific market segments.

## Expanding BBB Self-Regulation to Other Countries

An International Strategy Committee of the CBBB Board is considering how to best expand the BBB's self-regulation model outside of North America to meet the needs of CBBB members who want to do business overseas, and of industry and consumers in other countries. In the meantime, CBBB is busy testing the waters.

In 2005, one of the Council's national advertising experts traveled to China and Mexico to explain how our advertising self-regulation works. CBBB's general counsel headed the US delegation to the International Organization for Standardization (ISO) technical committee writing international standards for dispute resolution, and was the primary drafter of the standard now circulating to ISO members for approval. CBBB is also a member of the US advisory group to ISO's initiative to develop a voluntary international standard on social responsibility obligations of corporations and other organizations. An ISO advisory group pointed to the BBB as the "first example" of corporate social responsibility, noting its long-standing mission to promote trust in the marketplace.

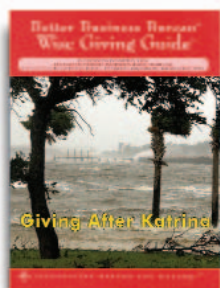
CBBB is the founder of the Global Trustmark Alliance (GTA), a coalition of e-commerce trustmark organizations in North America, Asia and Europe. Through its GTA relationships, CBBB and the Canadian Council of Better Business Bureaus have forged a series of cross-border dispute resolution agreements with organizations in the UK, Japan, Taiwan and Israel, making it easier for consumers to resolve complaints against merchants located in the participating countries. This is the start of wider relationships that will foster safe and reliable cross border commerce.



Thanks to funding provided by the U.S. Department of Commerce, the CBBB hopes to unveil an online dispute resolution platform in 2006 that will further expedite cross-border dispute resolution.

## Promoting Charity Accountability

The BBB Wise Giving Alliance helps donors make informed giving decisions and advances high standards of conduct among national charities. By producing in-depth charity evaluation reports based on comprehensive *Standards for Charity Accountability*, speaking out on charity accountability before Congress and other forums, and advising donors on responding wisely to charity appeals, the Alliance seeks to encourage greater public confidence and trust in the charitable sector.



BBB Wise Giving Guide  
2005 Holiday Edition

The important work of the Alliance was never more evident than in the weeks following the tsunami and Hurricane Katrina, when public and media interest in charitable efforts exploded. The Alliance responded to thousands of requests for tips on how to avoid the scams and deceptive appeals that invariably follow

natural disasters. To assist donors eager to make a contribution, the Alliance Web site offered a continually updated list of organizations providing disaster relief, with links to BBB Wise Giving Alliance evaluations. The site received its highest number of monthly hits ever in January 2005 during the weeks following the tsunami.

The number of charities electing to participate in the BBB Wise Giving Alliance seal program nearly doubled in 2005, evidence that more national organizations recognize that donors want to give with confidence. A participating charity can display the seal on their Web site and in their appeals, providing donors with a quick and easy way to see that the charity meets Alliance's *Standards*. The BBB Wise Giving Alliance seal has appeared in close to a billion charity direct-mail appeals, and was featured in a full-page ad in *The New York Times'* 2005 Giving section.

Efforts are underway to boost the number of local charity evaluations and better meet the information needs of local donors. More Better Business Bureaus are using Alliance *Standards* to strengthen their charity-review programs, developing local charity-seal programs and hosting charity accountability seminars. New technology is enabling local charities to use an online reporting and evaluation system, which makes it easier for them to submit the information needed for a BBB charity evaluation.



H. Art Taylor, President and CEO, BBB Wise Giving Alliance, keynoted the BBB of Central Ohio's Integrity Award ceremony.

As the nation's premier charity watchdog, the BBB Wise Giving Alliance is often contacted by regulators, lawmakers, nonprofit organizations, and the media, in particular, when public trust in charity accountability is under scrutiny. In 2005, the work of the Alliance was mentioned in more than 2,000 media stories and spokespeople were quoted or featured in a wide variety of print and broadcast media, including CNN, the CBS Early Show, NBC Today, National Public Radio, *The Washington Post*, *Los Angeles Times*, *People Magazine* and *Consumer Reports*. Charity reports on the give.org Web site were accessed more than two million times over the course of the year.

