

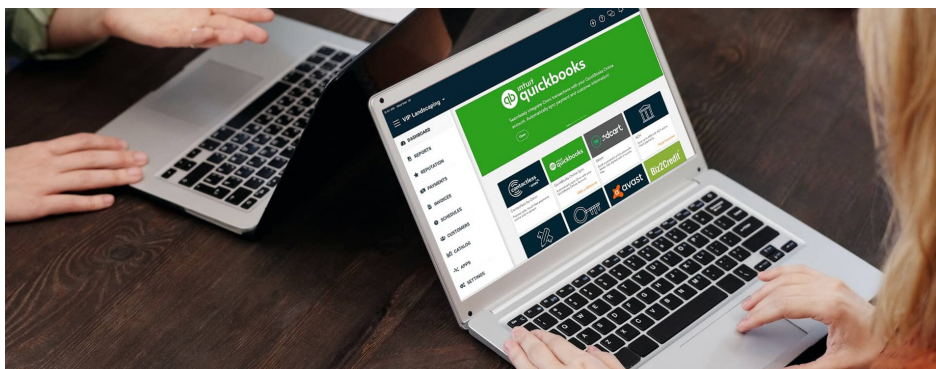


NON PROFITGPS

HELPING TO KEEP YOU ON THE RIGHT ROAD



Changes Are Coming for QuickBooks



QuickBooks is now being sold only by annual subscription, beginning with the 2022 version. They still have a local version as well as QuickBooks Online (which is what QuickBooks prefers to sell).

If you choose to purchase the 2022 local version of QuickBooks, it connects to the Internet and any upgrades are automatic. Presumably it also tracks whether your subscription has expired.

According to a QuickBooks representative, if you purchase the 2022 subscription you will also receive 2023 for free, if you wait until 2023 you will only receive a one-year subscription.

Quicken moved to a subscription model a while ago, and when the subscription is up, you no longer have access to the program without an additional subscription.

QuickBooks states they are doing this to help assure that the program is up-to-date and secure, and so their support team will not be working with versions they are not familiar with. They did not comment about the obvious boost to their revenue that this will mean.

Older local versions, through 2021, presumably will continue to operate as they have in the past. However, QuickBooks drops a version of the program from its support each year. 2018 is no longer supported and 2019 will be next.

Published by
Heveron & Company
585-232-2956

INSIDE THIS ISSUE:

Changes Are Coming for QuickBooks	1
Have Your Internal Controls Survived COVID?	2
Affordable Housing in New York State Looks Forward to a Bright Future	2
NYS Charities Bureau Audit Requirement	2
Leases Get Capitalized	2
Unusual Donations Coming Your Way?	3
Stop! Don't Click on That!	3
Worker Classification Is an Ongoing Issue for Nonprofits	3
2022 Tax Updates Affecting Nonprofits	3
WebStar Winner: Non-profit Law Blog	4



Have Your Internal Controls Survived Covid?

Your staff may have shrunk, and work may be both remote and on site. How have your internal controls survived these changes?

See how you match up against this list of best practices.

- Be sure every employee has a copy of the organization's up-to-date personnel manual. Most lawsuits come from employees and former employees.
- Have a written code of conduct describing proper ethical practices and be sure everyone knows they must abide by the code.
- Show no tolerance for improper practices. Even minor violations should be addressed as a serious matter.
- Question unusual activities. Don't be hasty to accuse someone of wrongdoing, but be sure you understand the activity.
- Develop a good budget and look at variances from that budget. Update the budget throughout the year as appropriate. When you do this, variances are red flags that deserve your attention.
- Someone who is not involved with billing or accounting should initially receive incoming payments and record them on a deposit ticket or in a separate place.
- Incoming checks should be stamped "for deposit only" as soon as they are received.
- The monthly bank statement (checks, electronic payments, etc.) should be reviewed by someone who does not prepare checks. If you do not receive check images, request them or change your banking relationship.
- Mark invoices to show they have been reviewed and paid.
- Credit card statements should be received and reviewed by an independent person. There should be proper documentation for all charges.
- After checks are prepared, they should be submitted to the check signer with original invoices. Invoices should then be marked paid to prevent reuse.
- Someone who is not involved in preparing payroll (entering payroll information or calling it into a service bureau) should review payroll reports to be sure that hours and rates are proper.
- Accounting and other important data should be backed up, verified and stored off-site.
- Log off or shut down computers at night.
- Anti-virus, anti-spam, and Internet firewalls should all be implemented and kept up-to-date.
- Surge protectors or battery backups should be in place.
- Any laptops or mobile devices with access to your server should be password-protected, and possibly encrypted.
- Have someone review error logs and run software updates regularly.
- Computer access should be limited with passwords and physical controls.

Affordable Housing in New York State Looks Forward to a Bright Future

The New York State Association for Affordable Housing recently reported Governor Hochul's budget proposal for the coming year includes a variety of affordable housing supports, including a \$25,000,000 five-year housing plan to replace the prior five-year housing plan (which is nearly exhausted).

The new plan is designed to create and preserve 100,000 affordable homes including 10,000 with support services and the electrification of 50,000 homes.

This plan would facilitate construction or adaptive reuse of rental housing, homeownership assistance for low and moderate income families and individuals, and low income senior housing.



