

The Ins and Outs of Accounting for Fundraising Events

November 17, 2022



Presented to you by:



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Land Acknowledgment

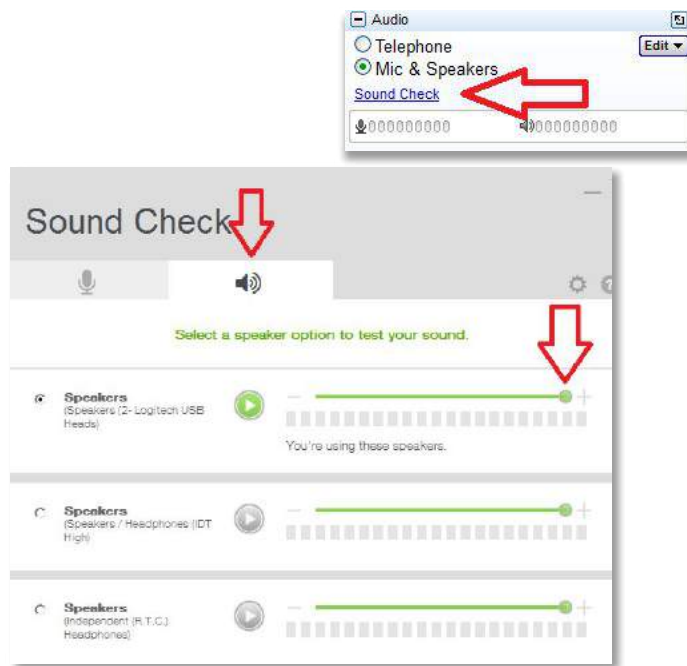
Our team at CanadaHelps is grateful to have the opportunity to meet and work on many Indigenous homelands across this land we share, Canada.

As settlers on these lands, it is important to acknowledge that our Vancouver offices are located on the unceded territory of the **Coast Salish People**, the Montreal offices are located on **Kanien'kehà:ka (Mohawk)** territory, and the land on which we operate in Toronto is the traditional territory of the **Wendat, the Anishinaabeg, Haudenosaunee, and the Mississaugas of the Credit First Nation**.

We want to express our respect for the territories we reside in and honour the diverse Indigenous People who have lived and worked on this land historically and presently. We, the staff and leadership at CanadaHelps, are committed to being active participants in reconciliation. We are committed to continuing to amplify Indigenous voices, and learning how our work affects Indigenous People.

Trouble hearing us?

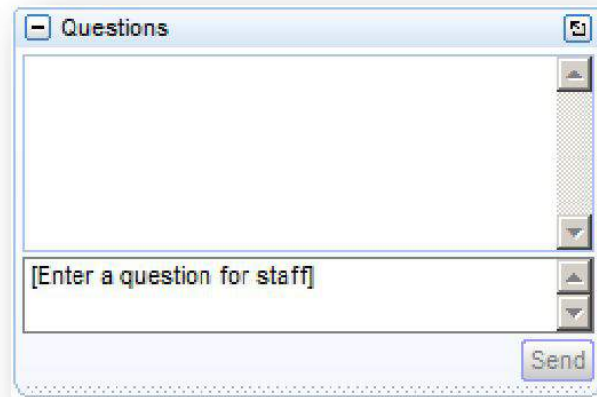
- Turn up your computer's volume.
- Click Sound Check under Audio in your GoToWebinar Panel.
- Select the speaker tab and then turn the volume on the speaker to the far right for maximum volume.



You can hear us, we can't hear you.

Have questions?

Type them into the
Questions Log at anytime.

A screenshot of a web-based interface titled "Questions". It features a large, empty text area for input. Below the text area is a smaller input field containing the placeholder text "[Enter a question for staff]". To the right of the input fields are vertical scrollbars. At the bottom right of the interface is a button labeled "Send".