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### H. Art Taylor - Ex-Officio

President & CEO  
BBB Wise Giving Alliance

# Building Trust in the Marketplace

## Promoting Public Trust in Advertising

CBBB plays a leading role in fostering public trust in the credibility of advertising by administering effective, widely-respected national advertising self-regulation programs. The Council's National Advertising Division reviews advertising for truthfulness and accuracy and secures the voluntary modification or withdrawal of claims that it finds to be unsubstantiated. The Children's Advertising Review Unit works in voluntary cooperation with children's advertisers to ensure that advertising messages directed to young children are truthful, accurate and sensitive to their particular audience. The Electronic Retailing Self-Regulatory Program looks at major claims within direct-response advertisements and assesses the adequacy of supporting scientific evidence.

In 2005, the National Advertising Division (NAD) examined advertising for goods and services as diverse as infant formula, building materials, over-the-counter drugs and Voice over Internet Protocol (VoIP). Its ability to offer guidance that helps shape truthful and accurate advertising messages is of great value to industries launching new products and technologies. To help educate advertisers and advertising law practitioners, NAD hosted two well-attended conferences in 2005, and made numerous informative presentations to companies and organizations. NAD opened 170 advertising cases in 2005.

The Children's Advertising Review Unit (CARU) was front and center in the national dialogue around childhood obesity in 2005—an issue of critical importance to consumers, regulators, legislators and advertisers. Its director was a frequent speaker at conferences and workshops that examined food and other types of advertising directed to children. CARU strengthened its self-

regulation efforts by providing non-profit organizations with free access to CARU advertising case archives, expanding its pre-screening service and increasing its pool of child health experts. CARU opened 60 advertising cases in 2005.



NARC President Jim Guthrie (left), with Mary Engle, Associate Director, FTC Bureau of Consumer Protection; Carla Michelotti, EVP, General Counsel, Leo Burnett and NAD Director Andrea Levine at the NAD Chicago Workshop in April 2005.

The Electronic Retailing Self-Regulatory Program (ERSP) completed 60 reviews of direct-response advertising in 2005, its first full year of operation. The advertising ranged from infomercials to Web pop-ups and spam e-mail. ERSP also launched a review of real-time advertising in the home shopping industry, detailing the successes and areas of potential concern for the major home shopping networks.

The National Advertising Review Board (NARB), which provides a peer-review appeals process for NAD and CARU decisions, handled six appeals in 2005. It also launched a new Web site and a quarterly publication for NARB's volunteer panel members to help underscore their contribution to an effective

advertising self-regulation process.

The CBBB is a partner in the National Advertising Review Council, which sets the policies and procedures for the Council's advertising self-regulation units. In 2005, NARC focused on educating advertisers and the public about the role responsible advertising self-regulation plays in ensuring the public trust. NARC President and CEO James R. Guthrie was a frequent speaker at industry conferences and public-health forums and authored articles in trade publications. Also in 2005, *Advertising Age* honored NARC for its long-standing service to the advertising industry.

“Since it was formed in 1971 to foster truth and accuracy in national advertising through voluntary self-regulation, ... NARC has earned a reputation as an effective industry self-regulation program. It sets FTC-like standards for truth and accuracy in advertising, which are then enforced through the (CBBB's) National Advertising Division.”

Deborah Majoras, Chair,  
*Federal Trade Commission*

## National Advertising Review Council (NARC) Partners:

- American Advertising Federation
- American Association of Advertising Agencies
- Association of National Advertisers
- Council of Better Business Bureaus



**This holiday season, you have  
25,000  
safe places to shop online.**

That's because 25,000 merchants have earned the right to proudly display the Better Business Bureau online seal on their Web sites. You can trust these BBB members to adhere to the highest ethical standards – including honest advertising, full disclosure of terms and conditions, a commitment to resolve customer problems, and more.

Check out all the Better Business Bureau-approved merchants at [www.bbbonline.org/consumer](http://www.bbbonline.org/consumer). With so many reliable BBBOnLine businesses, now you have plenty of places to click with confidence.

**Shop safe in cyberspace – look for the BBBOnLine™ seal before you buy.**



USA Today Advertisement  
December 14, 2005

## BBBOnLine

**B**BBOnLine is the online trustmark program created and administered by the Better Business Bureau to build trust between consumers and businesses in the online marketplace. Since 1997, BBBOnLine Reliability and Privacy seals have helped consumers identify BBB members that uphold good business practices on the Internet.

In 2005, the BBBOnLine Reliability seal had its strongest year ever. It added 8,854 new companies, an increase of over 24% from 2004. In December the Reliability program surpassed 25,000 seal holders, and celebrated the landmark with a full-page ad that ran nationally in *USA Today* during the heart of the holiday season to encourage shoppers to "look for the BBBOnLine seal before you buy."

