United Way Centraide Canada

Transparency, Accountability and Financial Reporting Policies for United Way Centraides in Canada
TOOLKIT

United Way Centraide Canada Membership Agreement

Membership Requirement K6

September 2016

Give. Volunteer. Act.

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PREAMBLE

United Way Centraide Canada (UWCC) members have a reputation as able stewards of community resources and enjoy a high degree of public trust and confidence. This important achievement has been and will continue to be fundamental to our ability to deliver our mission in the communities we serve. As such, we must ensure our financial practices provide the highest possible degree of accountability and transparency.

In 2005, UWCC members expressed a need to undertake a review and to develop a new set of Movement-wide policies for financial reporting. As a result, the Board of Directors of UWCC endorsed the Transparency, Accountability and Financial Reporting initiative to review financial policies and practices within the United Way Centraides (UWCs). Increasing expectations of corporate, government and not-for-profit institutions suggest a review is both prudent and timely to ensure we meet expectations of stakeholders and continue to be a leader in demonstrating excellence in financial management, accountability and transparency.

GOING FORWARD

Since 2005, our Transparency, Accountability and Financial Reporting (TAFR) policies have brought us to a higher level of excellence. However, our organization is constantly changing. As a result, these policies have been reviewed in 2015 to ensure we continue to apply the highest possible standards in financial reporting, accountability and transparency. A TAFR review committee will meet at least annually to review the policy and guide the treatment of exceptional circumstances and future updates.

This toolkit was originally developed as a guide to the TAFR policies and has been updated to reflect the revised policies that were approved by UWCC members at the 2016 Annual General Meeting.

The purpose of this review goes well beyond an evaluation of current policies and protocols. Rather, the fundamental premise is deeply rooted in UWCs longstanding commitment to maintaining the highest possible standard of financial accountability and transparency.

FUNDAMENTAL PRINCIPLES

UWCs will be, and will be seen to be, exemplary models of financial accountability and transparency in the charitable sector in Canada. We will achieve this position through our commitment to:

Transparency	Simplicity	Consistency
• Financial information and reporting will conform to Canadian accounting standards for not-for-profit organizations, be comprehensive, useful and easily accessible.	• Financial information will be presented in a manner that provides clarity and ease of understanding.	• Financial management and reporting policies and practices will be applied consistently amongst all UWCs.

USE OF THE TOOLKIT

The toolkit will serve as a starting point for discussions with your staff, board and advisors. Varying capacities and environments across the Movement require that there be some flexibility in terms of the content and delivery of messages. UWCs are part of a diverse Movement. Some members will use the templates as provided while others will work with their finance staff or auditors and tailor the materials to provide for added complexity. However, all members will ensure that their statements are developed in compliance with the policies.

The toolkit is divided into 7 sections

- Financial Reporting
- Accounting
- Calculating Cost Ratios
- Centrally coordinated campaigns
- Designations
- Membership dues
- Appendices

The terminology used in this document is intended to be generic. Different terms can be used for various reports, functions, or transactions. Some examples are:

- Fundraising – Resource Development
- Statement of Operations – Statement of Income and Expenses

Appendix A expands upon many of the terms used in the TAFR policies.

A few concepts must be kept in mind in reading through this material as they underlie all of the TAFR policies.

Reporting consistency across UWCs in Canada
Reporting consistency within your own organization
Reporting the dollars raised in and for your geographic area, and
Reporting the costs associated with raising those dollars and the investment in the community made with those dollars.

Revisions to the reporting policies may also be an excellent time to review the collection and flow of financial information within your organization. This flow and the ease of retrieving information facilitates the preparation of the reports listed above. Here are some hints:

- Ensure that data is not being recorded in two places if one will do. For example, there is no need to record campaign detail in both your campaign software and general ledger (GL);
- Make sure your GL has control totals that can be used to confirm balances in your campaign software;
- Track information in sufficient detail so that totals needed for different reports are easily obtained;
- Set up meetings with your Board's Finance Committee, your auditors and your staff. The staff component should include the Executive Director, finance staff, and senior fundraising staff. Everyone must have a clear understanding of how the campaign achievement is to be counted and reported;
- Review internal reports to see if they need to be modified to conform to the revised policies and to more closely reflect the external reports you will be producing; and
- Please note that some policies include more than one alternative.

FINANCIAL REPORTING

FINANCIAL STATEMENTS

Begin by looking at the big picture. Starting with the required output will help determine how to record transactions within your systems. Your statements must reflect the financial realities of your organization.

The policies for financial statements were developed to ensure consistency in financial reporting terminology within your organization as well as among UWCs in Canada. This does not mean that all financial statements will be identical in format. However, it does mean that they will be prepared using the same methodology.

The financial statements comprise the following:

Statement of Financial Position
Statement of Operations
Statement of Changes in Net Assets
Statement of Cash Flows
Notes to the Financial Statements

The Statement of Operations and the notes to financial statements are most affected by the policies. Both are dealt with in this toolkit. The other components listed above are important parts of your financial picture; however, these are not directly affected by the policies and will not be addressed in this toolkit.

Not all UWCs use the same fiscal year. The two most common practices are for fiscal years to end March 31 or December 31. The recommended fiscal year is March 31 as most UWCs would have recorded their fall workplace campaigns and determined their allocations and community programs. This also avoids having to either defer campaign revenue or accrue allocations and community program expenses if a December 31 year end is chosen. Essentially any year end period may be chosen but a change in yearend must be formally requested of the CRA.

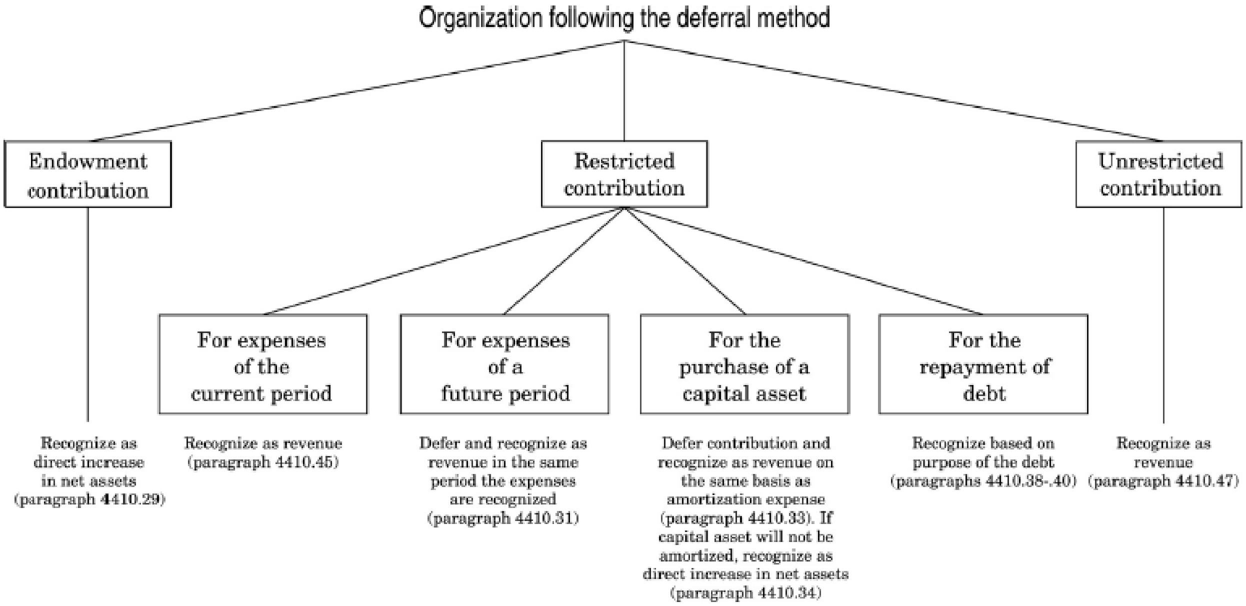
ACCOUNTING FOR CONTRIBUTIONS

There are two methods of accounting for contributions that are permitted under Canadian accounting standards for not-for profit organizations (see decision trees below – CPA Canada Handbook – Accounting section 4410 Contributions – revenue recognition):

- The Deferral Method
- The Restricted Fund Method

Both accounting methodologies are allowed under the TAFR policies.

DEFERRAL METHOD



Under the deferral method (DM), there are three types of contributions:

Endowment contributions

- Recognized as a direct increase to net assets in the current period.
- If the endowment stipulates that investment income be restricted for a specific purpose as well, the investment income is recorded as part of net assets.

