How Aid for Africa Funding Works: Combined Federal Campaign, Internet, Mail

Aid for Africa wants to ensure that its member organizations understand the source of the funds we send you and the way in which these payments are calculated. This includes how and when these funds are generated, the way they come to us, and how the amounts you actually receive are calculated.

Combined Federal Campaign Funds
The Combined Federal Campaign (CFC) is the world’s largest workplace giving program. The CFC solicits donations from nearly 4 million military, postal, and executive branch employees annually in the last quarter of each calendar year. Employees making donations can give a single cash gift or make equal, incremental payments of their pledge amounts in each of the 26 federal pay periods. A federal donor who makes a pledge in the 2015 CFC begins to make payments in February 2016. He or she will not complete payment on the pledge until February 2017. About 80 percent of federal donors elect to use payroll deductions to make CFC donations.

The “Combined” in CFC
The word “combined” in CFC’s name refers to the efforts of 120 local campaigns throughout the nation and the international campaign, which solicits funds from federal workers posted outside the country. A committee of federal employees working within the campaign’s borders is responsible for each local campaign. These committees engage the services of a local nonprofit organization – often the local United Way – to manage and run the campaign. CFC officials call this local nonprofit the Principal Combined Fund Organization, usually called the PCFO. The PCFO is responsible for printing the donation brochure and pledge cards, running campaign solicitation events on federal facilities, accepting and recording pledge cards, receiving funds from donors, accounting for and reporting the results of each campaign, and forwarding donated money to Aid for Africa for distribution to our members. PCFOs are permitted to recoup the actual administrative costs from revenues generated by the campaign. This amount varies with each campaign. Each PCFO is audited every year to assure accountability.

The CFC Calendar and PCFO Reports
Federal employees make their payroll or cash pledges on hand-written pledge cards in the last quarter of every calendar year. Increasingly, the PCFOs are accepting on-line pledges as well. In the first 90 days of the following calendar year, the PCFO transcribes the information on the pledge cards and tallies the pledges. Within the CFC, Aid for Africa is considered a federation of members. Federations begin to receive reports about the amounts pledged to their members from individual PCFOs at the end of March. The PCFO is also obligated to report to the Office of Personnel Management’s Office of CFC. Often OPM receives reports before they are sent to federations.

Each PCFO has significant latitude to decide how to present its campaign results to federations. Some PCFOs do a superb job of reporting the details of the campaign, including the amount of funds pledged to members, the administrative costs, and donors who wish to be acknowledged. Others do not. Part of the service that Aid for Africa provides its members is to work with each PCFO to develop a clear, comprehensive tally of the funds each member receives and the source of those funds. This can take as long as six or seven months after the close of a campaign solicitation period. As part of this effort, Aid for Africa compiles for each member a list of donors who wish to be acknowledged. These donor lists are posted on our members’ private page on the Members Only section of Aid for Africa’s website.

PCFO Administrative Fees and Shrinkage
PCFOs make two deductions from CFC contributions: an administrative fee and an amount for “shrinkage.” As explained above, PCFOs are permitted to recoup their actual costs for running their local campaign. They work from an estimated budget approved by their local federal employee committee and compile an accounting of actual costs after the close of the campaign. Local federal committees often approve actual expenditures for PCFOs in excess of what was budgeted. As a result, a PCFO
sometimes does not know at the time of its reporting what its actual administrative expenses were for the campaign. Some estimate their costs in their reports to us. However, many wait to inform us of the amount of this deduction when they have final figures, sometimes six months or more after the close of the solicitation period. In the interim, we use an estimate based on costs incurred in prior years. PCFO deductions for administrative expenses vary from 2 to 25 percent of pledge totals.

“Shrinkage,” the second deduction made by PCFOs, is the money pledged but not given to a PCFO by a federal employee. Shrinkage occurs when an employee who makes a pledge never actually makes the cash contribution, or makes a contribution that is less than his or her commitment. There are many reasons that contributions are not made. An employee may leave federal service due to death, retirement, or reemployment in the private sector. Some employees experience financial problems that compel them to discontinue charitable giving. Sometimes the government closes or reduces the size of a federal facility, which results in the transfer or termination of employees who have pledged. An employee who stays in federal service but is transferred outside the local CFC’s boundaries is not permitted to continue to make payments on pledges made to another CFC. PCFOs make shrinkage estimates based on actual figures from prior years. Since PCFOs may not recoup funds distributed to charities if they have underestimated shrinkage, they tend to be conservative and withhold more than they expect to lose through pledge nonpayment. A final calculation of a campaign’s shrinkage is made after the close of the campaign funds receipt period, which occurs in the middle of the January two years after the campaign ends. For example, each PCFO will know the actual amount of shrinkage for CFC 2015 by the middle of January 2017.

Aid for Africa’s Role
Aid for Africa receives one-time, monthly, or quarterly payments from the PCFOs that manage CFC campaigns around the country and overseas. Because most federal employees use a payroll deduction plan to make contributions, money is received throughout the year for pledges made during the previous year’s CFC. PCFO checks are sent to a “caging service” where they are opened and deposited into our account every month. Caging service reports are then sent to our bookkeeper every month for posting and verification. The amounts deposited into our members’ accounts are reviewed again by our supervising accountant and annually by our auditor. Aid for Africa’s reporting and payment system for our members was developed with our auditor to ensure that appropriate systems are in place to ensure that they comply with all generally accepted accounting and auditing standards.

Other Sources of Funding
Aid for Africa provides the opportunity for any organization or individual to make donations to our members through the website or by mail. When donations are made on-line, donors receive an automated acknowledgment and thank you message. Members receive an automated email providing the donor’s contact information. When an Aid for Africa member organization receives an on-line donation or a donation by mail, funds are deposited automatically into the member’s account and are booked in the same manner as CFC donations.

Final Steps
Each year Aid for Africa’s Board of Directors approves a fee between 5 and 10 percent to cover some of Aid for Africa’s actual costs involved in the application process, CFC campaign participation and management, on-line giving, and management of the website. Aid for Africa deducts this amount from net distributions to its members.

Once all funds have been reconciled by our supervising accountant for each quarter, Aid for Africa posts quarterly donation reports on our members’ private Reports pages on the Members Only section of the Aid for Africa website. Aid for Africa issues payment checks to its members either quarterly or bi-annually in June and December. Members that have participated in their first CFC will receive their first check in August and their second in December.