



NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD

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403b Plan Audit Follow-up

Awareness By Nonprofits Is Key for Successful Compliance

In an earlier issue we reported the IRS is auditing a 403(b) plan at a small non-profit. Now, the audit is mostly complete and the organization has provided the following feedback:

We learned quite a bit about what we should have been doing:

1. Notify employees 60 days before the plan year (of their eligibility). Keep copies of the summary plan description and notice to eligible employees on file.
2. Document when the investment advisor comes in to speak to employees.
3. Employees must have made \$5,000 in the PREVIOUS year to enroll for the following year.
4. Employees can only join at the beginning of the plan year.
5. Confirm at the end of each plan year that the participating employee did in fact receive the correct match amount.
6. The Board does not have the authority to increase the matching contribution to any participant to a percentage in excess of 3% according to a code section of the IRS.



No financial penalties are proposed, but an audit is quite a distraction and there is always the threat of potential penalties. The non-profit's take-away is even with a small, simple 403(b), you need to understand, comply with, and document your compliance with the requirements.

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WEBSTAR

Nonprofit Risk Management Center

...find the answer here

Their website contains links to disaster preparedness resources such as the American Red Cross guide "Preparing Your Business for the Unthinkable."

It also provides an overview of key high risk areas including youth protection, employment practices, volunteers, and financial risks.

The Center holds conferences, provides webinars, and publishes books such as "Ready or Not: A Risk Management Guide for Nonprofit Executives," and guidance for developing risk management policies.



WEBSTAR Winner

Every quarter, we highlight an online resource that we think you will find particularly useful. This quarter we are highlighting the Nonprofit Risk Management Center (web address: www.nonprofitrisk.org).

The Nonprofit Risk Management Center website contains many resources which educate on the topic of controlling risks all nonprofits face.

Protecting Privacy— Don't Disclose Social Security Numbers

You wouldn't ever put an individual Social Security number in a form 990, would you? Philanthropy.com released a study showing 132,000 charities have included at least one Social Security number of a donor, trustee, employee or someone else in their annual filings.



Contributions to LLCs Owned by Charities

The IRS recently explained (in Notice 2002-52) contributions to single-member LLCs owned and controlled by a US charity will be treated as if they are made directly to the charity.

Some charities form single-member LLCs to reduce different types of risk including the ability to hold donated real estate. The IRS has been consistent in treating these single member LLCs as disregarded entities but hadn't provided assurance contributions to these LLCs would be treated as contributions directly to the charity. This notice provides that assurance and it can be relied on retroactively.

The IRS recommends charities disclose the LLC is wholly-owned by the charity and treated as a disregarded entity, as part of their acknowledgment to the donor or in a separate statement.

Two New Superstars Join Heveron & Heveron CPAs

We count our blessings about all the smart and genuinely nice people we have been able to hire throughout our 40 years and our two new staffers are no exception!



Janel Townsend, has earned her MBA with a 3.8 GPA (out of 4.0), and gained experience as an Accounts Payable assistant and an office manager with responsibility for budgeting, before joining us in August.



Dan Wallwork, who earned an accounting degree from the University of Buffalo with an amazing 3.99 GPA, also was a volunteer income tax preparer in the VITA program, a substitute teacher in the Geneva School District, and he continues to coach youth baseball.

Both Janel and Dan have acquired multiple recognitions for academic performances from their colleges. I'm sure you can tell we are very proud of our growing family!

John Heveron to Develop and Present Training for Kansas City Centers for Independent Living

John Heveron is developing and presenting a 2-day training program for federally-funded centers for independent living in Kansas. The training is designed to help those centers with simplifying their recordkeeping, understanding expense allocation requirements, compliance and documentation requirements, and reducing the possibility of unnecessary funding cuts and other risks.

John says there is no better way to learn than through teaching.

New Auditor Independence Rules for 2012 audits

Government Auditing Standards which can be found in the Yellow Book have been modified effective January 1, 2013. Although these rules apply to auditors performing compliance audits, they set a standard for audits of all nonprofits as well, especially those receiving federal funds.

Keep in mind independent auditors auditing your 2012 financial statements cannot perform prohibited activities during 2012. Under the new rules, auditors need to identify any threats to their independence.

Taking on any management responsibilities would impair independence. This includes items such as: setting policies, having custody of the organization's assets as a voting member on an organization's management committee or board, or accepting responsibility for designing, implementing or maintaining internal control.

Non-audit services performed for audit clients would impair independence unless management has the skill to, is willing to, and actually accepts responsibility for, the results of those services.

Independence would be considered impaired if the auditor:

- Makes journal entries without management approval
- Prepares or makes changes to source documents such as payroll records
- Makes investment decisions or manages an investment portfolio
- Provides material asset valuation services
- Designs information technology systems, performs certain business risk consulting, certain internal auditing or internal control monitoring services, or
- Serves as a retirement plan fiduciary or manages retirement plan assets

Independence is critical for auditors—and this new guidance helps ensure the standards are being followed.

Form 990 Public Relations Checklist

The Pennsylvania Association of Nonprofit Organizations has released a public relations checklist for the form 990. Starting with the understanding CPAs work hard to make sure a 990 is prepared completely and accurately but they are not as familiar with your organization's operations as you are. This checklist will help you tell your story to the public.

Some key points from the checklist include:

- Review your mission to be sure it is accurate and succinct. Also be sure that it agrees with your articles of incorporation,
- Provide a description of the value, impact and/or total number of volunteer hours on schedule O,
- Explain variations from the prior year on schedule O,
- Be sure that your programs are properly described and verifying program accomplishments include numbers and impact information for your 3 largest activities,
- If you are involved in advocacy that includes lobbying, make sure that is noted on the list of required schedules,

- Be sure your schedule B contains necessary information about contributions and also be sure the schedule is removed if you put your form 990 on your website,
- Don't provide board members personal addresses unless they can't be reached through the organization, and
- Use schedule O to explain what your board is doing to address a weak relationship between assets and liabilities, or what may appear to be excess funds.

The checklist contains many other recommendations for making sure the 990 tells your story properly. You can find it by typing "Form 990 Public Relations Checklist for 501(c)(3) Organizations" into a web search engine.

