

# NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD

Published by Heveron & Company CPAs

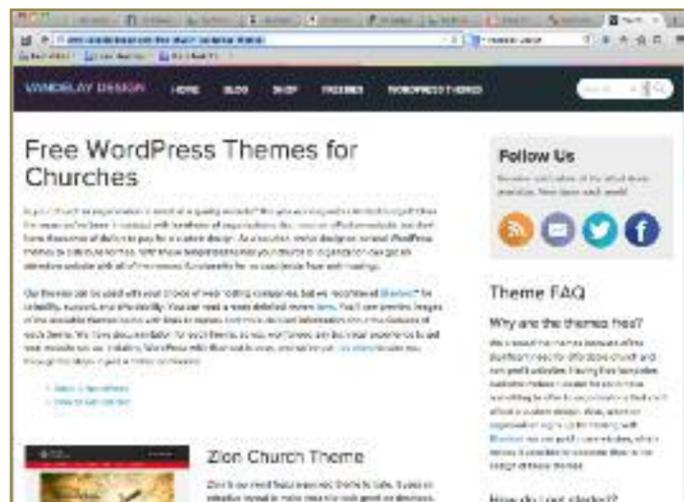
## This month's WebStar Winner is: Vandelay Design



<http://www.vandelaydesign.com/>

This is a commercial website that we wouldn't normally endorse, but it looks like they do a lot to help nonprofits.

They have created some free themes for churches and nonprofits that can't afford a custom website and they also have an excellent article on great nonprofit websites with an explanation of what makes them great,



including a clear description of the organization's purpose, details of who is served by the organization, and information about how to get involved.

The article includes several examples of great nonprofit websites. If you are thinking of upgrading your website, check this out.



# NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD



## Federal Internal Control Standards: the Green Book Is Released

Published by  
Heveron & Company

585-232-2956



*Standards for Internal Control in the Federal Government* has been issued by the Comptroller General. What color is it? **Green!** Why should you care? Because the new rules for Uniform Grant Guidance say you must have internal controls over administration of federal awards and they should be compliant with COSO or this publication.

The Green Book is manageable in length, under 70 pages of content with some clear illustrations, a concise list of the components and principles of internal control, and an appendix listing the principles that should be followed.

More importantly, it is not dramatically different from the COSO standards that you are probably already familiar with. The 5 components of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) are the same as COSO.

Internal controls are critically important in nonprofits, and documentation of your controls is a must for organizations receiving federal and other funding, so familiarity with this new guidance is valuable.

Google "*standards for internal control in the federal government*" or go to our [nfpnet.org](http://nfpnet.org) website to find the document.

### INSIDE THIS ISSUE:

When is Real Property Rental an Unrelated Business Activity?

Can You Dance with a for-Profit? Rules for Nonprofit-For-Profit Collaboration.

Be Careful! Scams Affect Nonprofits and Taxpayers

Lots to Learn—Recent Conferences Help Us Serve You

Bitcoin's BitGive Foundation an Approved Charity

Webstar Winner: Vandelay Design



## When is Real Property Rental an Unrelated Business Activity?

There are many special rules and exceptions for real estate rental. First, if the rental furthers your charitable purpose, such as with affordable, emergency, or transitional housing, there is generally no unrelated business activity.

If your rental activity is unrelated, but there is no debt related to the property, rental income will be treated like dividends and interest (taxable to social clubs but exempt for most other nonprofits).

If there are loans related to the property, there are complex calculations concerning how much is taxable.

One of the twists in these rules applies when there is rental of personal property, like furnishings, with the real estate. This won't affect you if 10% or less of the income is related to personal property. However, if personal property represents more than 10% but no more than 50% of the income, that percentage will be considered unrelated, and if more than 50% of the rent relates to personal property, all of the rent will be a unrelated business income.

If you operate a parking lot, that income is taxable—but if you lease your parking lot to an operator it will qualify as a real property rental.

If services are provided as part of the rental, it can make the rental subject to unrelated business income treatment. Be aware that the sale of real estate that is loan financed results in Unrelated Business Income.

A couple more exceptions you should be aware of include loan financed property that is purchased with an intention to use it as part of your program, but which isn't currently being used in that way, and property that is donated but which has a mortgage or other loan. In both of these cases there can be exceptions to unrelated business income treatment.

Finally, don't forget your get out of jail free card. An activity must be "regularly carried on" to be treated as an unrelated business activity. A limited or occasional rental of property won't be unrelated business income regardless of whether personal property is included, or whether there are outstanding loans against the property.

## Can You Dance with a for-Profit? Rules for Nonprofit-For-Profit Collaboration.

Nonprofits sometimes find it beneficial to enter into joint ventures or partnership agreements with for-profits to accomplish their nonprofit mission. Affordable housing and hospitals are key areas where collaborations occur.

If the nonprofit is a general partner rather than a limited partner, certain requirements need to be met to avoid risk of loss of exempt status. The nonprofit must be able to control the partnership. Anything other than an incidental benefit to the for-profit partner puts the nonprofit at risk.

