



DONOR DESIGNATION POLICY

Donor designations are limited to the following options:

- 1) **Donors may designate to a United Way Partner Agency.** These funds will be considered separate from funds received during the allocations and/or community impact funding process. They will be forwarded to partner agencies with no fees withheld for fundraising, management and general, or pledge loss.
- 2) **Donors may designate to another United Way.** A collection loss (pledge shrinkage) rate will be applied according to the policy listed below. Usually, an administrative fee will not be charged to fellow United Ways. However, fees for fundraising and management and general costs may be charged if budget constraints require it. The maximum rates allowed by the standards set by United Way of America are defined in the Cost Deduction Rate Policy listed below.
- 3) **Donors may designate to any tax exempt human services organization within the State of Ohio.** An administrative cost plus a collection loss (pledge shrinkage) rate will be applied according to the policy listed below. The maximum rates allowed by the standards set by United Way of America are defined in the Cost Deduction Rate Policy listed below.

If no designation is specified on the pledge form, the default process is for the gift to be distributed to partner agencies and other charitable partners through the allocations and/or community impact funding process.

COST DEDUCTION RATE POLICY

Fundraising Costs: the **maximum** cost, to be recovered by the United Way of Muskingum, Perry & Morgan Counties, shall be calculated in accordance with the United Way of America Membership Requirement M: Cost Deduction Standards which is calculated (utilizing a 3 year average from the IRS form 990) as follows:

Numerator = $\frac{\text{Total Fundraising Costs (Part 1, line 15) + Dues to Affiliates (Part 1, line 16) - Public Sector Campaign Fundraising Costs**}}{\text{Denominator}}$

Denominator = Total Direct Public Support (Part 1, line 1(a)) less any grants for which related costs are recorded in Program Services*

Management and General: the **maximum** cost to be recovered by the United Way of Muskingum, Perry & Morgan Counties in performance of the processing and administration of a designated contribution, will be calculated in accordance with the United Way of America Membership Requirement M: Cost Deduction Standards which is calculated (utilizing a 3 year average from the IRS form 990) as follows:

Numerator = $\frac{\text{Total Management \& General Costs (Part 1, line 14)}}{\text{Denominator}}$

Denominator = Total Revenue (Part 1, line 12)

Note that this calculation assumes that processing of designations is included in M&G on the Form 990 as required by the document titled, United Way of America Functional Expenses and Overhead Reporting Standards (Revised 2004). 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 Way of Muskingum, Perry and Morgan Counties is 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 United Way Board of Directors. 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 (Pledge Shrinkage) – is to be deducted by United Way of Muskingum, Perry and Morgan Counties for those pledges processed by United Way of Muskingum, Perry and Morgan Counties only, in accordance with one of the following UWA 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 campaign by individual company
- D. Estimated loss experienced based on a three year average for the most recently closed campaigns of United Way of Muskingum, Perry & Morgan Counties.

The current policy standard used by United Way of Muskingum, Perry & Morgan Counties is option D.

Policy adopted 1/25/07.

*When non-federal grants are included in line 1a, with the related expenses for raising those grants included in program services, these amounts must be excluded from the denominator for the calculation of the maximum fundraising deduction. This is required in order to ensure the appropriate calculation of the ratio of campaign fundraising expenses to net annual campaign revenue only.

** Costs related to fundraising for public sector campaigns (i.e. CFC, State, etc.) are included in Part 1, line 15, however, the campaign results are reported in Line 1(b), thus must be deducted from the numerator to avoid overstating the calculation, if material.