



NONPROFIT NAVIGATOR

Fall 2013

ABOUT US

Our not-for-profit niche at Henry & Horne, LLP was officially formed 28 years ago, but we have been serving the not-for-profit community since we opened our doors in 1957.

We are dedicated to Arizona's nonprofit community, and as a local firm with such a long history, we truly understand what is important to our nonprofit clients. Our team members receive quality continuing education specifically in nonprofit topics and are continually researching various nonprofit issues, which results in a very broad level of nonprofit expertise.



Membership Fees - What Portion is the Contribution?

By Colette Kamps, CPA

Many arts and cultural organizations, as well as other public charities, generate revenue from memberships, where the member receives something of value in exchange for the membership fee paid, but pays an amount greater than that value. The member is allowed to deduct this excess amount as a charitable deduction. But to do this, whatever is received in exchange must be valued, which is not always easy to do. For example, a museum may charge \$200 for a membership and provide 4 free tickets each valued at \$20 so that the contribution portion is easily calculated at \$120. But what if the museum also provides a 10% discount in their gift shop during a year, or free parking in their lot, or invitations to opening parties for exhibits? These types of items are very difficult to value. Additional complexity is added when the organization offers multiple membership levels, each with its own items of value being provided to the member.

The IRS allows you to disregard any items that are "low cost articles" which, for 2013, is defined as those items that are less than 2% of the donor's payment, or \$102, whichever is less. A low cost article is also any type of token item, such as a coffee mug, if the total amount from the member or donor is at least \$51.

Specifically with memberships, nonprofits are allowed to disregard two types of benefits given to the member, where no determination of value is needed:

- (1) The value of the benefit of free admission to members-only events can be disregarded if the membership costs \$75 or less, the cost to the nonprofit organization is not more than \$10.20 per attendee at the event, AND these privileges can be exercised frequently during the year. Examples of these types of benefits include certain discounts, rights to purchase tickets early and free parking.
- (2) The value of the benefit of a newsletter can also generally be disregarded if it is not available to non-members and it informs members about the activities of the organization.

Above and beyond these specifically excluded benefits, the IRS says that you are required to come up with a "good faith estimate". Although this may sound vague, it basically means that you have some sort of method for determining the value, your method and the value determined are reasonable, and you follow your method consistently. If you are offering multiple membership levels, each with its own set of benefits, it is a good practice to periodically analyze and determine values for each level to ensure that the contribution portion reported to the donor is accurate and that your advertising (e.g., on your website) matches these amounts. For internal accounting purposes, it's important to determine the correct value of the benefits provided (the exchange portion) as opposed to the contribution portion since the exchange portion may be required to be deferred, while the contribution portion is required to be recognized in full at the time of the transaction.

If you have any questions Colette can be reached at (480) 839-4900 or ColetteK@hhcpa.com.



HENRY & HORNE, LLP
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COORDINATES

A nearly 52-percent increase in Facebook's stock price since December has increased Mark Zuckerberg's donation of 18 million shares to one not-for-profit organization (the Silicon Valley Community Foundation) from a \$500-million gift to a \$738-million gift.

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In response to years of frustration surrounding the misconception that a not-for-profit organization can be effectively evaluated based on their percentage of expenses applied to supporting services, Guidestar, Charity Navigator and BBB Wise Giving Alliance have joined forces to launch a website to dispel the overhead myth. You can visit the website at overheadmyth.com.

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Is your website up to par? According to the 2013 Millennial Impact Report, 51% of the generation-targeted survey respondents have connected with a not-for-profit organization via social media, 46% have read blog posts, and 46% have personally donated to a cause via their website.



The Affordable Care Act Notice Requirement - October 1st Deadline Approaching

By Jessica Puckett, CPA, CFE

There has been a great deal of discussion and questions surrounding the topic of healthcare reform. The Patient Protection and Affordable Care Act (Affordable Care Act or ACA) mandates comprehensive health insurance reforms designed to ensure Americans have access to affordable health insurance. Depending on whether your not-for-profit organization employs fewer than 25 employees, fewer than 50 employees, or more than 50 employees, different provisions of the Affordable Care Act may be applicable to you.

Beginning January 1, 2014, individuals and employees of small businesses (including not-for-profit organizations) will have access to health insurance coverage via a private health insurance market, which is known as the health insurance marketplace. The Affordable Care Act created a new Fair Labor Standards Act that requires written notice to be made to employees of coverage options available through the marketplace no later than October 1, 2013, and the open enrollment period begins on October 1, 2013. There is not an obligation that you offer health insurance to any employee (although larger employers may ultimately receive penalties if they fail to make affordable health care coverage available starting in 2015), but this notice is a means to ensure employees are aware of the options available to them through the Marketplace.

As the October 1st deadline is quickly approaching, there are some guidelines that all not-for-profit organizations must follow. Regardless whether you will provide insurance coverage, your not-for-profit organization has an obligation, by no later than October 1, 2013, to notify all current employees of all health insurance coverage options that are available to them. This applies to full-time, part-time, seasonal and temporary employees. Newly hired employees from October 1 – December 31, 2013 must receive this notice at the time of hiring, and all employees hired after January 1, 2014 must receive this notice within 14 days of their start date.

In May 2013, the Department of Labor released model or template notices that organizations can use to meet the Fair Labor Standards Act requirement. There are two different templates - one template for employers who offer health insurance coverage (www.dol.gov/ebsa/pdf/FLSAwithplans.pdf), and another template for those employers who do not offer health insurance coverage. The actual use of either of these template notices is not mandatory as long as employers provide all employees with the required information outlined in the Affordable Care Act.

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