BBBOnLine also participated in providing safe shopping tips via multiple media during the holidays, including an on-camera interview with CNN, a webcast sponsored by the U.S. Department of Homeland Security and related state agencies, and a radio tour with the Business Software Alliance that reached over 14 million listeners.

Testimonials from BBBOnLine merchants attest to the value of the BBB's trustmark in boosting consumer confidence in shopping online.

"Very few trustmarks lend as much credibility to a Web site as the BBBOnLine Reliability seal. The ability for our customers to have instant access to our BBB report is an invaluable service to them."

Mike Domek, CEO, TicketsNow

"With the BBBOnLine seal on our Web site and being a BBB member for a number of years, we are able to put potential clients at ease that we are a customer service-oriented company that is safe and reliable."

Rob Mangiafico, Co-founder, LexiConn

"Being a member of the BBB gives my clients more trust in my company, especially since many stop by online without ever hearing about us."

Amanda Raab, CEO, PurePearls.com

## BBB MILITARY LINE

**T**he BBB MILITARY LINE program was designed to meet the specialized consumer needs of military personnel. Military families are often preyed upon by scam artists and less-than-ethical businesses who know that they have steady paychecks and that their decision-making may be impacted by the financial and emotional stresses that can accompany a family member serving overseas. The experience of BBBs near local bases showed that providing useful information tools helps to reinforce sound decision-making and boost the financial security of military families.

Now in its second year, BBB MILITARY LINE brings the resources of the BBB to all four branches of America's military, helping those who serve our country and their families, no matter where they are located. Custom BBB Web sites for members of the Army, Navy, Air Force and Marine Corps provide precautionary advice on how



BBB Mississippi CEO Bill Moak and BBB MILITARY LINE Liaison SGM Rose Matthews participate in an information fair at Pascagoula Naval Station in the wake of Hurricane Katrina

to avoid being victimized and specialized complaint assistance. To help tackle the credit challenges confronting many military families, BBB MILITARY LINE added credit education materials to the sites in 2005, courtesy of Equifax, a program sponsor.

In 2005, the Army assigned Sergeant Major Rose Matthews as a liaison to BBB MILITARY LINE to spearhead education efforts. A financial practices curriculum for teen military-family members was developed in cooperation with The Boys and Girls Clubs of America, a funder of BBB MILITARY LINE. The 90-minute class, taught by CBBB training staff, was inaugurated at five large military installations, with the assistance of local BBB staff. The outreach to teens and other military-family members will substantially increase in 2006 as BBB MILITARY LINE works to facilitate local BBB-military interaction.

# Building Trust in the Marketplace

## The Power of Effective Dispute Resolution Programs

**T**he BBB offers several ways to resolve marketplace disputes using dispute resolution, the common sense alternative to an expensive, protracted legal pursuit. Dispute resolution processes, which include conciliation, mediation and arbitration, are all user-friendly, inexpensive and help to speedily resolve hundreds of thousands of complaints each year. By working with both parties to a transaction - the business as well as its customer - the BBB achieves two goals: restoring consumers' trust in the marketplace and promoting more effective business practices.

The CBBB coordinates with local BBBs to develop dispute resolution programs tailored to meet the specific marketplace needs of various businesses or industries. Business leaders know that drawing on the BBB system's dispute resolution experience and expertise will help them to effectively address customer satisfaction issues.

**EBay Motors** engaged the BBB system to operate a unique e-commerce program that provides a platform to resolve feedback challenges, left by either the buyer or seller of an EBay Motors transaction. If a party seeks to have a rating removed, BBB program evaluators conduct a review and determine whether the challenge is merited (and the rating is removed) or permit the rating to remain.

**Verizon Wireless** is using BBB dispute resolution to resolve contract and billing disputes with its customers. When a complaint is received, Verizon Wireless is contacted and made aware of the dispute. The company then has the option to engage the BBB's assistance in the settlement process or proceed to an arbitration hearing.

**Bridgestone/Firestone** has a program allowing customers who have suffered damages to their vehicle due to alleged tire malfunctions to use the BBB mediation process or choose to have their concern heard by an arbitrator.

**RIGHT AT HOME** uses a voluntary BBB mediation program to provide a fast and inexpensive way to resolve disputes for manufactured housing concerns. The BBB works with both the home builder and the customer through mediation sessions held at the customer's home.

A survey of car owners who recently participated in BBB AUTO LINE to resolve their auto warranty dispute found that 88% would recommend the program to friends and family. That's one example of how BBB dispute resolution programs promote customer trust in the marketplace.

