



NON PROFIT GPS

HELPING TO KEEP YOU ON THE RIGHT ROAD



What Makes Affordable Housing a Charitable Activity?



Generally, what allows housing to be viewed as charitable is that it improves conditions for the poor, distressed, or underprivileged; additionally, it can also promote social welfare and combat community deterioration in order to qualify.

Typical requirements to qualify housing as a charitable activity include:

- Providing housing to individuals/families at or below the poverty level for the area or to low income individuals, defined as those who receive no more than 80% of the area median, and to very low income individuals, defined as those who receive no more than 50% of the area median income. Serving these individuals needs to be strategic and it needs to be part of your mission. Providing housing to families and individuals with low and very low income levels qualifies as a charitable activity. It qualifies as providing relief to the poor and distressed.
- Combating community deterioration in the area.
- Providing temporary housing and educational services to individuals who would otherwise be homeless.
- Providing transitional housing to someone in an emergency situation (a battered spouse, for example).
- Alleviating poverty or discrimination where it exists can also be a charitable purpose.

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Housing, continued.

The IRS provides an example of an organization that develops plans for renewal and rehabilitation of a particular area of the city as a residential community. The example identified residents in the area as having income lower than other parts of the city, and the area was described as older and more run down.

You will need to show how this activity helps fulfill your mission.

Consider the following:

- Include one or more of the above types of services as part of your mission statement.
- Have written guidelines about who (based on income) can qualify for housing.
- Have a review and approval process for occupants with follow-up.



Candid: The merger and rebranding of The Foundation Center and Guidestar

The Foundation Center and Guidestar, two of the largest nonprofit information organizations in the US, are merging into a new organization that will be known as Candid.

The deal was struck early this year but it is apparently a result of a 10-year study and evaluation.

It is reported that these organizations have combined revenue of over \$36 million, and they expect that to grow in 2019. Both have a long history—back to 1957 for The Foundation Center and 1996 for Guidestar. They have launched a capital campaign to cover some of the costs of the merger and have received commitments from the likes of the Bill and Melinda Gates Foundation and The Fidelity Charitable Trusts.

The objective of the merger is to do more with the increasing amounts of data that is available, and allow for a deeper analysis of how charities respond to events such as disasters.

The merged organization also believes they can provide information that will continue to make grant requests more targeted (not just more numerous).



IRS Audit Targets for 2019

The IRS divulges their audit emphasis annually, but not the technology they use to select returns for audit. As in prior years, the IRS has shared where they will be paying the most attention.

Worker classification (employee versus subcontractor) continues to be an area of emphasis. They are looking to compare independent contractor payments with wages.

They will also be selecting entities that received an exemption using form 1023-EZ, to make sure they were eligible to claim the exemption. They will also look at bingo and other gaming activities and at returns of filers that receive donations to pay expenses of individuals.

Returns are selected for examination based on analysis of forms 990 and 990 EZ, including the governance questions, based on referrals from internal and external sources that allege noncompliance, and based on referrals from other agencies, such as the New York State Charities Bureau.

The IRS also said that they are hiring 40 additional revenue agents to process applications for exemption. That should help with the backlog—the recent shutdown did not help!

Another area of focus is private benefit and inurement, including loans to disqualified individuals.

The IRS also said they will be taking a harder look at nonprofit organizations that previously operated as for-profit organizations, as well as looking at nonprofit social clubs, specifically at their investment income and nonmember income.

Nonprofit Inflation Adjustments for 2019

The IRS recently announced the 2019 inflation amounts.

These include:

Insubstantial benefits.

Donors need to reduce contribution deductions by the value of anything received in return unless it is below a de minimis amount, which is 2% of the contribution or \$111 for 2019. In addition, if the contribution is at least \$55.50 and the cost of benefits received is no more than \$11.10, the item received in return can be ignored. Finally, if you

distribute unsolicited items as part of a fundraising campaign, and if they cost no more than \$11.10, they won't be counted.

Penalties have also increased. Penalties for late filing form 990 or 990 EZ, by nonprofit organizations with gross receipts of \$1,067,000 or less, are subject to a \$20 daily penalty which will not exceed the lesser of \$10,500 or 5% of gross receipts. These penalties are the same for organizations that do not permit public inspection of annual returns. Denying public inspection of exemption applications also garners a \$20 daily penalty, but with no maximum. Organizations with over \$1,067,000 of total revenue are assessed a \$105 daily penalty for late filings with a maximum of \$53,000.

How to Develop a Dashboard Report for Your Board

You have already heard several reasons why a dashboard report can be valuable for your board meetings, but just in case you haven't, or haven't been persuaded, consider that dashboards can help board members focus on critical issues.

As CPAs serving nonprofit organizations, we are always concerned about controls. A good control is for board members to have complete financial statements, but sometimes those numbers can be distracting and can even hijack conversation away from critical issues.

You can use dashboards for financial data, program data, for your board, for committees, or for your staff or funders. As a result, you may find several dashboards are appropriate, but start with one and develop your skills.

Before starting, you have to identify what to report. This requires thought and input from staff and board members, possibly from outsiders as well.

Once you select objectives, you need to identify key performance indicators. For example, cash flow for the most recent month, the prior month, and in the same month a year ago would provide insightful information about cash balance trends. Listing first-time donors or grantors could help you track progress in expanding sources of support.

Focus on what you are trying to accomplish. Improving cash flow, expanding sources of support, expanding client services, or improving operating efficiency are all types of important objectives.

The dashboard report should be concise; 1 to 2 pages at the maximum.

You should set a time to reevaluate your key performance indicators to make sure they are the right ones.

The National Council of Nonprofits has advice and links for nonprofit dashboards. They also recommend dashboard tools including *The Dash* and *Dashboard Junkies for Google Analytics*.

Some organizations add emphasis by coloring results green, yellow, or red to indicate a sense of concern. A well-designed dashboard will show trends and progress (or lack of it) toward your important goals.



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The **New York State Charities Bureau** has a page on their website called *Helpful Websites—Resources for Nonprofits*. It provides links to organizations that help nonprofits in various ways.

For example, the *Alliance for Nonprofit Management's* mission is to improve management and governance capacity of nonprofits. *CharitySTRONG* provides resources for board leadership. There is also a link to the *Unified Registration Statement*, which can greatly simplify researching the rules for registration and for completing registrations in various states.

They also list several charity watchdogs. It is worth checking to see if your organization has a positive rating and is complying with their standards.



This Month's
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