



NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD



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Published by Heveron & Company CPAs

We're Changing Our Name!

Heveron & Heveron, Certified Public Accountants is proud to announce our name change to **Heveron & Company CPAs, PLLC**.



We liked our old name because it reflected a long and strong heritage of leadership; starting with John F. Heveron, Sr. in 1959 and continuing with the current firm started in 1972 by his son John F. Heveron, Jr.

However, we feel 'Heveron & Company CPAs' is more current and reflects our fresh approach to the profession and our multiple owners. We've thrived by matching our offerings to the needs of our clients and our name change reflects our plans for continued excellence in professional service.

As you can tell, we are excited about our new name. Rest assured, the high quality of personal and professional service you are accustomed to remains the same. Nothing is changing. We are moving forward with our great team of people and our dedication to you is as strong as ever.

Our office address, telephone number, e-mail addresses and website (www.heveroncpa.com) are the same as before. Our www.nfpnet.org website also remains unchanged.

If you have questions, please give us a call.

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Heveron & Company CPAs

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WEBSTAR

Webstar Winner Pamela Grow's (www.pamelagrow.com) **byline** is "maximum fundraising results in minimum time for the one-person nonprofit development department." We think her site is well worth checking out.

One of the nonprofit publications we subscribe to brought Pamela and her website to our attention. It is loaded with practical advice for small development departments.

She provides fundraising basics, advice on telling your story, good examples of fundraising activities and a blog. She also has a newsletter called "the grow report."



The endorsements on her site are impressive and, of course, she offers her services as a consultant for grants, giving campaigns, online giving, and her "development director in a box" interim staffing of the development department.



Executive Order 38: Governor Cuomo's New Mandates for Some Charities Statewide Changes



This new law, which became effective July 1, 2013, places limits on administrative expenses and executive compensation for certain state funded organizations.

The law limits NYS reimbursement for administrative expenses to 25% for your reporting period beginning on or after July 1, 2013, 20% for your reporting period beginning on or after July 1, 2014, and 15% for reporting periods beginning on or after July 1, 2015. Your reporting period is based on the annual reporting period for your state funding.

The law also limits compensation for certain individuals to \$199,000.

So, are you subject to this law? If you are subject, you will need information beyond the scope of this article, so first we will focus on determining whether this applies to your organization.

This law won't affect you if:

- You don't receive state funds of \$500,000 during your reporting period and also during the prior year.
- Less than 30% of your New York State revenues come from state funding in the current year or the prior year.
- You provide primarily products not services.

Also, certain child care subsidies do not subject you to this law and there are some exemptions for certain Department of Health and Office of Child and Family Services funding.

If you don't meet one of the exceptions you may be able to file a waiver to claim exemption from the administrative limit or the compensation limit.

If you are subject to it, you will find a lot of useful information on a website dedicated to this new law. It is <http://executive-order38.ny.gov/>. You can also contact us with questions. The website provides guidance on the rules for each of the state agencies and their funding. It also provides useful guidance about what compensation is covered and what is excluded.

Generally, clinical and program personnel involved directly with program services are not subject to the limitations. However, administrative personnel who are officers, directors, or key employees including employees of related organizations are subject. Penalties will be imposed if a waiver hasn't been obtained and if the salary is greater than the 75th percentile of compensation provided via comparable executives from agencies of the same type and geographic area, and/or if there wasn't a review and assessment of comparability data by the board or an equivalent body.

Covered employees are required to complete a EO #38 Disclosure Form within 180 days of the end of their reporting period.

The website includes an executive compensation calculation worksheet.

There is specific guidance in an appendix about what are considered administrative expenses for purposes of this law.

Exclusions Include:

- Capital expenses related to real estate,
- Property rental, mortgage or maintenance expenses,
- Taxes or payments in lieu of taxes
- Certain equipment,
- Certain nonrecurring expenses that exceed \$10,000, and
- Expenses related to staff performing policy development or research.

This is a complex law with serious implications for some organizations. Please contact us if you have questions about whether you are subject or about administrative expenses or salaries.

The New York State Nonprofit Revitalization Act

On June 21, the New York State legislature passed the Nonprofit Revitalization Act. It becomes effective July 1, 2014.

The Attorney General's office claims the law makes it easier for nonprofits to do business in New York. They acknowledge there are more than 60,000 nonprofits in the state and they are responsible for one of every 7 New York State jobs.

There are, in fact, some provisions that will make life easier for nonprofits. For example—many organizations will be able to notify the Department of Education about their formation rather than request prior approval.

Nonprofits will be able to use email for notifications such as meeting notices and will be able to use electronic signatures to document consent. Board meetings can be held by videoconference.

A simple majority of the board will be able to approve more routine transactions, although larger transactions will still require a two thirds majority.

Nonprofit annual reports will be able to be submitted electronically.

Some of the confusion over the different types of corporations has been eliminated. The type A, B, C or D designations have been replaced with charitable and noncharitable designations. You won't need to take any action because reclassification will be automatic. Starting July 1, 2014, the audit threshold will be raised from \$250,000 to \$500,000 and the review requirement will be raised from \$100,000 to \$250,000. On July 1, 2017 the audit threshold goes to \$750,000 and the

review threshold remains at \$250,000, and on July 1, 2021 those thresholds will be raised to \$1,000,000 and \$750,000 respectively.

There are some additional compliance requirements, especially for larger nonprofits with over \$1,000,000 in revenue. Boards or audit committees will be responsible for audits and for interacting with auditors. If this is done by an audit committee, they must report to the entire board.

Organizations with over 20 employees or \$1,000,000 of revenue will need to have a whistleblower policy provided to officers, directors and employees and volunteers.

All nonprofits will be required to have a conflict-of-interest policy, and it will need to be signed by new board members when they come on board and by all board members annually.

The board must document how any conflicts of interest are resolved.

Employees will not be able to serve as board chair or in similar positions.

The dissolution process and the merger process have both been simplified.

The Attorney General's office now has additional powers to monitor interested party transactions and to bring judicial proceedings against nonprofits that violate the rules. There are also new penalties for improper transactions.

The nonprofit revitalization act clearly includes some benefits for nonprofits; it does pose a few challenges as well, but they should bring improvements to the vital nonprofit sector.

Merger of Nonprofit Leadership Organizations

On August 14, 2013 the BBB Wise Giving Alliance, Guide Star and the Independent Sector announced their online collaboration of information charities can use to describe their progress, growth and effectiveness and share their story with a broad audience.

Specifically, this collaboration combines Charting Impact and the Guide Star Exchange. The new website will be available at www.guidestar.org.

Charting Impact, created in part by Independent Sector, developed key questions that require reflection and promote communication about what really matters. Charting Impact reports a tenfold increase in charities using these questions over the past 2 months. The questions and related resources are available at: www.guidestar.org/chartingimpact