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NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD



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Form 990: What to Look for When You Review

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The IRS announced they are going to perform more targeted audits of non-profits. They will be using the form 990 as a key source of information. Areas the IRS will consider (so you should be looking at when reviewing form 990) include: the governance questions, including whether you have a conflict of interest, whistleblower, document retention and other policies. "No" responses are a red flag that require some action.

Review your mission statement and statement of program service accomplishments. Be sure the mission statement is what the board has approved, and that the accomplishments clearly and properly describe the activities you carried on during the year.

Please note, a negative amount in unrestricted net assets can also be a red flag. This means you are not living within your budget and there are some risk restricted contributions you may have received that might not be used for their intended purpose.

If your 990 includes a schedule C to report lobbying and political activities, review it carefully. Certain lobbying by charities is permitted but political campaign activities are not.

Schedule G is included with the 990 if you have substantial fundraising or gaming activities. If that is the case, look at the relationship of cost to revenue. Most benchmarks suggest costs shouldn't exceed one third of the revenue produced. Finally, if there is a schedule L (Transactions with Interested Persons), review it carefully because this can indicate a potential conflict.

Once issued, your form 990 will be on the Internet for anyone to see; make sure it properly represents your organization.

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This month's WebStar Winner is: Nonprofit Tech for Good

www.nptechforgood.com



www.nptechforgood.com is a website devoted to helping nonprofits with social media.

The site's founder, Heather Mansfield authored *Mobile for Good: a How-to Fundraising Guide for Nonprofits*, and *Social Media for Social Good*. The site provides links to these publications and to a companion "Fundraising Checklist for Nonprofits".

Visitors to the site will also find guidance on how to add a "donate now" button to their website as well as best practices for twitter and other social media tips and guidance.



Value of Volunteer Time

Some volunteer services need to be recorded in your financial statements, others should just be mentioned and appreciated, but how should you value them? Independent Sector studies and reports the value of volunteer time nationally and by state each year.

The hourly rate reported includes all production and non-supervisory workers, and is based on information from the Bureau of Labor Statistics. A higher rate may be appropriate for supervisory or professional volunteer services. The numbers are probably on the conservative side because by the time the Bureau of Labor Statistics completes their study and Independent Sector has the opportunity to perform and report their analysis, the data is approaching two years old.

The most recent national average hourly rate (which includes 12% for fringe benefits) is \$23.07. However, the New York average is \$26.86 based on 2014 Bureau of Labor Statistics data (up 1.6% from a year earlier).

If you want specific information about a particular type of skill or service, visit the Bureau of Labor Statistics website.

Churches Need Court Approval before Signing Leases

A recent publication from the Charities Bureau brought to our attention a requirement for churches that seems surprising. New York State Churches that sign leases for over five years or sell or mortgage real estate are required to obtain approval from the Attorney General or the court. Many denominations are exempt from the attorney general notification but still must obtain court approval.

You can review a copy of the publication by visiting the New York State Charities Bureau website, or Google "A Guide to Sales and Other Dispositions of Assets Pursuant to Not-For-Profit Corporation Law."

Principles for Good Governance and Ethical Practice updated

21 nonprofit sector leaders and other volunteers with the support of 7 funders completed a project to update the "Principles for Good Governance and Ethical Practice." This publication, originally issued back in 2007 provides 33 principles of sound practice for charitable organizations and foundations in the key areas of:

- legal compliance and public disclosure,
- effective governance,
- strong financial oversight, and
- responsible fundraising.

Independent Sector, who championed the original principles and the update, says that the new edition reflects changes in the law since the principles were issued and new circumstances in which the nonprofit sector functions. The updated version addresses the impact of technology, social change models such as donor advised funds, social impact investing, and the ongoing overhead debate.

For example, the category "effective governance" includes the principle that says "the board of a charitable organization should meet regularly enough to conduct its business and fulfill its duties" plus another stating "the board of a charitable organization should include members with a diverse background (including, but not limited to ethnicity, race, and gender perspectives), and experience in organizational and financial skills necessary to advance the organization's mission."

