



NONPROFIT NAVIGATOR

Spring 2012

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.



One Size Doesn't Fit All

By Colette Kamps, CPA

Have you heard about the NAC? The NAC is the Not-for-profit Advisory Committee and was established in 2009 by the Financial Accounting Standards Board to make recommendations about where improvements can be made in nonprofit financial reporting. Their recommendations could result in new or changed accounting rules for nonprofit organizations.

The NAC met in early March and the following are some of the topics they addressed:

- When a nonprofit organization receives an in-kind donation that is then passed on to another nonprofit organization and then passed on to a beneficiary, should the in-kind donation income be recognized twice (once by each nonprofit)? They will look into whether current guidance needs to be improved to address this situation.
- Are some of the current required disclosures really necessary for nonprofit entities or are they more appropriate only for for-profit companies? Some of these disclosures discussed were fair value disclosures and the tax uncertainty disclosure.
- Should some of the required disclosures be enhanced or should there be new disclosure requirements? These included related party transactions, international activities and greater transparency on the cash flow statement.
- Should the definition of restricted as it relates to net assets be broadened to include restrictions other than those communicated by donors, such as statutory or contractual restrictions? The NAC is looking at this as it relates to their plan for research on other financial communications.

Could this all result in a separate set of financial standards for nonprofit entities? Maybe not, but it is definitely apparent that "one size doesn't fit all" and nonprofits sometimes need unique accounting standards for a better fit.

If you have any questions Colette can be reached at (480) 483-1170 or ColetteK@hhcpa.com.



HENRY & HORNE, LLP
Certified Public Accountants



COORDINATES

According to The Nonprofit Times, 92% of the top 50 nonprofits have at least one social media presence on their homepage.

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According to The Chronicle of Philanthropy, Margaret Cargill was the most generous donor of 2011, giving away \$6B. Margaret was an heir to the Cargill Corporation fortune.

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Did you know, that in 2011, there were more than 1.6M nonprofit organizations registered with the IRS? (nccs.urban.org)

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The CEO of GuideStar, who led the organization for 10 years, will step down from his post later this year. Some 10 million people are expected to use the site this year (The Chronicle of Philanthropy-philanthropy.com)



Blue Light Special **By Katie Thomas, CPA**

Just like when you were in Kmart and always heard them calling out the blue light special, it seems like special event rules have become the hot topic for the past month or so. I've had more organizations ask me about this than anything else lately, and it's probably one of the areas in which many organizations will find an opportunity to improve their recording or reporting.

A special event is an event or activity that does not substantially accomplish the organization's mission and only contributes to the organization's mission by generating funding. For most, this may be an annual event used to raise funds. And while many will also include a programmatic aspect, such as sharing the success of their program, the main purpose is to bring in money for the organization.

Did you know that there are different types of income and expenses for special events? Take sponsorships – some organizations include this in their gross special event revenue. This is incorrect. Sponsorships should be reflected as contribution revenue, whether included with other general contributions, or as a separate line item on the Statement of Activities. Generally the income from special events would be the revenue from attendees, such as ticket revenue or silent auction revenue.

As for expenses, there are two types of expenses relating to special events – (1) direct donor benefits, and, (2) generally speaking, everything else. The direct donor benefits are the most challenging to understand, but a simplified explanation is the cost of anything that a donor/participant would have paid for themselves. This includes items like food, golf fees, beverages, entertainment, or valet parking. You would not include items like signage, postage, printing invitations, etc. Direct donor benefits must be shown separate from event expenses on your Statement of Activities. They may be shown as a separate line item in expenses or as a reduction of special event income. Either way, they must be shown gross, and then you may present a net special event income line.

If you hold a special event and charge more than \$75 per person to attend, the IRS requires you to give donors a written statement indicating that their charitable contribution deduction is limited to the excess over these direct donor benefits. This notice can be given either on the invitation, on the receipt, or in any other mailing to participants, just so long as it is noticeable (i.e. no fine print requiring a magnifying glass). This should be a "good faith estimate" of the value of those direct donor benefits since it is usually provided before the final expenses are recorded. So the value you provide may actually differ from what you would calculate if you took your actual direct donor benefit expenses and divided it by the number of attendees. And for those who wonder if they'd ever get caught if they didn't provide this communication to event attendees, this is something you have to disclose on the Form 990.

If you have any questions Katie can be reached at (480) 483-1170 or KatieT@hhcpa.com.



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