

Implementation Requirements for Membership Standard “H” Financial Statement Standards



United Way of America

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UNITED WAY OF AMERICA FINANCIAL STATEMENT STANDARDS

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EXECUTIVE SUMMARY

PREFACE

United Ways recognize that current accounting & auditing standards allow for various interpretations of those standards, frequently resulting in inconsistent application within our industry. While those various interpretations may well be within “Generally Accepted Auditing Standards” (GAAS) / “Generally Accepted Accounting Principles” (GAAP) such inconsistencies do not represent the collective United Way movement well, nor allow for adequate/accurate comparisons to be made. The following standards are designed to create policy, procedure, and practice standards that will present our membership and operations in a uniform fashion to the regulatory and governing bodies, donors, and other interested parties. The recommended standards are comprised of what has been determined to be the best methodology of the multiple options available.

AUDITED FINANCIAL STATEMENTS - summary of pertinent issues

1. Annual audit/review by an independent certified public accountant or firm is required.
2. Metro 1 & 2 United Ways will annually submit to United Way of America their audited financial statements and corresponding IRS-990 not later than nine (9) months after the close of each fiscal year.
3. Amounts reported as gross campaign results will be consistent with UWA campaign reporting guidelines, and shall be limited to funds raised/generated within the UW’s geographic service area. (see *NPC Policy for Reporting Total Resources Generated to United Way of America*)
4. Gross campaign revenue will include governmental (federal/state) campaign funds raised, while serving as campaign agent (PCFO/LCOA/etc.) unless controlling authority disallows.
5. Donor designations will be presented as (contra) income to gross campaign revenue; and as (contra) disbursements to agency allocations/funding expense.
6. Amounts received for the processing or transferring of pledges/designations will be recognized as “service fee” income. Amounts paid/withheld for the processing/transferring of pledges/designations will be recognized as “contract service” expense.
7. Dues to United Way of America will be recognized as supporting service expense, not allocated across programs/services.
8. Payments to state/local organizations will be spread across all program and support service areas utilizing the same internal pro-ration utilized to allocate other similar costs.
9. Compliance implementation shall be effective for all fiscal years commencing on or after July 1, 2004. Earlier implementation is encouraged.

ACKNOWLEDGMENTS

SUB-COMMITTEE MEMBERS 2003/2004

Lola Bennett

Vice President, Operations & CFO
United Way of Greater Dayton Area
Dayton, Ohio

R. Marie Coatsworth

Director of Administration & Operations
Michigan Association of United Ways
Lansing, Michigan

Kathy Jewell

Vice President, Finance
Tulsa Area United way
Tulsa, Oklahoma

Ed Christie

Vice President & CFO
United Way of America
Alexandria, Virginia

Kenneth Euwema

Vice President, Finance
Heart of West Michigan United Way
Grand Rapids, Michigan

Laura Meloy

VP Finance & Administration
United Way Services
Richmond, Virginia

FINANCIAL ISSUES COMMITTEE
As of September 2003

John Fallock - Chair

Vice President, Finance & Administration
United Way of Greater Lehigh Valley
Bethlehem, Pennsylvania

Jim Brooks

Sr. Vice President & CFO
United Way of Tri-State
New York, New York

Ed Christie

Vice President & Chief Financial Officer
United Way of America
Alexandria, Virginia

George Coates

Chief Operating Officer
Triangle Area United Way
Research Triangle Park, North Carolina

Yvonne Gray

Executive Vice President & COO
United Way of Greater Cincinnati
Cincinnati, Ohio

Cheryl Hair

Vice President, Finance
United Way of Greater Knoxville
Knoxville, Tennessee

Jennifer Hilton

Sr. Vice President, Finance & Administration
United Way of Metropolitan Dallas
Dallas, Texas

Debra King

Chief Financial Officer
United Way of Texas Gulf Coast
Houston, Texas

Kathy Jewell - Vice Chair

Vice President, Finance
Tulsa Area United Way
Tulsa, Oklahoma

Juan Botello

Chief Financial Officer
Mile High United Way
Denver, Colorado

Broderick Dow

Vice President, Finance
United Way, Inc.
Los Angeles, California

Kenneth Euwema

Vice President, Finance
Heart of West Michigan United Way
Grand Rapids, Michigan

Pete Grignon

Vice President, Finance
United Way of Pierce County
Tacoma, Washington

Arnold Henning

Vice President & Chief Financial Officer
United Way/Crusade of Mercy
Chicago, Illinois

Patti Kelt

Vice President, Finance & Administration
United Way of Central Maryland
Baltimore, Maryland

JoAnn Lumsden

Vice President, Finance
Aloha United Way
Honolulu, Hawaii

Finance Committee Members (continued)

Laura Meloy

Vice President, Finance & Administration
United Way Services
Richmond, Virginia

Cheryl Nelson

Chief Financial Officer
United Way of Central Ohio
Columbus, Ohio

Nancy Schlegel

Group Vice President, Finance & Administration
United Way of Tucson & Southern Arizona
Tucson, Arizona

Mark Sutton

Chief Financial Officer
United Way of Metropolitan Atlanta
Atlanta, Georgia

Merl Waschler

Executive Vice President & COO
Valley of the Sun United Way
Phoenix, Arizona

Jill Michal

Vice President of Financial Services & CFO
United Way of Southeastern PA
Philadelphia, Pennsylvania

Julie Neville

Director of Finance
Greater Twin Cities United Way
Minneapolis, Minnesota

Donna Schwenger

Vice President, Resource Management & CFO
United Way of Greater Mercer County
Lawrenceville, New Jersey

Michelle Taylor

Vice President, Operations
United Way of Delaware
Wilmington, Delaware

**We also wish to acknowledge the contributions of the following former
FIC members (FIC-A):**

Lola Bennett

VP of Operations & Chief Financial Officer
United Way of Greater Dayton Area
Dayton, Ohio

Benton Clark

COO & CFO
United Way of Metro Tarrant County
Forth Worth, Texas

Dale Depoy

Director of Finance & Operations
United Way of Central Indiana
Indianapolis, Indiana

José (Tony) Mesa

Sr. Vice President & CFO
United Way of Dade County
Miami, Florida

Gregg Schroeder

Chief Professional Officer
United Way of the Coastal Empire
Savannah, Georgia

Sam White

Sr. Vice President, Finance
United Way of the Mid-South
Memphis, Tennessee

Philip Bond

Vice President and CFO
Metro United Way
Louisville, Kentucky

R. Marie Coatsworth

Director of Administration & Operations
Michigan Association of United Ways
Lansing, Michigan

Lyndon Herridge

Executive Vice President
United Way of San Antonio & Bexar County
San Antonio, Texas