Restricted contributions

- Recognized as deferred revenue on the Statement of Financial Position until the period in which the related expenses are incurred.
- If the investment income is externally restricted by the donor, the income is to be accounted as an increase of deferred revenue until the period in which the related expenses are recognized.

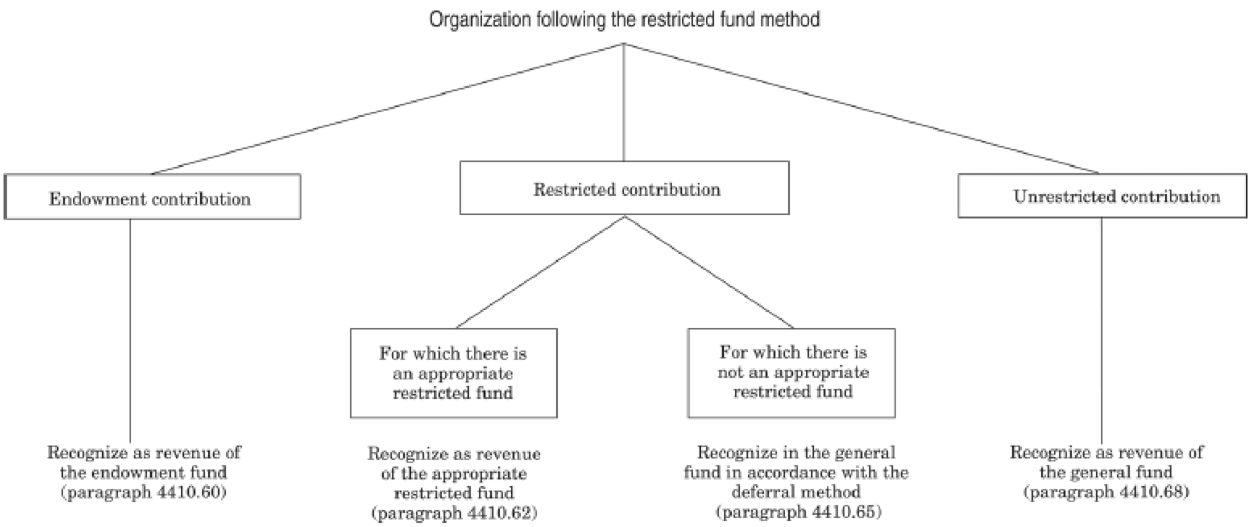
Unrestricted revenue

- Revenue that has no donor restriction, including investment income.
- Recognized in the year/period the income is earned

Deferral of Campaign Revenue

Some UWCs defer current campaign results and include them in the following year's revenue when related allocations are made. Other UWCs report current campaign results in the current fiscal year and accrue for upcoming allocations. Both approaches are acceptable. The deferral of campaign revenue and/or the accrual of allocations is the result of choosing a December 31 year-end when using the deferral method of accounting. It is recommended to choose a March 31 year-end to avoid the deferral and accrual process of a large portion of campaign activities at December 31.

RESTRICTED FUND METHOD



The restricted fund method (RFM) is a specialized use of fund accounting where an organization will present one single general fund and one or more restricted funds.

General fund

- Used to report changes in unrestricted net assets.
- The excess or deficiency of revenues over expenses in the general fund represents the change in net assets that are not restricted to cover future periods' expenses.

Restricted funds

- All revenues received where a donor indicates a stipulation on spending is to be recorded in a restricted fund.
- The organization typically maintains separate restricted funds for externally restricted and endowment contributions.
- Resources transferred to a restricted fund as a result of the organization imposing internal restrictions would be recognized as interfund transfers on the Statement of Changes in Net Assets.

Net investment income earned on resources held for endowment or restricted funds would be recognized in the manner indicated by the donor to either restrict or release to the general fund.

STATEMENT OF OPERATIONS

The Statement of Operations may be known by a different title, such as Statement of Income and Expenses. It may also look somewhat different than the one shown in Appendix B, Illustrative financial statements, Statement of Operations: Deferral method (revenue breakdown with line item descriptions). If you are revising your reporting, this is a good model to follow. Two statement of operations examples are show in Appendix B:

Statement of Operations: Deferral method
Statement of Operations: Restricted Fund method

To provide stakeholders with a more complete picture of your organization, supplement this report with schedules that provide additional information. Sample supplemental schedules include but are not limited to the following (Appendix B, section III):

Schedule A: General management and administration expenses
Schedule B: Fundraising expenses
Schedule C: Community programs and services expenses

Note how this format parallels the annual financial process within your organization. How much did the campaign raise? What other income do we have? What will our pledge loss be? How much are our costs of fundraising? How much do we have remaining for allocations and Community programs and services?

The Statement of Operations is a summary of the numbers stored in your accounting software. Similarly, the supporting schedules provide additional detail of the numbers provided from your accounting software.

Your auditors and/or financial staff may prefer an alternative format, but the Statement of Operations must contain the following mandatory items to comply with the TAFR policies. The letters correspond with line numbers in Appendix B, section I.

Gross campaign revenue	D
Uncollectible pledges	E
Total revenue	L
Fundraising expenses	M
Allocations and designations	O
UWC Community programs and Services	P

NOTES TO FINANCIAL STATEMENTS

TAFR policies will have an impact on the notes included as part of your statements. In addition to notes required by Canadian accounting standards for not-for-profit organizations, TAFR policies oblige you to include the following:

- Methodology of estimating the fair market value of gifts in-kind (if applicable).
- Allocation of general management and administration expenses to:
    - Fundraising and
    - Distributions and Community programs and services expenditure costs.
- If cost ratios are used in your financial statements or public communications, you will need to disclose in your notes the methodology of calculating these ratios.
- Program expenditures and allocations to programs delivered directly by UWCs

Examples of notes to the Financial Statements can be found in Appendix B section IV. Examples of cost ratio note disclosures can be found in Appendix B section V.

OTHER DISCLOSURES

In addition to reporting certain policies and results in the Notes to the Financial Statements, TAFR policies require disclosure of the following items:

Methodology of dealing with designated donations (e.g. are they First Monies In or Dollars on Top)

These may be disclosed in public documents such as campaign materials, your annual report, web site, or financial statements. The method of disclosure must ensure transparency and provide donors with complete information.

ACCOUNTING

Financial results may be currently produced using one or more of the following software:

- Campaign Tracking Software (Andar, Raiser's Edge, Excel spreadsheet, etc.)
- Accounting Software (Sage 50 or 300, QuickBooks etc.)

Because of inconsistencies across the Movement in the use of campaign and accounting software, this toolkit does not deal with specific products. Rather, it focuses on how various transactions should be recorded on a conceptual basis, so that they can be reported in the appropriate manner on the appropriate report.

1. REPORTING REVENUES

Fundraising and resource development are evolving in keeping with the changing needs and expectations of the communities we serve and markets we access. The largest and most public fundraising program is still the traditional campaign; however, this has been joined by a wide range of resource generation activities that go beyond the fall, beyond payroll deduction and beyond dollars. Today, UWCs are engaged in major gifts acquisition, planned giving and endowments, special events fundraising, in-kind programs, volunteer recruitment and referral, grant seeking, and leveraging community resources and assets through unique and innovative partnerships and alliances.

TAFR policies serve to ensure that the full range of resources UWCs generate is captured and communicated to achieve the highest standard of transparency. Further, communicating the full range of activities and overall results can be extremely helpful in re-positioning UWCs as responsive organizations changing to meet the needs of our communities in creative, innovative ways.

1.1 UWCs must include all sources of gross revenue within their financial statements in accordance with the Canadian accounting standards for not-for-profit organizations. Furthermore, UWCs may utilize the method of accounting for contributions of their choice in accordance with these standards. The sources of gross revenue include but are not limited to the following:

Type	TAFR Reference	Accounting and other notes
Traditional campaign contributions and pledges (corporate, employees, individual gifts and recurring major gifts)[1]	1.1.1	Includes campaigns, pledges, designations to UWCs, to other charities Consider the UWC year-end as accruals may be required to account for pledges and campaign dollars.
Non-recurring major individual gifts	1.1.2	Recorded separately from the campaign revenue when deemed non-recurring Recorded as a campaign revenue (1.1.1) when reasonable assurance that a major gift will be repeated
Special events	1.1.3.1	Record gross proceeds if *UWC is the principal* of the event

[1] Donations received through "Cheque Distribution Accounts" (as defined in the TAFR Toolkit Glossary) will not be recorded in the Statement of Operations but rather through the Statement of Financial Position (or Balance Sheet).

