

CPA

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# NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD

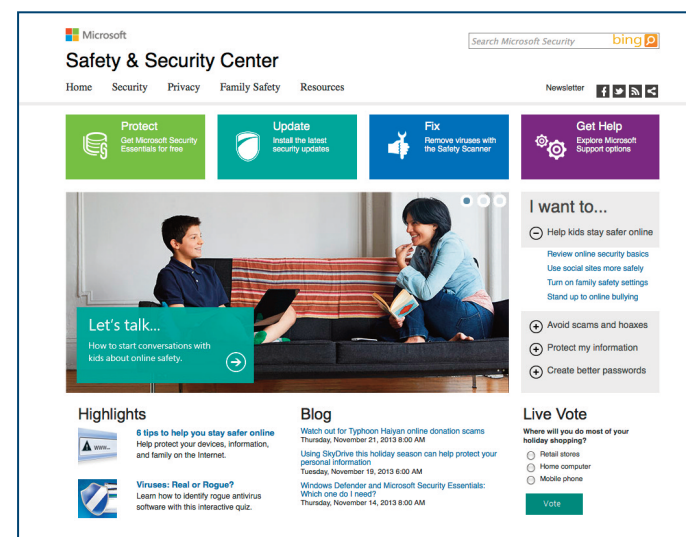
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## HEVERON & COMPANY WEBSTAR

Our WebStar award goes to Microsoft Corporation Safety and Security Center for the no cost security tools they provide online.

Google “Microsoft safety and Security Center” for a variety of help with security including a free download of, or update to, Microsoft Security Essentials.



You will also find a tool to remove viruses, and several articles on computer security such as “Email and Web Scams: How to Help Protect Yourself.” The article explains how to recognize scams and what to do if you have been a victim.

There’s very little sales pitch on the site. It’s worth a visit.

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## Health Care Reform

There are a variety of new requirements for employee notifications and for documentation as a result of health care reform. At Heveron & Company we have found it essential to work with an employee benefit consulting company that understands us and the new laws.

Our consultants, Titan Insurance & Employee Benefits Agency, LLC, remind us health insurance is the second largest cost for many organizations and careful analysis to minimize these costs while providing appropriate benefits requires expertise. They provide us with continuous email updates, educational seminars and planning meetings and assist with employee enrollment.

The following are several high-level topics your nonprofit needs to be thinking about:

### Are you a large employer with more than 50 full-time equivalent employees?

Full-time equivalents are determined by combining the total number of employees who work more than 30 hours a week with a number that results from dividing the hours for all other employees by 120 per month. For example, 6 employees working 60 hours per month would be 3 full-time equivalents. Full-time equivalent determination for each year is based on hours worked in the prior year.

### Do you have affiliates?

Affiliated companies are combined for the purpose of determining whether you are a large employer

### Does your health care plan meet affordability and coverage requirements?

Starting in 2015 a large employer must pay a penalty if the coverage is not affordable (because it exceeds a certain % of income) or it doesn't provide the required types of medical coverage. These penalties apply if one or more employees receive a premium assistance tax credit.

We recommend you work with an employee benefits consulting firm to make the process as clear and streamlined as possible.

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585-232-2956  
1-888-SEC-501C

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Security Center





## Retirement Plan Compliance— What You Need to Know

Review your plan document at least annually, update it as necessary, work closely with whomever services your plan and you may eliminate the need for a very costly ERISA attorney or an even more costly penalty from the Department of Labor.

There are subtleties with retirement plans and we need to get them right. For example, what compensation is eligible for retirement plan contributions? Is severance pay eligible?

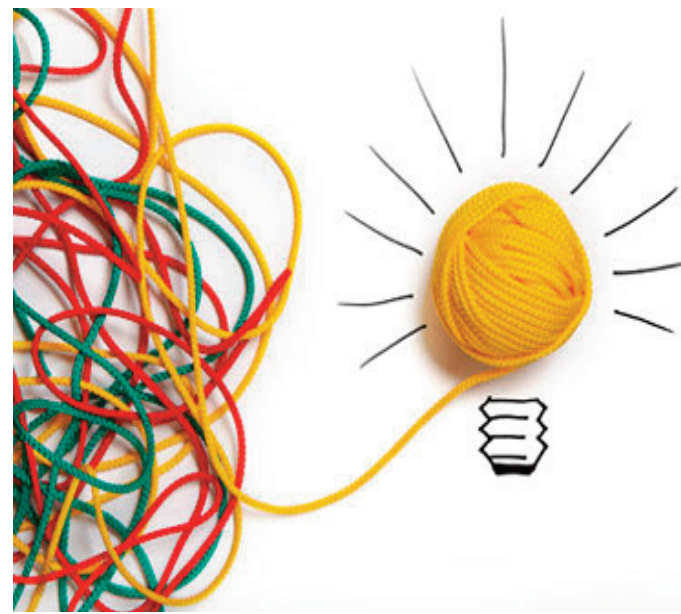
Eligibility for the plan is based on global rules that affect all plans and also on your firm's specific plan document. Eligibility needs to be carefully monitored.

