

Statement of Functional Expenses Instructions

Utah State Law requires a Statement of Functional Expenses to be submitted by organizations that file an IRS Form 990-EZ, 990-N, 990-PF, or do not complete a Form 990.

ORGANIZATION NAME

Input the name of the organization, include a DBA if applicable.

REVENUE

Contribution/Grant Revenue:

Report the following revenue items on the Contribution/Grant Revenue line:

- 1) Cash and noncash amounts received by voluntary contributions, gifts, or grants from the general public, corporate entities, governmental units, foundations and other exempt organizations. Voluntary contributions are payments, or a part of a payment, for which the donor does not receive full retail value from the donee.
Report the value of noncash contributions at fair market value at the time of the donation. If fair market value is not easily determined make a reasonable estimate for the value of the contributions.
- 2) The gross amount of contributions collected in the organization's name by any fundraiser.
- 3) Membership dues or portion of dues, that represent contributions from the public rather than payments for benefits received.
- 4) Total amount of contributions received from fundraising events such as dinners, auctions, races, carnivals, or other events. (See Example 1)

Other Revenue:

Report all revenue not reported on the Contribution/Grant Revenue line, including program service revenue, investment income, royalties, rents, sale of inventory, membership dues or portion of dues that represent payments for benefits received, fees for service, income from fundraising events (See Example 1), etc.

Total Revenue:

Add the Contribution/Grant Revenue line and the Other Revenue line to calculate Total Revenue.

EXPENSES

The Statement of Functional Expenses requires an allocation of expenses into one of three categories Program Service, Management and General, or Fundraising. An expense can be exclusively in one category or split between multiple categories. (See Example 2)

Program Service: Report expenses that further the organization's exempt purposes. Fundraising expenses should not be reported as program service expenses even though one of the organization's purposes is to solicit contributions.

Management and General: Report expenses that relate to the organization's overall operations and management. Typically includes salaries and employee expenses of the organization's executive management, investment management fees, bank fees, accounting fees, legal fees, costs of board meetings, human resources, audits, insurance, office management.

Fundraising: Report expenses incurred in soliciting cash and noncash contributions. Typically includes fundraising campaigns, grant writing expense, payments to professional fundraisers, portions of newsletters related to fundraising, portions of advertising not related to program services.

Statement of Functional Expenses Line Items:

- 1) **Grants, Allocations, Contributions Made:** Report any amount that the organization voluntarily paid in grants to other organizations, government entities in accordance with the mission of the organization.
- 2) **Specific Assistance to Individuals:** Report the amount paid by the organization to individuals in the form of scholarships, fellowships, stipends, grants. Also report payments made to third party providers for the benefit of specific individuals.
- 3) **Registration Fees:** Report the amount paid to federal, state, or local governments for registration or administrative fees. These include fees for solicitation permits, business licenses, 1023 filing, etc.
- 4) **Benefits Paid to/for Members:** Report the amount paid to provide benefits to members of the organization or their dependents. Attach a separate schedule for each payee and the purpose of the payment. Use line 5 to report the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to its officers or directors. Use line 6 report the cost of employment-related benefits such as health insurance, life insurance, or disability insurance provided by the organization to its employees.
- 5) **Compensation of Officers/Directors:** Report the total compensation paid to current and former officers, directors, and trustees for the organization's tax year. Compensation includes all forms of income and other benefits earned or received for services provided. This includes but is not limited to wages, bonuses, pension plan contributions, other employee contributions. This does not include non-compensatory expense reimbursements.
- 6) **Employee Salaries and Wages:** Report the total compensation paid to current and former employees, not included in line 5, for the organization's tax year. Compensation includes all forms of income and other benefits earned or received for services provided. This includes but is not limited to wages, bonuses, pension plan contributions, other employee contributions. This does not include non-compensatory expense reimbursements.
- 7) **Pension Plan Contributions:** Report the employer's share of contributions to qualified and nonqualified pension plans and deferred compensation plans for the year. Do not include contributions to qualified pension, profit-sharing, or stock bonus plans solely for the benefit of current or former officers, directors, or employees reportable on Lines 5 or 6.
- 8) **Other Employee Benefits:** Report the amount of all employee benefits not previously included on lines 5, 6, or 7. This may include costs of employee events such as picnics, holiday parties, and other employee benefit programs.

