

# Cost Deduction Implementation Requirements for Membership Standard M (Part II)



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**Approved by FIC – November 2004**  
**Endorsed by NPC – December 2004**

**Effective 7/1/05**

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## **Executive Summary**

Effective for campaigns beginning after June 30, 2004, the NPC approved the *Cost Deduction Requirements for Membership Standard M* (“*Standard M Requirements*” – Part I), which outline the responsibilities of each United Way with respect to deduction of cost reimbursement on designated funds and require that such deductions be based upon actual costs incurred. The Standard M Requirements specify the calculation itself and requirements to determine the appropriate party entitled to such fees. The purpose of this document, *Cost Deduction Implementation Requirements for Membership Standard M – Part II*, is to provide guidelines for implementation of the Standard M Requirements, as well as address various overarching reporting requirements necessary in order to ensure complete and timely reporting of information between United Ways and to agencies. This document is effective for campaigns beginning after June 30, 2005, with earlier implementation encouraged.

## **Communication Prior to the Campaign**

Communication prior to the campaign may be required for a number of reasons, but is primarily necessary to clarify processes and ensure that all parties have the appropriate information necessary to achieve an effective campaign.

## **Roles and responsibilities**

In accordance with the Standard M Requirements, if a processing United Way is not also the fundraising United Way (defined in accordance with the *NPC Policy for Reporting of Total Resources Generated to United Way of America*), the processor must reimburse the fundraiser for the costs associated with those services in accordance with the maximum calculation set forth in the Standard M Requirements. In certain cases, however, a processor may process a regional or national campaign in which the LUW’s have virtually no involvement in the fundraising efforts and all United Way parties acknowledge/agree that this is the case. In such cases, it is incumbent upon the processing United Way to confirm the role of the LUW’s. In the absence of such confirmation, the presumption is that the LUW is entitled to the fundraising fee and it must be remitted accordingly by the processor.

## **Establishment of alternate cost deduction arrangements**

To the extent that a LUW serves as the processor of a campaign for which that United Way was not also the fundraiser, the Standard M Requirements mandate reimbursement to the fundraising United Way for those services provided at the maximum rate. This, however, is the default position and alternate fee-sharing arrangements are permissible, so long as only one fundraising fee and one management and general fee is deducted and assuming the agreed upon rate does not exceed the maximum allowable rate **of the processor** calculated per the Standard M Requirements. Either United Way may initiate a request for an alternate arrangement, but, unless otherwise mandated by the Company (donor), the processing United Way has the ultimate authority for approving such an arrangement.

## **Payment methodologies**

Again, consistent with the Standard M requirements, the default assumption for purposes of the implementation requirements is that dollars will be paid directly to the recipient agency, with the LUW being paid the appropriate fundraising costs deduction for only those amounts raised in the LUW’s service area (including designations to agencies). As such,

communication is required whenever dollars will **not** be paid directly to the recipient agency prior to the start of the campaign.

The processor may wish to not pay directly to agencies, but rather to pay through the LUW. In such cases, however, the LUW **can require** the processor to pay dollars directly to the agency to avoid incurring additional processing costs. The processor must honor such a request and continue to provide the appropriate reporting to the LUW in accordance with the guidelines specified below in order to allow the LUW to report appropriately to United Way of America. In cases where such a request is made and honored, the LUW must supply their agency file to the processor upon request in order to make such payments.

If the LUW wishes to have dollars raised in their service area paid through them, the LUW must proactively contact the processing United Way to request this. Honoring this request, however, is at the sole discretion of the processor.

### **Reporting during the campaign**

Reporting during the campaign consists of reporting to other United Ways, agencies and donors.

### **To Other United Ways**

#### **For Dollars Raised in the Processor's Service Area and Designated to/Raised for a LUW**

The value of this reporting to LUW's is primarily to disclose dollars coming to the LUW as undesignated funds, i.e. "designated" to the LUW from the processor's service area, as the LUW will not be counting these dollars as campaign revenue. These requirements address the issues of timing, frequency and also content.

#### **For Dollars Raised in the LUW's Service Area**

Information regarding amounts raised in a LUW's service area must be reported to that LUW in order to allow them to be included in campaign results in compliance with NPC reporting guidelines. Again, these requirements address the issues of timing and frequency and content.

### **To Agencies**

#### **For Dollars Raised in the Processor's or the LUW's Service Area**

Reporting of designated amounts raised in the processor's and in the LUW's service area may be combined, so long as it is clear to the agency as to the United Way from whom they will be receiving the payment. This is critical in order to prevent an agency from reporting duplicate revenue when one United Way reports the pledge and another United Way pays that pledge. These requirements address the issues of timing, frequency and content.

### **To Donors**

Reporting to donors is primarily a customer service aspect of the United Ways and the cost deduction standards do not specifically address requirements related to donor reporting. However, there are several reporting guidelines, some required and some recommended, that are suggested for consideration.

## **Payments**

### **Pledge Payments (To Other United Ways and Agencies)**

This document addresses the issues of timing and frequency, minimum payment amounts and also the content (information accompanying the payment.)

### **Payment of Fundraising Fee Cost Deduction to Another United Way**

In accordance with the Cost Deduction Requirements for Membership Standard M, a fundraising fee must be charged by the processing United Way on amounts raised outside its service area by another United Way (the fundraiser) unless an alternate written agreement is in force. As such, these fees must be deducted from amounts collected and must be transferred to the fundraiser periodically, as outlined below. These requirements address the issues of timing, frequency and content.