Jim Overton

Chief Financial Officer
United Way of Allegheny County
Pittsburgh, Pennsylvania

Bill Scott

Sr. Vice President, Finance & Administration
United Ways of Greater New Orleans
New Orleans, Louisiana

UNITED WAY OF AMERICA FINANCIAL STATEMENT STANDARDS

INTRODUCTION

As the business and social climate in the Nation continues to change, so must the United Way system continue to change and improve in response to donor demands and media criticism. The standard set forth here meets both “Generally Accepted Accounting Principles” (GAAP) and “Generally Accepted Auditing Standards” (GAAS), which allow for multiple acceptable interpretations. Of those multiple interpretations, the United Way movement has challenged itself to define a single methodology to create uniformity throughout our industry. As is true with the development of any “standard”, significant research and due diligence must precede defining a best or most representative method of doing business and/or reporting results. It must be understood that the end result will ultimately be a standard or policy that may differ from what any single/individual United Way might choose. This policy has been created from the perspective of what is in the best interest of and makes the most sense for the entire United Way system.

The National Professional Council (NPC) of United Way of America (UWA) has considered United Way’s fund-raising and financial practices and has set the membership bar and the standard for excellence even higher with a series of improvements known as Strengthening the United Way System.

In January of 2003, as a part of Strengthening the United Way System adopted by the Board of Trustees of United Way of America and strongly promoted by the NPC, the Eligibility Criteria for Initial and Sustained Membership in the United Way System (Membership Standards) was approved by membership. Standard “H” of the document addressed the annual financial statements and the audit/review. The following document addresses UWA Membership Standard H – Audited Financial Statements specifically.

It should be recognized that such significant modifications to operating methods will have a similarly significant impact on United Way volunteers, funded agencies, and media/public relations. A coordinated transition is crucial to the successful transition of United Ways individually, and the United Way movement collectively. UWA has generated informational and training materials for use by United Way boards and staff to solidify the necessity of such changes and set in place a definitive timetable for executing/implementing the transition.

Additionally, a single repository for standards documents containing all of the most current standards documents applicable to all areas of operation (called the “United Way Chief Financial Officer’s Deskbook”) has been developed and will be routinely maintained as changes/improvements transpire. These publications contain significant support rationale and opportunities for various interpretations.

FINANCIAL STATEMENTS

United Ways having gross income of \$100,000 or more for 3 consecutive years shall annually submit to an independent audit by a certified public accounting firm or individual CPA.

United Ways having gross income of less than \$100,000 shall annually submit to an independent financial review by a certified public accounting firm or individual CPA.

Audits must be conducted in accordance with “generally accepted auditing standards” (GAAS) and the financial statements must be prepared in accordance with “generally accepted accounting principles” (GAAP) and must comply with industry applicable regulations and/or guidelines as established by the American Institute for Certified Public Accountants (AICPA) and the Financial Accounting Standards Board (FASB). In general this means (but is not limited to) statements must:

1. Be based upon the accrual basis of accounting
2. Incorporate functional/programmatic detail
3. Comply with FASB 116, 117, 124, 136

Further, organizations receiving federal funding may be subject to additional audit (single audit) requirements.

United Way metros 1 and 2 will annually submit to United Way of America their audited financial statements and corresponding IRS-990 no later than nine (9) months after the end of each fiscal year. Other United Ways, while not required to submit these documents to UWA, are expected to comply with all parameters set forth herein in order to retain continued UWA membership.

The audited financial statement formats shall adhere to a uniform presentation style. Exhibits 4 - 7 exemplify the United Way industry standard for the various financial statement formats. The goal of these formats is to create a balance between full disclosure, clarity, uniformity, and ease of use by readers (UW board, staff, donors, media, governmental and regulatory bodies). If certain line item classifications are not applicable to your organization’s operation, they may be omitted/excluded. Regardless of past practices, display of all applicable reporting attributes is required; all pertinent information should be contained in the body of the audited financial statements. The provision of more detailed information is permissible/preferred.

Specifically:

1. Audited financial statements will set forth all campaign related activity (income/expense) consistent with the approved definitions contained in the National Professional Council (NPC) Campaign Reporting Policy (See UWA Publication "[NPC Policy for Reporting Total Resources Generated to United Way of America](#)"), Public Support & Revenue within Financial Statements (EXHIBIT 1), Campaign & Revenue Definition (EXHIBIT 2), Processing/Transferring Fees (EXHIBIT 3, currently under development).
2. Governmental campaigns (federal/state/local) will be included in the audit, unless controlling authority specifically disallows. Either way the activity should be footnoted according to current controlling authority guidelines.
3. The financial statements must be in compliance with the minimum content requirements referenced below. The attached exhibits display both Option 1 and Option 2. Option 2 presents a more detailed format for financial data presentation of both the audited or compiled financial documents.

Additional information may be incorporated where/when appropriate within the financial statement formats, footnotes, and/or as supplemental schedules.

4. Gross Campaign Results (including gross donor designations) will be displayed on the statement of activities. Gross Donor Designations will then be presented as a reduction item thereby reversing this amount prior to totaling Campaign Revenue.
EXHIBITS 5 / Option 1 or 2.
5. Provision for uncollectible campaign will be displayed as a (contra) revenue item on a separate line on the statement of activities.
EXHIBITS 5 / Option 1 or 2.
6. Amounts received for the processing/transferring of pledges/designations (fundraising, administration, processing, distribution, etc.) will be set forth in the "Service Fee" revenue line item/classification (not as campaign revenue) on the statement of activities.
EXHIBITS 5 / Option 1 or 2.
7. Statement of functional expenses will display, at a minimum, the following program service areas:
 - a. Community Impact (Fund Allocation/Distribution)
 - b. Other program services, as performed, may be included individually or collectively:
 - i) Community Capacity Building/Community Planning
 - ii) Information and Referral
 - iii) Labor Relations
 - iv) Volunteer Center
 - v) Other / Etc. (as needed)
EXHIBITS 6 / Option 1 or 2.
8. All statements of functional expenses will display at a minimum the following support (overhead) service areas:
 - a. Organizational Administration (Management & General)
 - b. Resource Development (Campaign/Fundraising)
 - c. United Way of America dues, and
 - d. Other support services as performed. (See Publication titled: "United Way of America Functional Expenses and Overhead Reporting Standards (Revised 2004)")
EXHIBITS 6 / Option 1 or 2.
9. Total amounts on the statement of functional expenses must tie/reconcile to amounts presented on the statement of activities.
EXHIBITS 6 / Option 1 or 2
10. Amounts assessed/withheld/paid for pledge/designation processing/transfer will be included under support services on the statement of activities and set forth in the expense line item/classification "contract services" under Fundraising (Campaign) on the statement of functional expense.
EXHIBITS 5 / Option 1 or 2 & EXHIBIT 6 / Option 1 or 2.
11. Gross agency funding (including gross donor designations) will be displayed on the statement of activities. Gross donor designations must then be displayed as a (contra) expense to gross agency allocation/funding item in that program area, thereby reversing this amount prior to totaling expenses. Similar detail is required on the statement of functional expense.
EXHIBITS 5 / Option 1 or 2 & EXHIBIT 6 / Option 2.