Type	TAFR Reference	Accounting and other notes
		Example of principal from CPA Canada handbook Part III, S. 4400: A UWC engages in fundraising activities, including a direct mail campaign, special events and a lottery. The UWC uses an outside fundraising consultant to conduct the direct mail campaign and uses the UWC's own staff and volunteers in the special events and the lottery. Funds solicited in all the activities are raised in the name of the UWC. *Evaluation:* Even though the UWC uses an outside fundraising consultant to conduct the direct mail campaign, the UWC is the principal in the relationship with the donors as the funds are raised in its name. The UWC has discretion in selecting the outside fundraiser, in establishing the fees to be paid and in determining the specifications of the direct mail campaign. The UWC also has the credit risk if donors to the campaign do not pay according to their pledge. Thus, the UWC recognizes the gross amounts fundraised in each of the activities as revenue of the UWC, and the total expenses of each activity, including the fees charged by any outside party, as expenses of the UWC. Record net proceeds if a *third party is the principal* of the event
	1.1.3.2	*Example of agent from CPA Canada handbook Part III, S. 4400:* A UWC is given the net proceeds from an event held by others to benefit the UWC without having any control over, or responsibility for, the gross amounts of revenues or expenses involved. *Evaluation:* The UWC is not the principal in the fundraising event as it was not involved in organizing the event and did not bear any risks in connection with it. The amount received by the UWC is a donation from the organizers of the event. Neither the gross revenues nor the gross expenses of the event are recognized in the UWC's financial statements. The net proceeds received are recognized as a donation. Disclosure of gross revenues and expenses is not required.

Type	TAFR Reference	Accounting and other notes
Direct mail fundraising	1.1.4	
Grants (governments, foundations)	1.1.5	Examples: funding received from government to develop a Success by Six® program or a one-time gift from a corporation to develop an Employee Assistance Program
Sponsorships	1.1.6	Recorded at gross amount Examples: Used to cover the cost of producing annual reports or to offset a portion of campaign material
Bequests	1.1.7	Recorded in the Statement of Operations as revenue if unrestricted and as deferred revenue on the balance sheet if donation carries a restriction (see restricted fund). An example includes a legal firm sending a letter to a UWC communicating that they are the executor for a deceased individual who has bequeathed the UWC $10,000 in their will.
Endowment funds	1.1.7	Restricted fund method: • Recorded in your Statement of Operations as revenue in the current period. Deferral Method • Recorded as an increase to net assets and are not reflected in the Statement of Operations. • Example: a mother sends a letter to a UWC indicating she would like to contribute $25,000 to an endowment fund in memory of her son. She would like the funds to generate interest to sponsor a drug user to receive treatment for addiction.

Type	TAFR Reference	Accounting and other notes
Proceeds of planned gifts	1.1.7	Recorded in the Statement of Operations as revenue if unrestricted, or as deferred revenue if gift carries a restriction (see restricted fund) • Example (unrestricted): a regular donor has willed $1,000,000 to a UWC to be used where the need is greatest. • Example (restricted): a donor wishes to give back to his community by sponsoring a drug treatment program and has agreed to gift a stock portfolio over the next 5 years.
Investment revenue	1.1.8	Disclosed as discrete line item
Designations in the context of a Centrally Coordinated Campaign	1.1.10	• A host UWC that centrally co-ordinates an account with a work location in another UWC's local community, must return all revenue generated in that location to the local UWC, unless designated by donor (see section 4.8). • Host UWC should, where possible, notify local UWC on forwarded donations received in the local UWC community. Only the local UWC can report the revenue of a Centrally Coordinated Campaign.

Other information to note:

When a UWC is the principal of the transactions, it must report revenues and expenses on a gross basis. When an organization is not acting as principal in the transactions, it has received the equivalent of a contribution and recognizes only the net amount received.
Some of the indicators to be considered as to whether a UWC is principal to a transaction include:

— The organization is responsible for running the event, including determining the fees to be charged and the costs to be incurred.
— The organization holds the risks and rewards of the event (i.e. the profit or deficit resulting from the event).

1.2 Pledge loss should be presented as a deduction from Gross campaign revenue.
The method of calculating the provision for pledge loss can be at the discretion of the UWCs; but must respect accounting standards for not for profit organizations)

1.3 Specific revenue items deductible from “Total revenue” for the Membership dues calculation must be clearly identified in either the Statement of Operations or in a note to the financial statements.

1.4 UWCs must not include the dollar value of volunteerism, as the fair market value cannot be reasonably estimated.

1.5 UWCs may, in conformity with the Canadian accounting standards for not-for-profit organizations and based on a reasonable estimate, include in gross revenue in their financial statements, the fair market value of:

— 1.5.1 In-kind resources generated for use within their own operation and which would otherwise have been purchased.
— 1.5.2 In-kind resources raised on behalf of community agencies and initiatives.

1.6 UWCs may publicly announce, without inclusion in the financial statements, the fair market value of in-kind resources generated for their own use and in support of community agencies.

Where gifts in-kind are included in the Statement of Operations, the notes must also include the methodology to determine the value of the goods or services received. Remember that the value of time donated by volunteers must never be included as revenue.

Donations and restricted contributions for the purchase of capital assets that will be amortized should be deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital asset.

Exclusions from Revenue

Revenue:
Money from a funder for a third party organization (other than designated gifts from donors***)**

↓

Where to Record:
Statement of Financial Position as a liability and not as revenue in the Statement of Operations

* Some UWCs administer funds on behalf of other funders (only perform basic administrative functions (i.e. hold funds, issue cheques, etc.) with no jurisdiction on the decision-making process or with grants being forwarded to external organizations)

2. REPORTING EXPENDITURES

2.1 UWCs must comply with Canadian accounting standards for not-for-profit organizations for the preparation and reporting of financial statements and annual reports and to the Canada Revenue Agency (CRA) guidelines for the Annual Information Return (Form T3010) and other applicable government reporting in determining GM&A expenditures, Fundraising expenditures and Distributions Community Programs and Services expenditures.

2.2 UWCs must track their expenditures in three categories:

General Management and Administration Expenditures (2.2.1)	Fundraising Expenditures (2.2.2)	Distributions, and Community Programs and Services Expenditures (2.2.3)
• All expenses directly associated with the general management and administration of the organization • Amortization/Depreciation • Note: GM&A expenses must be proportionally reallocated to fundraising and distributions and community programs and services expenditures	• All direct fundraising expenses: • salaries and benefits of campaign and major gift staff • promotion and publicity • printed material • travel and meeting costs • training • special event expenses • salaries and benefits of staff who process donations and issue receipts • costs of printing and mailing receipts • costs to prepare and distribute designations* • Allocation of general management and administration expenditures associated with fundraising and processing of designated funds. • Cost sharing payments by local UWCs in the context of CCC • Cost sharing expense recoveries from local UWCs (reduction in expenditure)	• Allocations to agencies • Allocations to community programs and services directly delivered by the UWC • Designations • Processing costs of payments to agencies and community programs and services • Processing costs of paying out of designations • UWCC Membership dues • Costs incurred for the provision of shared services to other organizations • Allocation of general management and administration expenditures associated with distributions and community programs and services • designations to other UWCs outside CCCs must be included as a community program and services expense and it must not be reported as a deduction of revenues

* Fees on designations will be a recovery to your fundraising costs

2.3 UWCs must, for the purposes of financial statement and other public reporting, allocate all general management and administration expenses to fundraising and distributions and community programs and services costs. Any reasonable generally accepted method to allocate costs can be used, including but not limited to:

2.3.1 Time - on the basis of hours incurred directly in undertaking a function;
2.3.2 Usage – on the basis of measured or estimated consumption attributable to the function;
2.3.3 Per capita – on the basis of the number of people employed within a function, and
2.3.4 Space – on the basis of floor area occupied by a function.

Amortization/depreciation is part of GM&A expenditures and should not be presented separately. The expense should be reallocated to both Fundraising and Distribution and Community Program and Services expenditures just like any other GM&A expenditure. Refer to a sample Appendix B schedule IV for a sample of GM&A pre and post allocated amounts.

2.4 For the purpose of CRA reporting (i.e. Annual Information Return – T3010), UWCs are required to report expenditures in two ways:
a) by type (comes from accounting system normally by account) and
b) by function – charitable activities (program expenses), general management and admin and fundraising (comparable to TAFR policies).

