

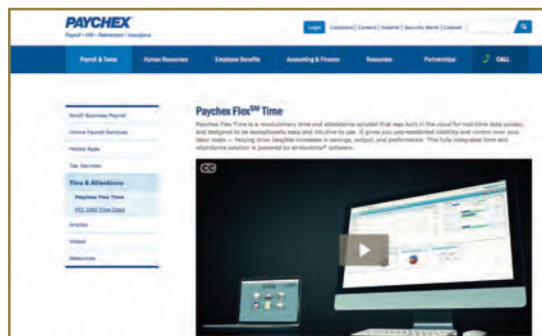
# NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD

Published by Heveron & Company CPAs

## This month's WebStar Winner is: Flex Time by Paychex

<http://www.paychex.com/payroll-taxes/paychex-flex-time.aspx>



Paychex has a very flexible time and attendance solution, Flex Time, that appears to meet the payroll tracking requirements for nonprofits receiving Federal funds. The online demonstration focuses on control of payroll costs but a deeper look reveals the system can be set up to track time worked and cost by cost objective.

The system is very flexible, allowing input of payroll time from timesheets, individual computers, smart phones or tablets. It is also flexible in defining the programs or activities being worked on by staffers. With a Paychex connection, the system is integrated with payroll, so payroll and related costs can easily be entered into the general ledger manually or (with some popular general ledger systems) automatically.

If your nonprofit receives federal funds or is required to track costs by program, Flex Time is worth a look. You can contact Paige Sawyer at 585-704-4234 or [psawyer1@paychex.com](mailto:psawyer1@paychex.com) for a free online demo.



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## What the IRS Has in Store for Charities During 2016

It's no secret—the IRS announces its plans for enforcing charity requirements each year. These plans are usually a blend of guidance and enforcement, and 2016 is no exception.

You may remember the head of the IRS exempt organization division was fired not too long ago because of controversy over political action nonprofits. The new director says knowledge management will guide them going forward.

They have been accumulating information about nonprofit governance since the 990 and 990 EZ forms were changed in 2007 and they say there will be a much more strategic approach to their audit selection; using information about governance and other key information from annual filings.

**Our takeaway:** You should look carefully at the governance section of your annual filing, after all, the IRS will!

A huge percentage of the applications for exemption over the past year have been submitted using form 1023 EZ, the simplified form for charities that meet certain qualifications including the revenues of less than \$50,000 per year.

The IRS is evaluating the form to determine whether changes should be made to it. Organizations using this form self-assert their exempt status and the IRS does not verify qualifications as they do with the regular form 1023. For 2016, the IRS is assigning 25 tax examiners to review that form. These staffers will mitigate the risk of improper exempt status for these organizations with "predetermination reviews."

**Our takeaway:** If you use this form, be sure you understand the form and the requirements it is based on or your exempt status may be in jeopardy.

They will also be taking steps to improve the turnaround for regular applications for exemption including requiring quicker responses from applicants to any follow-up questions. Some of the IRS follow-up questions can be confusing but you will want to follow up promptly whenever you get requests for additional information, or your application may be disqualified.

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## Federal Audit Clearinghouse Reopens

On November 25, the Federal Audit Clearinghouse announced it is reopening and accepting single audit submissions via its website. This website had been closed since early July due to a security incident.

The Clearinghouse also announced an additional deadline extension until January 31, 2016 but they are encouraging earlier filing when possible.

## Clearer Explanations Using the Art of Explanation

One of the wonderful benefits of our INPACT Americas Association of CPA firms is our annual conferences where we share ideas and listen to wonderful, informative speakers. Most recently we heard from Lee LeFever, author of *The Art of Explanation*, and developer of Common Craft, a website devoted to clear explanations of numerous topics. Lee gave a meaningful and memorable presentation on adding clarity to our presentations and explanations.

He explained challenges to good communications including: the more someone knows about a topic, the more difficult it is to know how little others may understand. This is called the "Curse of Knowledge". However, it is critical we present information at a level our audience will understand. His book, *The Art of Explanation*, says the biggest problem in communication is we make poor assumptions about what people already know. His book describes explanations as a creative act that turns facts into useful information and memorable ideas.

Lee said (and provided plenty of proof) it is okay to move from something technically accurate to something that is more understandable.

He stated explanations require a why (including why we should care/how we will personally be affected) and that explanations should tell why something happens or exists.

Good explanations require empathy which allows us to put ourselves in the shoes of our listener(s). They also present ideas in ways that make people care. Explanations help people feel confident in choosing to learn more because they care about the idea, and people who care about the idea are often motivated to learn more.