12. Payments to state and local organizations will be spread across all program and support service areas utilizing the same internal pro-ration utilized to allocate indirect costs on both the statement of activities and statement of functional expense. (See Publication titled: “United Way of America Functional Expenses and Overhead Reporting Standards (Revised 2004)”).
EXHIBITS 5 / Option 1 or 2 & EXHIBIT 6 / Option 1 or 2
13. Payments to United Way of America will be set forth as a separate line item on the Statement of Activities (See Publication titled: “United Way of America Functional Expenses & Overhead Reporting Standards (Revised 2004)”).
EXHIBITS 5 / Option 1 or 2 & EXHIBIT 6 / Option 1 or 2.
14. The method for allocating indirect expenses will be based upon the distribution of staff time unless an alternate methodology for specific expense produces a more documentably accurate spread (See Publication titled: “United Way of America Functional Expenses and Overhead Reporting Standards (Revised 2004)”).
15. A minimum two-year reporting format for total amounts on each statement should be used, unless extenuating circumstances of a one-time nature exists (change of fiscal year, etc.).
16. Statement of Cash Flows is required. The format will be dependent upon the content of the other financial statements. For this statement, the content is more important than the format.
EXHIBIT 7
17. Notes to financial statements should include the following disclosures (note that several of the following are required by FASB & GAAP and thus are not optional):
 - a) Legal name of the organization, date of founding/incorporation
 - b) Mission statement
 - c) IRS 501 (c) 3 tax exempt status
 - d) Governance by volunteer board of directors
 - e) All significant accounting policies
 - f) Accrual basis of accounting
 - g) Identification and description of each fund
 - h) Identification and description of each program service
 - i) Method of distributing/allocating costs (functional expenses)
 - j) Method of computing depreciation
 - k) Display of pledge, designation, and provision for uncollectible data, if not displayed discreetly by year within the body of the financial statements
 - l) Disclosure of method of computing provision for uncollectible (basis, gross or net, etc.)
EXHIBIT 8
 - m) Identification and description of donated materials/services, including agent transactions on behalf of other organizations if appropriate
 - n) Identification of long-term liabilities (pensions, land/building, etc.)
 - o) Statement of risk
 - p) Related party transactions
 - q) Governmental campaign details
 - r) Pledge of organizational commitment to comply with UWA Cost Deduction Standards
18. A management letter must be requested annually. Should a management letter not be warranted, a letter to that effect must be obtained.

EXHIBITS

EXHIBIT 1

PUBLIC SUPPORT & REVENUE **WITHIN FINANCIAL STATEMENTS**

1. **Gross Campaign Results** on the Audited Statement of Activities consists of all pledges, whether designated or undesignated, whether processed by your United Way or some other processor, ***which originate in your United Way's service/solicitation area based upon work site location, unless corporation mandates some other method.***
 - As a national movement, the accuracy and integrity of financial statements is dependent upon the accuracy and timeliness of data to be included in those statements. With that in mind the following implementation elements need to be in place to facilitate and ensure the attainment and production of comprehensive, representative financial statements, as required.
 - Implementation of this standard will necessarily require cooperation between individual United Ways in reporting to one another the amount of pledges being processed that originated in another United Way's service area on an accurate and timely basis.
 - Implementation of this standard will require timely, complete, and accurate communication of specific data elements (not later than March 31st of each year):
 - Campaigning UW
 - Corporate name
 - Corporate location/branch
 - Corporate division/department
 - Donor identifier
 - Type of gift (cash/check/charge/payroll deduction/direct bill, etc.)
 - Amount of gift
 - Designated entity (United Way/Federation)
 - Designated agency
 - Fees assessed/withheld
- See UWA publication "Designation Processing Guideline, April, 2001" which is subject to amendment/modification pending outcome of "cost model" transfer pricing recommendations.**

- Given the relative lack of control over the flow of information coming from non-United Way pledge processors, it will be necessary for each United Way to establish a "cut off" point after which any information about contributions will be recorded in another fiscal period but before which the United Way will make diligent efforts to garner timely information.

2. **Donor Designations** deducted from Gross Campaign Results on the Audited Statement of Activities consists of all pledges designated to external entities/agencies/programs over which the United Way exercises/retains no discretion as to use due to:
- Donor instruction
 - Contractual agreement between United Ways as to the distribution of pledges across service area boundaries
 - Other circumstances that remove the United Way's discretion as to use
3. **Other** types of (non-campaign) Public Support & Revenue that should be separately identified on the Statement of Activities, if material:
- Pledges designated to your United Way that originate from another United Way's service/solicitation area
 - Contributions outside the annual campaign (e.g. capital campaign, corporate sponsorship, unsolicited donations, etc.)
 - Grants from external entities (government / foundations) for specific initiatives
 - Gifts to Endowment
 - Investment Income
 - Fiduciary/administrative fees for program/service initiatives
 - Non-campaign gift commitments made during the current year that will be realized in the future (e.g. multi-year gifts, irrevocable estate bequests, etc.)
 - In-kind gifts (donated services/materials your UW retains/uses, excluding agent transactions on behalf of other non-profit organizations) if:
 - a. They represent products which your United Way would have otherwise purchased
 - b. They represent "Professional Services" as defined in FASB 116 (paragraph #9)
- NOTE1: Gifts-In-Kind programs that represent agent transactions on behalf of other organizations should not be included within the body of the financial statements.
- NOTE2: There must be an offsetting expense equal to the In-Kind Gift revenue.
- Pledge processing and designation cost-recovery fees assessed/withheld on payments to other United Ways or agencies/entities

- Gross revenue generated by other business activities (e.g. office space rental, shared service fees, etc.) unless they are considered peripheral and incidental to the business (in which case they can be included net of off-setting expenses).
- Revenue from non-campaign and/or special fundraising events