### **Other Standards**

Note that this document supercedes the related elements of the following previously issued standards:

- Transfer Pricing Guidelines for the United Way System – issued June 1995
- Guidelines for Pricing and Processing Agency Designations – issued May 1996
- United Way Transfer Fee Ceiling and Fee Splitting for Donor Designations – issued January 1998
- Designation Processing Guidelines – issued April 2001

## **Cost Deduction Implementation Requirements for Membership Standard M**

As noted in the executive summary, the purpose of this document is to provide guidelines for implementation of the Standard M Requirements, as well as address various overarching reporting requirements necessary in order to ensure complete and timely reporting of information between United Ways and to agencies. Note that these requirements do **not** apply to public sector campaigns, which are governed by their own regulatory requirements. This document is effective for campaigns beginning after June 30, 2005, with earlier implementation encouraged.

Specific topics addressed in this document are as follows:

- Communication prior to the campaign
- Reporting during the campaign
- Payment of collected campaign pledges
- Cost deduction transfers of fundraising fees to other United Ways
- Other concerns

The cost deduction requirements do not mandate whether dollars will be paid directly to the recipient agency or whether dollars will be paid through a Local United Way (LUW). United Ways are encouraged to work cooperatively to determine the policies and procedures that best serve both their communities. The default assumption, however, for purposes of the implementation requirements is that dollars will be paid directly to the recipient agency.

The default assumptions regarding determination of the fundraiser and processor in this document are aligned with the NPC's Policy for Reporting of Total Amounts Raised to United Way of America. Please note, however, that this document is **not** designed to specifically address issues concerning how results are counted for reporting to United Way of America or any other reporting requirement. Those requirements are addressed in the NPC's Policy for reporting of total amounts raised to United Way of America and in the Financial Statement and 990 Standards.

### **Communication Prior to the Campaign**

In order for any campaign to run smoothly, there must be up-front communication between all the parties involved in the process. This communication may be required for various reasons, but the following are addressed specifically as they relate to the cost deduction standards:

- Determination of roles and responsibilities
- Establishment of alternate cost deduction arrangements
- Communication of payment methodology

### **Roles and responsibilities**

In accordance with the Standard M Requirements, if a processing United Way is not also the fundraising United Way (defined in accordance with the *NPC Policy for Reporting of Total Resources Generated to United Way of America*), the processor must reimburse the fundraiser for the costs associated with those services (in accordance with the maximum calculation set forth in the Standard M Requirements). In general, according to the NPC policy, it is the United Way in whose solicitation area the branch location of the company resides that is the

campaign manager (fundraiser), rather than the processor. In certain cases, however, a processor may process a regional or national campaign in which the LUW's have virtually no involvement in the fundraising efforts and all United Way parties acknowledge/agree that this is the case. In such cases, it is incumbent upon the processing United Way to confirm the role of the LUW's. In the absence of such confirmation, the presumption is that the LUW is entitled to the fundraising fee and it must be remitted accordingly by the processor.

As indicated, if the processor believes that according to the NPC reporting policy, it also serves as the campaign manager (i.e. no LUW involvement), the processor is entitled to retain this fee. However, in order to do so, the processor must ensure that their assumption on fundraising efforts is correct. This does **not** mean that the processor must obtain a signed (positive) confirmation from each United Way. Rather, a letter to each United Way specifying the processor's assumption will suffice, so long as the letter states a reasonable basis for such assumption and allows sufficient time (at least 30 days) for the LUW to respond if they wish to counter such assumption. (See Attachment A for a sample letter). This letter should be addressed to the United Way's CPO with a copy to the Finance Department.

Note that if the processor does not contact the LUW, the processor **must** deduct and remit the fundraising fee to the LUW.

In certain cases, the processor may determine that it is more cost effective to simply remit the fundraising to the LUW in lieu of this communication. Such a policy is also acceptable under these guidelines.

#### **Establishment of alternate cost deduction arrangements**

To the extent that a LUW serves as the processor of a campaign for which that United Way was not also the fundraiser, the Standard M Requirements mandate reimbursement to the fundraising United Way for those services provided at the maximum rate. This, however, is the default position and alternate fee-sharing arrangements are permissible, so long as only one fundraising fee and one management and general fee is deducted, assuming the agreed upon rate does not exceed the maximum allowable rate **of the processor** calculated per the Standard M Requirements. Either United Way may initiate a request for an alternate arrangement, but, unless otherwise mandated by the Company (donor), the processing United Way has the ultimate authority for approving such an arrangement.

Note that the processing United Way may **not** deduct fundraising at less than the maximum rate on amounts raised in other United Ways' service areas unless the LUW agrees or the rate is mandated by the Company. Even if the fee is mandated by the company, it still must be communicated to the LUW prior to the start of the campaign (assuming it is a change from the prior year). The element at the processor's discretion, referred to above, is solely the option to accept or reject a LUW's request for an alternate fee arrangement other than the maximum rate or rate set forth by the company.

See attachment B for sample fee-sharing contract between United Ways.