**BBB AUTO LINE®** continues to be the largest of the BBB dispute resolution programs. Ford Motor Company joined the list of participants in 2005, following the completion of a pilot test with the BBB system. BBB AUTO LINE experts work closely with the consumer and the participating manufacturer to expedite a resolution to automobile warranty disputes. The vast majority of the 37,682 disputes received in 2005 were settled prior to an arbitration hearing; only 16% of the incoming complaints required formal arbitration.

CBBB hosted a national conference for the automotive industry in October 2005, entitled, "360° Key Constituency Perspectives on the Automobile Industry." The well-attended conference provided customer-performance feedback, offered experts on automobile consumers' customer satisfaction and examined ways to improve satisfaction and trust in the auto marketplace.



Congresswoman Eleanor Holmes Norton talks with CBBB's Rod Davis and President Steve Cole at the Conference for Auto Manufacturers in October 2005.

## The BBB Works to Free the Marketplace of Fraud

**F**raudulent operations, if allowed to flourish, will destroy trust in the marketplace. BBBs play an important role in helping to identify scams and bogus businesses, investigating perpetrators and their means of operation, and bringing their findings to the attention of the consuming public, the media, and appropriate law enforcement. The investigative work of BBBs in 2005 helped to rid the marketplace of frauds related to mortgage products, business loans, vacation packages and telecommunications services, to name a few.

Quick detective work by the BBB based in Cleveland, OH unearthed a mortgage elimination scheme that was victimizing homeowners nationwide. The two principals behind the scheme used a network of brokers and the Internet to convince homeowners to pay \$1,000-\$3,000 and place their homes into trusts naming the principals as trustees. The Cleveland Bureau quickly collected information and details from complainants, fellow BBBs and other sources, and alerted law enforcement to the nature of the scheme. Its efforts played a key role in getting regulators to look more closely at the business and its means of operation; the perpetrators are now serving jail time.

In Texas, the BBB of Tyler was instrumental in shutting down a schemer who victimized more than 13 small businesses, involving tens of thousands of dollars. Thorough investigative work by Bureau staff helped to expose the fact that the scam artist was bilking businesses on two fronts—selling booths for non-existent trade shows and collecting money with the promise of "guaranteed" loans.

The Tyler Bureau partnered with other BBBs to warn business owners in their service areas about the perpetrator's

operations. The Bureau's diligence in exposing the fraudulent business practices led the City of Tyler to adopt a law mandating that unknown parties be checked out through the BBB before being allowed to book the convention center. The perpetrator ended up pleading guilty to mail fraud, and is due to be sentenced in 2006.



BBBs in Hawaii and Colorado worked together to bring a stop to a Hawaiian vacation scam that was defrauding Coloradans. When the Honolulu Bureau began receiving numerous calls from consumers in Colorado Springs and Denver regarding a vacation package advertised by an island business, staff sprang into action. The consumers complained that they had paid their deposit money for a trip and never received their airline tickets. The vacation company claimed that the tickets were "in the

mail" but the Colorado Springs BBB determined that the flights had never been booked. Consumers were promised a refund that never materialized. Two suspects were subsequently arrested and charged with mail fraud.

When a modem highjacker started to generate a firestorm of complaints from across the country, the BBB of Fort Worth took quick and aggressive action. The Bureau dug deep to identify the crook and diligently untangled a web of deceit, that ultimately involved unauthorized long-distance telephone charges, bogus invoices, computer viruses, spy ware, Internet services and the world of pay-per-view pornography. The Bureau's investigation brought the suspect business into the eye of the national media, the arms of law enforcement, and out of the pockets of consumers. Its efforts assisted thousands of victims and thwarted the perpetrator's efforts to bilk thousands more.



# Building Trust in the Marketplace

## The Strength of the BBB System

The Council's Bureau Network Division (BND) has a primary mission to foster service excellence by Better Business Bureaus nationwide. In 2005, the BND helped Bureaus implement new reporting policies, designed to make it easier for the consuming public and business community to identify trustworthy businesses. Now, every BBB reliability report includes the specific number, nature and disposition of complaints on the subject firm. Highlighted text provides additional clarity to commonly-used terms and links offer ready access to additional information to consider when making a purchasing decision.

A number of tests are underway to help the BBB to be even more responsive to consumers' quests for helpful information. Bureaus are testing ratings systems to evaluate businesses, looking at how customer compliments might add value to BBB reports, and examining other opportunities to expand BBB services. Many of these innovations emanate from the grass-roots level, where BBBs seize upon opportunities to better serve their marketplaces.