Plan loans should be approved and documented by the plan trustee(s). Be sure they are documented and in compliance with your plan document.

There is no tolerance for late remittances of employee contributions. Funds should be deposited as soon as

“they can be reasonably segregated from the employer's assets”. This should never be later than the 15th of the month following the month they were withheld.

Nonprofits have been targets of IRS audits of retirement plans lately. Take steps now to be sure that you won't have difficulties if you are selected for audit.



## Program-Related Investments by Foundations

IRS recently issued new proposed regulations that make program-related investments (PRIs) more viable for foundations. Basically, these are loans, loan guarantees, investments, and other arrangements that help the foundation accomplish its exempt purpose. They are treated as charitable disbursements even though they are designed to be returned, sometimes with interest or appreciation.

PRIs help recipient organizations by providing access to capital that might not otherwise be available because of low returns or high risks.

PRIs are not a new concept. They have been available to foundations for a while but they were surrounded by more uncertainties and risks.

Using PRIs for political activities is still prohibited. PRIs should be used to accomplish an exempt purpose which is consistent with the foundation's mission.

investments which exceed a certain percentage of ownership. IRS has said these will be exempt from both requirements.

Recipients don't have to be charities or even nonprofit organizations as long as they help the foundation accomplish its mission. Payments to non-charitable organizations will require expenditure control—monitoring to make sure that funds are used as intended.

The proposed regulations provide 9 examples of qualifying investments. Examples include: below-market loans to poor individuals so they can start small businesses in developing countries affected by natural disaster, training poor farmers in developing countries, or to develop and encourage interest in the arts. Another example is a below-market loan to a recycling company where the company issues shares of stock to the foundation as an inducement to make the loan.

The obvious advantage to PRIs is they allow the foundation to accomplish their goals and conserve resources while maximizing financial stewardship. Consider qualified program related investments to accomplish your foundation's goals while conserving resources, so that you can continue to make an impact.

## Big Changes Ahead for Nonprofit Financial Statements

We previously told you the accounting standard setting body, the FASB, and its Nonprofit Advisory Council have been working on improvements to nonprofit organization financial statements.



A couple of tentative conclusions have been reached. One is that the three current classes of net assets would be replaced with two classes—one with donor imposed restrictions and one without donor imposed restrictions. Another is that the statement of cash flows would be changed to use the direct method (showing where cash came from and went to) rather than the current indirect method which reconciles net income to cash flow.

Other issues are still being considered including separating operating results from other changes in net assets (such as investment gains), and whether there should be a management discussion and analysis type document that interprets and explains financial results. We will provide more information to you as it becomes available.

## Conducting Raffles in New York State

Did you know raffles cannot be held on New Year's Eve, Easter Sunday or Christmas day? All kinds of information for charities conducting raffles in the state can be found on the New York State Charities Bureau website at [www.charitiesnys.com](http://www.charitiesnys.com).

The “Information for Charitable Organizations Conducting Raffles in New York State” publication explains charitable, educational, fraternal, service, veterans and volunteer firefighter organizations are generally qualified to conduct raffles. It explains the procedures for an exemption from the license requirement (usually a single event that does not result in proceeds of \$30,000 or more is exempt).

Registration procedures and more information available from the New York State Racing and Wagering Board.

## IRS Announces 2 Scams

The first targets recent immigrants and the IRS has confirmed victims are being called and told they owe money to IRS and it must be paid promptly through a preloaded debit card or a wire transfer. If the victim doesn't agree, they are threatened with arrest and deportation or suspension of their driver's license.

The perpetrators make this sound very real by providing IRS badge numbers and names. In some cases they have the last four digits of victim's Social Security numbers. They use procedures so caller ID shows the “Internal Revenue Service” is calling.

Sometimes the calls are followed up with emails or with a second call—purportedly from the DMV confirming that IRS has suspended their license.

IRS says that victims should contact the Treasury Inspector General for Tax Administration at 1-800-366-4484 and the FTC compliant assistant at FTC.gov.

IRS confirms there are other variations and scams. We have also noticed bogus emails and calls appear much more credible than in the past, so we all need to be diligent to avoid such scams.

IRS also announced another recent scam related to improper fund raising purportedly for Typhoon Haiyan victims in the Philippines.

IRS said such scams are common after any high profile disaster. They recommended donating only to recognized charities and tell taxpayers to be wary of charities with names similar to nationally known organizations.

IRS recommends that donors go to “exempt organizations select check” where they can verify the charitable status of an organization.

IRS also reminds people not to give out personal financial information such as credit card or bank account numbers or Social Security numbers, and not to pay in cash.

The **IRS.gov** website contains useful resources for such scams including “report phishing” and “scams and schemes.”