### **Payment methodologies**

Again, consistent with the Standard M requirements the default assumption for purposes of the implementation requirements is that dollars will be paid directly to the recipient agency, with the LUW being paid the appropriate fundraising costs deducted for only those amounts raised in the LUW's service area (including designations to agencies). As such, communication is required whenever dollars will **not** be paid directly to the recipient agency. This is due to the fact that the second United Way receiving the funds may not take any fees and, thus, must be informed prior to requiring them to take on this additional cost with no reimbursement. This communication is also critical for those United Ways determining their allocations on a first dollars in basis. Communication regarding payment methodology is also required by the processor for any new campaigns (prior to the start of the campaign) or when there are any changes in the payment methodology from prior year.

A LUW **can require** the processor to pay dollars directly to the agency to avoid incurring additional processing costs. In such a case, the processor must honor such a request and continue to provide the appropriate reporting to the LUW in accordance with the guidelines specified below in order to allow the LUW to report appropriately to United Way of America. In cases where such a request is made and honored, the LUW must supply their agency file to the processor upon request in order to make such payments. Although this file will not include all possible agencies a donor may designate, it will contain all current agencies paid by the LUW and, thus, will reduce the efforts of the processor in paying such designations directly.

Since the default is paying directly, a processing United Way may opt to do so without contacting a LUW, unless this methodology is a change from the prior year. If the LUW wishes to have dollars raised in their service area paid through them, the LUW must proactively contact the processing United Way to request this. It is expected that United Ways will consider the payment policy that is in the best interests of both communities; however, the option of whether to honor the LUW's request to pay through the LUW will ultimately be left to the processing United Way's discretion. This is due to the undue burden placed upon the processor by requiring them to support two different options and track those decisions and the related member agencies of LUW's.

Note that the LUW can **require** direct payment to agencies by the processor. However, the LUW cannot **require** paying through the LUW. The LUW may **request** to be paid through, but **cannot** require it.

Irrespective of the way dollars are paid, processors must continue to provide information necessary for the LUW to appropriately report campaign results. This is particularly critical in the event a LUW utilizes a first-dollars-in methodology, since the LUW will need sufficient information in order to ensure amounts paid to their agencies are captured as part of their first dollars in calculation. This information must be provided by the processor as discussed below.

### **Reporting during the campaign**

There are several aspects of reporting during the campaign. Reporting occurs to other United Ways, to agencies and to donors. Indicated below are the **minimum** requirements.

More information may be provided, but, in no event, shall the reporting include less than the specified requirements.

Note that this section is split into dollars raised in the Processor's Service Area versus those raised in the LUW's service area. This is due to the difference in the type of information required by a LUW, dependent upon where the dollars were raised. The two reports indicated below may be combined, so long as the fundraiser/manager is clearly indicated in order to allow the LUW to determine where the dollars should be counted.

### **To Other United Ways**

#### For Dollars Raised in the Processor's Service Area and Designated to/Raised for a LUW

If reporting amounts raised in the processor's service area separately, the value of this report to LUW's is primarily to disclose dollars coming to the LUW as undesignated funds, i.e. "designated" to the LUW from the processor's service area, as the LUW will not be counting these dollars.

- Timing and Frequency – must be reported at least twice during the campaign:
  - The first report must be mailed or transmitted no later than February 28<sup>th</sup> for all campaign activity as of December 31<sup>st</sup>. It must be recognized that not all campaigns will be closed at this date, as some campaigns will report later than this deadline thus the report must note whether this is an interim or final report.
  - The second report must be provided no later than April 30<sup>th</sup>, which would include all campaign activity as of March 31<sup>st</sup>. The report must note whether this is an interim or final report. (Note that this information and timing is critical for reporting to UWA for the Database II survey in May of each year. While these funds are not to be included in a LUW's standardized campaign results, they are reported on the United Way Continuum, below the line, as incoming designations.)
  - To the extent that there are significant open campaigns at the point at which the prior reporting occurred or there are changes in previously reported information, final reporting with all campaign information must be submitted no later than July 31<sup>st</sup> for all campaign activity through June 30<sup>th</sup>.
  - Despite the "final" reporting indicated by July 31<sup>st</sup> above, it is known that there will be changes to campaign information subsequent even to the "final" close. This information should be reported to the LUW at least quarterly if and when such changes occur until there are no further adjustments to report.
  - Some United Ways may opt to provide additional interim reports, either in detail or in summary. Note that this is permissible and that earlier and more frequent reporting is encouraged, but not required. However, in **no** event may reporting be less frequent than indicated above.

- Content – information provided by the processor to the LUW must include the following
  - Name of United Way that managed the campaign (in this case, the processor)
  - Campaign year
  - Donor name/identifier and address, unless the donor wishes to remain anonymous
  - Type of pledge (e.g. cash, payroll deduction, etc.)
  - Pledge amount by donor, where available (for amounts raised in the processor’s service area, this will solely represent “undesigned” pledges for the LUW, a.k.a. incoming designations)
  - Indication of whether reports are cumulative or updates from previous report
  - Fees to be deducted by processing United Way (e.g. Fundraising rate and Management & General rate per Standard M requirements) and whether such fees are deducted up front or ratably based upon collections.
  - Shrinkage policy to be applied (e.g. estimated rate based on historical averages or based upon actual receipts)
  - Indication of whether this is an interim or final report
  - Acknowledgment (thank-you letter) policies – whether processor also issues such letters

For Dollars Raised in the LUW’s Service Area

Information regarding amounts raised in a LUW’s service area must be reported to that LUW in order to allow them to comply with NPC reporting guidelines. Again, these reports may be combined with reports on amounts raised in the processor’s service area, so long as the fundraiser/manager is clearly indicated in order to determine where the dollars should be counted.

