



Statement of Accountability for Donors

The Statement of Accountability is a special purpose report that describes and accounts for an organization's fundraising efforts and is of specific interest to donors and the giving public at large. Accordingly, the Statement of Accountability should be prepared in scope and design to meet the particular needs of its intended audience. In some instances, a suitably prepared set of audited financial statements or a published annual report may be issued in place of or to supplement the Statement of Accountability.

The Statement of Accountability is intended to portray the activities of the fundraising function of the organization and not the entire range of activities carried out by the organization. Accordingly, the Statement of Accountability reports all resources raised through an organization's fundraising material. The usefulness of the Statement of Accountability can be enhanced by including narratives, illustrations, or graphs describing the organization's services and programs. Other activities of an organization, that would be included in the organization's services and programs. Other activities of an organization, that would be included in the organization's audited financial statements, are not included in the Statement of Accountability.

Therefore, a Statement of Accountability will report the amounts of funds raised, and the application or distribution of such funds for program or supporting functions. It will generally not report the subsequent investment of such funds, the administration of deferred giving instruments, or the actual expenditure of funds by the programs since these activities will be carried out at different organizational levels.

For the most part, the Statement of Accountability is prepared in accordance with generally accepted accounting principles. NCDC believes, however, that the Statement of Accountability does not need to (a) segregate restricted support and revenue between temporarily and permanently restricted categories, or (b) include the footnote disclosures that would be required by generally accepted accounting principles.

The Statement of Accountability, regardless of scope, sets forth: the amount of funds raised, other revenues generated from the fundraising function, the amount and use of the funds expended for program services, and the amount of funds expended for supporting services.

COMPONENTS OF THE STATEMENT OF ACCOUNTABILITY

Support and Revenue

The amounts of public support are shown in the Statement of Accountability with material amounts identified in the following net asset classifications:

- **Unrestricted.** This is the total of all support that the donor has not restricted for specific uses.
- **Restricted.** This is the total of all support that has a donor-imposed restriction, whether temporary or permanent. Normally, these will include such items as mass offerings, endowment fund additions, and gifts for specific programs, uses, or purposes. If practical or material, restricted contributions should be reported by major category (endowment, capital additions, etc.) Generally accepted accounting principles require restricted contributions to be reported separately for temporarily restricted purposes; this segregation is not required for the Statement of Accountability.

Public Support

Public support represents charitable giving by donors for the work of the organization. An organization may show the total amount raised or may wish to display the major categories such as the following.

- **Contributions.** The category includes contributions of cash or investment securities, which are reported at fair value. Contributions from current donors may be reported separately from those received from new donors as a result of donor acquisition activities.
- **Legacies and bequests.** At this time the amounts due from legacies and bequests can be reasonably estimated, they are recorded at fair value.
- **Gift portion of annuity contracts or similar deferred giving instruments.** The subsequent administration and accounting for such deferred giving instruments is generally performed by another department of the organization and, therefore, will not be reported in future years in the Statement of Accountability. When the fundraising office performs those functions, the financial impact of them are included in the Statement of Accountability to the extent applicable under generally accepted accounting principles.
- **Promises to give.** Such promises, frequently referred to as pledges, are reported at fair value when the pledges are received. This is a major change in reporting for many organizations that previously have not reported pledges until they were collected. In determining fair value of pledges, it is important to consider their materiality and likelihood of collection.
- **Contributed services.** Such contributions, which are reported at fair value and may consist of services to conduct the fundraising functions, or services to assist in program functions when they are solicited through a fundraising effort.
- **Gifts in kind.** These contributions are recorded at fair value and may consist of property, food, clothing, or other supplies.
- **Special events.** Some organizations hold special fundraising events, such as banquets, dinners, theater parties, or golf tournaments. When such special events are part of the major ongoing operations of an organization, their revenues and costs should be reported at gross amounts. Otherwise, special events may be reported net.

- **Other contributions.** This category includes items such as the contribution portion (if any) of membership dues and grants from governmental or other organizations that meet the definition of "contribution"

Revenue and Other Income

Revenue represents money earned by the organization's fundraising or development office. It includes amounts received from service activities (dues and fees for services, rentals, royalties and amounts from sales activities such as publications and materials), investment income earned on funds that are temporarily invested by the fundraising office before they are passed on to the ultimate beneficiary, and funds received from other branches of the organization to support fundraising activities. The grand total of all such revenue is shown in the Statement of Accountability. If material, the reporting Organization displays the major categories and amounts that comprise the grand total. If material amounts of revenues are restricted by the donor or by law, they are reported from unrestricted revenues.

Some organizations sell merchandise in connection with their program and fundraising activities. For the purpose of the Statement of Accountability, the revenues from these sales are reported in revenues. The costs are allocated between program and fundraising costs and included in the appropriate cost category.

Funds Expended

Program Services

Reporting organizations summarize their costs and funds expended to others providing various services or other activities on a functional basis in the Statement of Accountability. Functional reporting classifications for program services vary according to the nature of the service rendered. For some organizations, a single functional reporting classification may be adequate to portray the program services provided. Expenditures for program services are reported by type of service function or group of functions. The purposes of the various functions are clearly identified, and each functional classification includes all of the applicable disbursements and costs. For funds transferred for program services, the report specifies the amounts transferred to other departments within the organization, related organizations, and unrelated organizations.

Supporting Services

The Statement of Accountability separately identifies the following expenses:

- Fundraising
- Donor acquisition
- Educational joint cost allocation
- General administration, as may be appropriate

Fundraising. These costs are incurred in requesting current donors to contribute money, securities, time, materials, or facilities. They normally included personnel, occupancy, maintenance of mailing lists, printing, mailing, and all other direct and indirect costs of solicitation, including the cost of merchandise used for fund raising, contributed services, and gifts in kind that are donated to support fundraising costs.

Donor Acquisition. When donor acquisition costs are shown separately from fundraising costs, the donor achieves a better understanding of the expense involved in attracting new donors to the organization. Acquisition includes, for example, the cost of an initial mailing to a list of prospective donors. Fund raisers often measure costs of acquiring new donors as the net cost of the initial mailing, i.e., direct mailing and allocated costs, less the support received from that initial mailing. However, for purposes of the Statement of Accountability, support and donor acquisition costs are shown on a gross basis.

Educational Joint Cost Allocation. The American Institute of Certified Public Accountants (AICPA) has written a specific Statement of Position (SOP) in this regard. For more information read the article in this Chapter entitled "Accounting for Costs of Activities."

General Administration. These costs include general recordkeeping, business management, budgeting and similar general costs related to fundraising activities, and the routine acknowledgment of contributions. Fundraising departments may also carry out management activities for the organization, such as assistance with grant applications and general oversight of programs and operations. Such activities are reported as general administration expenses.

Excess of Support and Revenue Over Expenses

The Statement of Accountability, prepared in accordance with the guidelines described above, will effectively report the resources raised and the disbursement of such resource in the period. In many cases, the resources raised will equal the disbursements. However, in some circumstances, such as when resources raised are temporarily held by the fundraising department before they are spent or passed on to other departments or other organizations for the purpose intended by the donor, there will be an excess or deficiency of support and revenue and expenses. In such case, footnotes or other explanations may be provided to illustrate the nature of such excess or deficiency and the subsequent disposition thereof.