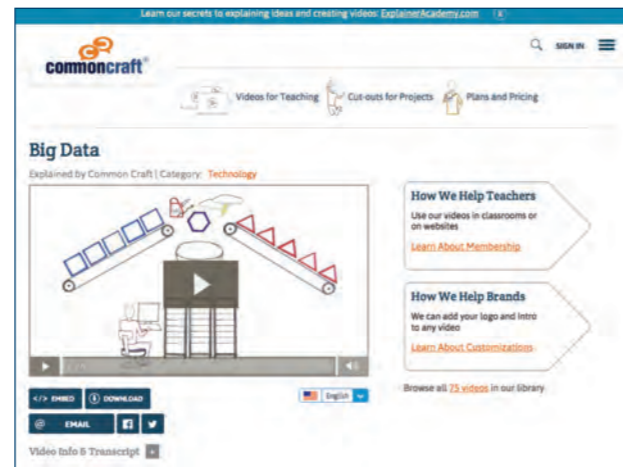
He provided a few tools to improve explanations. One is to make a statement your listener or audience will agree with. For example, "There is tremendous competition for donor dollars." Another technique is to tell a story such as, "Jerry grew his business this year but now he is facing a big tax bill. This is what Jerry did to help tackle the bill."

Connections to familiar events and descriptions of specific circumstances also help. Finally, a good conclusion wraps up the idea by summarizing what was learned and by providing a next step for your listener.

### Good explanations answer the following types of questions:

- Why does it matter?
- Why should I care?
- What is the problem?
- What is the solution?
- What should I do?

Lee practices what he preaches. Visit his Common Craft website (<https://www.commoncraft.com>) and look at any of the roughly 100 videos that explain complex topics in very simple terms.



You may also want to read his book, *The Art of Explanation* or sign up in advance for his online Explainer Academy.

He also shared a website (<http://splasho.com/upgoer5>) that helps you prepare a presentation with only the 1,000 most common words in the English language. Prepare a presentation using only these words and it will be more understandable to your audience!



## Is Your Nonprofit "Grant-ready?"

The Center for Community Engagement at St. John Fisher College has many resources for nonprofits. One of them is its email newsletter. Their most recent newsletter identified what you need to do and have to be "grant-ready."

### Being "grant-ready" includes:

- Your IRS exempt letter confirming charitable status
- Current financial statements (preferably audited)
- Board information
- Funder and key donor information
- Information about your history and key accomplishments, as well as your mission statement
- Financial information about the program for which you are requesting funds
- Key staff resumes, brochures, articles testimonials and similar items.

It would be wise to maintain all of these items in an electronic file. The newsletter also goes on to explain that it is important to have board leadership commitment, including 100% support at some level.

## Retirement Plan Investment Checkup

The US Supreme Court recently made a decision in *Tibble v. Edison* that sends a strong message to all organizations with retirement plans: employers are responsible for the fund selections available to employees, including the costs associated with those funds.

The suit was brought by employees against their employers for "fee laden funds." The Supreme Court referred to the common law of trusts, "which provides that a trustee has a continuing duty—separate and apart from the duty to exercise prudence in selecting investments at the outset—to monitor, and remove imprudent, trust investments."

The message for anyone sponsoring a retirement plan is you should scrutinize everything and have an ongoing responsibility to monitor retirement plan investments. This not only includes investment performance but also fees and costs.

## IRS Is Still Looking for Improper Classification of Workers as Independent Contractors

Misclassification of employees as independent contractors by nonprofits has been an ongoing IRS focus. The agency recently issued a news release to remind employers about the importance of correctly determining worker status.

The IRS looks at behavioral control (legal control of what is to be done and how), financial control (including who provides the tools or supplies necessary to perform services), and the type of relationship (are there any employee-type benefits?).

IRS has two programs that exempt organizations can use to settle misclassification problems. One is for nonprofits that are under audit by the IRS, the other is called a Voluntary Classification Settlement Program. Under that program, nonprofits that have consistently treated workers as independent contractors and filed all 1099 forms can have most of their employment tax liability from improper classification eliminated. This is a voluntary program where nonprofits agree to treat misclassified workers as employees in the future.

## Foreign Bank Account Reporting

The *Bank Secrecy Act* requires each United States "person" (including nonprofits) that owns or has signature authority for any foreign bank or investment account with a value of more than \$10,000 at any time during the year to report that by electronically filing a foreign bank account report (FBAR). Reports for the calendar year are due by June 30 of the following year. Big penalties apply for non-filing or late filing so be sure to submit if this is required.

## Our Own Jeanne Beutner Describes Internal Control Best Practices for Charter Schools

Jeanne Beutner, CPA, principal with Heveron & Company, was in Albany recently as a presenter for the New York State Department of Education on internal controls for charter schools. Her presentation included information about the benefits of proper controls, board, management and staff responsibilities for internal controls, and procedures for communicating and monitoring controls.

Her presentation included a detailed list of possible internal control practices and monitoring procedures to secure assets and make sure they are being used properly.

Her presentation was videotaped and will be available from NYSED or contact us for a copy. Many of her recommendations are valuable for other charities as well.