One of the goals of the T3010 reporting is to assess the ratio of fundraising costs to the revenues raised or received. The CRA will not raise issue when fundraising costs are at or under 35%. If over this, the CRA may question the validity of the charity's activities, so care should be taken when recording fundraising costs - refer to the CRA's policy guidance on fundraising ratios here:

http://www.cra-arc.gc.ca/chrts-gvng/chrts/plcy/cgd/fndrsng-eng.html#fndntccptbl

2.5 UWCs must disclose in the notes to the financial statements how GM&A expenditures have been reallocated to Fundraising and Distributions and Community Program and Services expenditures.

2.6 UWCs must report on their Statement of Operations and disclose separately in their schedules all distributions and community programs and services, which include but are not limited to:

2.6.1 Grants to community partners
2.6.2 Designations
2.6.3 Programs and services

2.7 UWCs must develop and document the decision-making process for allocating funds to programs delivered directly by UWCs. Documentation of the decision-making process does not have to be disclosed in the financial statements but needs to be available if requested.

DISTRIBUTIONS AND COMMUNITY PROGRAMS AND SERVICES EXPENDITURES

This section deals with issues related to program expenditures. A UWC carries out many activities considered as administrative or under headings such as Community Services. TAFR policies require these activities to be carefully scrutinized to determine the proper accounting.

The following types of items related to program expenses are usually included on the Statement of Operations.

Designations (Outside Centrally Coordinated Campaigns) **Designations** (Within Centrally Coordinated Campaigns)	a) Campaign dollars that a donor in your catchment area has directed to a specific registered charity. On these designations to other registered charities, the UWCs must deduct a fee to recover fundraising costs. Example: on a $100 donation where the recovery fee is 10%, $100 is recorded as a donation, $100 is recorded as designation expense and $10 is recorded as a credit to fundraising expense $90 is recorded as an accounts payable b) Campaign dollars that a donor in your catchment area has directed to a UWC On these designations the UWCs must not deduct a fee. Example: on a $100 donation: $100 is recorded as a donation, $100 is recorded as designation expense Designations to other UWCs received as part of a centralized campaign are recorded by the host UWC as donations when received and then as a reduction to donations when transferred to other UWCs (what is referred to as 'in and out').
Allocations	Made up of the amount set out as part of the annual Community Investment Process as funding for local agencies (determined by UWCs not donors). Disclosed separately from other Community program and services expenses per the example in Appendix B section III Schedule C.
Community Programs and services	May include but are not limited to: • costs involved in hiring a Volunteer Leadership Development trainer; • costs to produce a brochure for your union counseling program; • costs to rent a truck to pick-up/deliver coats for kids; and • costs to run a special event where the local UWC is the principal

	Fund distributions • costs of preparing and mailing payments to member and non-member agencies for their allocation or designation amounts. Community Investment Process expenses relate to ongoing community service activities outside any specific program including: • understanding the needs of the community; • meeting with other funders and social agencies; • defining needs within the community; • developing plans to meet those needs; • costs related to reviewing agency requests for funding; and • ongoing review of agency activities and the allocation process. Reported in the same manner as other Community programs and Services. (see Appendix B Section III Schedule C). Dues paid to UWCC as part of the membership agreement is recorded as a Distributions and Community Programs and Services Expenditures cost and displayed as a separate item in financial statements or schedules. TAFR policies require that each program be separately identified within your annual financial statements • If you have only one or two programs they may be identified within the schedules of the financial statements. • If you have several programs, then a schedule is to be included with your statements to make them easier to read.

Examples of common UWC programs are:

- 211®
- Coats for Kids
- Community Investment Process
- Success by Six®
- Union Counseling and Employee Assistance Program
- Utility cost assistance
- Volunteer Leadership Development Program

ALLOCATION OF GENERAL MANAGEMENT AND ADMINISTRATION EXPENSES

Under TAFR policies, you are required to track expenses within three functions in your accounting software which are similar to the reporting of function expenses on the T3010:

- Fundraising (including fund distribution)
- Distributions and Community Programs and Services (including allocations and community investment process)
- General Management and Administration expenses (GM&A)

To produce a Statement of Operations by functional areas, it is best to track expenses by both type of expense (such as telephone, rent. travel costs), and functional area (fundraising, programs, general management and administration). This method can provide internal and external financial reports users with valuable information.

Most accounting software allows revenues and expenses to be tracked by department. You can also use different account numbers to record costs by area.

Costs incurred that relate to a specific function are to be recorded against that department which include:

	Fundraising	Programs	GM&A
Monthly rent and utilities			X
Monthly telephone bill			X
Printing a campaign brochure	X		
Salaries - campaign staff	X		
Salary – E.D.			X
Shared campaign costs for centrally coordinated campaigns	X		
Travel costs	X	X	X

Simplicity and materiality are the overriding principles in tracking expenses. Because general, management and administration expenses would be time consuming to assign to one function or another at the time of entry or posting, the recording of first, to a GM&A expense account is reflective of this type of expenditure and is then secondly distributed as a function cost by the allocation method to either Fundraising or Distribution and Community Programs and Services expenses.

Once all costs for the fiscal year are entered in the three departments, cost centers or functions, it is necessary to separate the total general management and administration costs and reallocate them between the Fundraising and Distribution and Community Programs and Services expenditures.

These GM&A costs could be allocated to the fundraising and program areas based on:

- The number of employees which would give a reasonable ratio if you had 30 people in fundraising, 20 in programs and three in general
- The amount of time spent on each of the activities (based on wages since they are usually the largest single operating cost of UWCs) when you have one person in fundraising and two others who perform duties related to all three activities
- The occupancy costs such as rent and utilities on a square footage basis.

Allocation methods range from very simple to quite sophisticated. The more sophisticated the system, the more accurate it becomes. You and your advisors should consider the trade-offs and select a method that will work best for you, keeping in mind that whichever method(s) are chosen, the appropriate disclosure per CPA Canada Handbook part III section 4470 is required. Note that this Section permits multiple allocation methodologies as long as they are reasonable and are applied consistently. Refer to Appendix B section IV for accounting policy note examples.

Examples using simple allocation methods:

You have a staff of 3 people: An Executive Director, an office administrator and a campaign manager. The Executive Director spends 40% of the time on fundraising, 35% on program development and administration and the remainder on administrative issues. The office administrator spends 50% of the time on fundraising, 30% on programs, and 20% on administration. The campaign manager's time is completely focused on the campaign.

Per time spent (time)	Fundraising	Programs	Administration	Total
E.D.	40	35	25	100
Administrator	50	30	20	100
Campaign	100			100
Total	**190**	**65**	**45**	**300**
Direct costs	190	65		255
Ratio used to allocate GM&A	75% (=190/255)	25% (=65/255)		100%

Based on the ratios calculated in the table above, the GM&A expenses would be reallocated to both fundraising and distributions and community programs and services expenses using the following ratios: 75% of the total GM&A costs to fundraising and 25% to distributions and community programs and services.

Allocation on 8 staff (1 exec, 2 admin, 2 FR and 3 program):

Per employee (capita)	Fundraising	Programs	Administration	Total
Executive			1	1
Administrative			2	2
Campaign	2	3		5
Total	**2**	**3**	**3**	**8**
Direct costs	2	3		5
Ratio used to allocate GM&A	40% (=2/5)	60% (=3/5)		100%

Allocation on the square footage of 3,500 sq. ft. for 8 staff occupied by department:

Per square footage (space)	Fundraising	Programs	Administration	Total
Executive			600	600
Administrative			500	500
Campaign	900	1,500		2,400
Total	**900**	**1,500**	**1,100**	**3,500**
Direct costs	900	1,500		2,400
Ratio used to allocate GM&A	37.5% (=900/2,400)	62.5% (=1,500/2,400)		100%

TAFR policies and Canadian accounting standards for not-for-profit organizations require that the amount of expenses allocated and the methodologies used are to be disclosed in the Notes to Financial Statements. This data would be reported in supplementary schedules in your financial statements. See Appendix B section III for an illustrative financial statement example.

As the allocation will be disclosed in the Notes to Financial Statements, auditors will review your methodology and will want to ensure that the calculation is reasonable as this is normally the basis for reporting information with respect to expenses by function on the T3010.

The more items charged directly to fundraising or distributions and community programs and services during the year, the fewer costs will accumulate in the GM&A department requiring allocation at the conclusion of the month, period or fiscal year.

Spreadsheets or working papers should be kept as part of the year-end financial file so that the previous year's assumptions and calculations can be reviewed as you prepare the allocation for the current year since they must be consistently applied. These may also be required by the auditors.