EXHIBIT 2

CAMPAIGN / REVENUE DEFINITIONS

	GROSS CAMPAIGN RESULTS (UW1 & UW2*)	REVENUE ON AUDITED FINANCIAL STATEMENTS	
Pledges generated in workplace campaigns (managed by your United Way & processed by your United Way)			
Undesignated gifts	YES	YES	(Campaign)
Pledges designated to member/funded agencies	YES	NO	
Pledges designated to non-member agencies	YES	NO	
Pledges designated to programs/services (Community Care)	YES	YES	(Campaign)
Pledges designated to other United Ways	YES	NO	
Pledges designated to other campaign participants	YES	NO	
Pledges generated in workplace campaigns (managed by your United Way & processed by other United Way, Corporation, or 3 rd party)			
Undesignated gifts	YES	YES	(Campaign)
Pledges designated to member/funded agencies	YES	NO	
Pledges designated to non-member agencies	YES	NO	
Pledges designated to programs/services (Community Care)	YES	YES	(Campaign)
Pledges designated to other United Ways	YES	NO	
Pledges designated to other campaign participants	YES	NO	
Pledges generated in combined governmental campaigns (managed by your United Way as PCFO – campaign agent)			
Pledges designated to your United Way	YES	YES	(Campaign)
Pledges designated to member/funded agencies	YES	NO	
Pledges designated to non-member agencies	YES	NO	
Pledges designated to programs/services (Community Care)	YES	YES	(Campaign)
Pledges designated to other United Ways	YES	NO	
Pledges designated to other campaign participants	YES	NO	
Pledges generated in workplace or governmental combined campaigns that are not in your solicitation area (managed by other United Ways, Federations, or agents – regardless of processing entity)			
Pledges designated to your United Way	NO	YES	(non-Campaign)
Pledges designated to your member/funded agencies paid through your UW	NO	NO	
Pledges designated to your member/funded agencies paid directly	NO	NO	
Pledges designated to non-member agencies in your community	NO	NO	
Pledges designated to programs/services your United Way offers/manages	NO	YES	(non-Campaign)
Pledges designated to other United Ways	NO	NO	
Pledges designated to other campaign participants	NO	NO	
Pledges generated in workplace or governmental combined campaigns that are in your solicitation area (managed by other United Ways, Federations, or agents – regardless of processing entity)			
Pledges designated to your United Way	YES	YES	(non-Campaign)
Pledges designated to your member/funded agencies paid through your UW	YES	NO	
Pledges designated to your member/funded agencies paid directly	NO	NO	
Pledges designated to non-member agencies in your community	NO	NO	
Pledges designated to programs/services your United Way offers/manages	YES	YES	(non-Campaign)
Pledges designated to other United Ways	NO	NO	
Pledges designated to other campaign participants	NO	NO	

*UW1 & UW2 refers to the United Way Continuum – Total Resources Generated. See UWA Publication “NPC Policy for Reporting Total Resources Generated to United Way of America”.

EXHIBIT 3

Processing/Transferring Fees **Executive Summary of Membership Standard M**

The Financial Issues Committee (FIC) of United Way of America was charged with creating a standard calculation for recovering actual costs and publishing a set of implementation requirements for compliance with Standard M by local United Way boards and staff. This document is intended to fulfill the first of those two charges.

The overall purpose of Standard M is to assure the public that:

1. Donors are charged no more than the actual cost incurred to process and transfer designated gifts.
2. There are no duplicative charges or redundant services assessed to the donor.
3. All United Ways have a consistent, fair and understandable methodology for calculating and recovering fundraising, processing, and management and general expenses on designated donations.

Key aspects of this document are set forth as follows:

Fundraising Costs: the **maximum** cost to be recovered by the United Way in whose solicitation area the funds are raised (see *NPC Policy for Reporting Total Resources Generated to United Way of America*), shall be calculated in accordance with the following **not to be exceeded** calculation (utilizing a 3-year average from the IRS Form 990):

$$\text{Numerator} = \text{Total Fundraising Costs (Part I, line 15) + Dues to Affiliates (Part I, Line 16) - Public Sector Campaign Fundraising Costs}$$

$$\text{Denominator} = \text{Total Direct Public Support (Part I, line 1(a)) less any grants for which related costs are recorded in Program Services}$$

If a United Way other than the United Way entitled to this fee (the Manager/Fundraiser) is the party paying out designated contributions (the Processor), the Processor shall deduct such fundraising costs (based upon their own calculation above) and remit such amounts to the Fundraiser, the frequency and methodology of which is to be determined in the implementation phase of this standard.

Where both United Ways incur fundraising costs, an agreement must be made prior to beginning the campaign as to how the fee deducted will be shared by both. In the absence of an alternate mutual agreement between two or more United Ways, the determination of Manager/ Fundraiser and Processor should be made using the NPC guidelines for reporting of amounts raised (as found in the document titled *NPC Policy for Reporting Total Resources Generated to United Way of America*), consistent with the methodology for reporting of campaign results.

Management and General: the **maximum** cost to be recovered by the United Way which performs the processing and administration of the designated contribution, is to be calculated in accordance with the following **not to be exceeded** calculation (utilizing a 3-year average from the IRS Form 990):

$$\text{Numerator} = \text{Total Management \& General Costs (Part I, line 14)}$$

$$\text{Denominator} = \text{Total Revenue (Part I, line 12)}$$

This deduction may only be taken by the first party processing a designation. If a United Way elects to have designations sent to them by another United Way rather than having payments made directly to the recipient agency, the second United Way may **not** deduct **any** fees.

Note that these calculations provide the limits, **not to be exceeded**. United Ways are permitted to charge less than this amount, so long as the amount of undesignated dollars used to subsidize this policy, if applicable, is knowingly undertaken by the local United Way's Board. Irrespective of the calculation itself or the party recovering the costs, the requirement of this Standard is that **only one** United Way may charge for fundraising and **only one** United Way may charge for M&G.

Collection Loss (Shrinkage) – to be deducted by the party processing the pledge in accordance with one of the following standards, in the order of preference:

- A. Actual amount by individual donor
- B. Actual amount by individual company
- C. Estimated loss experience based on a three year average for the most recently closed campaigns by individual company
- D. Estimated loss experience based on a three year average for the most recently closed campaigns of the local United Way

All local United Ways are encouraged to take the steps necessary to be able to use method A or B. Methods C or D may only be used when the limitations of the local United Way's human and technical systems make following methods A or B impossible.

These standards, while applicable to all designated contributions, are particularly critical when the Fundraising and M&G responsibilities are shared by multiple United Ways. In order to achieve such standards, the FIC set forth guidelines that provide consistency to the donor and the general public. These standards may have disadvantages for some United Ways, but have been set forth in the best interest of the system overall.

