Goede Doelen Nederland

Recommendation: Application of Guideline 650 and Guideline C2 for Management & Administration Costs

Revised version: September 2017

1. Introduction

Fundraising organisations are required to apply Guideline 650 for fundraising organisations issued by the Dutch Accounting Standards Board, unless they qualify as a small fundraising organisation[1]. In that case, Guideline C2 must be applied. Guideline C2 was published in October 2016. Guideline 650 has existed for considerably longer.

In the model statement of income and expenditure, Appendix 2 to both guidelines, a separate item has been added for “management & administration” costs (hereinafter referred to as M&A).

Under the guidelines, the fundraising organisation is free to determine which costs are allocated to M&A. The method used for this cost allocation must be clearly stated in the notes to the statement of income and expenditure in the annual accounts. A consistent policy must be applied when making this allocation.

The Recognition Scheme states that the organisation determines the desired ratio between expenditure on its objectives, fundraising costs and M&A costs, and explains the level of these costs. The actual ratio achieved must be made public.

Goede Doelen Nederland anticipated that the freedom to determine cost-allocation methods in annual reporting would lead to considerable diversity. This diversity is detrimental to transparency and comparability within the charitable sector. Goede Doelen Nederland therefore considered further standardisation of the allocation of costs to M&A desirable and, in 2007, took the initiative to formulate a recommendation for its members.

2. Recommendation

On 13 December 2007, the General Members’ Meeting of Goede Doelen Nederland decided to issue a recommendation to the members of Goede Doelen Nederland concerning the application of Guideline 650.

The recommendation is intended, on the one hand, to prevent every organisation from having to develop its own method from scratch and, on the other hand, to achieve sufficient uniformity and thereby improve comparability and transparency.

For the sake of comparability, every member organisation is expected to follow the recommendation. With the introduction of Guideline C2, the recommendation also applies to organisations that are required to follow that guideline.

3. Cost-allocation model

A number of cost items are eligible for allocation to M&A. The model below considers these items and provides a recommendation regarding the extent to which they may be allocated to M&A.

Where “pro rata” is stated below, the allocation is made to objectives, fundraising costs and M&A on the basis of a specified allocation key.

[1] A fundraising organisation is considered a small fundraising organisation if total income on a consolidated basis in the reporting year does not exceed €500,000.

Cost type	Allocation to M&A	Explanation / comment
Board / Supervisory Board	100%	
Management / Executive Board	100%	Unless management makes direct efforts on behalf of the objectives and/or fundraising; in that case, pro rata.
General secretariat	100%	Unless the secretariat makes direct efforts on behalf of the objectives and/or fundraising; in that case, pro rata.
Finance, planning & control	100%	Except for any direct efforts for the objectives and/or fundraising (e.g. project administration); in that case, pro rata.
ICT	Pro rata	Based on workstations or employees; excluding specific applications/facilities.
Premises and facilities	Pro rata	Based on number of employees or square metres.

Cost type	Allocation to M&A	Explanation / comment
Human resources	Pro rata	Based on number of employees.
Personnel costs (direct and indirect costs, including employer charges) and external staff costs	Partially	Allocate as much as possible to the activity for which the employee/external staff member is engaged, based on time registration or a substantiated estimate.
Legal costs	Partially	Allocate as much as possible to the activity for which the costs are incurred; general legal costs are allocated to M&A or pro rata.
Communications	—	Allocate as much as possible to the activity for which the costs are incurred.
Donor and membership administration; service centre	—	Allocate as much as possible to the activity for which it is used (usually fundraising and/or public information).
Project administration	—	Allocate fully to the relevant projects.

5. Standard-setting

Under the Recognition Scheme, every fundraising organisation must determine the desired ratio between expenditure on its objectives, fundraising costs and M&A costs and explain the level of these costs.

Goede Doelen Nederland cannot and does not wish to make a recommendation concerning this ratio or the level of the various costs. The differences in the characteristics of the organisations are simply too great. There may be good reasons why one organisation has a higher level of costs than another.

On the one hand, it can be argued that an organisation should ensure that M&A costs do not become too high. On the other hand, such costs cannot simply be cut without consequence.

An organisation that wishes to spend the resources available to it effectively and responsibly cannot operate without adequate systems for planning and control, administration, management and governance. These systems obviously entail costs.

It is therefore not the case that “the less, the better.” Quality costs money, as do transparency and good governance. A good optimum must be sought.

Where that optimum lies is the responsibility of each individual organisation and may differ from one organisation to another.