Speaker Bio



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About Enkel

- Based in Vancouver, BC
- Worked with over 100 NPOs and Charities across Canada
- Provide outsourced bookkeeping and accounting services



Bookkeeping



Payroll



Accounts
Payable



Accounts
Receivable



Controllership



Agenda

1. Why does proper accounting for fundraising events matter?
2. Know what you're fundraising for.
3. Presenting fundraising and revenue expenses.
4. Tracking fundraising revenue and expenses.
5. Tax receipting
6. Processes and internal controls at fundraising events

Proper accounting for fundraising events

Why does proper accounting for fundraising events matter?

- Properly accounting can help you determine your return on investment from your efforts
 - Event-specific costs
 - Employee time
 - Other indirect costs
- Helps to better develop budgets or targets for future events
- Reliable financial reporting and accountability to stakeholders
- Avoid excessive or unplanned audit fees

What are you fundraising for?

- General
- Capital Campaigns
- Programs

Accounting rules for revenue recognition are different for the different fundraising purposes

Fundraising: General

- Unrestricted
- Recognize in revenue when received/receivable unless the revenue is conditional upon an event occurring (see Other Considerations)
- No monitoring required

Fundraising: Capital Campaigns

- Examples: acquire or construct a building, purchase equipment
- Restricted
- Revenue is recognized in the Capital Fund (if using the restricted fund method) or as a deferred capital contribution and amortized to revenue over the life of the asset (if using the deferral method)

Fundraising: Programs

- Examples: salaries, wages, contractors, suppliers
- Restricted
- Revenue is recognized in a related restricted fund (if using the restricted fund method) or in the period the related expenses are incurred (if using the deferral method)

Example: Statement of Operations – Deferral Method

Sunrise NPO Services

Statement of operations
period ended September 30, 2022

	Operating Fund	Capital Fund	Research Fund	2022	2021
Revenues					
Fundraising revenues	50,000	-	-	50,000	40,000
Amortization of deferred capital contributions	-	5,000	-	5,000	-
Amortization of deferred contributions	-	-	10,000	10,000	8,000
	50,000	5,000	10,000	65,000	48,000
Expenses					
Fundraising expenses	30,000	-	-	30,000	25,000
Research expenses	-	-	10,000	10,000	8,000
Amortization of property and equipment	-	9,000	-	9,000	4,000
	30,000	9,000	10,000	49,000	37,000
Excess (deficiency) of revenue over expenses	20,000	(4,000)	-	16,000	11,000

Example: Statement of Financial Position – Deferral Method

Sunrise NPO Services

Statement of financial position
as at September 30, 2022

	Operating Fund	Capital Fund	Research Fund	2022	2021
				\$	\$
Assets					
Current assets					
Cash	10,000	115,000	140,000	265,000	22,000
Accounts receivable	50,000	-		50,000	5,000
Prepaid expenses	5,000	-		5,000	3,000
	65,000	115,000	140,000	320,000	30,000
Property and equipment	-	80,000		80,000	70,000
	65,000	195,000	140,000	400,000	100,000
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	30,000	-	-	30,000	40,000
Deferred contributions	-	-	140,000	140,000	50,000
	30,000	-	140,000	170,000	90,000
Deferred capital contributions	-	195,000	-	195,000	-
	30,000	195,000	140,000	365,000	90,000
Net assets					
Unrestricted	35,000	-	-	35,000	10,000
	35,000	-	-	35,000	10,000
	65,000	195,000	140,000	400,000	100,000

Example: Statement of Operations – Restricted Fund Method

Sunrise NPO Services

Statement of operations

period ended September 30, 2022

	Operating Fund	Capital Fund	Research Fund	2022 \$	2021 \$
Revenues					
Fundraising revenues	50,000	200,000	100,000	350,000	40000
	50,000	200,000	100,000	350,000	40,000
Expenses					
Fundraising expenses	30,000	-	-	30,000	25,000
Research expenses	-	-	10,000	10,000	8,000
Amortization of property and equipment	-	9,000	-	9,000	4,000
	30,000	9,000	10,000	49,000	37,000
Excess of revenue over expenses	20,000	191,000	90,000	301,000	3,000

