

# NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD

Published by Heveron & Company CPAs



Spring 2014  
 ISSUE 89

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## Do Nonprofit General Partners Have to Consolidate Limited Partnerships?

Published by  
**Heveron & Company CPAs**

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Even though nonprofit general partners might own a very tiny percentage of limited partnerships, sometimes as little as 1/100 of 1%, the rules for “variable interest entities” require consolidation in many circumstances—but a new proposed accounting standards update could change this.

Under the current requirements, if the general partner has a decision-making arrangement, they are deemed to have control (along with their interest) and are required to consolidate those entities.

The new rules would require the general partner to determine whether their decision-making is done as a “principal” or an “agent”. If their decision-making authority is as an agent, then they are acting on behalf—and for the benefit of—another party (like HUD), then that ability to exercise decision-making authority would not be considered control.

This is only a proposed change and no effective date has been set at this point. However, this would have a significant impact on the financial statements of nonprofits and related for-profit entities that serve as general partners.

We will keep you informed of developments with this.

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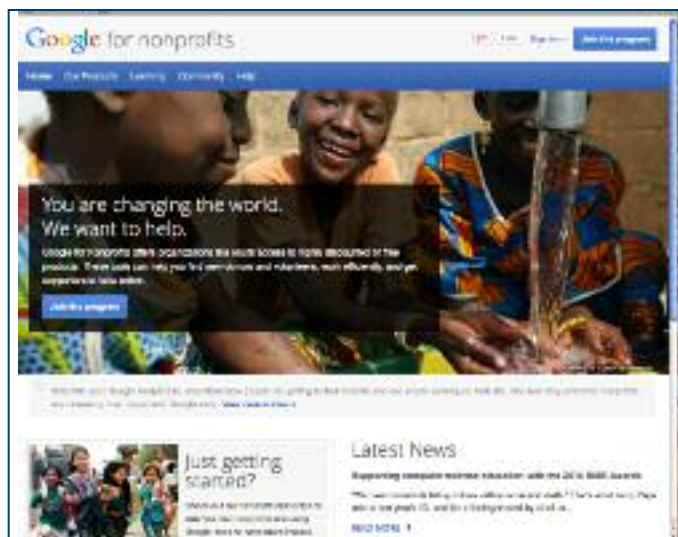
Webstar Winner:  
 Google.org



HEVERON & COMPANY  
**WEBSTAR**

**Google.org** is Google’s charitable giving arm. Their goal is to develop technologies to address global challenges and support innovative partners through grants, investments and in-kind resources.

Among their tools is Google person finder which helps reconnect people in the wake of major disasters. How’s that for a great use of technology?



**Google is our WebStar winner this issue—specifically the sites that they provide to assist nonprofits are highlighted.**

**Google.com/nonprofits** is a site where nonprofits have access to highly discounted or free products and tools to find volunteers and donors, improve efficiency and encourage action by their supporters. They also have good articles on fundraising technology and other topics.

## I've Been Everywhere Man, but Do I Need to Register There, Man?

Johnny Cash's song "I've Been Everywhere" includes the following geographical lyrics:

*"I've been to: Reno, Chicago, Fargo, Minnesota, Buffalo, Toronto, Winslow, Sarasota, Wichita, Tulsa, Ottawa, Oklahoma, Tampa, Panama, Mattawa, La Paloma, Bangor, Baltimore, Salvador, Amarillo, Tocapillo, Baranquilla, and Perdilla..."*

Although Mr. Cash could travel unfettered between states, the same isn't necessarily true for non-profits. Whether you need to register in other states depends on your nexus or a connection with each. Unfortunately, the states are inconsistent in their interpretations, but here are some tips to help sort things out.

The most reliable guidance for registration would be the final version of the Charleston Principles (you can find these easily with Google). The Charleston Principles are guidelines for and by state charities officials. They are developed by the National Association of State Charity Officials (the Attorney General's Charities Bureau in each of the states). The final version of their Internet fund-raising guidelines was recently released. They are only guidelines, so states are not required to comply with them (and there are some varying interpretations), but they provide a great basis for understanding your responsibilities.

