

NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD

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Charting Impact is an initiative of the BBB Wise Giving Alliance, Guide Star and the Independent Sector. The timing of this initiative is excellent since there is increased focus on performance and outcomes. Go to www.chartingimpact.org to learn more.

Charting Impact provides five deceptively simple questions requiring reflection and promoting communication about what really matters—results. Taking time to answer these questions will significantly impact strategic thinking and goal-setting.

- What is your organization aiming to accomplish?
- What are your strategies for making this happen?
- What are your organization's capabilities for doing this?
- How will your organization know if you are making progress?
- What have you accomplished so far?

The Independent Sector states: demonstrating impact to donors, funders and the community is the most valuable aspect of the process.

These 5 questions will help you clarify and focus on who you are attempting to assist, what their needs are, and what changes you expect to bring about over the next 3 to 5 years. As you clarify your goals and review your approach it becomes more evident whether your methods are most appropriate. In addition, assessing your organization's capabilities will help you communicate your strengths and identify additional resources necessary.

Describing the methods you will use to monitor your progress and how you will use that information will help you refine your efforts. Monitoring your progress toward long-term goals will make it clear how outcomes contribute.

The process will take some time and effort but should pay great dividends with increased focus, potentially improved procedures, and a better story to tell.

Keep in mind nonprofits may be required to accompany their financial statements with a "management discussion and analysis" in the future (based on the Nonprofit Advisory Council recommendations to the Financial Accounting Standards Board). Charting Impact will make this report simple and effective.

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Are Your General and Administrative Costs Too High? Changes in NY State



Most nonprofits are directly affected by the Governor's Executive Order which would require state-funded charities to limit their general and administrative costs to 25%, dropping to 15% the following year. Many of those who are affected have expressed serious concern about the 15% level. It is well below the established benchmarks such as the Combined Federal Campaign, where federal employees give to qualified charities that meet certain benchmarks including general and administrative expenses that don't exceed 25%.

You will need to be more careful and precise with allocations to program and to general and administrative costs than in the past.

Here are a few recommendations:

- Salaries are generally your largest cost. Track your executive director's salary to the program, management and supporting services (administration, fundraising and membership development activities) they perform.
- Don't assume that 100% of your bookkeeper/accountant's time is administrative. Track time supporting program activities instead of general agency administration.
- If you rent your facility, your rent charge includes the landlord's interest, insurance, depreciation, maintenance and similar costs, and usually a portion of that rent is charged to program. If you own a building, it would be reasonable to allocate those costs to program and supporting services in the same manner.
- Employee or consultant services that aren't directly involved with programs, but improve program quality (such as a program compliance or quality assurance role) could be classified as program.

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Kay's QuickBooks Korner

Kay Napoleon, our QuickBooks certified consultant, works with scores of nonprofits on their QuickBooks issues and she has compiled a few tips for users.

Upgrading QuickBooks can help you work more efficiently in your everyday tasks with new improvements in every version—these are just a few examples:

There's an App for that!

Take it to the next level with add-on Apps and Services in QuickBooks. They allow you to extend the power of QuickBooks with like tools like Customer and Expense Management and Business Performance. Shop for Apps right in QB on the toolbar and it will show your recommended apps that are useful for your particular business.

Forms and Much More

Complete your everyday tasks faster with simplified customer forms. Invoices, Estimates, Sales Receipts and others now have a simplified layout for better access to previously hidden actions or that required several clicks to execute.

Easily access key information with Customer, Vendor and Employee contacts at your fingertips. You can store multiple email addresses and phone numbers, website addresses and even social network profiles for quick access. Tabs enable you to view transactions, contacts and to-do notes on the same page.

Now there is "streamline navigation" which allows easier access to data and transactions. Larger fonts and a refined color scheme improve readability to help you focus on the task at hand. You can also customize QuickBooks to work the way you do by adding the tools and windows you use the most as shortcuts.

Upgrading your QuickBooks will allow you to spend more time focusing on how to better your business and less time on the day-to-day functions.