- Timing and Frequency – must be reported at least twice prior to the campaign close:
  - The first report must be mailed or transmitted no later than February 28<sup>th</sup> for all campaign activity as of December 31<sup>st</sup>. It must be recognized that not all campaigns will be closed at this date, as some campaigns will report later than this deadline thus the report must note whether this is an interim or final report.
  - The second report must be provided no later than April 30<sup>th</sup>, which would include all campaign activity as of March 31<sup>st</sup>. The report must note whether this is an interim or final report. (Note that this information and timing is critical for reporting to UWA for the Database II survey in May of each year)
  - To the extent that there are significant open campaigns at the point at which the prior reporting occurred or there are changes in previously reported information, final reporting with all campaign information must be submitted no later than July 31<sup>st</sup> for all campaign activity through June 30<sup>th</sup>.

- Despite the “final” reporting indicated by July 31<sup>st</sup> above, it is known that there will be changes to campaign information subsequent even to the “final” close. This information should be reported to the LUW at least quarterly if and when such changes occur until there are no further adjustments to report. (If final figures vary significantly from estimates, it is incumbent upon the LUW to notify UWA of changes to their standardized campaign figure.)
    - Some United Ways may opt to provide additional interim reports, either in detail or in summary. Note that this is permissible and that earlier and more frequent reporting is encouraged, but not required. However, in **no** event may reporting be less frequent than indicated above.
  - Content – information provided by the processor to the LUW must include the following
    - Name of United Way that managed the campaign (LUW)
    - Campaign year
    - Donor name/identifier and address (including the company, if applicable), with an indication of whether the donor wishes to remain anonymous
    - Type of pledge (e.g. cash, payroll deduction, etc.)
    - Indication of whether reports are cumulative or updates from previous report
    - Total pledge amount by donor, where available (this will include both designated and undesignated dollars)
    - Company/donor level pledge detail, which provides sufficient information to allow the determination of undesignated versus designated amounts (including related agency detail)
    - Detail of where the dollars were raised, such that the LUW can determine the portion of the campaign results that should be counted in their local region
    - Note that a processor must report to the LUW **all** amounts raised in that LUW’s service area, not just undesignated amounts contributed to the LUW. This is required in order for the LUW to report total amounts raised to United Way of America in accordance with the NPC’s reporting policies.
    - Indication of the party to whom funds will be paid (e.g. will funds be paid wholly through LUW, directly to the Agency or will only member agency money be paid through the LUW)
    - Fees to be deducted by processing United Way (e.g. Fundraising rate and Management & General rate per Standard M requirements, with fundraising rate to be remitted back to LUW) and whether such fees are deducted up front or ratably based upon collections.
    - Shrinkage policy to be applied (e.g. estimated rate based on historical averages or based upon actual receipts)
    - Indication of whether this is an interim or final report
    - Acknowledgment (thank-you letter) policies – whether processor also issues such letters

## Other

Note that tax receipts must be issued by only the first United Way receiving the funds, thus the second United Way should not need any additional information that may be required to provide such a document.

## **To Agencies**

### For Dollars Raised in the Processor's or the LUW's Service Area

Reporting to agencies generally consists of fundraising efforts that result in designations to such agencies. Note that the reporting of designated amounts raised in the processor's service area and in the LUW's service area may be combined, so long as it is clear to the agency the United Way from whom they will be receiving the payment. This is critical in order to prevent agency from reporting duplicate revenue when one United Way reports the pledge and another United Way pays that pledge.

- Timing and Frequency –
  - Again, these amounts must be reported at least twice during the campaign.
  - The first report must be mailed or transmitted no later than February 28th as of December 31<sup>st</sup> to accommodate those agencies with December 31<sup>st</sup> year-ends. It must be recognized that not all campaigns will be closed at this date, as some campaigns will report later than this deadline.
  - The second report must be provided no later than April 30<sup>th</sup>, as of March 31<sup>st</sup>, which would include final information for most campaigns that have run in the previous Fall.
  - To the extent that there are significant open campaigns at the point at which the prior reporting occurred or there are changes in previously reported information, final reporting with all campaign information must be submitted no later than July 31<sup>st</sup>, with information as of June 30<sup>th</sup>.
  - Despite the "final" reporting indicated by July 31<sup>st</sup> above, it is known that there will be changes to campaign information subsequent even to the "final" close. This information should be reported to the Agency at least quarterly if and when such changes occur until there are no further adjustments to report.
  - Some United Ways may opt to provide additional interim reports, either in detail or in summary. Note that this is permissible and that earlier and more frequent reporting is encouraged, but not required. However, in **no** event may reporting be less frequent than indicated above.
- Content – information provided by the processor to the agency must include the following
  - Name of United Way in whose service area the dollars were raised (the fundraiser/manager)
  - Campaign year
  - Donor name/identifier and address, unless donor wishes to remain anonymous

- Type of pledge (e.g. cash, payroll deduction, etc.)
- Total pledge amount by donor, where available
- Indication of the party to whom funds will be paid (e.g. LUW or Agency)
- Fees to be deducted by processing United Way (e.g. Fundraising rate and Management & General rate per Membership Standard M).
- Shrinkage policy to be applied (e.g. estimated rate based on historical averages or based upon actual receipts)
- Indication of whether this is an interim or final report
- Acknowledgment (thank-you letter) policies – whether processor also issues such letters

For all United Ways, but particularly those operating on a first dollars in basis, it is critically important that the processor's information clearly discloses to both the LUW and the LUW's member agencies the United Way service area in which the dollars are raised (i.e. which United Way is the fundraiser/manager). It is also critical that it is clear which party will be distributing the funds related to that campaign to ensure that agencies do not double count funds being passed to them through another United Way.