The BBB in Louisville, KY launched a new program in 2005 to provide helpful consumer information to the blind and visually impaired. The BBB teamed up with the "Audio Studio for the Reading Impaired" to produce audiotapes with tips on identity fraud prevention, home remodeling and other consumer issues. The tapes are provided free to the visually impaired.

A new information delivery system was developed by the Bureau in Boston to permit consumers and businesses to obtain personal assistance from a BBB staff person through the Internet. Called Live Support, the program allows a person to speak to a BBB representative live via a special Web interface that resembles an Internet chat room. The process is quicker than e-mail and often more convenient than a phone call.

To reach its expanding marketplace in Southern Colorado, the BBB in Colorado Springs developed a consumer affairs television program, which airs 40 times a month on a local cable station. Hosted by a BBB professional, the half-hour program educates consumers on a variety of timely issues and features interviews with small business owners.

## BY THE NUMBERS....

### Facts about the BBB system of North America

(includes the Council of Better Business Bureaus, the Canadian Council of Better Business Bureaus and BBBs in the U.S. and Canada)

\$ 143,832,151 Total Revenue\*  
 \$ 136,580,422 Total Expenses\*  
 \$ 69,662,321 Total Salaries\*  
 \$ 7,150,445 Net Gain\*

380,436 Members  
 180 Offices

89,298,724 Instances of Service Provided in 2005  
 41,456,334 Requests for BBB Reports on Businesses  
 34,543,951 Other Consumer and Business Inquiries  
 9,981,141 Shoppers "Clicked" to Confirm BBB *OnLine* Seals  
 2,222,880 Requests for BBB Wise Giving Alliance Charity Reports  
 819,137 Complaints Processed (Includes BBB AUTO LINE)  
 261,043 Complaint Counseling and Referrals  
 11,137 National and Local Advertising Review Cases  
 3,101 Investigations of Questionable Business Practices

\*Financial Data is as of Year-end 2004



### Top Ten Requested Reports for 2005 in the U.S. by Industry

Industry	Rank	BBB Reports Requested
Mortgage Cos.	1	1,221,616
Roofing Contractors	2	1,053,642
Moving Companies	3	1,007,786
Work-At-Home Advertisers	4	963,820
Contractors	5	886,274
New Car Dealers	6	735,891
Home Builders	7	610,548
Construction & Remodeling Svc.	8	547,926
Auto Repair & Service	9	495,113
Swimming Pool Contractors	10	472,202

## BBB International Torch Award for Marketplace Ethics

For a decade, the **BBBs' International Torch Award for Marketplace Ethics** has brought positive attention to the many businesses that are devoted to fostering trust in the marketplace. The criteria measure how a business treats its customers, employees, competitors, shareholders and communities. Each year, one international winner is selected from each of four size categories by an independent panel of judges with expertise in business ethics.

In 2005, the award attracted more than 1,000 entries at the national and local levels. Following a rigorous judging process, the following businesses were named winners of the **2005 BBB International Torch Award for Marketplace Ethics**:

- Owens & Minor, Inc. (Glen Allen, VA)
- Air Tractor, Inc. (Olney, TX)
- Integrated Project Management Co., Inc. (Burr Ridge, IL)
- Regency Wallcraft, Inc. (Newark, OH)

Contests rules, judging criteria, entry forms and a list of past winners are available on the BBB Web site ([www.bbb.org](http://www.bbb.org)).



## The BBB International Student Ethics Award

**2005** witnessed the debut of the **Better Business Bureau International Student Ethics Award**, established to recognize outstanding high school students who personify high ethics as demonstrated through leadership, community service, academic history and overall personal integrity. The impetus behind the award is to foster integrity and ethics among those who will staff and lead our nation's businesses in the future.

Students selected to be honored receive a scholarship of \$2,500 towards their college education. Award criteria, guidelines and procedures are available online at [www.bbb.org](http://www.bbb.org).

The five high school students honored with the **2005 BBB International Student Ethics Award** are:

- Amber Appleton, West Delaware High School, Manchester, IA;
- David Clay, Mason High School, Mason, OH;
- Michael Cronin, Galva-Holstein High School, Holstein, IA;
- Victor Cross, Central High School, Phenix City, AL; and,
- Nikrad Mahdi, Worthington Kilbourne High School, Worthington, OH.



"Our society needs to stand up and choose right over wrong and hopefully the **BBB Torch Award for Marketplace Ethics** is helping us to set the standard."

