



# VIETNAM VETERANS MEMORIAL FUND

## **The Vietnam Veterans Memorial Fund: A Top Charity**

The Vietnam Veterans Memorial Fund (VVMF) is a 501(c)(3) not-for-profit organization that was established in 1979 to fund and build the Vietnam Veterans Memorial on the National Mall in Washington, D.C. Since then, VVMF has pursued a full program of remembrance, education and healing through a variety of activities at The Wall and in the schools.

### **The Better Business Bureau's Wise Giving Alliance**

The Better Business Bureau has approved VVMF for inclusion in its Wise Giving Alliance, a widely regarded national charity evaluation group affiliated with the universally respected Better Business Bureau system.

The Alliance is the foremost charity evaluation organization in the United States. It was formed in 2001 through the merger of the National Charities Information Bureau with the Council of Better Business Bureaus' Foundation. This new organization possesses more than a century of combined experience in charity evaluations.

Unlike other charity watchdog groups that engage in speculative evaluations, the Better Business Bureau Wise Giving Alliance conducts a top-to-bottom examination of each charity it rates. And because the Wise Giving Alliance conducts a thorough examination of the entire organization's finances, instead of just comparing donations to expenditures.

Following an exhaustive evaluation, the Alliance ruled in a Wise Giving Charity Report that VVMF meets all 20 of its voluntary "Standards for Charity Accountability." These standards address, among other things, a charity's financial practices, governance and oversight and effectiveness, as well as fundraising and informational activities.

In the important area of VVMF's financial practices, the Alliance found that VVMF meets or exceeds its standards. The Alliance recommends that a charity organization spend no more than 35 percent of related contributions on fundraising. In its evaluation, the Alliance found that VVMF spends only 23 percent of related contributions on fundraising—far exceeding the standard established by the Alliance.

### **The American Institute of Philanthropy**

The American Institute of Philanthropy (AIP) is a charity watchdog group that has rated a variety of veterans and military charities, and has given low ratings to some well-

established national organizations, including AMVETS, Blinded Veterans Association, Military Order of the Purple Heart Service Foundation, NCOA National Defense Foundation, Paralyzed Veterans of America and VVMF. Even large, well-respected organizations such as Veterans of Foreign Wars (VFW) and Disabled American Veterans (DAV) received only middling grades. In the case of VVMF, AIP has made assumptions about VVMF and its finances that have affected the group's overall rating.

### **The Effect of a Capital Campaign on Charity Ratings**

The factor with the biggest impact on VVMF's charity rating, with AIP, BBB or any other watchdog group, is that VVMF is in the middle of a capital campaign to build the Education Center at The Wall. BBB recognizes these special circumstances and makes allowances for them. As a result, it concluded that VVMF meets the BBB standard (Standard 8) calling for total program service expenses to be at least 65 percent of total expenses. In reaching this conclusion, BBB considered that VVMF plans to build an underground educational facility and that "a portion of funds raised was allocated to this project."

In fact, VVMF is required to keep funds raised for building the Education Center in a special fund that cannot be used until building begins. Donations made to VVMF go toward regular programs unless they are specifically made to the Education Center.

AIP, however, did not take VVMF's capital campaign into account when formulating its rating. In fact, according to its own Web site, "AIP strongly believes that your dollars are most urgently needed by charities that do not have large reserves of available assets. AIP therefore *reduces* the grade of any group that has available assets equal to three to five years of operating expenses...These reductions in grades are based *solely* on the charities' asset reserves as compared to budget."

In effect, AIP has penalized VVMF for conducting a capital campaign.

### **VVMF Is Not a Service Organization**

The "Veterans and Military" category leads readers to assume that all of these charities are veterans service organizations (VSO). Although it has been included in this category, VVMF is *not* a service organization, it has never considered itself a service organization and, perhaps most importantly, it has never promoted itself as a service organization.

VVMF's mission is: "To preserve the legacy of the Vietnam Veterans Memorial, to promote healing and to educate about the impact of the Vietnam War."

While VVMF honors veterans and their families, the organization uses the generous contributions of its donors to support the legacy of The Wall and those who served and sacrificed in the Vietnam War. VVMF holds ceremonies throughout the year at the Vietnam Veterans Memorial, to honor and remember all who served in that war.

It also funds several highly regarded healing and education programs, including *The Wall That Heals*, a half-scale replica of the Vietnam Veterans Memorial that travels to communities throughout the United States and includes a traveling museum and information center. VVMF creates and distributes educational materials to teachers around the United States and provides training to teachers at all grade levels several times a year.

VVMF has recently expanded its role in maintenance of the Memorial by funding restoration of the Three Servicemen statue, the flagpole, the directory stands and the sprinkler system, and taking responsibility for maintenance of 13.5 acres of lawn at and around the Memorial. VVMF also insures The Wall and pay for the yearly addition of names and designation changes.

Additionally, VVMF works cooperatively with the Quang Tri Province (Vietnam) People's Committee on Project RENEW™, a mine-action, education and humanitarian program in Vietnam.

As mentioned previously, VVMF is conducting a capital campaign to build a congressionally approved underground visitor and learning facility near the Vietnam Veterans Memorial. The Education Center at The Wall will be built by VVMF and turned over to the federal government as a gift to the American people, much as The Wall was in 1984.