Under these implementation requirements, sufficient information should be available for both the agency and the United Way on a first dollars in basis to determine such amounts and ensure they are properly deducted from allocations to those agencies. In order to educate member agencies as to the amounts that will be counted toward their allocation, however, first dollars in United Ways are encouraged to aggregate the information received by processors and summarize for their member agencies amounts being paid directly to the agency, but raised in the LUW's service area.. This will be particularly important in the early phases of implementing the new reporting requirements by United Ways. See attachment E for a sample letter from a LUW to member agency receiving direct payments on their first dollars in allocations.

### **To Donors**

Reporting to donors is primarily a customer service aspect of the United Ways and the cost deduction standards do not specifically address requirements related to donor reporting. However, there are several reporting guidelines, some required and some recommended, that are suggested for consideration.

- Acknowledgment (thank- you) letters – these are recommended to be sent to every donor to your United Way
- Statements of account (billing statements) – these are recommended to be sent for unpaid pledges at the discretion and under the policy guidelines of the party responsible for collections (defaulting to the processor, unless an alternate arrangement is in place - see payment policies below for further discussion).
- Tax receipts – According to IRS Publication #1771, the IRS requires substantiation for all payments greater than \$250. See Cost Deduction Requirements for Membership Standard M for further discussion.

## **Payments**

### **Pledge Payments (To Other United Ways and Agencies)**

Note that the payment remittance information for dollars raised in the processor's service area may be combined with payments made for dollars raised in the LUW's service area, so long as it is clearly indicated which United Way was the fundraiser/manager. Also note that payment reports for dollars raised in the LUW's service areas must also go to the LUW, even if the related designations are paid directly to the agencies. This is particularly critical for first dollars in United Ways, who need to count such payments toward their allocations.

- Timing and Frequency –
  - Collections on pledges must be distributed at least quarterly, with the first payment to be made no later than February 28<sup>th</sup> and including collections through December 31<sup>st</sup> for that Fall's campaign. This payment should include all cash, check, stock and credit card collections through December 31<sup>st</sup>, unless pledge detail has not been provided by the donor/company at that point.
  - Pledge payments must continue at least quarterly during the first calendar year following the year in which the campaign is run.
  - After that date, payments may be made more infrequently as cash is collected, but must be made at least semi-annually until the final payment is made, which is sometimes after the end of a standard collections cycle.
  - More frequent payment is encouraged, but not required, throughout the campaign.
  - Specific accommodations may be requested for large company or individual accounts. Payment in accordance with these special requests will be left to the discretion of the processing United Way, so long as the payment frequency is no less often than that specified above.
- Minimum payment amounts – A United Way may wish to set a minimum payment amount, so as to not cut checks for minimal amounts. This minimum must be set at no more than \$1,000, so long as the final payout honors all donor wishes.
- Content (required information accompanying payment) -
  - Name of United Way in whose service area the dollars were raised (the fundraiser/manager).
  - Campaign year to which payment relates
  - Gross pledge amount by donor, if available
  - Collection information – by donor, if information is available; if not, information may be provided at the company level. Collection information may detail total collections to date less amounts previously paid or include just amounts since last payout, so long as the recipient can discern collections since the last payout.
  - Note that collection information is provided to the LUW or agency for purposes of estimating uncollectibles and communication with the processor. The default arrangement is that all billings will be performed by the processor, unless an alternate agreement is in place between the processor and the LUW. As such, the LUW or agency

may **not** bill a donor for any outstanding amounts unless such an alternate arrangement is in place. The processor may wish to communicate billing policies to the LUW or agency as part of their payment information.

- Costs deducted from pledge and also whether cost deductions are taken up-front or deducted ratably with collections
- Net payment amount, with total of all net payment amounts equaling total amount of the check
- Payment terms – whether the payment for a donor or donors has been made directly to the agency or through a LUW
- Shrinkage policy to be applied (e.g. estimated rate based on historical averages or based upon actual receipts)
- Projected payment schedule or timeline (to be provided with at least the first payment and updated if changes occur)
- Periodically, there may be payments held due to insufficient or unaudited information preventing a receipt from being included in the current payout – this standard encourages, but does not require, communication of any amounts that have been collected, but held.
- A reminder to agencies that they are **not** to issue tax receipts for any amounts paid to them through United Way, as tax receipts have already been issued for such gifts.

#### **Payment of Fundraising Fee Cost Deduction to Another United Way**

In accordance with the Cost Deduction Requirements for Membership Standard M, a fundraising fee must be charged **by the processing United Way on amounts raised outside its service area by another United Way** (the fundraiser) unless an alternate written agreement is in force. As such, these fees must be deducted from amounts collected and transferred to the fundraiser periodically, as outlined below.

