



Series: Public Relations
COA: RPM 2.01;
ETH 3, 3.01, 3.05; GOV 6;
FIN 2, 3, 4

CFOP:

Procedure Name: Determining If A Fundraising Event Is A Joint Activity
Procedure Number: PBR-3003
Revision #/Date: N/A
Effective Date: January 1, 2009

SUBJECT: Determining if a fundraising event is a joint activity then properly recording the costs.

PURPOSE: To establish a procedure to identify if a fundraising event is a joint activity whereby the functional reporting of the costs will be compliant with Generally Accepted Accounting Principals.

References

CBCB Policies/Procedures: GOV-202, GOV-205, GOV-208

SOP-98-2

Journal of Accountancy: How to Report a Joint Activity;
<http://www.journalofaccountancy.com/Issues/1998/Aug/capin.htm>

Definitions

AICPA: American Institute of Certified Public Accountants.

Incidental Activity: If an activity meets the definition of a joint activity because of some incidental aspect (for example, if the words "contributions to NPO X can be sent to" appear on a small area of a message that otherwise would be considered a program activity) and the criteria in SOP 98-2 are met, the organization need not go through the effort of allocating the costs. Instead, it can merely charge all costs of the joint activity to the main activity it has undertaken.

Joint Activity: When an entity makes a solicitation that includes elements of other activities, such as program or management and general components.

Management/General Activity: Administrative services incurred by an organization to promote and support program activity.

Program Activity: Direct services that the organization was formed to promote and support.

SOP: A statement of position issued by the AICPA.

Scope

The AICPA accounting standards executive committee issued SOP 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund-Raising*, in March 1998. The SOP 98-2 is effective for years beginning on or after December 15, 1998.

Most external users of not-for-profit (NPO) financial statements, including donors and other resource providers, want an organization (1) to maximize its spending on the causes it exists to support and (2) to minimize spending on fundraising (soliciting contributions) or management and general activities. NPOs sometimes conduct joint activities, which combine fundraising with activities that have elements of both program or management and general components. SOP 98-2 was written to establish rules for the functional reporting of the costs of joint activities.

As stated in procedure PBR3001, *Initiating Fundraising Events*, the Public Relations Department (PRD) is responsible for the daily management of CBCB's fund raising activity under the direction of the Chief Executive Officer (CEO). When planning a fundraising event, the PRD will need to determine if the function is a joint activity or not. The purpose of this procedure is to outline the determining criteria and reporting mechanism of PRD concerning the planning and promotion of such an event.

Procedure

Examples of Joint Activities

Examples of joint activities might include:

- Mass mailings that describe a social problem, encourage the audience to take certain actions, and appeal for contributions,
- Telethons or other broadcasts with segments that have program content and other segments that appeal for funds,
- Mailings of annual reports to members, contributors, or other constituents along with an appeal for contributions,
- Maintenance of a web site containing both program information and an appeal for contributions.

Determination of an Event

PRD staff will determine if a proposed event is a joint activity or not by comparing the activity to the following criteria:

1. If a program (or management and general) component is merely an **“incidental part”** of what would otherwise be a fundraising activity, SOP 98-2 does not apply to the activity, and the entire cost would be reported functionally as fundraising.

Community Based Care of Brevard, Inc. Policy and Procedure Manual

2. If the fundraising appeal is merely an **“incidental part”** of what would otherwise be a program or management and general activity, SOP 98-2 does not apply to the activity, and the costs would be reported functionally as program or management and general costs.

3. For those activities that do have both fundraising components and program or management and general functions, SOP 98-2 states **“that all costs are fundraising costs”** (including costs that might otherwise have been considered program or management and general if they had been incurred in a different activity), **unless three criteria are all met** (purpose, audience, and content), **in sequence, as follows:**

- The **purpose** criterion is met if **all three** of the following **are true**:
 1. The activity (the event) calls for the audience to specific action (other than contributing) to help the agency to accomplish its mission, or has elements of a management and general function, and
 2. No party performing a component of the joint activity has a majority of their compensation based on contributions raised, and
 3. The program or management and general component is also conducted on a similar scale using the same medium without the fundraising appeal, or there is other evidence that the purpose criterion is met.
- The **audience** criterion is met **if either** of the following **is true**:
 1. If the audience is composed of prior contributors or is otherwise based on its ability or likelihood to contribute, the **presumption that the audience was selected for the fundraising reasons can be overcome** by demonstrating that it was selected for program-related reasons or for management and general related reasons, or
 2. The audience is selected for program-related reasons or for management and general reasons (as opposed to being selected for fundraising reasons).
- The **content** criterion is met **if either** of the following **is true**:
 1. The activity motivates the audience to action in support of program goals, or
 2. The content fulfills management and general responsibilities (such as reporting financial information to members).

If all three criteria are met, costs that are identifiable with a particular function should be charged to that function, and joint costs should be allocated between fundraising and the appropriate program or management and general functions.

Reporting the Determination

Once a proposed event has been analyzed against the above criteria, the PRD staff will draft a memo stating whether the event is one of three activities listed below and the reason for this determination:

Community Based Care of Brevard, Inc. Policy and Procedure Manual

- Fundraising Event
- Program or Management /General Event
- Joint Activity

Reporting the Costs

Once the proposed event activity has been determined the mechanism for recording the costs of the function must be identified as follows:

Fundraising Event – Contact the Accounting Department to be assigned a subaccount identifier.

Program or Management /General Event – Review the chart of subaccounts to choose the subaccount identifier for the program, etc. PRD may consult with the Accounting Department if they have questions concerning the subaccount identifier.

Joint Activity – The PRD staff will need to determine the methodology of the allocation of costs between the fundraising and program or management/general components of the event.

It should be noted that SOP 98-2 requires that allocation methods be rational and systematic, thereby resulting in reasonable allocations that are applied consistently given similar facts and circumstances. It provides no detailed guidance on how such allocations should be calculated or which methods should be used.

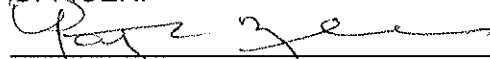
Once the cost identification methodology has been determined, this information should also be included in the aforementioned memo.

Finalization of the Event Determination

The memo reflecting the determination of the event as well as the cost identification methodology should be forwarded to the CEO for review and approval.

Once the CEO approves the memo, an approved copy should be sent to the CFO or their designee. This will allow the Accounting Department to correctly code expenditures for events as they are submitted for payment. The original will be filed in the corresponding PRD Event file.

BY DIRECTION OF THE CHIEF EXECUTIVE OFFICER:



DR. PATRICIA NELLIUS-GUTHRIE
Chief Executive Officer
CBC of Brevard, Inc.

DATE: 3/28/09