3. CALCULATING COST RATIOS

3.1 Should UWCs choose to disclose and communicate their ratios either inside or outside their financial statements, they must fully disclose the method used to calculate cost ratios in the notes to the financial statements.

3.2 TAFR policies do not require UWCs to disclose cost ratios when communicating to their stakeholders. However, should they decide to communicate them, the following ratio titles and calculations can be used:

3.2.1 Direct costs of fundraising

3.2.2 Indirect costs of fundraising

Please refer to example in Appendix B section V

These ratios are calculated as a percentage of total revenues from all source before the deduction of pledge loss.

3.3 UWCs may also choose to calculate other cost ratio measures, in order to "tell their story" but must not call them by the same name as the cost ratios stated above in order to ensure there is no confusion.

The cost of fundraising ratio has traditionally been one of the most widely used by UWCs. It may appear in annual reports, promotional materials, volunteer training programs and websites. It is one of the questions asked most often by donors and prospective donors and is frequently used to compare UWCs with other charitable organizations. As such, members agreed that consistency and transparency in calculating the ratio and from one UWC to another is critical. It is also worth noting that increasingly UWCs are not featuring their fundraising ratios but instead are focusing on the investment they make in the community. This is in keeping with the broader community-building role of UWCs.

Below are a few numbers taken from the sample Statement of Operations (Appendix B)

		$
Donations	Line A	2,650,000
Gross campaign revenue	Line D	2,402,000
Uncollectible pledges	Line E	70,000
Net campaign revenue	Line F	2,332,000
Other income	Lines G to K	125,000
Total revenue	Line L	2,457,000
Total fundraising expenses	Line M	450,000
Direct fundraising expenses	Schedule B M i	300,000
Net revenue available for distributions and community programs and services	Line N	2,007,000
Total distributions and community programs and services expenses	Line Q	2,000,000
Excess of revenue over expenses	Line R	7,000

Many of the numbers are associated with operations and it would be easy to produce a myriad of ratios.

The following provides guidance and explanations on how to calculate the ratios identified in the TAFR policies. An example of a note to financial statements related to this subject is included in Appendix B section V.

A) Fundraising Cost Ratios

These ratios provide information on how much of the resources raised (total or campaign revenue) are allocated to the costs of raising these resources. This information is expressed as a percentage of the total revenue as follows:

Ratio Type	Definition	Example
Direct fundraising cost	Provides information on how much of the resources raised (total/campaign revenue) are allocated to the costs of raising these resources (percentage of the total revenue) **Fundraising costs / total revenue generated**	Total revenue + pledge loss Direct costs of fundraising $300,000 (line C) / $2,527,000 (line E + Line L) or 11.8%
Indirect fundraising cost	Provides information on the additional expense to fundraise **Indirect fundraising / total revenue**	GM&A expenses $150,000 (Line M - Mi) / $2,527,000 or 5.9%

An example of a note to financial statements related to this subject is included on Appendix B section IV.

4. CENTRALLY COORDINATED CAMPAIGN

Introduction

A major influence in deciding to establish Movement-wide policies for TAFR was the growth of centralized campaigns. Increasingly UWCs are working together to run campaigns, process pledge forms, record pledge payments and distribute funds to other UWCs and charities.

The key contact for a centralized campaign is known as the Host. While the duties of the host vary from account to account, it will generally include working with the Head Office of the workplace, planning the overall framework for the campaign (within which local UWCs can plan their local campaign details), coordinating collection of envelopes, processing pledges, receiving and distributing funds, reporting and recognition. These duties are performed on behalf of all UWCs which have local accounts locations. Individualized campaign materials may also need to be designed, printed and distributed by the local UWC.

A Centrally Coordinated Campaign (CCC) is a formal arrangement whereby one UWC (the host) coordinates a campaign for an organization/corporation which has multiple workplace locations (situated within more than one local UWC community) across a region, province or country. For simplicity, CCCs also include Cross Border campaigns; see glossary of terms for details. This need arises when an organization requests further efficiency and coordination of their UWC campaign. The roles and responsibilities of the host UWC and the local UWC are defined by protocols, but the actual execution of the responsibilities tends to vary with individual accounts.

In a CCC, the substance and intent of the donor relationship and the donation transaction are with the local UWC. Accordingly, the local UWC is deemed to be the principal of that transaction, while the Host UWC acts on behalf of the local UWC and is deemed to be the agent of the transaction. This position is supported by, but not limited to, the following characteristics:

- Local UWC is responsible for the stewardship of the individual donors at the local level. Stewardship is not limited to the campaign season but extends to the entire duration of the relationship with the donors.
- Local UWC is responsible for providing collateral material required to support the local campaign.
- Local UWC is responsible for providing support in terms of material and presence at fundraising events (i.e. kickoff, special events, etc.).

From the donor's perspective, they see themselves participating in the local UWC charitable giving campaign and activities. The donors see and believe their relationships and transactions are with the local UWC.

In addition to helping organize a centralized campaign, the host is also responsible for ensuring local UWCs are kept informed of campaign results for workplaces in their area. The process will vary depending upon the particular workplaces and degree of involvement of the host. As donation information is increasingly collected electronically, it is hoped that dissemination of this information will become easier. The host UWC is expected to advise local UWCs of interim campaign results. Further communication is to be forwarded if required to provide local UWCs with late arriving information. Final, detailed information must be forwarded as quickly as possible and should include sufficient information for the local UWC to make the appropriate workplace, individual and designation entries in its campaign tracking software.

4.1 Only one UWC can report the revenue of a CCC.

Processing of donations by multiple UWCs has increased the likelihood that several UWCs could report the same donation as revenue. A central focus of TAFR policies is to ensure that this duplication does not occur. To this end, the policy on revenue reporting is that only the local UWC responsible for the area in which the workplace is situated can report the revenue.

4.2 A host UWC that centrally co-ordinates an account with a work location in another UWC's local community must return all revenue generated in that location to the local UWC, unless designated by the donor (see policy 4.8 below).

4.3 Given its agent role and to ensure donations processed by the host UWCs are not double counted, the revenue of CCCs must be presented on a net basis in the Statement of Operations of the host UWC (versus showing gross revenues less amounts processed on behalf of other UWCs). To ensure transparency, the host UWC must include in a note to the financial statements the total amount processed on behalf of other UWCs (see Appendix B).

4.4 The financial statements of the local UWC will include the campaign revenue processed by host UWCs on its behalf and the campaign revenue raised by the local UWC to show the total campaign revenue available for its community.

4.5 CCC costs incurred by the host UWC on behalf of local UWCs must be shared by all UWCs participating in a CCC (i.e. host and local UWCs).

The host takes the lead and often incurs costs related to running a campaign from which multiple UWCs will benefit. Consequently, it is entitled to recover those costs from other UWCs.

4.6 Any cost sharing expense recoveries (by host UWC) must be recognized as a reduction to fundraising expenses.

4.7 Any cost sharing payments (by local UWCs) must be recognized as an additional fundraising expense.

4.8 For efficiency purposes, host UWCs should forward all designations directly to specific member/non-member agencies (also known as funded agencies and other charities). Information related to designation payments from revenue generated in other UWC communities should be communicated to local UWCs, for inclusion in their financial statements. Whenever possible, host UWCs should provide detailed payment information to the local UWC; in the cases where this is not possible, local UWCs are to record the designations revenue and expenses based on the amount pledged.

Example of a donation processed as part of a centralized campaign

- Donor works for a bank branch in Middletown.
- Donor completes a pledge form for $200

The donation is processed by UWC of Bigtown which is dealing with the bank's head office.

UWC of Bigtown's policy is to forward donations based on payments received. On the assumption that the costs of the centralized campaign are 15%, and that the costs are deducted from the payment to the local UWC, UWC Bigtown will forward $200 less $30 to UWC Middletown with sufficient information to record the revenue and the shared campaign expenses.