Changes to OMB A-133 Will Impact Your Compliance Requirements

Promises of a "super circular" incorporating several Office of Management and Budget publications are part of OMB's proposed changes. We will have more information for you in our next newsletter. At this point, the most significant proposed changes are increasing the threshold requirement for a compliance audit from \$500,000 to \$750,000 of federal funds expended. Another proposed change is to increase the threshold between Type A/B programs from \$300,000 to \$500,000. Proposals also included decreasing the Percentage of Coverage—the dollar amount auditors need to examine. The proposal also favorably changes the definition of low-risk versus high-risk auditees.

The Value of an Hour of Volunteer Time

The Independent Sector recently announced the value of an hour of volunteer time and increased it by \$.35 to \$22.14. IS also breaks down the value of time by state. Not surprisingly, New York is higher than the average at \$28.73.

IS explains the state-by-state statistics are one year earlier (based on 2011 in this case) so it would make sense to increase that New York State amount by \$.35 and use \$29.08.



Policies Your Organization Should Consider, Part One

How often do you review and update your policies? Clearly written, well-communicated policies help assure proper practices will be consistently followed. This is a summary of key policies for you to consider developing.

Sometimes policies can be combined. For example, an accounting policies manual could include your procurement policy and your records retention policy.

We will be exploring more policies in our next issue.

Personnel Policies

The great majority of litigation against nonprofits is employment-related.

Personnel policies address your compliance with all of the rules and regulations for employees and can address issues like harassment and proper practices.

Personnel policies need to be comprehensive in describing responsibilities and sanctions including grounds for termination such as dishonesty, disclosing confidential information and harassment. They should also clearly state they do not create an employment contract.

Your policies need to be updated periodically, communicated regularly and followed. Give each new employee a copy and have them acknowledge it in writing. Make your policies easily accessible in your intranet or library, and consider periodic training in key provisions.

Whistleblower Protection Policy

A whistleblower protection policy may be included in your personnel policy. It has been found to be the most effective internal control (because employees uncover more fraud and abuse than any other source). Make sure employees are aware of this policy. Consider posting it on the wall!

This policy provides specific guidance about how to report improper activities (such as violation of laws, abuse of authority, creating danger to health or safety, or material waste of resources), and also will protect employees who have reported improper actions against any sort of retaliation.

Conflict of Interest

You should have a conflict-of-interest policy so you will have guidance about proper practices for dealing with services, businesses or relatives of your volunteers and employees on a proper basis. You should review this policy at least annually, and monitor and document compliance with it.

Code of Ethics

The Board of Directors and other volunteers should abide by a code of ethics confirming their duty of care, confidentiality and conflict of interest. This should also be reviewed annually.

Accounting Procedures Manual

An accounting policy manual includes guidance in order to provide consistency in accounting and reporting. It will address issues such as: the nature and frequency of reports, reconciliation requirements, separation of duties and other internal controls. This can be extremely helpful when an organization experiences turnover with accounting staff or to train temporary help.

Purchasing/Procurement Policy

If you receive and spend federal funds, you must have written procurement procedures. This policy should address standards of conduct, avoidance of purchasing unnecessary items, clear and accurate descriptions of the technical requirements for material, products or services, utilization of small, minority-owned or woman-owned businesses when possible, and contract provisions including compliance with laws such as Equal Employment Opportunity, Copeland Anti-Kickback and Davis-Bacon.

Investment Policy

An investment policy is necessary if you manage excess cash temporarily when grant or contract funds are received in advance, for temporary or permanently restricted contributions, for pooled retirement plan funds and for other short- or long-term surpluses. You may wish to delegate investment management to professionals, but you remain responsible for the overall policies that guide your investments.

If you don't have endowment funds, you are not bound by the requirements of UPMIFA (the Uniform Prudent Management of Institutional Funds Act); however, this act sets standards for investment policies that all nonprofits making temporary investments should consider. The most important thing to consider in developing an investment policy is the length of time that funds will be held.

The risk you are willing to take is also important. Keep in mind investing in money market accounts may be safe but exposes you to a clear risk that amounts held for a long time will erode due to inflation.

If your organization has a retirement plan, you need to have an investment policy for the assets in the plan. The policy can identify short- and long-term investment goals, permitted investments such as government & corporate bonds, equities traded on a major exchange, money market funds, certificates of deposit, mutual funds and the like. Prohibited investments should also be identified including: tax-exempt bonds, collectibles, investments that would result in Unrelated Business Taxable Income, and similar items. Your policy should also stipulate when and how investments will be reviewed.