VVMF respects those veterans service organizations that, by definition, contribute directly to the care and well-being of veterans, active-duty military personnel and their families. But VVMF should not and cannot be mistaken as one of these. Our mission, while also important, is different.

### **Third-Party Studies of AIP's Methods**

As a self-described “charity watchdog,” AIP is one of several rating organizations that claims to be the authority for donors seeking information to guide their giving decisions. But studies of AIP's methods raise major concerns about the validity of the conclusions reached. While this document looks at AIP specifically, donors should be wary of all of these “watchdog” groups.

A study reported in the *Stanford Social Innovation Review*—an award-winning magazine covering the successful strategies of nonprofits, foundations and socially responsible businesses—found that AIP and other questionable watchdog groups:

- Rely too heavily on simple analyses and ratios derived from poor-quality financial data;
- Overemphasize financial efficiency while ignoring program effectiveness; and
- Do a poor job of conducting analyses in important qualitative areas, such as management strength, governance quality and organizational transparency.

This study's authors concluded that, as donors make important decisions using potentially misleading data and analyses, the potential of groups such as AIP to do harm may outweigh their ability to inform.

A second study, *Rating the Raters: An Assessment of Organizations and Publications that Rank/Rate Charitable Nonprofit Organizations*, provides a separate, critical assessment of AIP and its counterparts. The major findings are:

- ***Approaches and criteria are not the same.*** The methodologies and criteria used vary significantly among the various rating and ranking organizations.
- ***Evaluation criteria may not be readily apparent.*** Not all nonprofit rating and ranking groups make it easy for the donor to determine the evaluation method and criteria used.
- ***Evaluators may use criteria that are overly simplistic.*** Simple financial ratios and/or measurements that apply in some circumstances may not apply in others.
- ***Evaluators focus on financial measurements and overlook program effectiveness.*** Financial “efficiency” is assessed by AIP and most third-party ratings groups as a percentage of contributions received. This tends to be their primary focus.
- ***Competence of the evaluator is critical and difficult to determine.*** It is virtually impossible for donors to determine the relevant credentials, expertise and experience of the rating organization's staff. At AIP, a small staff size and below-par salaries suggest that it does not employ enough individuals with the necessary credentials to provide quality, in-depth assessments.
- ***The evaluators often derive revenue as a result of their rating reports.*** Some nonprofit rating organizations use their service as a critical component of revenue generation. This obvious conflict of interest leads to the question of whether these groups are motivated by the desire to inform potential donors or by the media attention that improves their revenue stream. AIP, for instance, charges a fee (\$3) for a sample copy and requires membership (\$200) as a condition for receiving its annual rating reports.

### **Generally Accepted Accounting Practices**

It is also worth noting that AIP ignores Generally Accepted Accounting Practices (GAAP), established by the American Institute of Certified Public Accountants. These set stringent criteria for the treatment of fundraising and program education expenses. This deliberate disregard results in financial ratings by AIP that greatly vary from those issued by the Better Business Bureau Wise Giving Alliance, which follows GAAP, and present an erroneous picture of a nonprofit organization's financial practices, especially its fundraising activities.

AIP does not hesitate to give a failing grade to an organization that does not meet its self-designed “standards.” In fact, it specifically aims to review nonprofits that it “feels” (a subjective factor) aren’t spending wisely or performing ethically to educate the public relative to its own views.

Thus, there is great potential for ratings issued by AIP and other such organizations to be misinterpreted and misused, which would cause more harm than good to donors and not-for-profit organizations.

### **Conclusions**

VVMF understands that its donors want to make wise choices with their giving dollars, and we encourage them to do so. However, we feel donors should look just as critically at the evaluators as they look at those charities being evaluated.

As you consider AIP’s rating of VVMF, please remember these important points:

- VVMF meets the Better Business Bureau Wise Giving Alliance’s Standards for Charity Accountability. This group, unlike some of the self-proclaimed watchdog groups, is a nationally respected rating organization with a proven history of experience in charity evaluation.
- Further, the Wise Giving Alliance provides more than just a financial report card; it conducts a top-to-bottom evaluation of charity organizations, and VVMF meets all 20 of its voluntary standards.
- VVMF is not a veterans service organization and should not be evaluated as such.
- VVMF is in the middle of a capital campaign to build the Education Center at The Wall, which means some of the funds raised must be placed in a reserve account and not spent until building begins.
- Third-party studies find fault with AIP’s evaluation methods and raise the possibility that such reports could be self-serving.
- Generally Accepted Accounting Practices (GAAP) are widely respected and employed in the philanthropic community as the method for accurately determining a charity’s finances. AIP does not follow GAAP.

### **Please Continue to Support VVMF**

For more than 30 years, VVMF has been working hard to accomplish our primary missions and to fulfill our promises to you, our contributors. Our record of accomplishment, combined with the findings of the Better Business Bureau Wise Giving Alliance’s exhaustive examination of our financial, fundraising, governance and other critical practices show that we are succeeding on both fronts. We urge you to review VVMF’s Wise Giving Charity Report issued by the Wise Giving Alliance and to continue supporting VVMF’s important work with your generous contributions. Thank you for your past and ongoing support.