The next phase of this work is to draft implementation requirements that will allow local United Ways to consistently apply the cost deduction standards. These requirements will include, at a minimum, direction on the following topics:

- ❑ Reporting of campaign results to affected United Ways
 - Timing
 - Frequency
- ❑ Communication
 - General designation policies
 - Minimum information standards
- ❑ Designation Payments
 - Timing
 - Frequency
 - Method – direct payment to agencies versus other arrangements
- ❑ The transfer of fundraising costs deducted
 - Timing
 - Frequency

For more detailed information on Processing/Transferring Fees, see *United Way of America Cost Deduction Requirements for Membership Standard M (June 2004)*

EXHIBIT 4**Option 1****STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**
For the Year Ended MM/DD/YYYY with Comparative Totals for YY-1

	TOTAL YYYY	PRIOR YY-1
ASSETS		
Cash and cash equivalents	XXXX	XXXX
Pledges Receivable	XXXX	XXXX
(Less Allowance for Uncollectible)	(XXXX)	(XXXX)
Accounts Receivable	XXXX	XXXX
Other Current Assets	XXXX	XXXX
Long-term Investments	XXXX	XXXX
Land, Building & Equipment, net of depreciation	<u>XXXX</u>	<u>XXXX</u>
TOTAL ASSETS	<u>XXXX</u>	<u>XXXX</u>
LIABILITIES		
Allocations and Designations Payable	XXXX	XXXX
Accounts Payable	XXXX	XXXX
Accrued Expenses	XXXX	XXXX
Long-term Liabilities	XXXX	XXXX
Other Liabilities	<u>XXXX</u>	<u>XXXX</u>
TOTAL LIABILITIES	XXXX	XXXX
NET ASSETS		
Unrestricted		
Unappropriated	XXXX	XXXX
Board Appropriated*	XXXX	XXXX
Temporarily Restricted	XXXX	XXXX
Permanently Restricted	<u>XXXX</u>	<u>XXXX</u>
TOTAL NET ASSETS	<u>XXXX</u>	<u>XXXX</u>
TOTAL LIABILITIES & NET ASSETS	<u>XXXX</u>	<u>XXXX</u>

* Note: If details are not broken out on the face of the statement they should be broken out in the footnotes or supplemental information.

EXHIBIT 4
Option 2

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
For the Year Ended MM/DD/YYYY with Comparative Totals for YY-1

	UNRESTRICTED	TEMP. RESTRICTED	PERM. RESTRICTED	TOTAL YYYY	PRIOR YY-1
ASSETS					
Cash and Cash Equivalents	XXXX	XXXX	XXXX	XXXX	XXXX
Pledges Receivable	XXXX	XXXX		XXXX	XXXX
(Less Allowance for Uncollectible)	(XXXX)	(XXXX)		(XXXX)	(XXXX)
Designations Receivable	XXXX	XXXX		XXXX	XXXX
(Less Allowance for Uncollectible)	(XXXX)	(XXXX)		(XXXX)	(XXXX)
Operating Receivables	XXXX			XXXX	XXXX
Other Current Assets	XXXX			XXXX	XXXX
Long-term Investments	XXXX		XXXX	XXXX	XXXX
Land, Building & Equip., net of Depreciation	XXXX			XXXX	XXXX
TOTAL ASSETS	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
LIABILITIES					
Allocations Payable	XXXX			XXXX	XXXX
Designations Payable	XXXX			XXXX	XXXX
Operating Payables	XXXX			XXXX	XXXX
Accrued Expenses	XXXX			XXXX	XXXX
Long-term Liabilities	XXXX			XXXX	XXXX
Other Liabilities	XXXX			XXXX	XXXX
TOTAL LIABILITIES	<u>XXXX</u>			<u>XXXX</u>	<u>XXXX</u>

	UNRESTRICTED	TEMP. RESTRICTED	PERM. RESTRICTED	TOTAL YYYY	PRIOR YY-1
NET ASSETS					
Unrestricted					
Unappropriated	XXXX			XXXX	XXXX
Board Appropriated *	XXXX			XXXX	XXXX
Temporarily Restricted		XXXX		XXXX	XXXX
Permanently Restricted			XXXX	XXXX	XXXX
TOTAL NET ASSETS	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
TOTAL LIABILITIES & NET ASSETS	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>

* Note: If details are not broken out on the face of the statement they should be broken out in the footnotes or supplemental information.

EXHIBIT 5
Option 1

STATEMENT OF ACTIVITIES (INCOME STATEMENT)
For the Year Ended MM/DD/YYYY with Comparative Totals for YY-1

	UNRESTRICTED	TEMP. RESTRICTED	PERM. RESTRICTED	TOTAL YYYY	TOTAL YY-1
PUBLIC SUPPORT & REVENUE					
Gross Campaign Results (YY-1/YYYYY)	XXXX			XXXX	XXXX
(Less Donor Designations)	(XXXX)			XXXX	XXXX
(Less Provision for Uncollectible)	<u>(XXXX)</u>			<u>XXXX</u>	<u>XXXX</u>
Net Campaign Revenue (YY-1/YYYY)	XXXX			XXXX	XXXX
Gross Campaign Results (YYYY/YY+1)		XXXX		XXXX	XXXX
(Less Donor Designations)		(XXXX)		XXXX	XXXX
(Less Provision for Uncollectible)		<u>(XXXX)</u>		<u>XXXX</u>	<u>XXXX</u>
Net Campaign Revenue (YYYY/YY+1)		XXXX		XXXX	XXXX
Special Events	XXXX			XXXX	XXXX
Other Contributions	XXXX	XXXX	XXXX	XXXX	XXXX
Designations from Other United Ways	XXXX			XXXX	XXXX
Service Fees	XXXX			XXXX	XXXX
Grants & Contracts	XXXX			XXXX	XXXX
Investment Income	XXXX		XXXX	XXXX	XXXX
Unrealized Gains /(Losses)	XXXX		XXXX	XXXX	XXXX
Miscellaneous Income	XXXX			XXXX	XXXX
Net Assets Released from Restrictions	<u>XXXX</u>	<u>(XXXX)</u>		<u>XXXX</u>	<u>XXXX</u>
TOTAL REVENUE	XXXX	XXXX	XXXX	XXXX	XXXX

	UNRESTRICTED	TEMP. RESTRICTED	PERM. RESTRICTED	TOTAL YYYY	TOTAL YY-1
EXPENSES					
Program Services					
Gross Funds Awarded/Distributed	XXXX			XXXX	XXXX
(Less Donor Designations)	<u>(XXXX)</u>			<u>(XXXX)</u>	<u>(XXXX)</u>
Net Funds Awarded/Distributed	XXXX			XXXX	XXXX
Other Program Services	XXXX			XXXX	XXXX
Supporting Services	XXXX			XXXX	XXXX
United Way of America Dues	XXXX			XXXX	XXXX
TOTAL EXPENSE	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
INCREASE / DECREASE IN NET ASSETS	XXXX	XXXX	XXXX	XXXX	XXXX
NET ASSETS BEGINNING OF PERIOD	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>
NET ASSETS END OF PERIOD	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>	<u>XXXX</u>