Example: Statement of Financial Position – Restricted Fund Method

Sunrise NPO Services

Statement of financial position
as at September 30, 2022

	Operating Fund	Capital Fund	Research Fund	2022	2021
				\$	\$
Assets					
Current assets					
Cash	10,000	115,000	140,000	265,000	22,000
Accounts receivable	50,000	-		50,000	5,000
Prepaid expenses	5,000	-		5,000	3,000
	65,000	115,000	140,000	320,000	30,000
Property and equipment	-	80,000		80,000	70,000
	65,000	195,000	140,000	400,000	100,000
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	30,000	-	-	30,000	40,000
	30,000	-	-	30,000	40,000
Net assets					
Unrestricted	35,000	-	-	35,000	10,000
Externally restricted	-	195,000	140,000	335,000	50,000
	35,000	195,000	140,000	370,000	60,000
	65,000	195,000	140,000	400,000	100,000

Other Considerations

- Is the contribution conditional upon the event taking place?
 - then the recognition of revenue is deferred, and the receipt must be recognized as deferred contributions in the statement of financial position
 - the contribution may be recognized as revenue if the donor explicitly waives the requirement that the event takes place as a condition for the contribution, and the contribution is not restricted for a specific purpose

How to present your fundraising revenues and expenses

Accounting standards require that revenue and expenses from fundraising events be reported gross in the statement of operations

Example: Statement of Operations

Sunrise NPO Services

Statement of operations
period ended September 30, 2022

	Operating Fund	Capital Fund	Research Fund	2022	2021
Revenues					
Fundraising revenues	50,000	-	-	50,000	40,000
Amortization of deferred capital contributions	-	5,000	-	5,000	-
Amortization of deferred contributions	-	-	10,000	10,000	8,000
	50,000	5,000	10,000	65,000	48,000
Expenses					
Fundraising expenses	30,000	-	-	30,000	25,000
Research expenses	-	-	10,000	10,000	8,000
Amortization of property and equipment	-	9,000	-	9,000	4,000
	30,000	9,000	10,000	49,000	37,000
Excess (deficiency) of revenue over expenses	20,000	(4,000)	-	16,000	11,000

Tracking Fundraising Revenues and Expenses

- **How are you tracking your fundraising revenues?**
 - Make sure you can separate the different types of donations/campaigns
 - Examples
 - Online donations
 - Events - ticket sales, auction proceeds, 50/50 draws etc.
 - Mailouts

Tracking Fundraising Revenues and Expenses

- How are you tracking your fundraising expenses?
 - Direct:
 - Event costs (rentals, food & beverages, entertainment, gift bags, etc.)
 - Professional fundraiser fees
 - Indirect:
 - Employee time and other internal resources

Tracking Fundraising Revenues and Expenses

- **Reconciling fundraising proceeds**
 - Total receipts (cash, cheques, debit and credit card payments etc.) to agree to your record of fundraising revenues
 - Examples:
 - Ticket sales
 - Auction bids
 - 50/50 draws
 - Sales of merchandise
 - Donations

Tracking Fundraising Revenues and Expenses

- Example

ABC CHARITY					
Fundraising Statement of Operations					
January to December 2022					
	Golf Tournament	Spring Dance	Christmas Gala	Newsletters	TOTAL
FUNDRAISING REVENUE					
Fundraising - Donations			1,250.00	6,150.00	\$ 7,400.00
Fundraising - Ticket Sales	14,850.00	15,000.00	61,250.00		\$ 91,100.00
Fundraising - 50/50 Draw	4,850.00	2,850.00			\$ 7,700.00
Fundraising - Silent Auction		6,750.00			\$ 6,750.00
Fundraising - Sponsorships	8,000.00		5,000.00		\$ 13,000.00
Total Fundraising Revenue	27,700.00	24,600.00	67,500.00	6,150.00	\$ 125,950.00
FUNDRAISING EXPENSES					
Venue/Food/Drinks		8,500.00	28,542.00		\$ 37,042.00
Advertising			1,200.00		\$ 1,200.00
Printing Costs	4,800.00	1,200.00	6,100.00	2,500.00	\$ 14,600.00
Consultants /Staff Time	5,000.00	6,450.00	7,850.00	500.00	\$ 19,800.00
Speakers/Entertainment	5,850.00	500.00	5,000.00		\$ 11,350.00
Volunteer Gifts	250.00	800.00	750.00	150.00	\$ 1,950.00
Total Fundraising Costs	\$ 15,900.00	\$17,450.00	\$ 49,442.00	\$ 3,150.00	\$ 85,942.00
NET SURPLUS/DEFICIT	\$ 11,800.00	\$ 7,150.00	\$ 18,058.00	\$ 3,000.00	\$ 40,008.00