- Timing and Frequency – Fundraising fees collected on amounts raised by other United Ways must be remitted to those United Ways at least quarterly beginning in the calendar year following the year in which the Fall campaign was run and should continue until the final payment is made. The threshold for minimum payments should be cumulatively set at \$100. That means that if the cumulative amount due to the LUW at any interim calculation is less than \$100, the fee is held until it exceeds \$100 and is then remitted. If the cumulative amount due to the LUW never exceeds \$100, the processor keeps the fee, so as to not remit immaterial payments throughout the system.
- Content –
  - Fundraising deduction rate (at the maximum calculation per the Standard M requirements unless an alternate written agreement is in force). The detailed calculation need not be provided to the LUW, but must be verifiable upon request.
  - Year to which payment relates
  - Detail of any pre-negotiated arrangements
  - Information regarding amount due to another United Way based upon dollars raised in their area and current payment (either detail

calculation or general methodology is sufficient). Detailed calculation must be available upon request.

Note that amounts received for fundraising cost deductions should be reported by the recipient as revenue (service fees) in accordance with the Implementation Requirements for Membership Standard H (Financial Statement Standards.) Amounts to be transferred to other United Ways by the processor should be not be reported as revenue, but, rather, a liability until paid.

**Other Fees Charged on Gifts Transferred between United Ways**

Unless specifically permitted by these standards, there should be no other fees deducted from a donor's gift for fundraising or management and general services. For example, there should be no separate charge for donor payments via credit card. This should be included in the overall M&G rate. Each payment type has its own additional costs, which are not directly charged to the donor. For example, a "bill me" pledge has the additional costs of periodic billings and collections that are not directly charged to that donor.

To the extent additional services are provided over and above the traditional costs of fundraising and management and general services, any reimbursement received for such services must be deducted from the costs used to calculate the fundraising and M&G cost deduction rates from the Form 990. One example of such an item is in the area of fund distribution. There are some United Ways that offer a fund distribution service, where they take lump sum payments from companies and disburse them among the related United Ways. In most of these cases, the distributing United Way has not processed any data regarding that campaign in the LUW's service area, rather, is simply performing a distribution service. To the extent that this process is fairly simple and straightforward, requiring minimal additional time commitment, no additional fee should be charged. Rather, the United Way should offset their costs with the float on those funds. However, if the process is more complicated, an additional cost may be warranted. If this is the case, the United Way performing the distribution services must have an adequate methodology by which to determine these costs and the reimbursement for such costs must be deducted from that United Way's M&G calculation per the cost deduction standards, as indicated above.

**Attachment A**

**Sample letter to verify that a LUW is not involved in the fundraising for a specific company processed regionally or nationally by another United Way**

<Date>

<CEO United Way of YourFundraisingArea>  
<Address>  
<City, State Zip code>

Dear <CEO United Way of YourFundraisingArea>:

United Way of MyFundraisingArea has the responsibility of managing and processing the United Way campaign for XYZ Corporation for all of its regions nationwide. In this capacity the United Way of MyFundraisingArea incurs the fundraising costs of sales and marketing the campaign. A fundraising fee of x% will be deducted from campaign distributions to United Way of YourFundraisingArea. This fee will be retained by our United Way, as we believe that we are performing substantially all of the fundraising activities.

Please confirm, by signing below, that the United Way of YourFundraisingArea does not have significant fundraising responsibilities and costs associated with the annual campaign of XYZ Corporation.

Thank you in advance for your assistance.

Sincerely,

<CFO United Way MyFundraisingArea>  
<Address>  
<City, State Zip code>

Please note that if your United Way does not return this letter within 30 days, we will consider our assumption to be correct and your United Way will **not** receive any fundraising reimbursement for amounts raised in your service area related to this campaign.

Please check appropriate box, sign and return to United Way of MyFundraisingArea:

\_\_\_\_\_ I confirm that United Way of YourFundraisingArea does not have significant fundraising responsibilities and costs associated with the annual campaign of XYZ Corporation.

\_\_\_\_\_ I do not confirm the above. United Way of YourFundraisingArea does have significant fundraising responsibilities and costs associated with the annual campaign of XYZ Corporation. Attached on a separate sheet are examples of fundraising responsibilities and costs YourFundraisingArea United Way has.

\_\_\_\_\_  
Signature Title Date  
\_\_\_\_\_  
Print name

cc: CFO United Way of YourFundraisingArea

## **Attachment B**

### **Sample letter for fee sharing arrangements**

Please note that this is just one example of a reason that a fee sharing arrangement may be requested. There are many other circumstance under which a similar arrangement may be requested.

<Date>

<CFO - United Way of YourFundraisingArea>

<Address>

<City, State Zip code>

Dear <CFO United Way of YourFundraisingArea>:

United Way of MyFundraisingArea has the responsibility of managing and processing a portion of the United Way campaign for XYZ Corporation for all of its regions nationwide. Both of our United Ways have a role in processing this campaign. United Way of MyFundraisingArea has the responsibility of providing you the electronic pledging file with all donor information as well as collecting and processing all credit card information; whereas, your United Way has the responsibility for all other processing and payment. Our management and general fee is 4%,of which we would propose to retain 1% and remit to you 3% for your costs.

Please confirm, by signing below, that United Way of YourFundraisingArea concurs with this fee-sharing arrangement. If we do not hear from you within 30 days of the date of this letter, we will deduct fees as discussed above.

Thank you in advance for your assistance.

Since rely,

<CFO United Way MyFundraisingArea>

<Address>

<City, State Zip code>

## **Attachment C**

### **Sample Campaign Report**

Sample Private Sector Campaign Report to Other United Ways

Date: (To comply with requirements above)

To: United Way Executive Director (cc to CFO)

From: <Staff Person> <Processing UW>

<Phone Number>

<e-mail address>

Re: <Campaign Year> Campaign Results and/or Donor Designation Report

Enclosed please find your (interim)(final) Report of Pledges processed by <Processing UW>.