EXHIBIT 5
Option 2

STATEMENT OF ACTIVITIES (INCOME STATEMENT)
For the Year Ended MM/DD/YYYY with Comparative Totals for YY-1

	UNRESTRICTED	TEMP. RESTRICTED	PERM. RESTRICTED	TOTAL YYYY	TOTAL YY-1
PUBLIC SUPPORT & REVENUE					
Gross Campaign Results (YY-1/YYYYY)	XXXX			XXXX	XXXX
Gross Campaign Results in prior year – Released from restriction	<u>XXXX</u>	<u>(XXXX)</u>	_____	<u>XXXX</u>	<u>XXXX</u>
Total Campaign Results (YY-1 / YYYY) (Less Donor Designations)	<u>XXXX</u> <u>(XXXX)</u>	<u>(XXXX)</u> <u>XXXX</u>	_____	<u>XXXX</u> <u>XXXX</u>	<u>XXXX</u> <u>XXXX</u>
Campaign Revenue (Less Provision for Uncollectible)	<u>XXXX</u> <u>(XXXX)</u>	<u>(XXXX)</u> <u>(XXXX)</u>	_____	<u>XXXX</u> <u>XXXX</u>	<u>XXXX</u> <u>XXXX</u>
Net Campaign Revenue (YY-1/YYYY)	XXXX	XXXX		XXXX	XXXX
Gross Campaign Results (YYYY/YY+1) (Less Donor Designations)	_____	XXXX <u>(XXXX)</u>	_____	XXXX <u>XXXX</u>	XXXX <u>XXXX</u>
Campaign Revenue (Less Provision for Uncollectible)	_____	XXXX <u>(XXXX)</u>	_____	XXXX <u>XXXX</u>	XXXX <u>XXXX</u>
Net Campaign Revenue (YYYY/YY+1)		XXXX		XXXX	XXXX
Special Events	XXXX			XXXX	XXXX
Other Contributions	XXXX	XXXX	XXXX	XXXX	XXXX
Designations from other United Ways	XXXX			XXXX	XXXX
Service Fees	XXXX			XXXX	XXXX
Grants & Contracts	XXXX	XXXX		XXXX	XXXX
Investment Income	XXXX		XXXX	XXXX	XXXX
Unrealized Gains / (Losses)	XXXX		XXXX	XXXX	XXXX
Miscellaneous Income	XXXX			XXXX	XXXX
Other Net Assets released from restrictions	<u>XXXX</u>	<u>(XXXX)</u>		<u>XXXX</u>	<u>XXXX</u>
TOTAL REVENUE	XXXX	XXXX	XXXX	XXXX	XXXX

	UNRESTRICTED	TEMP. RESTRICTED	PERM. RESTRICTED	TOTAL YYYY	TOTAL YY-1
EXPENSES					
Program Services					
Gross Funds Awarded/Distributed (Less Donor Designations)	XXXX (XXXX)			XXXX (XXXX)	XXXX (XXXX)
Net Funds Awarded/Distributed	XXXX			XXXX	XXXX
Community Capacity Building	XXXX			XXXX	XXXX
Information and Referral	XXXX			XXXX	XXXX
Labor Work Place Assistance	XXXX			XXXX	XXXX
Volunteer Recruitment/Placement	XXXX			XXXX	XXXX
TOTAL PROGRAM SERVICES	XXXX	XXXX	XXXX	XXXX	XXXX
Supporting Services					
Organizational Administration	XXXX			XXXX	XXXX
Fund Raising	XXXX			XXXX	XXXX
United Way of America Dues	XXXX			XXXX	XXXX
TOTAL SUPPORT SERVICES	XXXX	XXXX	XXXX	XXXX	XXXX
TOTAL EXPENSE	XXXX	XXXX	XXXX	XXXX	XXXX
INCREASE / DECREASE IN NET ASSETS	XXXX	XXXX	XXXX	XXXX	XXXX
NET ASSETS BEGINNING OF PERIOD	XXXX	XXXX	XXXX	XXXX	XXXX
NET ASSETS END OF PERIOD	XXXX	XXXX	XXXX	XXXX	XXXX

EXHIBIT 6**Option 1**

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended MM/DD/YYYY with Comparative Totals for YY-1

	PROGRAM SERVICES			SUPPORT SERVICES			TOTAL YYYY	TOTAL YY-1	PRIOR
	Allocation Services	All Other Program(s) (If Provided)	TOTAL	Organizational Administration	Fundraising	UWA Dues			
EXPENSES									
Allocation/Awards (Less Donor Designations)	xxx (xxx)		xxx (xxx)				000 000	XXX XXX	XXX XXX
Sub-Total	XXX	000	XXX	000	000	000	000	XXX	XXX
Salaries	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Payroll Taxes	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Employee Benefits	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Sub-Total	XXX	XXX	XXX	XXX	XXX	000	XXX	XXX	XXX
Contract Services	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Supplies	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Printing & Copying	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Postage & Shipping	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Telephone & Networks	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Occupancy	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Meeting Expense	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Travel	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Board/Staff Development	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Insurance	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Miscellaneous	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Equipment	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Dues & Subscriptions	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Depreciation Expense	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Sub-Total	XXX	XXX	XXX	XXX	XXX	000	XXX	XXX	XXX
United Way of America Dues							xxx	xxx	XXX
Total Functional Expenses	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>

EXHIBIT 6**Option 2**

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended MM/DD/YYYY with Comparative Totals for YY-1

	PROGRAM SERVICES				SUPPORT SERVICES				TOTAL YYYY	PRIOR YY-1
	Allocation Services	Community Capacity Building	Information And Referral	TOTAL	Organizational Administration	Fundraising	UWA Dues	TOTAL		
EXPENSES										
Allocations/Awards (Less Donor Designations)	xxx (xxx)			xxx (xxx)				000 000	XXX (XXX)	XXX (XXX)
Sub-Total	XXX	000	000	XXX	000	000	000	000	XXX	XXX
Salaries	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Payroll Taxes	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Employee Benefits	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Sub-Total	XXX	XXX	XXX	XXX	XXX	XXX	000	XXX	XXX	XXX
Contract Services	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Supplies	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Printing & Copying	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Postage & Shipping	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Telephone & Networks	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Occupancy	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Meeting Expense	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Travel	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Board/Staff Development	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Participation Fees	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Insurance	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Miscellaneous	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Equipment	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Dues & Subscriptions	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Depreciation Expense	xxx	xxx	xxx	xxx	xxx	xxx		xxx	XXX	XXX
Sub-Total	XXX	XXX	XXX	XXX	XXX	XXX	000	XXX	XXX	XXX
United Way of Am. Dues							xxx	xxx	XXX	XXX
Total Functional Expense	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX

EXHIBIT 7STATEMENTS OF CASH FLOWS
For the Year Ended MM/DD/YYYY with Comparative Totals for YY-1

	<u>YYYY</u>	<u>YY-1</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	XXXX	XXXX
Adjustments to reconcile change in net assets to net cash		
Provided by operating activities:		
Net unrealized gains/losses on investments	XXXX	XXXX
Depreciation Expense	XXXX	XXXX
Change in assets and liabilities:	XXXX	XXXX
Pledges receivable	XXXX	XXXX
Other receivables	XXXX	XXXX
Prepaid expenses	XXXX	XXXX
Accounts payable and accrued expenses	XXXX	XXXX
Allocations and designations payable	<u>XXXX</u>	<u>XXXX</u>
Net cash provided (used) by operating activities	<u>XXXX</u>	<u>XXXX</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales or maturities of investments	XXXX	XXXX
Purchase of investments	XXXX	XXXX
Proceeds from sales of equipment	XXXX	XXXX
Purchase of equipment	<u>XXXX</u>	<u>XXXX</u>
Net cash provided (used) by investing activities	<u>XXXX</u>	<u>XXXX</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on mortgage payable	XXXX	XXXX
Proceeds from capital lease obligation	<u>XXXX</u>	<u>XXXX</u>
Net cash provided (used) by financing activities	<u>XXXX</u>	<u>XXXX</u>
Net increase (decrease) in cash & cash equivalents	XXXX	XXXX
Cash & cash equivalents beginning of the year	<u>XXXX</u>	<u>XXXX</u>
Cash & cash equivalents end of year	<u>XXXX</u>	<u>XXXX</u>

EXHIBIT 8

PROVISION FOR UNCOLLECTIBLE COMPUTATION FOOTNOTE

The following sample footnotes are provided to assist in identifying the type of data to be disclosed within the audit footnotes. This list is for example purposes only, and is neither all-inclusive nor exhaustive. The specific elements and/or formulas utilized to compute the provision for uncollectible should be identified as it relates to your organizations method of operation.

Option 1

Provision for uncollectible is computed based upon a # year historical average, applied to gross campaign, including donor designations.

Option 2

Provision for uncollectible is computed based upon a # year historical average, applied to gross campaign, excluding donor designations.

Option 3

Provision for uncollectible is computed based upon management estimates of current economic factors, applied to gross campaign, including donor designations.

Option 4

Provision for uncollectible is computed based upon management estimates of current economic factors, applied to gross campaign, excluding donor designations.

Option 5

Provision for uncollectible is computed based upon a # year historical average adjusted by management estimates of current economic factors, applied to gross campaign, including donor designations.

Option 6

Provision for uncollectible is computed based upon a # year historical average adjusted by management estimates of current economic factors, applied to gross campaign, excluding donor designations.

Option 7

Provision for uncollectible is computed based upon a # year historical average adjusted by management estimates of current economic factors, applied to individual campaigns, including donor designations.

Option 8

Provision for uncollectible is computed based upon a # year historical average adjusted by management estimates of current economic factors, applied to individual campaigns, excluding donor designations.

EXHIBIT 9

RESOURCES

1. Governmental bodies
www.irs.gov
www.irs.gov/CFC
2. Professional organizations and publications
For general accounting information
www.aicpa.org
www.fasb.org
www.us.deloitte.com
www.pricewaterhousecoopers.com
www.ey.com
www.grantthornton.com
www.kpmg.com
www.pwcglobal.com
3. United Way of America
www.onlineunitedway.org
4. Your state organization / association
5. Other local United Ways
6. Other non-profit organizations
www.genie.org
www.nonprofits.org
www.allianceonline.org
www.1800net.com/nprc
7. Internet / web sites
To search on any business subject www.google.com
To search for specific text/phrase insert + between words
To search for any one of a combination of words leave single space between words

Appendix A - Basis for Conclusions

Introduction: This appendix summarizes considerations that the United Way of America Financial Issues Committee (FIC) members deemed significant in reaching the conclusions in this document. It includes reasons for accepting certain views and rejecting others. Individual FIC members gave greater weight to some factors than others.

Benefits and Costs: The charge given to the FIC by UWA is to establish and improve standards for financial accounting and reporting that will bring greater consistency, comparability and transparency to the United Way system. In fulfilling that mission the FIC strives to determine if a proposed standard will fill a significant need and that the cost to implement the standard can be justified in relation to the overall resulting benefits. Because there is no common gauge by which to judge objectively the costs to implement a standard against the need to improve information in financial statements, the FIC's assessment of the costs and benefits of issuing an accounting standard is unavoidable subjective. Moreover, because the costs to implement a new standard are not borne directly by those who derive the benefits of improved reporting, the FIC must balance the diverse and often conflicting needs of preparers, donors, creditors and others who use our financial statements.

United Ways through out the system currently provide financial statements that differ in their form and content. The FIC believes that the implementation of these standards will fill a significant need for information that is comprehensive, understandable, useful for decision-making by current and future donors, resource providers, other UW's, staff, volunteers, media representatives and the general public.

The FIC concluded that the overall benefits of the information provided by applying these standards justify the costs that their implementation may impose. Although there will be transitional costs as United Way organizations apply the requirements of this document, the FIC believes that United Ways generally have the information systems that are needed to meet those requirements and that the ongoing costs should not be significantly greater than for existing requirements. The FIC also believes that some of the costs these Standards impose have been reduced in various ways (e.g. allowing some latitude in how information is presented in financial statements and stressing "content" over "form").

Framework for considering issues on Financial Statement Display: The FIC's consideration about what information should be reported in financial statements provided by United Way organizations and how it should be displayed benefited from a number of previous guideline documents issued by the FIC, existing FASB guidance, UWA National Professional Council (NPC) policies and evaluation of recent events within the United Way system. The issues identified in those resources, as well as the comments received from local United Ways, provided a framework for considering the kind of information that might be required, permitted to be reported or precluded from being reported in financial statements.

Several FIC members suggested that the FIC focus its efforts on fundamental issues without going "beyond GAAP" and the NPC agreed. However, FIC concluded that the reporting standards in this document should focus on information that is essential in meeting the financial reporting objectives specifically applicable to United Way organizations and should be more stringent than requirements for the general not-for-profit industry.