In both cases, the transactions will be recorded as follows:

Impact on the books of UWC of Middletown:

Line B: Funds transferred from other UWCs	$200
Line M: Fundraising Expenses	$ 30 i.e. 15% of $200

Impact on the books of UWC of Bigtown:

Line A: Donations	$ 200
Line C: Funds transferred to other UWCs	$ 200
Line M: Fundraising Expenses (Recoveries)	($ 30)

5. DESIGNATIONS (OUTSIDE CCCS)

5.1 If a UWC accepts designated gifts from donors, then TAFR policies define the processing rules.

The policies state that costs associated with fundraising and a provision for uncollectible pledges (except for cash contributions) should be shared by all donors regardless of their choices. This position supports the fundamental principles of transparency and consistency and is also a good business practice. The underlying rationale is that these are costs associated with raising, collecting, managing and distributing funds that should be shared by all donors, not only those who give to the community fund or target priorities/areas of service/outcome areas. Otherwise, including agency specific designations in revenues used for calculating cost ratios understates the costs borne by donors whose gifts are unencumbered

Secondly, without such a policy it is possible that designations to specific agencies may at some point reach the stage where all unencumbered gifts would be needed to cover UWC costs thus eliminating all funds available for distribution through the community fund and target priorities/areas of service/outcome areas.

UWCs can pay out designations based either:

- the amount received from the donor/workplace (paid/received in cash)
- the amount pledged.

In either case, the UWC must deduct the recovery fee for the cost of fundraising from the designation prior to sending it to the specified registered charity. These costs will be recorded as a recovery of fundraising costs in the Statement of Operations. In the case of the amount pledged, a provision for pledge loss must also be included as a debit to provision loss.

5.2 Recognizing that UWCs constitute one “Movement” from the donor’s perspective, no fee will be charged on designations to other UWCs.

6. MEMBERSHIP DUES (DUES FORMULA)

The UWCC Board of Directors approved the Dues Formula presented at the 2016 UWCC AGM. The formula is now set at the greater of 0.78% of each member's annual Total Revenue (Appendix B Section I Line L) or $3,000 per year. For each of the calendar years 2018 and 2019, no member shall be required to pay UWCC dues in excess of that levied for the 2017 calendar year. This formula is effective as of the 2017 calendar year.

Capping dues: The cap on dues for 2018 and 2019 ensures that any member experiencing growth in Total Revenue will not pay more in UWCC dues in 2018 and 2019 than they did in 2017. Members experiencing a decline in revenue will see a reduction in dues payable as the formula is percentage based.

This new formula will take effect for the 2017 calendar year and will be based on each UWC's 2015 Total Revenues with actual reporting periods remaining unchanged (some UWCs close their financial year December 31, 2015, while others close March 31, 2016).

Please note that it is UWCC policy that donations are not double counted for the purpose of calculating membership dues.

Double counting may happen in the following scenario:

Example of a donation with designation processed locally (outside of Centrally Coordinated Campaigns)

- Donor works for a local employer in Middletown.
- Donor completes a pledge form for $300 and designates $300 to UWC Lowertown.
- The UWC in Middletown's policy is to forward designations based on payments received.
- On the assumption that the pledge is paid in full, the UWC Middletown will forward $300 to UWC Lowertown.

The Statement of Operations would read as follows:	Middletown	Lowertown
Line A: Donations	$300*	$300
Line O: Designation Expense	$300	$0

Per the above, both UWCs show a donation of $300.

*For the purpose of calculating the membership dues, UWC Middletown is permitted to deduct the designation processed locally and directed to UWC Lowertown.

Deductions from revenues

Under TAFR policy (1.3), specific revenue items deductible from "Total Revenue" for the membership dues calculation, must be clearly identified in either the Statement of Operations or in a note to the financial statements**.**

Sample of notes to the financial statements:
UWC Middletown has transferred the sum of $300 consisting of donations processed locally and designated to local UWCs.

*Under TAFR policies, one UWC must transfer designated gifts to other UWCs without charging designation fees.

APPENDICES

APPENDIX A: GLOSSARY

BEQUEST
A type of donation that is written by a donor into their last will and testament to leave money to an organization from their estate. Normally a letter from the legal firm or trustee/executor is sent to the UWC to notify them that they will be receiving funds once the estate is settled. Can be recognized in the financial statements as the amount is usually known and collection can be reasonably assured.

CAMPAIGN
An organized effort to raise money within the community. All UWCs operate an annual campaign incorporating workplace campaigns and direct mail appeals. UWCs may also operate campaigns for other community endeavours, capital campaigns, etc.

CATCHMENT AREA
An area in which your UWC operates defined by UWCC using postal codes.

CENTRALLY COORDINATED CAMPAIGN (CCC)
A formal arrangement whereby one UWC (the host) coordinates a campaign for an organization/corporation which has multiple workplace locations (situated within more than one local UWC community) across a region, province or country. This need arises when an organization requests further efficiency and coordination of their UWC campaign. The roles and responsibilities of the host UWC and the local UWC are defined by protocols, but the actual execution of the responsibilities tends to vary with individual accounts. See Host UWC for further definition. For simplicity purposes, CCCs include Cross-Border type of centralized campaigns but excludes Cheque Distribution types.

CHEQUE DISTRIBUTION ACCOUNT
A formal arrangement whereby an organization/corporation chooses to flow their donations through one UWC for distribution across a region, province or country. A Cheque Distribution Account differs significantly from a Centralized Campaign in that there are no traditional Host roles and responsibilities beyond receiving and distribution of funds.

COMMUNITY INVESTMENT PROCESS EXPENSE
An expense related to ongoing community service activities outside any specific program including: understanding the needs of the community; meeting with other funders and social agencies; defining needs within the community; and developing plans to meet those needs. It also includes costs related to reviewing agency requests for funding, ongoing review of agency activities and the allocation process. Considered Community Investment Process costs, these are reported in the same manner as other programs.

CROSS-BORDER CAMPAIGN
Similar to Centrally Coordinated Campaigns (CCCs) only where the majority of the workforce resides at the head office with the host UWC. The remaining workforce exists in other UWC regions usually with an employee base of less than 10 persons per location. This need arises when the organization is seeking efficiencies in addition to inclusion of those employees within the campaign who work outside of the head office.

DESIGNATION / DONOR CHOICE
A choice offered to donors that allow them to direct part or all of their donations to other registered charities. These designations reduce the funds available for allocation and are recorded as an expense in a UWC's books.

Donations processed by a host UWC as part of a centralized campaign are not considered designations; however, some of these donations may comprise specific designations. In the case of a centralized campaign, the host UWC is responsible for sending the designated dollars on to the recipient agency. The local UWC records these donations as revenue and as an expense.

DIRECT COST OF FUNDRAISING
Any expense that can be easily identified as related to fundraising such as telemarketing, internet or media campaigns, printed information, advertising or publications, sales of goods or services.

DISBURSEMENT QUOTA
A specific amount that a registered charity must spend each year on its charitable activities, including gifts to qualified donees (allocations to agencies). The disbursement quota is a requirement from CRA.

- A disbursement excess is created when a charity spends more on charitable activities, including gifts to qualified donees, than it is required to by its disbursement quota for that year. An excess can be carried back one year to offset a shortfall in that period. A charity can also draw on an excess for up to five of its following fiscal periods to help it meet its disbursement quota.
- A disbursement shortfall is created when a charity spends less on charitable activities, including gifts to qualified donees, than its disbursement quota for that year. A charity can draw on previous years' excesses to cover a shortfall. If no excesses are available to draw on, a charity can try to spend enough the following year to create an excess that will make up for the shortfall. However, continuous shortfalls can lead to revocation of the charity's registration.

DOLLAR ON TOP OF
A practice of some UWCs to use designated dollars <u>in addition</u> of the funding for member agency allocations. For example, if the granting committee approves a $50,000 allocation to a member agency and donors have designated $3,000 to that agency, the UWC will allocate the original $50,000 from the Community Fund and forward the $3,000 in designation dollars. TAFR policies do not mandate a particular method, but do require that the method be applied consistently and disclosed.

ENDOWMENT FUND
An externally restricted donation received from a donor or representative whereby the donor normally asks for the amount to be held in perpetuity or a staggered withdrawal. The interest earned thereon is released from the fund each year and is to be used either for a specific or general purpose as directed by the donor. UWCs cannot direct a donation received to be endowed.

FEE ON DESIGNATIONS
A fee charged on all designations to recover fundraising costs. Where designations are paid out based on the face amount of a pledge, a provision for pledge loss must also be deducted when remitting the payment.

FIRST MONIES IN
A practice of some UWCs to use designated dollars <u>as part</u> of the funding for member agency allocations. For example, if the granting committee approves a $50,000 allocation to a member

agency and donors have designated $3,000 to that agency, the UWC will fund the remaining $47,000 from the Community Fund. TAFR policies do not mandate a particular method, but do require that the method be applied consistently and disclosed.

FLOW-THROUGH
A campaign fund processed by a host on behalf of local UWCs as a result of being part of a CCC that is tracked in a separate campaign. This allows the host to process, receipt and redistribute the fund without inflating its own local campaign results.

