

Handout 1

Applying Purpose, Audience and Content Criteria to Determine if a Program or Management and General Activity has been conducted

<p>Purpose – The purpose criterion is met if the purpose of the activity includes accomplishing program or management and general functions</p> <ul style="list-style-type: none"> ▪ Program: Activity should call for specific action by audience that will help accomplish mission ▪ Program and Management and General: the following factors should be considered: <ul style="list-style-type: none"> ○ Criterion is NOT met if majority of compensation for any party’s performance varies based on funds raised for that activity ○ If a similar program or management and general activity is conducted separately without fundraising component using same medium and on similar or greater scale <p>If factors above do not determine if purpose criterion is met, other evidence may determine</p>	<p>Audience – The audience criterion is NOT met if the audience includes prior donors or is otherwise selected based on its ability or likelihood to contribute to the organization. That can be overcome if audience is also selected for one or more of the following reasons:</p> <ul style="list-style-type: none"> ▪ Audience’s need to use or potential for use of the specific action called for by the program component of activity ▪ Audience’s ability to take specific action to assist organization in meeting goals of program component ▪ Organization is required to direct the M&G component of the activity to the particular audience, or audience has reasonable potential for use of the M&G component. <p>If audience includes no prior donors and is not otherwise selected based on ability or likelihood to contribute, the audience criterion IS met if it is selected for one or more of the 3 reasons above.</p>	<p>Content – The content criterion is met if the joint activity supports program or M&G functions, as follows:</p> <ul style="list-style-type: none"> ▪ Program: Activity calls for specific action by recipient that will help accomplish organization’s mission. If need for and benefits of action are not clearly evident, information describing the action and explaining the need for and benefits of the action is provided. ▪ Management and General – The activity fulfills one or more of organization’s M&G responsibilities through a component of the joint activity
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	Illustration 1	Illustration 2
Facts	<ul style="list-style-type: none"> ▪ Mission: prevent drug abuse ▪ Annual report “1 objective to fulfilling mission is to assist parents in preventing their children from abusing drugs.” ▪ Org mails informational materials to parents of all high school juniors <ul style="list-style-type: none"> ○ Explaining prevalence + dangers of drug abuse ○ Encouraging parents to council kids about the danger of drug abuse ○ Informing parents how to detect abuse ○ Includes a request for contributions ▪ Org conducts other activities informing public about dangers of drug abuse and encouraging parents to council about drug use that do not include requests for contributions and are conducted in different media. ▪ ED is involved in development of informational materials and requests for contributions ▪ ED’s annual compensation includes significant bonus if total annual contributions exceed a predetermined amount 	<ul style="list-style-type: none"> ▪ Mission: reduce incidence of illness from ABC disease which afflicts broad segment of pop. ▪ 1 objective: inform public about effects + early warning signs and specific action that should be taken to prevent the disease ▪ Org maintains mailing list of prior donors and sends them donor renewal mailings, which include messages about effects, early warning signs and specific action to prevent ▪ Info is also sent to similar-sized audience without request for contrib. ▪ Org believes recent donors are more likely to donate than non-donors or those who haven’t donated recently. Prior donors are deleted from list if haven’t contributed recently, and new donors are added to list. ▪ There is no evidence of correlation between recent contributions and participation in the program component of the activity. ▪ The prior donors’ need to use or reasonable potential for use of the messages about the disease + specific action is an insignificant factor in their selection
Purpose	<ul style="list-style-type: none"> ▪ Calls for specific action by recipient that will help accomplish mission ▪ Org conducts program component without significant fundraising in a different medium (see “other evidence”–AICPA 13.46) ▪ ED compensation doesn’t vary based on contributions raised for this discrete activity ✓ 	<ul style="list-style-type: none"> ▪ Activity calls for specific action by recipient (action to prevent disease) that will help accomplish mission ▪ Program is also conducted using same medium on scale similar to or greater than scale on which it’s conducted with request for contributions ✓
Audience	Audience is selected based on its need to use or reasonable potential for use of action called for by program component ✓	<ul style="list-style-type: none"> ▪ Audience includes prior donors <ul style="list-style-type: none"> ▪ Although audience has potential for use, that was insignificant in selection X
Content	Activity calls for specific action by recipient that will help accomplish mission, and it explains need for and benefits of the action (prevalence and dangers of drug abuse). ✓	Activity calls for specific action by recipient that will help accomplish mission, and it explains need for and benefits of the action (to prevent ABC disease) ✓
Conclusion	All criteria met - Joint costs should be allocated	Purpose, content met. Audience not. All costs should be charged to fundraising