<Processing UW> complies with the United Way of America's Cost Deduction Requirements for Membership Standard M and the NPC Policy for Reporting Total Resources Generated to United Way of America.

<Processing UW> will include in gross campaign results only those pledges raised in our solicitation area. Your UW should report as campaign results all pledges raised in your solicitation area. The attached reports distinguish by company the pledges counted in our solicitation area verses those that are counted in your solicitation area. (Please note that you should report all designated and undesignated amounts raised in your solicitation area in accordance with the NPC's Policy for Reporting of Total Resources Raised to United Way of America).

Additional reports will be provided to you throughout the payment period to notify your organization of pledge and designations payments to you, as well as designated payments made to other organizations on your behalf.

#### Standard Administrative Fee

The fees assessed by <Processing UW> for the <Campaign Year> are as calculated from our prior 3-year IRS Form 990 returns as follows:

Fundraising cost \$<Number> <Number>%

Management and General cost \$<Number> <Number>%

For amounts raised in your service area, the fundraising fee will be deducted by <Processing UW> and remitted to your United Way in accordance with the Cost Deduction Standards as appropriate.

### Provision for Collection Loss

(Explain here whether payments are based on actual collections by company, estimated collection loss of <x>% adjusted to actual in last payment period, estimated collection loss of <X>% based on campaign history, etc).

### Payout Schedule

Pledge collections are distributed on a quarterly basis, with the exception of donors who pay their pledge in full before December 31<sup>st</sup> of the campaign year. These payments are distributed in full by February 28<sup>th</sup>. No uncollectible allowance is applied to cash gifts. Agencies receiving total net designation of less than \$<amount> will be processed in a single payment made in <date>.

### Tax Receipting

The processing United Way will provide all required tax receipting required for cash donations received per IRS Guidelines.

### Acknowledgment Policy

<Processing UW> will provide donors with a gift confirmation as pledges are processed. We suggest that designated agencies issue acknowledgments as well. Note that these acknowledgments should **not** be written as a tax receipt, but only as a thank you for their pledge.

(Alternately). <Processing UW> does not confirm or acknowledge donors. Please acknowledge as indicated by donor's instruction on the attached lists. Note that these acknowledgments should **not** be written as a tax receipt, but only as a thank you for their pledge.

**Note:** The reports attached to this letter must detail the required elements as identified in the Section on Reporting During the Campaign above:

**Attachment D**  
**Sample Remittance Report**

**Note:** The reports attached to this letter must detail the required elements as identified in the Pledge Payment requirements described above

Sample Private Sector Campaign Payment Report to Other United Ways

Date: (To comply with Pledge Payments requirements above)  
To: United Way Executive Director (cc to CFO)  
From: <Staff Person> <Processing UW>  
<Phone Number>  
<e-mail address>  
Re: <Campaign Year> Campaign Payment # <Number>

Enclosed please find your payment of pledges and designations processed on your behalf by <Processing UW>. Please be advised of the following policies related to your payments:

Standard Administrative Fee

The fees assessed by <Processing UW> for the <Campaign Year> are as calculated from our prior 3-year IRS Form 990 returns as follows:

Fundraising cost \$<Number> <Number>%  
Management and General cost \$<Number> <Number>% (Comprised of M&G <Number>% and Designation fund Distribution of <Number>%).

For amounts raised in your service area, the fundraising fee will be deducted by <Processing UW> and remitted to your United Way in accordance with the Cost Deduction Standards as appropriate.

This fee is deducted from collections (up-front or ratably upon collection, depending on United Way's policy).

Reporting:

<Name of Report> is distributed with each payment and will assist you with determining how the payment was calculated. You have received a previous report (or alternately, attached is a report) which details the donor names, addresses and designation amounts for your acknowledgment purposes.

Included in the attached report is the detail for any designations paid directly to agencies on your behalf for pledges reported by you and processed by <ProcessingUW>. Your agencies have received donor acknowledgment reports directly from us, identifying your United Way as the fundraising United Way.

Provision for Collection Loss

(Explain here whether payments are based on actual collections by company, estimated collection loss of <x>% adjusted to actual in last payment period, estimated collection loss of <X>% based on campaign history, etc).

### Payout Schedule

Pledge collections are distributed on a quarterly basis, with the exception of donors who pay their pledge in full before December 31<sup>st</sup> of the campaign year. These payments are distributed in full by February 28th. No uncollectible allowance is applied to cash gifts. The final payment is anticipated to be made in <Date>. Agencies receiving total net designation of less than \$<amount> will be processed in a single payment made in <date>.

### Tax Receipting

The processing United Way will provide all required tax receipting required for cash donations received per IRS Guidelines.

### Acknowledgment Policy

<Processing UW> will provide donors with a gift confirmation as pledges are processed. We suggest that designated agencies issue acknowledgments as well. Note that these acknowledgments should **not** be written as a tax receipt, but only as a thank you for their pledge.

(Alternately). <Processing UW> does not confirm or acknowledge donors. Please acknowledge as indicated by donor's instruction on the attached lists. Note that these acknowledgments should **not** be written as a tax receipt, but only as a thank you for their pledge.