The guidelines declare charities not domiciled within a state will need to register if they solicit contributions through an interactive website (where donors can process their payment online). This refers to either persons physically located in that state or if the charity receives contributions from the state on a repeated and ongoing basis. Additionally, even if the website is not interactive, but the charity specifically invites further online activity to complete a contribution or establishes other contacts with potential donors in that state—such as by using email—they will also need to register.

For example, if a charity does not specifically solicit in Pennsylvania, but it receives a contribution to their website and then sends follow-up solicitations by email,

they will be treated as soliciting contributions in that state and will need to register unless they meet one of the exceptions to registration. The most common exceptions are based on the dollar amount of contributions received. Thresholds normally vary between \$5,000 and \$25,000, but you'll need to check to find out specifics for your charity.

The timing of registrations also varies. In most cases, registration will be required within a certain amount of time after the year-end in which you raise the stipulated amount of contributions. However, in some states, registration is required in advance and, in other states, registration is required within a period of time after you reach the dollar limit for registration.

The National Association of Charities Officials website at <http://www.nasconet.org/> has information for charity registrations. The website also confirms that they are undertaking a project to facilitate multi-state registrations.

If you have questions about your responsibilities for filing or registration in other states, please contact us. We can help you determine what your responsibilities are in each state.



## Important Requirements for Volunteers' Out-of-Pocket Expenses for Charity



Volunteers who provide services to charities and have unreimbursed out-of-pocket expenses are generally able to include them as personal itemized deductions.

Individuals must have records to support the amount of their expenses and, if any of the expense categories exceeds \$250, the individual must get an acknowledgment from the charity describing the services provided, stating whether and the extent to which expenses have been reimbursed, and including a statement that no benefits were received in return. This acknowledgment must be received before the due date of the volunteer's tax return for that year.

As an example, if an individual purchases a plane ticket costing over \$250, to provide services under the supervision of a charitable organization, they will need a receipt for the ticket to prove the expense and a statement from the charity about the services performed and information about any reimbursement or goods or services received in return.

IRS and the Tax Courts have been disallowing contributions when acknowledgments are not received or not timely; so this is important.

## Charitable Giving Update

Blackbaud, a manufacturer of software for nonprofits, completed a study of giving during 2013. Key findings were that charitable giving increased 4.9% in 2013 overall although online giving grew 13.5%, and online giving accounted for 6.4% of all giving in 2013. This can be an important message for those of you who are not currently involved in online giving. However, online solicitations can come with some baggage in the form of requirements to register and file in other states. See the article on registration in other states.

Interestingly, large organizations have the greatest increase in overall charitable giving but small organizations had the biggest increase in online giving. The study also showed that international affairs organizations had the

## The Nonprofit Revitalization—Act-Related Party Transactions?

The new act prohibits an employee of a nonprofit corporation from serving as board chair or in any similar position with a different title.

Nonprofits and religious corporations can carry on transactions with related parties such as officers, directors or key employees, but only if they are in the Organization's best interests. Additionally, the new rules require related parties to disclose material facts and the related party is not permitted to participate in deliberation or voting on these transactions.

The board should consider alternative transactions, and if they decide to proceed, it should be by a majority vote of members present. Approval should be documented in board minutes or in another written form, and the documentation should include the basis for its decision including consideration of alternatives.

These new rules are not in effect yet but are generally effective July 1, 2014 with some provisions delayed until July 1, 2015; still, they all represent best practices, and should be implemented as soon as possible.

The new act gives the Attorney General power to rescind or void related party transactions that are not in the best interests of the Organization. There is speculation about intensified enforcement with the appointment of James Sheehan as head of the Charities Bureau. His former office in New York State included very substantial enforcement activities.

greatest increase in overall giving while faith-based organizations had the greatest increase in online giving. Another important finding was that more than one third of charitable giving happens in the last 3 months of the year, including 17.5% in December; another good fact to be aware of when you are soliciting contributions.

Google also performed a recent study about donors' research habits, and concluded that nonprofits need to adapt their fundraising strategies to current technology. Google looked at how donors searched and analyzed charities and surveyed online donors. The study showed that donors get information from nonprofits' websites and search engines and from emails from the nonprofits. They also found that between one third and one half of donors use social networking sites, consumer review sites, social action network sites and third-party evaluator sites as well as videos.