*Richard Panico, president of Integrated Project Management Co., Inc., on being named the winner of the **2005 International Torch Award***



## FINANCIAL STATEMENTS

The Consolidated Statements of Financial Position of the Council of Better Business Bureaus, Inc. and the BBB Wise Giving Alliance (the Council) 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 the Council's management. Several integral parts of the statements, which are necessary for a complete understanding of the financial position and activities of the Council, are not presented here. Those excluded items are the independent auditors' report, the Statement of Cash Flows, and the Notes to the Financial Statements. Complete financial statements, including the independent auditors' report, prepared by Tate & Tryon, certified public accountants, are available upon request from the Council's Finance department.

## INTERNAL CONTROL SYSTEM

The Council'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.

Statements of Financial Position	Year Ended December 31	
	<i>(in thousands)</i>	
ASSETS	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 2,822	\$ 1,578
Accounts receivable	1,480	519
Contributions receivable	150	150
Inventory	29	29
Prepaid expenses	183	302
Investments	494	—
Furniture, equip., software and leasehold improvements, net	222	296
Funds held for service awards for Bureau officers	545	638
<b>Total assets</b>	<b><u>\$ 5,925</u></b>	<b><u>\$ 3,512</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 1,041	\$ 717
Deferred revenue	1,817	894
Funds held for service awards for Bureau officers	<u>545</u>	<u>638</u>
<b>Total Liabilities</b>	<b><u>\$ 3,403</u></b>	<b><u>\$ 2,249</u></b>
<b>Net assets</b>		
Unrestricted	2,370	1,106
Temporarily restricted	<u>152</u>	<u>157</u>
<b>Total net assets</b>	<b><u>2,522</u></b>	<b><u>1,263</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 5,925</u></b>	<b><u>\$ 3,512</u></b>

## RESULTS OF OPERATIONS

The Council's consolidated operations (CBBB and BBB Wise Giving Alliance) increased its consolidated net assets by \$1,259,249 in 2005. The 2005 annual budget was to increase net assets by \$250,000, resulting in a favorable variance of \$1,009,249. Consolidated expenses were unfavorable to budget in 2005 by \$1,884,557 while consolidated revenue was favorable to budget by \$2,893,806.

The Council continued in 2005 to find ways to reduce costs and streamline its operations. We continue to work towards our financial goals of increasing both net assets and cash reserves. New and increased revenue sources were generated from the BBB AUTO LINE program, National Advertising Division, National Membership, Children's Advertising Review Unit, BBBOnLine fees, and the Military Project. Expenses in 2005 were unfavorable to budget due to an additional automobile manufacturer participating in the BBB AUTO LINE program.

Council's consolidated year-end cash balance is \$3,315,889, an increase of \$1,757,967 from December 31, 2004. The difference is mainly due to increased activity in the BBB AUTO LINE program.

Statements of Activities	Year Ended December 31	
	<i>(in thousands)</i>	
CHANGE IN UNRESTRICTED NET ASSETS	<u>2005</u>	<u>2004</u>
<b>Revenue</b>		
Dispute resolution - BBB AUTO LINE	\$ 10,370	\$ 8,485
National member dues	2,685	2,550
National member programs	2,814	2,063
Bureau dues	1,418	1,329
Sponsorships and contributions	748	873
Bureau programs	421	499
Dispute resolution - other	354	164
Interest and other	200	304
DOC award	57	101
Military program	<u>252</u>	<u>23</u>
<b>Total unrestricted revenues</b>	<b><u>19,319</u></b>	<b><u>16,391</u></b>
Net assets released from restrictions:		
Satisfaction of restrictions	<u>860</u>	<u>894</u>
<b>Total unrestricted revenue and other support</b>	<b>20,179</b>	<b>17,285</b>
<b>Expenses</b>		
Dispute resolution - BBB AUTO LINE	8,247	7,052
National member programs	3,307	2,997
General and administration	2,716	2,614
Bureau programs	2,054	2,293
BBBOnLine	806	762
Children's Advertising Review Unit	704	645
National membership development	483	383
Fundraising	330	255
Military program	173	13
DOC award	<u>95</u>	<u>119</u>
<b>Total expenses</b>	<b>18,915</b>	<b>17,133</b>
<b>Changes in unrestricted net assets</b>	<b><u>1,264</u></b>	<b><u>152</u></b>
Changes in temporarily restricted net assets		
Contributions	855	851
Net assets released from restrictions	<u>(860)</u>	<u>(894)</u>
<b>Changes in temporarily restricted net assets</b>	<b>(5)</b>	<b>(43)</b>
<b>Increase in net assets</b>	<b><u>1,259</u></b>	<b><u>109</u></b>
<b>Net assets</b>		
Beginning of year	<u>1,263</u>	<u>1,154</u>
<b>End of year</b>	<b><u>\$ 2,522</u></b>	<b><u>\$ 1,263</u></b>