The partnership agreement needs to put the nonprofit's exempt purpose ahead of the partnership's profitability and it should be drafted so that the nonprofit has clear control, not just the appearance of control. Collaborations meeting these requirements can help nonprofits further their exempt purpose while avoiding risk their nonprofit status.

### Heveron & Company CPAs receives woman-owned business (WBE) designation

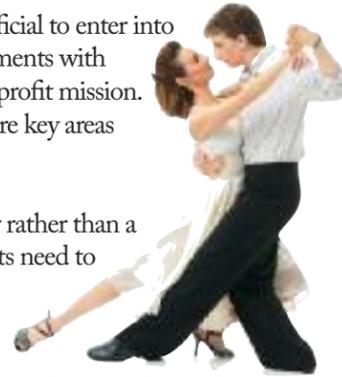
The New York State Department of Economic Development, Division of Minority and Women's Business Development approved Heveron & Company CPAs status as a woman-owned business. Female partners now own the majority of the firm. It was a lengthy process requiring quite a bit of documentation and took well over a year! We were excited to be notified at the end of September that we are approved!



### AICPA Not For-Profit Section

The American Institute of Certified Public Accountants has approved a new section for members who work with nonprofits. This section will support members working with and/or supporting clients within the nonprofit sector. CPAs will be able to join but so will non-CPA Associates and students.

The AICPA has extensive resources for its members. They state they will deliver high-quality timely information, tools and resources that will improve the governance, financial reporting and tax reporting of nonprofits. Members will be able to sign up starting in the spring of 2015.



## Be Careful! Scams Affect Nonprofits and Taxpayers

The Chronicle of Philanthropy recently reported that Atlantic Philanthropies had its website hacked and emails were sent out to individuals stating the foundation was planning to give away \$1 million randomly. Of course the hackers wanted personal and bank account information. The foundation announced that they were made aware of 7 such attacks during the past 18 months.

The Chronicle announced that there had been over 6,000 attacks on charitable organization websites during the first half of 2014. Some of the other high profile foundations included The Walton Family Foundation (Sam and Helen Walton) telling recipients to claim their \$5 million, and the Nelson Mandela Foundation, which reported dozens of scams over the past four years.

Make sure you carefully monitor your website and promptly follow up on any reports of possible scams. Report attempts to law enforcement including the US Computer Emergency Readiness Team and the Internet Crime Complaint Center. The Chronicle article tells you not to expect prompt follow-up on your report. The Internet Crime Complaint Center stated they received 3 million complaints since their inception in 2000.

Scam phone calls and emails purporting to be IRS have stolen enormous amounts of money from taxpayers. These appear credible because they can change caller ID to show the IRS or another agency is calling and they will have quite a bit of information about you (readily available online). They will provide names and badge numbers. They threaten account seizure, criminal charges, and loss of your driver's license.

### IRS recently put out a news release to help us identify scammers. IRS said they will never do any of the following:

- Call demanding immediate payment, or call you before they have mailed you a bill
- Demand that you pay without giving you the opportunity to question or appeal what you owe
- Require a specific method of payment such as a prepaid debit card
- Ask for your credit card number by phone
- Threaten to bring in police or have you arrested or lose your driver's license

Call us if you're not sure or tell the caller to contact us. I returned the questionable call for a client that was an obvious scam. The caller didn't want to talk to me.

Tell your friends and relatives about these threats.

## Lots to Learn—Recent Conferences Help Us Serve You

John Heveron and Nixon Peabody attorney Anita Pelletier recently presented key matters of the Non-profit Revitalization Act to CPAs and attorneys at the Monroe County Bar Association/Rochester CPA Society Annual Tax Institute.

Mike Desmond attended a tax credit property dispositions and affordable housing update conference in Arlington, Virginia. Year 15 dispositions are a hot topic for Heveron & Company and were a key part of this conference. Our firm guidance for 15 year dispositions has been updated based on this conference. If you would like a copy, please contact Mike or Brenda Smith.

Michael Desmond and John Heveron attended the INPACT Americas (our CPA firm association) world conference in Washington DC with other CPAs and their equivalents from Italy, Ireland, Iceland, India, Sweden, Singapore and Switzerland to name a few. The keynote speaker was Barry Melancon, president of the American Institute of CPAs. The conference included audit and tax updates as well as updates in our profession.



The Rochester CPA chapter's Nonprofit Committee, chaired by Stephanie Annunziata presented an overview of the Nonprofit Revitalization Act for local nonprofits in December.

### Bitcoin's BitGive Foundation an Approved Charity

Being accountants, we never had much enthusiasm for virtual currency. It's been called a scam, a Ponzi scheme, and also a tax avoidance scheme (although IRS recently took a position that Bitcoin is property, not currency).

However, a foundation based on Bitcoin, with an intention to "leverage the power of the Bitcoin community to improve public health and the worldwide environment" received approval from IRS for its exempt status.

The Foundation has already supported some notable charities, such as The Water Project and Save the Children.