FUND DISTRIBUTION EXPENSE
An expense involved in preparing and mailing payments to member and non-member agencies for their allocation or designation amounts.

HOST UWC
A key UWC contact for a centralized campaign is known as the host. While the duties of the host vary from account to account, it will generally include working with the Head Office of the workplace, planning the overall framework for the campaign (within which local UWCs can plan their local campaign details), coordinating collection of envelopes, processing pledges, receiving and distributing funds, reporting and recognition. These duties are performed on behalf of all UWCs that have local account locations.

- In addition, the host is responsible for ensuring local UWCs receive regular communications, campaign planning information, local requirements and the results for workplaces in their area. The success of a centralized campaign depends upon planning execution at both the host and local level.

INDIRECT COST OF FUNDRAISING
Indirect costs related to fundraising include researching or developing fundraising strategies and plans or prospective donors, recruiting and training development officers, hiring fundraisers or donor recognition programs.

PLEDGE LOSS
An amount included in gross campaign revenue as pledged but which is unlikely to be received.

PROCEEDS OF PLANNED GIFTS
A planned gift is typically a major donation that comes from a person during their lifetime or in death that could comprise appreciated assets, stocks or other personal property like land. It differs from a regular donation to an annual campaign in that the donor does not merely budget to make a contribution in the year but is still treated as regular revenue if received without restriction.

RESTRICTED FUND
An amount gifted by a donor that carries a restriction by time i.e. ‘to be used for your 2018 campaign’ or purpose i.e. ‘to be spent on homeless youth’. These are usually recorded in separate funds to track how much should be spent and recognized when spent on the activity.

T3010
Annual charity information return to be prepared by registered charities and submitted to the CRA. The *Income Tax Act* requires every registered charity to file a completed copy of Form T3010, *Registered Charity Information Return*, including any required attachments no later than six months after the end of the charity's fiscal period; and without notice or demand.

A charity that does not file its return can incur penalties and lose its registered status. After losing its registration, a charity can no longer issue tax receipts for donations.

APPENDIX B: ILLUSTRATIVE FINANCIAL STATEMENTS

I STATEMENT OF OPERATIONS: DEFERRED METHOD (REVENUE BREAKDOWN AND LINE ITEM DESCRIPTIONS)

This is an example of a Statement of Operations for a UWC. Each line has been assigned a letter to enable you to take the examples of revenues and expenses discussed later and refer back to the relevant line in this report. The breakdown of revenues shown in lines A through C are representative of what a UWC running a centralized campaign would be reporting.

United Way - Centraide
Statement of Operations
For the year ended March 31, 2015

	Line	2015	2014
Revenue			
Gross campaign revenue *	D	2,402,000	2,190,000
Less: Uncollectible pledges	E	(70,000)	(60,000)
Net campaign revenue	F	2,332,000	2,130,000
Grants	G	63,000	30,000
Sponsorships	H	10,000	15,000
Non recurring major gifts	I	15,000	25,000
Investment revenue	J	22,000	19,000
Other revenue	K	15,000	16,000
Total revenue	L	**2,457,000**	**2,235,000**
Expenses			
Fundraising expenses (See details in schedule B)	M	450,000	415,000
Net revenue available for distributions and community programs and services	N	**2,007,000**	**1,820,000**
Distributions and community programs & services expenses**			
Allocations and designations (see details in schedule C)	O	1,632,000	1,540,000
Community programs and services (see details in schedule C)	P	368,000	302,000
Total distributions and community programs and services expenditures	Q	**2,000,000**	**1,842,000**
Excess (deficiency) of revenue over expenses	R	**7,000**	**(22,000)**

* For internal reporting purposes, donations may further be shown as:

Donations	A	$2,650,000	$2,375,000
Funds transferred from other UWCs	B	62,000	40,000
Funds transferred to other UWCs	C	(310,000)	(225,000)
Gross campaign revenue	D	2,402,000	2,190,000

** UWC dues, community investment process and other programs such as utility cost assistance may be shown here

A – Donations

This line reflects the donations you have processed and should match the revenue reported in your campaign software or be reconciled to it. It will include the gross amount from all workplace campaigns, direct mail campaigns, campaign fundraising special events you have managed, and net revenue of fundraising special events managed by a third party. It will also include funds processed on behalf of another UWC as part of a centralized campaign. Not included in donations shown on line A are the gifts processed through "Cheque Distribution Accounts" by your UWC on behalf of other UWCs (as defined in the glossary in Appendix A)

B – Funds transferred from other UWCs
This line reflects payments received from other UWCs, e.g. dollars received from host UWCs for centrally coordinated campaigns from workplaces in your geographic area. It will also include dollars designated to your community by donors within the catchment area of another UWC.

C – Funds transferred to other UWCs
This line reflects dollars being processed by a host UWC in the context of a centralized campaign on behalf of other UWCs. These dollars are not to be included in the host UWC's results. They will be reported as revenue by the recipient UWC.

This line is **not** to be used to record designations outside of Centrally Coordinated Campaign that are directed to local UWCs. Those designations are to be reported as a designation expense on line O.

D - Gross campaign revenue
This line is calculated by adding lines A and B and subtracting line C. This will be consolidated with totals from all other UWCs for a national total. Line D represents all annual campaign funds raised in your community for your community.

E - Uncollectible pledges
This item must be shown as a reduction of revenue, not as an expense.

F – Net campaign revenue
This is the amount of incoming cash flow expected as a result of the campaign activities. It is calculated by subtracting Line E from Line D.

G through K – Other sources of income
These lines reflect other sources of income. The TAFR policies require that all income be reported as revenue. In the past, some grants and sponsorship dollars may have been recorded as a reduction of expenses or on the Statement of Financial Position (Balance Sheet). The line descriptions are to be relevant for your organization (only examples given in the exhibit). Items which could be included:

- Sponsorship dollars
- Gifts-in-kind received (for your own organization's use or for a Gift-in-kind program)
- Funding for programs or projects managed by UWC
- Major gifts not included in your annual campaign
- Grants from governments or other sources to cover operating costs
- Earned income such as workshop fees, equipment or office space rentals, sales of goods, etc.
- Investment revenue

Because the campaign is the key income component for UWCs, campaign revenue forms a major part of the revenue section of the Statement of Operations. If other sources of revenue are minimal in comparison to your campaign, you may wish to place a one-line summary of these sources in the Statement of Operations. However, as other funding sources increase in significance, they should be disclosed separately in the Statement of Operations.

L – Total Revenue
This line reflects the total of all revenue sources for the relevant fiscal year and could be a major component in calculating cost ratios. Line L is obtained by adding lines F to K.

M – Fundraising Expenses
Essentially, this line represents the costs associated with raising your total revenue. If you defer campaign revenue and campaign expenses, this line will likely include deferred campaign expenses as well as current fundraising expenses for other sources of revenue. This line will also include the allocation of the general management and administrative expenses. The two main roles of a UWC are to raise funds and to invest them in the community. As such, all UWC costs are to be reported as supporting one of those two activities. Section 2.7 – Allocation of general management and administration expenses (GM&A) deals specifically with this issue and provides examples of how to record and allocate administration costs.

N – Net Revenue available for distributions and community programs and services
The difference between total revenue and fundraising expenses are funds available to invest in the community. Line N is obtained by subtracting line M from line L.

O – Allocations and Designations
This line is the amount allocated to agencies through the allocation process and designations paid out on behalf of the donor to member agencies and other registered charities. This line does not include funds paid out of a centralized campaign from a host UWC to a recipient UWC. It only includes designations paid out of funds raised within your local community (including designations paid directly to member agencies and to other registered charities by a host UWC on behalf of your local UWC, in the context of a centralized campaign).

P – Community programs and services expenses
This line represents the costs associated with operating the various programs you manage. You may wish to list the programs in this section, or for greater simplicity, attach a supplemental schedule as illustrated below. This amount will also include those GM&A costs not allocated to the fundraising costs line (line M).
A differentiation is not made between programs with their own revenue source and programs funded entirely through a community fund. Any revenues, such as workshop fees and grants, are reported in the revenue section. All expenses are grouped by program and are reported as part of line P.

Q – Total distributions and community programs and services expenses
Line Q reflects the total of all allocation, designation and program expenses. Line Q is obtained by adding lines O and P.

R – Excess (Deficiency) of revenue over expenses
This line represents the net results of the operations incurred in the period for which the Statement of Operations is done. Line R is calculated by subtracting line Q from line N.