There are a few different ways to get more information about the principles. You can visit www.principlesforgood.com and download a two-page summary, register (no fee) and download the entire document as a PDF, or purchase printed versions. Many organizations may find this a great tool for a board self-assessment.

Benefit Corporations—What They Are, Should You Care?

Benefit corporations have been around for a few years now. They are not nonprofits, they are taxable corporations, with a social purpose.

Benefit corporations have been approved in New York and a majority of the states. Rather than having pure profit motivation, their purposes are to create a material positive impact on society and the environment. They need to consider the impact of their decisions on: shareholders, workers, community, and the environment. They are required to provide an annual benefit report of their performance. However, they don't have the same level of transparency as nonprofits that must "bare all" every year.

With news stories about individuals including Mark Zuckerberg and his wife, Priscilla Chan, committing huge resources to charitable causes and social good, this form of entity should gain momentum.

Continued on the next page.



Mark and Priscilla announced that they will use an LLC to give away 99% of their fortune during their lifetimes. The LLC gives them additional control to support nonprofits, invest in social causes (very likely through benefit corporations) and carry on lobbying activity.

Why would nonprofits be interested in benefit corporations. Will they compete for donor dollars? One reason nonprofits might be interested is because they can form and own a Benefit Corporation which would allow them to carry on a social purpose without some of the restrictions and regulations such as the Unrelated Business Income Tax.

For more information on benefit corporations go to: www.benefitcorp.net

Proof of Your Exempt Status

Sometimes donors or funders require proof of your exempt status—and it's no problem if you have your original letter from the IRS confirming exempt status. You will also be okay if your donor or funder will accept the information found on the IRS "exempt organization select check" website. This website states "users may rely on this in determining deductibility of their contributions".

Unfortunately, our clients have found some funders won't accept Internet confirmation of their exempt status and there is no way to get a copy of your original letter. But you can get written confirmation from IRS of your exempt status—here's how:

1. Call the nonprofit phone line which is 877-829-5500, although the wait times can be long. That line gets pretty busy.
2. You can complete and submit the one-page IRS form 4506-A to the IRS. They will send a confirmation of your exempt status that should be acceptable to third parties.

Use this link: <https://www.irs.gov/pub/irs-pdf/f4506a.pdf>

If you have difficulties or questions, contact us.

How to Make Emails Effective

While John Heveron was recently stuck in an airport he had the chance to review some articles on effective emails. He put together a summary of the most important points to share.

First, ask yourself whether email is the right method to communicate. If there needs to be some back-and-forth dialogue, pick up the phone.

If email is the best choice, do the following:

- Use a subject line that describes the purpose of the email "board meeting Monday, can you come?" Sometimes the subject line is all you need.
- Briefly state your purpose and provide a context "we will be voting on the revised bylaws and need a quorum".
- Conclude with the desired outcome. If it isn't already obvious, state what you are looking for ("let me know if you will be able to attend").
- It is easy for your tone to be misunderstood, so make sure the tone is right. Consider a warm greeting and/or a simple "thank you".
- Proofread your email before sending. Be sure your message is clear and your tone is what you intend. After all, your email messages are part of your professional image.

Kim and Pete's Caring Christmas

Kim Emilo, Heveron & Company audit team leader, and her husband Pete have really big hearts! Each year they host a party for the children who attend Jefferson Avenue Childhood Development at Christmastime. Kim and Pete work hard to make sure the party is memorable by starting their support efforts far in advance. JetBlue (where Pete works) donates tickets to raffle off and raise money for the party. They also provide little backpacks and other items for the kids.

Pete collects returnable bottles at the airport and they use that money to buy some clothing, toys, and candy. They also secured donations of pizza and other food for the party. Thanks to their caring and special efforts the spirit of the season makes their party shine bright!