**CBBB National Members – We Salute You for Supporting the Trust-Enhancing Mechanisms We Build and Administer – For You.**

3M Company	Combe Incorporated	Hearst Corporation	McGrath North Mullin & Kratz	Schiff Hardin LLP
AARP	ConAgra Foods, Inc.	Heenan Blaikie	McNeil Consumer & Specialty Pharmaceuticals	Sears, Roebuck & Company
ABC, Inc.	Consumer Healthcare Products Association	Henley Management Company	Mead Johnson	Seisint, Inc./LexisNexis Risk Management
Abbott Laboratories	Cooper Tire & Rubber Company	Hershey Foods Corporation	MediaPower, Inc.	SESAC, Inc.
ACH Food Companies, Inc.	Coors Brewing Company	Hertz Corporation	Merisant US, Inc.	Shaklee Corporation
Alberto-Culver Company	Council for Responsible Nutrition	Hewlett-Packard	Microsoft Corporation	Shell Oil Company
Alcon Laboratories	Covington & Burling	Highlights for Children, Inc.	Midas International Corporation	Shiseido America
Alston & Bird LLP	Crain Communications Inc.	Hill's Pet Nutrition, Inc.	Mission Pharmacal	Shuster Laboratories, Inc.
Alticor, Inc.	Cramer Krasselt	Hogan & Hartson	Mitsubishi Motor Sales of America, Inc.	Sidley Austin Brown & Wood LLP
American Advertising Federation	Crown Exploration, Ltd.	The Hoover Company	Morgan, Lewis & Bockius LLP	Simmons Company
American Association of Advertising Agencies	Darden Restaurants, Inc.	Hormel Foods Corporation	Morningstar Foods	Simpson Thacher & Bartlett
American Express Company	Davis & Gilbert LLP	Hurdman Communications, Inc.	Motorola, Inc.	Skadden, Arps, Slate, Meagher & Flom LLP
Amica Mutual Insurance Company	Davis Wright Tremaine LLP	Hyman, Phelps & McNamara, P.C.	Mott's LLP	Snapple Beverage Corporation
Andersen Windows, Inc.	Dean Foods Company	Hyundai Motor America	Nationwide	Sony Corporation of America
Anheuser-Busch Companies, Inc.	Debevoise & Plimpton	IBM Corporation	Neal & McDevitt	Sprint Corporation
Apple Computer, Inc.	Del Monte	The Iams Company	Nestle USA, Inc.	Square D Company
Arnold & Porter	Dell Computer Corporation	Intel	Newell Rubbermaid Inc.	Stanislaus Food Products
ASCAP	Designer Skin	International Health Racquet & Sports Club Association	Nextel Communications, Inc.	Staples, Inc.
Association of National Advertisers	Dial Corporation	Inverness Medical, Inc.	Nintendo of America	SunTrust Banks, Inc.
AT&T Corporation	Direct Marketing Association, Inc.	Jelmar	Nissan Motor Corporation in USA	Target Corporation
Avent America, Inc.	Direct Selling Association	Andrew Jergens	Northern Technologies International Corporation	Tempur-Pedic, Inc.
Avon Products, Inc.	DNA Dreamfields Company, LLC	Johnson & Johnson	Novartis Consumer Health, Inc.	Tetley USA Inc.
Bath & Body Works	Dole Packaged Foods	J.C. Penney Company, Inc.	Ocean Spray Cranberries, Inc.	Time Warner, Inc.
BBDO	Dormont Manufacturing Company	J.D. Power and Associates	Ogilvy & Mather Worldwide, Inc.	Tom's of Maine
BellSouth Corporation	Dorsey & Whitney LLP	J. M. Smucker Company	Old World Industries	The Talbots, Inc.
Bernard C. Harris Publishing Company, Inc.	Dow Jones	John O. Butler Company	Olsson Frank and Weeda, P.C.	Toy Industry Association, Inc.
Best Buy	Dr. Pepper/Seven-Up, Inc.	Julius Zorn, Inc. (Juzo)	Oreck Corporation	Tropicana Products, Inc.
BIC Corporation	Duracell	Just Brakes	Orrick Herrington & Sutcliffe LLP	Troutman Sanders
Bingham McCutchen LLP	Dyson, Inc.	Kal Kan Foods, Inc.	Overstock.com	Tupperware Corporation
Bissell Inc.	E. T. Browne Drug Company, Inc.	Katten Muchin Zavis Rosenman	Pactiv Corporation	Turner Broadcasting System, Inc.