Objectives of General-Purpose External Financial Reporting: The FIC reaffirms that general-purpose external financial reporting should focus on the interests of present and potential resource providers. Paragraph 9 of FASB Concepts Statement No. 4, *Objectives of Financial Reporting by Nonbusiness Organizations*, says:

The objectives [of financial reporting by not-for-profit organizations] stem from the common interests of those who provide resources to [not-for-profit] organizations in the services those organizations provide and their continuing ability to provide services. In contrast, the objectives of financial reporting [of business enterprises] stem from the interests of resource providers in the prospects of receiving cash as a return of and return on their investment. Despite different interests, resource providers of all entities look to information about economic resources, obligations, net resources, and changes in them for information that is useful in assessing their interests. All such resource providers focus on indicators of organization performance and information about management stewardship. [Footnote reference omitted.]

Thus, financial reporting by both not-for-profit organizations and business enterprises focuses on providing information that is useful to resource providers in deciding whether to provide resources to an entity. More specifically, Concepts Statement 4 says:

Financial reporting should provide information about an organization's economic resources, obligations, and net resources. That information helps resource providers and others identify the organization's financial strengths and weaknesses, evaluate information about the organization's performance during the period . . . , and assess its ability to continue to render services. [paragraph 44]

Periodic measurement of the changes in the amount and nature of the net resources of a [not-for-profit] organization and information about the service efforts and accomplishments of an organization together represent the information most useful in assessing its performance. [paragraph 47]

Financial reporting should provide information about the amounts and kinds of inflows and outflows of resources during a period. It should distinguish resource flows that change net resources, such as inflows of fees or contributions and outflows for wages and salaries, from those that do not change net resources, such as borrowings or purchases of buildings. It also should identify inflows and outflows of restricted resources. [paragraph 48]

Financial reporting should provide information about the relation between inflows and outflows of resources during a period. [paragraph 49]

Financial reporting should provide information about the service efforts of a [not-for-profit] organization. Information about service efforts should focus on how the organization's resources . . . are used in providing different programs or services. [paragraph 52]

Financial reporting should provide information about how an organization obtains and spends cash or other liquid resources, about its borrowing and repayment of borrowing, and about other factors that may affect its liquidity. [paragraph 54]

The objectives and capabilities of general-purpose external financial statements are limited; they do not and cannot satisfy all potential users equally well. They are useful to groups of external users, such as donors and creditors, which generally have similar needs. Regulatory bodies, such as departments of health, education, and consumer affairs, although interested in financial information, often have special-purpose needs that general-purpose financial statements cannot provide. They also have the authority to require information to meet their needs. Therefore, these standards do not attempt to incorporate the specific needs of all regulatory bodies.

Individual financial statements also have practical limits. Generally, dissimilar information cannot be combined in a single statement without complicating the information, obscuring the statement's purpose, or both. For example, a single statement of "cash flows" might report and measure changes in economic resources of current funds as well as changes in other economic resources; however, that statement might

unnecessarily confuse items of revenue with transfers from non-current funds or items of expense with expenditures to acquire non-current assets.

Several FIC members urged the FIC to establish broad standards directed at the “critical” issues and allow local United Ways sufficient latitude to report relevant information in ways they believe are most useful to present and potential users of their financial statements. The FIC agreed that broad standards that allow, within certain parameters, the exercise of judgment in determining how to best communicate meaningful information have certain advantages. Therefore, this document considers whether specific information is essential and should be presented in all United Way financial statements (required content) or, if not essential to all United Ways, the information is suggested to be included in footnotes or supplemental information to the financial statements (optional format). The FIC reiterates that the overriding rule used in developing these standards is inclusion of necessary content, not use of a specific format.

The FIC believes that this document’s parameters for reporting information in financial statements provided by United Way organizations represent a significant step toward improving the comparability of those financial statements. These standards also allow for future changes in financial statement display practices to occur in the gradual, evolutionary way that has characterized past changes in practices of our industry. The FIC believes, at this time, that while these standards are more narrow and prescriptive than the previously issued guidelines, they remain sufficiently broad that they should not unnecessarily inhibit the evolutionary development of meaningful financial reporting.

Respondents to the Exposure Draft who commented on this material generally supported this fundamental approach and the reporting flexibility that this document permits. Comments requesting clarification of the following issues were also received.

Inclusion of Designations in Public Support & Revenue: Some respondents to the exposure draft questioned the appropriateness of including designations (agency transactions) in the Public Support & Revenue section of the Statement of Activities since SFAS #116 precludes it from inclusion in operational revenue. The FIC noted that SFAS #136 allows for presentation of Gross Campaign “Results” where designations are then itemize as a reduction from the gross number to arrive at the Campaign “Revenue” number as defined in SFAS #116 and presented in SFAS #117. The FIC also noted that during the drafting of SFAS #116 & SFAS #117 the FIC was active in discussion with the FASB specifically on this point and was successful in garnering from FASB temporary approval for an “above the line” presentation similar to that eventually incorporated in SFAS #136. The key is in the terminology used to identify the difference between campaign “results” and campaign “revenue”. In addition, the FIC noted that the IRS instructions for form 990 encourage non-profits to not feel bound by SFAS #116 in calculating the amount to include on line 1a and while the instructions allow for reporting based on SFAS #116, they would prefer that non-profits report campaign “results” (including designations) in order to capture all the activity generated by the organization. Thus the FIC believes that, while FASB allows for several varying presentations, the presentation required by this document best creates a “clear line of sight” between the Audit and the Form 990.

Recording of Designations at their net (received) value: Some respondents to the exposure draft questioned why designations to be included are to be gross of cost recovery (administrative) fees. The FIC believes that cost recovery fees represent payments made for services provided and thus it must be recognized as a fundraising expense to the United Way, regardless of how the processor collects the fee. Therefore, revenue from designation is properly “grossed up” for the amount of fees assessed and an offsetting fundraising expense must be recognized.

Inclusion of Designations in Gross Funds Awarded/Distributed Expense: In addition to the rationale for inclusion of designation in Public Support & Revenue, the FIC sought to:

1. Recognize that the users/readers of both the Audited Financial Statements and the IRS Form 990 are not always financial experts. Yet these documents are utilized to make important judgments/decisions about United Ways without the benefit of additional amplification/information.
2. Create as much consistency as possible between the Audited Financial Statements and the IRS Form 990.
3. Create as complete a picture of the activity and results as possible for the users of these documents.

Delineation of program services: Recognition that United Ways do more than raise and distribute funds is a cornerstone of “community building”. Inclusion of such information within both the Audited Financial Statements and the IRS Form 990 paints a more complete picture of the organization’s activities and their related costs.

Recognition of pledge/designation processing fees as either revenue generated or expense incurred: Specific recognition of processing fees reflects an effort to improve and appropriately track the components of a donor’s gift more distinctly. The practice of netting fees against the total pledge amount obscures total campaign results, uncollectible experience and does not accurately reflect what actually transpires procedurally or financially.