## **Attachment E**

### Sample Letter to Member Agencies Participating in a First Dollar United Way

Date

<<Agency Executive Director>>

<<Agency Name>>

<<Agency Address>>

etc.

Dear <<Agency Executive Director>>

Some of the companies in our community are having their United Way Campaigns processed by the local united way at their corporate office. Because of this you may be receiving checks from other united ways that represent direct payments. Those local united ways will be sending you information and will indicate that the campaign is a <<United Way of My Fundraising Area>> campaign processed by them. As you probably remember those direct checks are considered as a portion of your total allocation. We will include those direct payments on monthly allocations as we are made aware of them. If you have any questions, feel free to call <<name>> at <<phone number>>.

Please help keep our record keeping straight by letting us know if you receive a payment from another united way and cannot identify it as a direct check in your next allocation payment.

We appreciate all you do within the community and your commitment to the valued collaboration among our member agencies.

Sincerely

Name

United Way of My Fundraising Area

CFO or CEO

## **General Comments and Basis for Conclusions**

### *Impact on overhead*

It is acknowledged that there may be additional costs required to implement these requirements for some United Ways. While we recognize the risk related to the increase in such costs, we believe that the benefits with respect to transparency and accountability do outweigh such costs. We hope that United Ways will continuously seek ways to reduce their costs and that United Ways will work together to determine the most cost-effective means of implementation in their region.

### *Subsidization*

The Standard M Requirements require disclosure to the Board of the LUW to the extent that designated gifts are being subsidized by the LUW through undesignated funding. This can result from charging less than the maximum rate calculated, setting a cap on fees for larger donations, etc. This information will be required to be communicated to and approved by the Board on an annual basis and must include the underlying policy or decision driving the subsidy and the estimated dollar impact on undesignated funds.

### *Designation policies*

Neither Standard M Requirements nor these implementation requirements mandate any eligibility requirements for designated gifts. Determination of an eligible agency, both inside and outside of the local service area, remains at the discretion of the LUW.

### *Fundraising fee refund*

In cases where designated dollars will be passed through a LUW prior to being paid to the agency, the question arises as to whether or not it makes sense for the processor to deduct the fundraising fee and then remit it to the LUW, when they will be passing the dollars through the LUW anyway. These requirements do not mandate whether the processor should deduct and remit the fundraising fee or pass through the funds (net of the M&G fee) and allow the LUW to deduct the fundraising rate. This is left to the discretion of the processor in order to allow for the most efficient and streamlined process.

### *Communication with member agencies of first dollars in United Ways*

In developing these requirements, the Committee considered whether the processor should refrain from communication with the member agencies of a First Dollars Local United Way (FD LUW's) when the funds are being passed through that FD LUW. This would eliminate the risk of double counting by a member agency who is being notified of a gift by one United Way and paid by another. It is acknowledged that this option would cause the processing United Ways to set up separate programming and reporting structures to support the functionality of **not** communicating with those agencies only under the circumstances where they are raised in a certain United Way's service area and only when they were paid through that local United Way.

The Committee ultimately concluded that if this were perceived by the Processing United Way as a disincentive for paying through the FD LUW it was deemed more critical to FD LUW's to have a greater opportunity to have funds paid through them, consequently they would accept the communications to their member agencies in lieu of not receiving the pay-

through funds. However, the preference by FD LUW's is to cease Processing United Way communication with their member agencies.

In either case the processor is required to provide to the LUW sufficient information regarding where dollars are raised and to whom they will be paid. This will allow FD LUW's to aggregate the information needed to calculate amounts paid by Processing United Way's as direct payments and report this information to their members comprehensively.

*Fixed rate for all national campaigns*

A number of United Ways inquired as to the feasibility of a fixed processing rate for all national campaigns. While we do not disagree with this concept, there is limited reliable information at a national level at this point on which to base such a rate. As additional information becomes available over the next few years related to comparative cost data throughout the system, there may be a better basis to consider establishing and mandating such a rate. The committee does not believe establishing such a rate would be prudent at this time. In the event that a national campaign has one United Way as its processor, however, there is **one** rate for that company's campaign, since all fees must be deducted at the rate of the processor.

*Fee-sharing arrangements – maximum amount deducted is based upon the processor's rate*

As discussed in the Standard M requirements and further clarified above, a second United Way passing through dollars to an agency may **not** deduct any fees unless an alternate arrangement is in place with the processor. Such an arrangement is permissible, so long as the fundraising and M&G rates deducted do not exceed the maximum rates under the processor's calculation. Consistent with Standard M requirements, the fees deducted are to be based upon the processor's rate. This is true for fee-sharing arrangements as well, in order to ensure that the same rate is deducted, irrespective of the way funds are paid. This prevents circumventing the standards by using varying rates dependent upon the party deducting the fees.

*Definition of "First Dollars In"*

First Dollar is the method for allocating to member agencies at a fixed allocation amount without the fluctuations generated by donor designations. This methodology establishes a fixed amount to your member agencies and counts any designations raised in your service area for those agencies toward that allocation (i.e. donor designations are **not** a "separate stream" of dollars over and above what the agencies receive through allocations.) For example, if a donor designates to one of your member agencies, the first dollar that is paid to that agency is deemed to satisfy that designation, so the funding never exceeds the amount allocated (unless the total designations are greater than the amount of the Board's allocation.)

## ACKNOWLEDGMENTS

### **SUB-COMMITTEE MEMBERS**

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**We also wish to acknowledge the contributions of the following former  
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