Tax Receipting

- **When can you issue tax receipts?**
 - Gifts of property
 - Are they voluntary?
 - Did the donor receive an advantage e.g. ticket to an event, dinner, performance?
 - Conditions attached, before or after making the gift?
 - Did the donor specify a beneficiary?
 - Gifts of service
 - Two distinct transactions - payment for service and voluntary gifting

Tax Receipting

- **What generally doesn't qualify as a gift**
 - Gifts of services e.g. volunteer time
 - Gift certificates donated by the issuer
 - Payments for lottery tickets and draws
 - Purchases of goods or services
 - Lease of premises
 - Gifts in exchange for advertising or sponsorship
 - Non-cash gift if fair market value cannot be determined

Tax Receipting

- **How much is the tax receipt?**
 - Fair market value of gift, less fair market value of advantage to donor
 - Examples:
 - Event ticket sales
 - Auction bids
 - 50/50 draws
 - Sales of merchandise

Tax Receipting

- **Consequences of improper tax receipting**
 - Incorrect of incomplete information - 5% of eligible amount on official donation receipt (10% for repeat offence within 5 years)
 - Deliberately false information - 125% of eligible amount on official donation receipt. If penalties greater than \$25,000, also liable for one-year suspension of charitable status
 - Registration could be revoked if contravene or continue to contravene the receipting requirements of Income Tax Act

Please refer to the Government of Canada website for additional information related to tax receipting:

<https://www.canada.ca/en/revenue-agency/services/charities-giving/charities/operating-a-registered-charity/issuing-receipts.html>

Tax Receipting

- **Examples**

- A silent auction includes a gift card with a face value of \$200. The successful bid is \$250.
- A volunteer spends 40 hours on event management services and would normally charge \$3,500 for these services
- An item of artwork is donated for a live auction

Processes and Internal Controls

- **Protect merchandise and proceeds collected**
 - Custody of auction items and merchandise for sale
 - Use of bid sheets or technology
 - Sequencing of tickets for draws
 - Ensure all items are paid for
 - Unsold auction items
 - Two people counting cash/proceeds
 - Segregation of duties
- **Documentation completed at events**

Processes and Internal Controls

- **Examples**
 - Collection of proceeds and delivery of auction items
 - Reconciliation of proceeds received to amounts of ticket sales, auction winning bids, merchandise sales, 50/50 ticket sales, donations etc.

Questions?

 info@enkel.ca

 www.enkel.ca

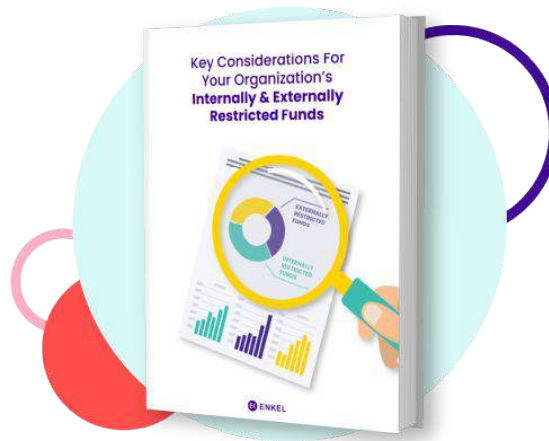
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Download our free List of Considerations for Internally & Externally Restricted Funds Guide



Link to download: <https://bit.ly/3TF92Br>