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Heveron & Company

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NONPROFIT ALERT: BREAKING NEWS

Published by Heveron & Company CPAs



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Heveron & Company, CPAs Nonprofit Alert: Breaking News

The Nonprofit Revitalization Act was signed into law December 2013 and doesn't become effective until July 1, 2014. However, here are a few things you need to start working on:

- **All charities must have a conflict-of-interest policy. Best practices are that it be reviewed annually and monitored consistently.**
- **Charities with support and revenue over \$1,000,000 and 20 employees or more need to adopt a whistleblower protection policy. Several good examples are available online.**
- **Charities with over \$500,000 must have an audit committee that hires auditors and oversees the audit. In addition, charities with over \$1,000,000 must have a committee that interacts with auditors including planning the audit and reviewing audit results. The board or committee can assume this responsibility.**
- **Employees are prohibited from serving as board chair or a similar position.**
- **No employee may participate in the deliberations or voting about their own compensation.**

Many of you will need to update procedures, policies and in some cases your bylaws. You may also need to establish new committees or change responsibilities of committees.

After the new law becomes effective, July 1, 2014, the audit threshold will increase to \$500,000 and the review threshold will increase to \$250,000.

New "Supercircular" Issued

The Office of Management and Budget has issued its new "supercircular" which supersedes several OMB circulars, and includes new rules for compliance and documentation, governmental audits and cost principles for nonprofits and other organizations. This becomes effective for years beginning December 31, 2015 and later.

This changes some cost documentation requirements, increases the compliance audit threshold to \$750,000 (of federal monies spent in a year), and provides for a de minimus indirect cost rate of 10%. That rate is probably inadequate for most agencies, so you should consider applying **for an indirect cost rate**.

Miscellaneous News

Board Source (www.boardsource.org) has announced their updated E-policy—sample policies can be purchased individually or as a complete set.

New electronic application for exemption.

This online form 1023 is exactly like the paper counterpart. However, when you go into each section, it is linked to guidance about requirements.

After the *Tampa Bay Times* article on America's Worst Charities, more charities are going to **Guidestar charity check** (Google "charity check" to check yourself).

New exempt status reinstatement procedures were announced by IRS. Although the procedures are somewhat complex and time-consuming, the new procedures are a relief from what has been required.

Use extra care to secure employee, client and donor information. After the Target and related retail breaches, and the announcement by IRS that identity theft prosecutions doubled in 2013, it is extremely important to limit access to confidential information.

Can you qualify for form 990N? The answer is yes if your three-year average gross receipts are \$50,000 or less. If you have been in existence less than 1 year, the amount is \$75,000, and \$60,000 for charities existing between 1 and 3 years.

Questions about any of these topics?

Contact our office at 585-232-2956