BMW of North America	Eastman Kodak Company	Keller and Heckman, LLP	Papa John's International Inc.	Tyson Foods, Inc.
Boston Beer Company	EcoWater Systems	Kellogg Company	Patterson, Belknap, Webb & Tyler LLP	Uncle Ben's, Inc.
Bridgestone/Firestone, Inc.	Electrolux Home Products	Kikkoman International, Inc.	Pattishall McAuliffe	Unilever United States, Inc.
Brinks Hofer Gilson & Lione	Electronic Retailing Association	Kilpatrick Stockton LLP	Patton Boggs	United Educators, Inc.
Bristol-Myers Squibb Company	Energizer Holdings	Kimberly-Clark Corporation	Paul, Weiss, Rifkind, Wharton & Garrison LLP	United Gilsonite Laboratories
Broadcast Music, Inc.	EPS Molders Association	Kiplinger Washington Editors, Inc.	Pella Corporation	Venable, Baetjer, Howard & Civiletti
Brown & Williamson Tobacco Corp.	Equifax	Kirkland & Ellis	Pep Boys	Verizon
Bryan Cave LLP	Estee Lauder Inc.	Kirkpatrick & Lockhart, LLP	Pepperidge Farm	Verizon Wireless
BSN-Jobst, Inc.	Euro-Pro	Kleinfeld, Kaplan & Becker	PepsiCo, Inc.	Visa U.S.A. Inc.
Buc & Beardsley	Eveready Battery Company, Inc.	Kraft Foods, Inc./Altria Group	Pfizer, Inc.	Volkswagen of America, Inc.
Burger King Corporation	FastServers, Inc.	Kramer Levin Naftalis & Frankel LLP	Pharmanex, Inc.	Vulcan Materials Company
Business Software Alliance	Ferrero USA Inc.	L'Oreal USA Inc.	Philips Oral Healthcare, Inc.	Weider Nutrition International, Inc.
Cabletelevision Advertising Bureau, Inc.	Footo, Cone & Belding Worldwide LLC	LEGO Systems, Inc.	Pillsbury Winthrop LLP	Weight Watchers International, Inc.
Cadbury Schweppes - Americas	Ford Motor Company	Lenscrafters	Pitney Bowes, Inc.	Weil, Gotshal & Manges LLP
Campbell Soup Company	Frankfurt, Kurnit, Klein & Selz, P.C.	Leo Burnett Worldwide, Inc.	Procter & Gamble Company	Welch Foods Inc.
Capital One Services, Inc.	Fuji Photo Film	Levi Strauss & Co.	Quaker Oats Company	Whirlpool Corporation
Cargill Incorporated - Salt Division	Gannett Company, Inc.	Liggett-Stashower Advertising, Inc.	Quixtar, Inc.	Wiley, Rein & Fielding
Casio, Inc.	Gardner, Carton & Douglas	Loeb & Loeb LLP	Reckitt Benckiser Inc.	William B. Reily & Company
Caterpillar Inc.	General Electric Corporation	I.L. Long Construction Co., Inc.	Reed Smith	Windows USA
Chevron Texaco	General Mills, Inc.	Magazine Publishers of America, Inc.	Reynolds Consumer Products	Winston & Strawn
Church & Dwight Company	Georgia Pacific Corporation	Manatt, Phelps & Phillips LLP	RJ Reynolds Tobacco Company	Wm. Wrigley Jr. Company
CIBA Vision Corporation	Gerber Products, Inc.	Manhattan Advertising & Media Law	Ropes & Gray LLP	Wyeth
Circuit City Stores, Inc.	Gillette Company	Mars Inc.	Ross Products	Xerox Corporation
Clearpoint Financial Solutions	GlaxoSmithKline Consumer Healthcare	Mary Kay, Inc.	Rubin Postaer and Associates	Yahoo! Inc.
Clorox Company	Global Vision Products Inc.	MasterCard International	S.C. Johnson & Son, Inc.	Young & Rubicam Inc.
Coblentz, Patch, Duffy & Bass, LLP	Godiva Chocolatier, Inc.	Masterfoods USA	Sara Lee Corporation	
Coca-Cola Company	Goodyear Tire & Rubber Company	May Department Stores Company	SBC Communications, Inc.	
Colgate-Palmolive Company	Grocery Manufacturers of America, Inc.	Maytag Corporation	Schering-Plough Corporation	
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Columbia House	Guideline Research Corporation	McCann Worldgroup		
	H.J. Heinz Company			

*Members as of 03/15/06*



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