Handout 1

	Illustration 3	Illustration 4	Illustration 5
Facts	<ul style="list-style-type: none"> ▪ Mission: provide summer camps for economically disadvantaged youths ▪ Educating families of ineligible youths about the camps – NOT an objective ▪ Org conducts door-to-door solicitation campaign for camp programs. Volunteers with canisters visit homes in middle-class neighborhoods to collect contributions ▪ Org believes people in those neighborhoods wouldn't need camps programs but may contribute ▪ Volunteers explain camp's programs, including why disadvantaged children benefit from program, and distribute leaflets to residents regardless of whether they contribute to the camp ▪ Leaflets describe the camp, its activities, who can attend, and benefits to attendees ▪ Requests for contributions are not included in the leaflets 	<ul style="list-style-type: none"> ▪ Mission: Improve quality of life for senior citizens ▪ 1 Objective: Increase physical activity of senior citizens ▪ One program to attain that objective is to send representatives to speak to groups about the importance of exercise and to conduct exercise classes ▪ Org mails a brochure on the importance of exercise that encourages exercise in later years to resident over 65 in 3 zip codes ▪ Last 2 pages of 4-page brochure include perforated contribution remittance form on which org explains its program and makes an appeal for contributions ▪ First 2 pages are primarily educational – explain how seniors can undertake self-supervised exercise program and encourages them to undertake such a program. ▪ Org includes 2nd brochure on various exercise techniques ▪ Brochures distributed to educate people in this age group about the importance of exercise, to help them exercise properly, and to raise contributions. These objectives are documented in a letter to the PR firm that developed the brochures. ▪ Audience is selected based on age, without regard to ability to contribute. ▪ Org believes most recipients would benefit from info about exercise 	<ul style="list-style-type: none"> ▪ All facts are the same as Illustration 4, except that organization employs a fundraising consultant to develop the first brochure and pays that consultant 30% of contributions raised
Purpose	Activity does not call for specific action because it only educates the audience about causes (describes camp, activities, who can attend, benefits) X	<ul style="list-style-type: none"> ▪ Activity calls for specific action by recipient that will help accomplish mission ▪ Objectives of program are documented in a letter to the PR firm that developed the brochure (see "other evidence"—AICPA 13.46) ✓ 	Majority of compensation or fees for the fundraising consultant varies based on contributions raised for this discrete joint activity. X
Audience	Audience is selected based on its ability or likelihood to contribute, rather than on potential for use of action called for, or ability to assist org in meeting goals of program component X	Audience is selected based on its need to use or reasonable potential for use of action called for by program component ✓	Unchanged from Illustration 4 ✓
Content	Activity does not call for specific action by recipient X	Activity calls for specific action by recipient that will help accomplish mission, and the need for and benefits of the action are clearly evident (brochure explains the importance of exercising). ✓	Unchanged from Illustration 4 ✓
Conclusion	Purpose, audience, content not met. All costs should be charged to fundraising	All criteria met - Joint costs should be allocated (costs of 2 nd brochure should be charged to program because entirely program function)	Audience, content met. Purpose not. All costs should be charged to fundraising, INCLUDING costs of 2 nd brochure.

AICPA. (2007). *AICPA Audit and Accounting Guide – Not-for-profit Organizations – With conforming changes as of May 1, 2007*, New York: American Institute of Certified Public Accountants, Inc. 13.62.