II STATEMENT OF OPERATIONS: RESTRICTED FUND METHOD

United Way - Centraide
Statement of Operations and Changes in Net Assets
For the year ended December 31, 2015

	Operating Fund	Endowment Fund	2015	2014
Revenue				
Gross campaign revenue	$2,402,000	-	$2,402,000	$2,190,000
Less: Uncollectible pledges	(70,000)	-	(70,000)	(60,000)
Net campaign revenue	2,332,000	-	2,332,000	2,130,000
Sponsorships	63,000	-	63,000	30,000
Other contributions	10,000	50,000	60,000	15,000
Non recurring major gifts	15,000	-	15,000	25,000
Investment revenue	20,000	2,000	22,000	19,000
Other revenue	15,000	-	15,000	16,000
Total revenue	**2,455,000**	**52,000**	**2,507,000**	**2,235,000**
Expenses				
Fundraising expenses (Schedule)	450,000	-	450,000	415,000
Net revenue available for programs	2,005,000	52,000	2,057,000	1,820,000
Distributions and Community Program and Services expenditures				
Allocations and designations (Schedule)	1,632,000	-	1,632,000	1,540,000
UWC programs (Schedule)	368,000	-	368,000	302,000
Total program expenses	2,000,000	-	2,000,000	1,842,000
Excess (deficiency) of revenue over expenses	**5,000**	**52,000**	**57,000**	**(22,000)**
Net Assets – beginning of year	123,000	344,000	467,000	489,000
Net Assets – end of year	**128,000**	**396,000**	**524,000**	**467,000**

This UWC received an endowment contribution and recorded it using the restricted fund method. This statement also shows the change in net assets from one year to the next. This UWC acts as a host for centralized campaign.

III SAMPLE SUPPLEMENTAL SCHEDULES

Schedule A required for allocated expenses per accounting standards for not for profit organizations, schedules B and C are optional

United Way - Centraide
Schedule A: General management and administration expenses
For the year ended December 31, 2015

	2015	**2014**
Salaries and benefits	$170,000	$164,000
Occupancy costs	24,000	21,000
Office expenses	11,000	25,000
Meeting and travel	4,000	7,000
Postage and printing	2,000	3,000
Telecommunications	3,000	4,000
Equipment maintenance	1,000	2,000
Professional development and training	8,000	8,000
Professional fees	4,000	5,000
Amortization of capital assets[2]	18,000	17,000
Insurance	2,000	2,000
Other administrative expenses	3,000	2,000
Total General management and administration expenses before allocation	**250,000**	**260,000**
Allocation to fundraising expenses (Note X)	150,000	156,000
Allocation to program expenses (Note X)	100,000	104,000
Total general management and administration expenses allocated	**250,000**	**260,000**

Alternately acceptable presentation:

Allocation to fundraising expenses (Note X)	(150,000)	(156,000)
Allocation to program expenses (Note X)	(100,000)	(104,000)
	–	**–**

[2] The amortization of capital assets must be included in the administrative expenses and not be treated as an independent expense. It must also be split between Fundraising and Programming expenses and must be disclosed as a note in the Financial Statements.

United Way - Centraide
Schedule B: Fundraising expenses (optional)
For the year ended December 31, 2015

	2015	2014
Salaries and benefits	$125,000	$108,000
Promotion and publicity	12,000	17,000
Supplies	7,000	4,000
Printing material	15,000	12,000
Meeting and travel	8,000	5,000
Telecommunications	5,000	4,000
Equipment maintenance	2,000	1,000
Professional development and training	5,000	7,000
Professional fees	3,000	4,000
Special events expenses	100,000	85,000
Direct mail expenses	15,000	10,000
Other direct fundraising expenses	3,000	2,000
Total direct fundraising expenses (Mi)	**300,000**	**259,000**
Allocation of general management and administration expenses (Schedule A)	150,000	156,000
Total fundraising expenses (M)	**450,000**	**415,000**

United Way - Centraide
Schedule C: Distributions and Community Program and Services Expenditures[3] (optional)
For the year ended December 31, 2015

	2015	2014
Allocations and designations to member agencies	$1,422,000	$1,365,000
Allocations and designations to non-member agencies	210,000	175,000
UWC Program expenses		
Community investment process	65,000	60,000
Union counseling	60,000	20,000
Volunteer leadership program	95,000	50,000
Board grants	15,000	27,000
Social planning	16,000	25,000
United Way Centraide Canada dues	17,000	16,000
Total direct program expenses	268,000	198,000
Plus: Allocation of general management and administration expenses (Schedule A)	100,000	104,000
Total UWC program expenses	368,000	302,000
Total Distributions and Community Program and Services Expenditures	**2,000,000**	**1,842,000**

[3] For those wanting to provide the details of allocations and designations to member and non-member agencies, the information may be included on this schedule (if space permits) or through another schedule

IV SAMPLE NOTES ON ALLOCATION OF GENERAL MANAGEMENT AND ADMINISTRATION EXPENSES

Example 1
Note X: Accounting policy - Allocation of expenses

General management and administration expenses are incurred to support functional areas and are allocated to fundraising and distributions and community programs and services expenses based on the time spent method. Following this method, general management and administrative expenses per schedules A – C are allocated on the following basis:

	2015	2014
To fundraising expenses	60%	60%
To distributions and community programs and services expenses	40%	40%

Example 2
Note X: Accounting policy – Allocation of expenses

The UWC allocates its costs to two functional areas: fundraising and programs. General costs, which do not pertain specifically to either function, are considered administrative and are allocated to the functional areas based on (*please insert the methodology used*).

Administrative costs are summarized in schedules A – C of these financial statements and have been allocated on the following basis:

	2015	2014
To fundraising expenses	60%	60%
To distributions and community programs and services expenses	40%	40%

V SAMPLE NOTES ON COST RATIOS

In its public communication, the organization provides stakeholders with information related to certain cost ratios. The calculation of these costs is as follows.

<u>Ratio calculation:</u>

	2015	2014
Direct costs of fundraising	11.9%	11.3%
Costs of gen. management and admin. associated with fundraising	5.9%	6.8%

These ratios were calculated on the total revenue, before deducting the pledge loss.

APPENDIX C: DESIGNATION EXAMPLE

In the following examples we use 10% for fundraising costs and 5% for pledge loss for illustration purposes. The example is somewhat simplistic in that it assumes the pledge was paid in full and only one payment was made by the processing UWC.

Example of a donation with designation processed locally

- Donor works for a local employer in Middletown;
- Donor completes a pledge form for $300;
- Donor designates $100 to a local registered charity;
- Donor designates the remainder to the UWC Community Fund.

The UWC in Middletown's policy is to forward designations based on payments received. On the assumption that the pledge is paid in full, the UWC will forward $100 less $10 (the fundraising cost) to the registered charity. The Statement of Operations would read as follows:

Line A: Donations		$300
Line O: Designation Expense		$100
Line M: Fundraising Expenses (Recoveries)	(i.e.10% of $100)	$10

If Middletown's policy was to pay the pledge amount less a provision for pledge loss, the UWC would forward $85 to the registered charity. The revenue of $300, the designation expense of $100 and the $10 recovery would remain the same as in the previous situation. In addition, there would be a $5 increase of the pledge loss provision.

Example of a donation with designation processed as part of a centralized campaign

- Donor works for a bank branch in Middletown;
- Donor completes a pledge form for $300;
- Donor designates $100 to a local registered charity;
- Donor designates the remainder to UWC Middletown.

The donation is processed by UWC of Bigtown which is dealing with the bank's head office.

UWC of Bigtown's policy is to forward designations based on payments received. On the assumption that the pledge is paid in full, UWC of Bigtown will forward $100 less $10 to the local registered charity. UWC of Bigtown will provide UWC of Middletown with sufficient information to record the revenue and designation expense. It will also forward $200 to UWC of Middletown. At some point UWC of Middletown will also pay a portion of the costs related to running the centralized campaign. When paid, these costs will represent a fundraising expense. The UWC Middletown will not show any portion of the $10 fundraising costs recovery (as a fee on designations) deducted by UWC of Bigtown.

Bigtown

Sample journal entries:

Cash	$300.00	
Donations		$300.00
Donations	$100.00	
Accounts payable		$90.00
Fundraising expense		$10.00
Donations	$200.00	
Accounts payable		$180.00
Fundraising expense		$20.00

Middletown

Sample journal entry:

Cash	$180.00	
Designations	$100.00	
Fundraising expense	$20.00	
Donations		$300.00