

2014 ACBO Fall Conference

Foundations:

Common Observations, NFP Topics & Auxiliary Manual Update Status



Felipe Lopez

Compton CCD

Heather Decauwer

Vicenti, Lloyd & Stutzman LLP

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Common Observations

- Segregation of Duties
- Quid Pro Quo Contributions
- In-kind donations
- Raffle Registration
- Investments
- Net Asset Classifications
- Conflict of Interest
- Partnership Agreements

Segregation of Duties

- In an ideal control environment, an organization would have different employees responsible for each control functions
 - Authorization function
 - Recordkeeping function
 - Reconciliation function
 - Custody function

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Quid Pro Quo Contributions

- Form 990, Part V.7.
 - Organizations may receive deductible contributions under section 170(c); however, when the organization provides goods or services in exchange for any quid pro quo contribution of more than \$75, they must notify the donor of the value of the goods or services provided

See also IRS Publications 526, *Charitable Contributions* for additional guidance

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In-kind Donations

- Donors of noncash contributions should determine the fair value (FV) of donations made to qualified organizations
- For donations in excess of \$250 or more, the organization should provide written acknowledgement to the donor that includes the description (but not the value) of the non-cash contribution

See also IRS Publications 526, *Charitable Contributions* and 561, *Determining Value of Donated Property* for additional guidance.

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Raffle Registration

- In California, charities that conduct raffles to raise funds for beneficial or charitable purposes must:
 - register with the Attorney General's Registry of Charitable Trusts prior to conducting the raffle
 - file financial disclosure reports on each raffle event

-California Code of Regulations, Title 11, Division 1, Chapter 4.6 Non-Profit Raffle Program Regulations

-There is also a question on the Annual Registration Renewal Fee Report RRF-1

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Investments

- Must be reflected fair value and properly record all investment income (interest, dividends, realized gains and unrealized gains). If not, could:
 - Cause the internal financial statements to be misstated, resulting in improper decisions made by the Board
 - Impair the Board's fiduciary/stewardship responsibility over the assets they are to safeguard

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Net Asset Classifications – Permanently Restricted

- Changes in permanently restricted net asset primarily consists of contributions
- A permanently restricted contribution is
 - a donor-imposed restriction that stipulates resources be maintained permanently
 - permits the organization to use up or expend part of all of the income derived from the donated assets

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Net Asset Classifications – Temporarily Restricted

- Changes in temporarily restricted net asset consist of:
 - Contributions with donor-imposed or time restrictions
 - Gains and losses of permanently restricted investments with donor-imposed restrictions
 - Net assets released to unrestricted net assets for expenses according to donor-imposed restrictions

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Net Asset Classifications - Unrestricted

- Is neither permanently restricted nor temporarily restricted by donors
- Activities include:
 - Revenues or investment gains from contributions that are not restricted by donors
 - Net assets released from temporarily restrictions net assets
 - Expenses by functional classification

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Conflict of Interest Forms

- Should be signed and discussed annually and might include topics such as:
 - appropriate conduct
 - gifts
 - confidentiality
 - fiduciary responsibility
 - conflicts of interest

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Partnership Agreements

Should be updated when there is a change in terms and should include:

- Background and purpose
- Type of Auxiliary (CCR § 59250 et seq. or Edu Code § 72670 et seq.)
- Use of facilities
- Use of District employees
- District oversight
- Indirect costs of Federal Awards
- Insurance
- Annual audits

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Other NFP Topics & Resources

- Informational tax returns
- Nonprofit Integrity Act
- IRS Publications

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Informational Tax Returns

Form

- 990 > \$200,000
- 990EZ > \$50,000 and < \$200,000
- 990N > \$25,000 and < \$50,000

Must E-file if:

- Total assets of \$10 million or more AND
- Files at least 250 returns of any type (i.e. W-2, 1099s, income tax, 941s, 990s, and excise tax returns)

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Informational Tax Returns

Due Dates for June 30th Organizations:

- November 15th - 15th day of the 5th month following year end

Extensions are three months from the prior deadline:

- 1st extension is February 15th
- 2nd extension is May 15th

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Nonprofit Integrity Act (SB 1262)

- Audit: Only a charitable organization that receives or accrues in any fiscal year gross revenue of \$2 million or more is required to meet the audit requirement*
- Fundraising: A charitable organization may not contract with any commercial fundraiser not registered as required with the Attorney General's Registry of Charitable or raise funds for any other charitable organization if it is not registered as required**

*Auxiliary/Foundations are also required per Ed Code

**Schedule G, Part I of the Form 990 needs to be completed

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IRS Publication

- 1771 Charitable Contributions
- 561 Determining Value of Donated Property
- 3079 Tax-Exempt Organizations & Gaming
- 4302 A Charity's Guide to Vehicle Donations
- 598 Unrelated Business Income Tax (UBIT)

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Auxiliary Manual Update

- Objective of the Fiscal Standards Committee
- Challenges
- Survey

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Auxiliary Manual Objective

- To be a comprehensive document
- Incorporate various regulatory agencies and accounting standards
- To identify the different types of Auxiliary Organizations - not just Foundations
- Completion timeline

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Auxiliary Manual - Challenges

- Old manual is dated 1983
 - Accounting standards have changed
- Which Education Code do Auxiliaries follow?
 - 72670 - 72682 before August 31, 1980
 - 72670 - 72675 on or after August 31, 1980
- California Code & Regulations §59270
 - Establishing monitoring processes

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Survey – Possible Questions

- Does your district have an established Auxiliary organization? – provide name of your Auxiliary
- What was the date the Auxiliary operation was established?
- What functions are you operating through the Auxiliary?
- How is your Auxiliary presented in the District's audited financial statements?
- Is your Auxiliary audited annually?

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Contact Information

Felipe Lopez - Chief Business Officer
Compton Community College District

flopez@elcamino.edu

(310)900-1600 x2111

Heather McGee Decauwer - Senior Manager
Vicenti, Lloyd & Stutzman, LLP

(626)857-7300 x292

hdecauwer@vlsllp.com

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