NYS Charities Bureau Audit Requirement

For financial statement periods beginning on or after July 1, 2021, the threshold for an audit requirement increased from \$750,000 to \$1,000,000 of annual gross revenue. This applies to charities that are registered under Article 7-A and have \$25,000 or more in contributions from NYS entities and/or residents.

Leases Get Capitalized for 2022

Leases must be capitalized in your financial statements for calendar year 2022 and fiscal years ending after December 31, 2022. This will apply to in-place leases, although month-to-month leases and leases with a term of less than one year will not be required to be capitalized.

When this is done, your balance sheet will show a new, potentially very large, asset representing the right to use the leased property.

Unusual Donations Coming Your Way?

Have you received, or received an offer of, cryptocurrency or non-fungible tokens (NFTs)? If not, you probably will at some point, so let's take a look at these digital assets.

Coinbase, a company that recently went through a public offering, is an exchange for crypto assets and provides information about them. For example, the website explains the most popular cryptocurrencies are Bitcoin, Ethereum, Bitcoin Cash, and Litecoin; but even Dodgecoin, which started as a spoof, has gained a number of followers and increased in value.

While cryptocurrencies are used to buy and sell all types of goods and services, the IRS has categorized them as capital assets, not as currency.

NFTs represent the right to a digital version of an original item, like a painting or photograph. If you haven't heard the term you will. This is somewhat of a revolution because these rights will have special value—much greater than a duplicate. In a way they are like cryptocurrency because they are built on digital technology. Yet, in another way they are exactly the opposite because each unit of cryptocurrency is the same, but each NFT is unique.

These all sound unusual but may help sustain and grow your organization. The American Red Cross has been accepting

cryptocurrency for several years and a few nonprofits are already benefiting from the proceeds of NFTs.

The Giving Block, which is a cryptocurrency donation platform, raised more than \$100,000,000 in 2021 and expects to raise more than a \$1,000,000,000 in 2022, so cryptocurrency giving should not be ignored.

Fidelity Charitable is also now accepting cryptocurrency donations.

There are tax considerations, of course. Because the IRS classifies cryptocurrency as assets not as currency, taxpayers who make gifts of more than \$500 of cryptocurrency are required to file form 8283 with their tax return. Charities are required to acknowledge those forms when the gift exceeds \$5,000. Charities are also required to file form 8282 if the asset is disposed of within three years.

Gifts of in-kind items other than publicly traded securities, with a value over \$5,000 require an independent appraisal, documented on form 8283. Instructions for that form identify publicly traded securities as securities listed on an exchange that have daily price quotes, or securities regularly traded in national or regional over-the-counter markets. So, cryptocurrency may meet that definition, but not NFTs. Donors can deduct the fair market value of donated, publicly traded securities only if they are held for more than 12 months. Securities held for less than 12 months do not enjoy the same tax benefit.

Stop! Don't Click on That!

Iconic IT/ Integris, our IT support company, recently sent a reminder that whenever you get a pop-up notification on your PC indicating it is infected and stating you should "click here to run a scan or install antivirus software", do not do it. In fact, do not click on the *close* or *cancel* buttons either. Exit your browser, or close it using your task manager.



The American Institute of CPAs recently shared Wolf Security's observation that there has been a 600% increase in malware embedded in Excel files!

Wolf had the following recommendations:

- Configure your email gateway to block inbound emails with .XLL attachments. Some email gateways already do this.
- Configure Excel to allow only add-ins from trusted publishers.
- Configure Excel to disable all proprietary add-ins.

Worker Classification Is an Ongoing Issue for Nonprofits

IRS recently shared the criteria they consider in determining whether a worker is an employee or an independent contractor.

Key criteria includes:

The substance of the relationship, rather than what you call it; Whether a worker receives benefits (insurance, pension plan, vacation/sick pay); The permanency of the relationship; and The extent to which a worker's services are a key aspect of the regular business of the company.

It is important to get this one right because misclassification can result in a large bill and potential personal liability for responsible persons.

2022 Tax Updates Affecting Nonprofits

- Due to the increasing price of gas and everything else related to automobiles, IRS has updated the business mileage rate to 58.5 cents per mile. That stingy extra 2.5 cent increase probably won't cover your \$4 a gallon gas, unless you are driving a Prius or some other EV. Worse yet, the charitable mileage allowance remains at 14 cents.
- In 2021 donors can deduct \$300 of charitable contributions or \$600 for married filing jointly.



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Published by Heveron & Company CPAs

NONPROFIT LAW BLOG

By NEO Law Group

STARTUPS FISCAL SPONSORSHIP BOARDS FOUNDATIONS COLLABORATIONS SOCIAL ENTERPRISE HOME



This Month's WebStar Winner Is:

NON-PROFIT LAW BLOG,
informative articles regarding nonprofit startup laws, tax
exemption regulations, and more



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WEBSTAR

Our WebSTAR nod for this issue goes out to www.nonprofitlawblog.com, which is the blog of Neo Law group, a nonprofit focused law firm dedicated to helping nonprofits with legal issues.

A recent post in their blog included important considerations for a gift acceptance policy. They also have information about startups, soliciting contributions before IRS exemption approval, and fiscal sponsorships.