- 9) **Payroll Taxes:** Report the amount of federal, state and local payroll taxes for the year but only those taxes that are imposed on the organization as an employer. This includes the employer's share of Social Security, Medicare taxes, federal and state unemployment compensation taxes, and other state and local payroll taxes. Do not include the portion withheld from the employees' earnings, as these should be reported on Line 5.
- 10) **Legal Fees:** Report the total legal fees paid to outside firms and individuals who are not employees of the organization. Report judgements imposed on the organization as a result of legal proceedings on Line 27.
- 11) **Accounting Fees:** Report the total of accounting fees paid to outside firms and individuals who are not employees of the organization.
- 12) **Lobbying Fees:** Report amounts for activities intended to influence foreign, national, state, or local legislation, including direct lobbying and grassroots lobbying.
- 13) **Professional Fundraising Fees (include amounts paid to consultants):** Report the amount paid to outside fundraisers who conduct solicitation campaigns as well as amounts paid for consultation services connected with a solicitation conducted by the organization itself. Include all payments made to or through the fundraiser including but not limited to postage, supplies and labor expenses. Do not include any amount paid to employees, directors, trustees, or disqualified persons for these types of services.
- 14) **Investment Management Fees:** Report amounts paid for investment consulting and portfolio management. Report monthly account service fees that are considered portfolio management expenses.
- 15) **Bank Fees:** Report amounts paid to banks and other financial institutions in the form of fees and other similar costs associated with obtaining, operating, or closing a bank account.
- 16) **Advertising and Promotion:** Report amounts paid for advertising. Include amounts for print and electronic media advertising. Also include internet site link costs, signage costs, advertising costs for the organization's in-house fundraising campaigns and fees paid to independent contractors. Do not include fees paid to independent contractors for conducting professional fundraising services or campaigns which were included on Line 13.
- 17) **Office Expenses:** Report amounts for supplies (office, classroom, or other), telephone (cell phones and landlines), facsimile, postage (overnight, parcel, and other delivery expenses), mailing expenses, shipping materials, equipment rental, and other similar costs. Include printing costs of a general nature. Printing costs that relate to conferences or conventions should be reported on Line 24.
- 18) **Information Technology:** Report amounts for information technology, including hardware, software, and support services such as maintenance, help desk, and other technical support services. Also include expenses for infrastructure support, such as website design and operations, virus protection, security programs and services. Report any payments to employees on Lines 5-8.
- 19) **Royalties:** Report amounts paid for royalties, license fees and similar amounts that allow the organization to use intellectual property such as patents and copyrights.
- 20) **Occupancy:** Report the total amount paid for the use of office space or other facilities, including rent, heat, light, power, and other utility expenses. Include mortgage interest, property insurance, real estate taxes and similar occupancy-related expenses. Do not include expenses reported as office expenses, such as telephone expenses, supplies, printing, legal

fees, equipment rental or postage and shipping. Do not net rental income from subletting space to third parties or other individuals. Report income in the revenue section of the Statement of Functional Expenses.

- 21) **Travel:** Report the total travel expenses including transportation costs, fares, mileage allowances, automobile expenses, meals, lodging, and per diem payments. Travel costs include the expenses of purchasing, leasing, operating, and repairing any vehicles owned by the organization and used for the organization's activities. Do not include leasing costs of vehicles for the organization's executives or other employees; report these costs on Lines 5-8.
- 22) **Conferences, Conventions, and Meetings:** Report the total expenses incurred by the organization in conducting meetings related to its activities. Include such expenses as facility rentals, speakers' fees and expenses, and printed materials. Include the registration fees paid for sending any of the organization's staff to conferences, conventions, and meetings conducted by other organizations. Travel expenses incurred by employees and directors attending such conferences, conventions, and meetings should be reported on Line 21.
- 23) **Interest:** Report total interest expense for the year. For interest attributable to rental property or mortgage interest report on Line 20.
- 24) **Payments to Affiliates:** Report payments to organizations affiliated with the filing organization. Report dues paid to affiliated state, national, or parent organization.
- 25) **Insurance:** Report any insurance costs not attributable to rental property, mortgage, or occupancy-related insurance (Line 20), payments made by organizations exempt under Section 501(c)(8),(9), or (17) to obtain insurance benefits (Line 4) for members, or employment related benefits such as health insurance, life insurance, or disability insurance provided to the organization's employees, officers, and directors (Lines 5-8)
- 26) **Other Expenses:** Report all other expenses not reported on Lines 1-25. Attach a separate schedule to show an itemized accounting of other expenses included on this line.
- 27) **Total Functional Expenses:** Total each column separately. The total of column B, column C, and column D should add to the amount listed in column A.

EXAMPLES

- 1) If the organization holds a fundraising event the revenue from the dinner is split between a purchase of goods and a contribution to the organization. The contribution portion of income will be reported on the Contribution/Grant Revenue line and is calculated by taking the total price and subtracting the fair market value of goods received. Any remaining amount will be netted against the costs of the event and net amount will be reported on the Other Revenue line.

The organization holds a fundraising dinner charging \$100 per plate, 10 people attend the dinner, retail value of each dinner is \$40, and costs of hosting the dinner were \$300. Each individual that attended the dinner purchased a \$40 dinner and made a \$60 contribution. Report the \$600 on the Contributions/Grants Revenue line. The remaining \$400 will be netted against the costs of \$300 for \$100 reported on the Other Revenue line. (Note: if the total cost of the dinner were \$500 you would net the \$400 against \$500 for (\$100). This negative number would still be reported on the Other Revenue line)

- 2) The Chief Executive Officer of an organization is paid \$100,000 each year. The CEO spends time doing various tasks including supervising program related services (60%), human resource and management duties (30%), and fundraising activities (10%). In this instance the salary may be split between all three expense categories. \$60,000 Program Service Expense, \$30,000 Management and General Expense, and \$10,000 Fundraising Expense.

FREQUENTLY ASKED QUESTIONS

What time period should I use to complete the Statement of Functional Expenses?

If the organization completed a 990N, 990EZ, or 990PF it should use the same reporting year as the most recently completed 990. Also include a copy of the 990 in the filing. If the organization does not file a 990, then the organization should use the most recently completed fiscal year.

In the event that the organization has not filed a 990 and has not yet completed a fiscal year, the organization may choose to complete the form using a partial year of financial statements or complete the form on a pro forma or budgeted basis.

How do I report noncash contributions?

Report the value of noncash contributions at fair market value at the time of the donation. If fair market value is not easily determined, make a reasonable estimate for the value of the contributions.

What if an expense has both program related aspects as well as management and fundraising aspects?

Certain expenses involved in the operations of the charity may have multiple purposes. If this occurs the organization should use reasonable assumptions to determine a breakdown of what portion of the expenses are related to program services and list that portion in column B, and determine the portion that may be considered a management or fundraising expense and list those portions in columns C and D. See Example 2 for more information.

What if I still have questions after reading these instructions?

Feel free to contact the Division's Auditor at (801) 530-6427 with any additional questions.