



NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD



Check Your Website...the IRS Will!



It wasn't that many years ago the IRS seemed confused about what to do about non-profit websites. Could links to for-profits be Unrelated Business Income? Can charities lobby or carry on political activity with links or messages located on their websites?

Now the IRS considers your website and social media postings a tool to check your activity and compliance. If your organization has been selected for audit, they will take a look at both. They will also review these for organizations that are applying for exempt status or a change in their status.

It's very likely they will check these if they are considering an audit of your organization based on inconsistencies identified in your form 990 or based on referrals from other agencies or from individuals.

The message is clear. Be sure your website and social media is up-to-date and properly describes your activities; and that those activities are consistent with your mission. Also be careful of any links or endorsements that might indicate Unrelated Business Income, political, or lobbying activity.

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Cyber Scam Update

The IRS just published information about a tax transcript scam. Emails, purporting to come from IRS, offer to provide a transcript of your personal taxes; but the emails carry malware. You can get a transcript of your taxes from IRS but not via an email. Go online to *IRS.gov* for yours. Don't trust any other websites because you will be providing personal information. Emails coming from the IRS online are not legitimate.

The malware in these emails is sent by scammers purporting to be a bank or financial institution. This malware, known as Emotet, is ranked as among the most costly and destructive.

Non-profits aren't exempt from scammers—they have bank accounts and investments and bad guys are always trying to get that money. They also have employee information, donor information, and, in some cases, healthcare information. Hackers who steal this data can sell it on the black market.

NetHope (our WebStar winner) performed a study of hundreds of non-profit employees. The study confirms that non-profits need new skills and digital tools to protect their organizations.

Cyber defense costs time and money but it is better than suffering through and recovering from an attack.

Best practices include:

- Educating your employees regularly about how to identify and avoid email that may contain malware,
- Encouraging employees to ask if they are not certain about an email attachment,
- Making sure backups are done nightly and that they are working. Be sure to test them periodically,
- Updating your software and operating systems as soon as updates are available. (Only use currently supported operating systems and software),
- Being sure you have up-to-date antivirus software,
- Requiring strong passwords that are updated periodically, and
- Considering cyber insurance.

An IT consulting firm can assist with monitoring and updates. These organizations make sure you have necessary security procedures in place, provide patches and software updates, and review and respond to error logs.

Capstone IT, our consulting firm, recently called to tell me they discovered a password of mine on the dark web. I had immediate mixed emotions of fear and gratitude as well as a longer-term sense of peace because we are working with professionals for this important protection.



Federal Micro Purchase Limit Has Been Increased

If your organization receives federal funding and is subject to federal procurement standards, you should already have a purchasing threshold policy in place. This identifies the rules for different purchasing thresholds; including micro purchases, simplified acquisitions and larger purchases.

The micro purchase threshold was initially increased from \$3,500-\$10,000 for all entities dealing with the Department of Defense. After the Office of Management and Budget increased the thresholds for transactions involving the National Defense Authorization Act, they issued a memo, *OMB Memo M-18-18*, which increased the simplified acquisition threshold for all nonfederal entities dealing with all federal agencies.

Procurement responsibilities for the simplified acquisition threshold are the least restrictive. When the aggregate amount does not exceed the micro purchase threshold (now \$10,000), nonfederal entities (that's you!) must distribute micro purchases among qualified suppliers if practical. Micro purchases can be made without soliciting competitive quotations if you consider the price reasonable.

Good News and Bad News About Donor Advised Funds

First the good news. In spite of the fact that many charity leadership organizations expect contributions to decrease under the new tax law, the Schwab Charitable Donor Advised Fund said that grants from their donor advised funds were up 20% for their fiscal year ended June 30, 2018, and that donors continued to contribute throughout the fiscal year.

Many taxpayers who are motivated by the deduction for charitable contributions have gone to donor advised funds to make a deductible gift in one year followed by grants to charities over a period of years.

The bad news is that another study by the Institute for Policy Studies warns that some donors are using these

funds to accumulate assets without making significant contributions. Based on that, the Institute for Policy Studies recommends requiring quicker payouts.

It might be wise to reach out to your constituents who may have donor advised funds (there probably are some, the National Philanthropic Trust estimates that there are more than \$85 billion in these funds), and ask them to consider distributions to your organization.

You may also wish to reach out to constituents and remind them that individuals age 70 ½ or older can still contribute up to \$100,000 annually from their IRA accounts to a qualified charity.

If an individual has a traditional IRA where all contributions were deductible and therefore all distributions would be taxable, amounts distributed to a charity aren't taxed. In addition, they qualify for the required minimum distribution. This treatment applies even if they exceed their maximum charitable contribution for the year.

Affordable Housing Developers May Benefit from Opportunity Zone Tax Break

A new tax break for individuals and entities who develop property in Opportunity Zones can also benefit affordable housing developers.

The Opportunity Zones include 9,000 census tracts around the country including some in Rochester and surrounding areas throughout Upstate New York.

Tax breaks for investors include deferred tax on capital gains from the sale of land, buildings, businesses, or stock. In addition, those capital gains can be reduced or eliminated, depending on how long they hold Opportunity Zone projects. When Opportunity Zone projects are held for 10 years or more, tax on the capital gain is eliminated. Most Affordable Housing projects are held for longer than that.

The new regulations also confirm that either partnerships or their partners can qualify for deferral and reduced taxation of their capital gains by investing in these projects.

When making improvements to existing facilities, those improvements need to be "substantial". The new regulations clarify that only the cost of the building (not the land) will



be considered when determining whether an improvement is "substantial".

Affordable Housing projects generally take longer than commercial projects. The new regulations will allow tax benefits for projects that go on for approximately 2 ½ years, as long as the project is substantially the same as what the investors provided to qualify their project. This makes these new incentives appropriate for Affordable Housing projects.



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Net Hope, a Delaware charitable non-profit, has the mission to change the world through the power of technology and collaboration. Their approach is to enable collaboration between non-profits and innovative companies to develop better programs, mitigate risks, and scale benefits for greater impact in the communities in which we work.

Their partner list is quite impressive, containing names like: Amazon Web services, Dell, Cisco, and the Bill & Melinda Gates Foundation.

They provide tools including the Digital Non-profit Skills™ assessment and a Digital Non-profit Ability™ assessment to help non-profits evaluate their digital competence and to help NetHope evolve their services.

Many non-profits struggle with technology skills and technology costs, so this may be a useful source for ideas about improvement.



This Month's
WebStar Winner Is:
NetHope
NetHope.org

