# NOT FOR PROFIT UPDATE

Adrienne McKinney Senior Tax Manager Smith Leonard PLLC amckinney@smith-leonard.com



# Financial Reporting

### **Net Asset Classification**

- Currently, NFPs are required to disclose three separate classes of net assets:
  - Unrestricted
  - · Temporarily restricted
  - Permanently restricted
- Under the updated standard, NFPs are required to only disclose two classes of net assets:
  - Net assets with donor restrictions
  - Net assets without donor restrictions
- Will be changes to balance sheet and statement of activities.

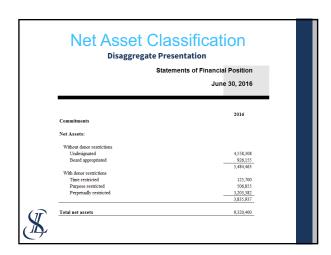


### **Net Asset Classification**

- If applicable, the entity may break down ("disaggregate") each of these classes even further:
  - Net assets with donor restrictions:
    - · Time restricted
    - · Purpose restricted
    - · Perpetual in nature
  - Net assets without donor restrictions:
    - Undesignated
    - · Board designated.



# Net Asset Classification Minimum Presentation Requirement Statements of Financial Position June 30, 2016 Commitments Net Assets: Without donor restrictions With donor restrictions 1,333,78 With donor restrictions 3,835,937 Total net assets 8,969,315



### **Expenses**

- · Currently, NFPs must present expenses by function.
- ASU requires presentation of expenses by nature and function; and an analysis of these expenses in one location
- Can be on face of statement of activities, a separate statement, or in the notes to the financial statements.
- Will have additional disclosures about the methods used to allocate costs among funds.
- More detailed disclosures on allocation methods may mean more expense allocations to management and general.



IRS Tax Exempt and Governmental Entities
FY 2018 Work Plan

# **TE/GE Work Plan FY 2018**

### **Knowledge Management**

■Provide issue snapshots and audit tools:

- Gaming
- Unrelated business income
- Sec. 501(r)-Additional Requirements for Certain Hospitals
- Organizational test requirements
- Employment taxes



### TE/GE Work Plan FY 2018

# **Compliance Strategies**

■Examine organizations:

- Claiming to be supporting orgs filing 990-N
- Previously for-profit entities that converted to 501(c)(3)
- Showing indicators of potential private benefit



# **TE/GE Work Plan FY 2018**

### **Compliance Strategies**

■Employees and contractors

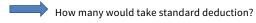
- Early retirement and incentive plans
- W-2/1099 matches
- FUTA-501(c)(3)s handling payroll for (c)(4)s
- Backup withholding



Tax Reform

<b>Unified</b>	Framework fo	r Fixing Oui
	Broken Tax Co	ode

- Preserves itemized deduction for charitable gifts
- Near doubling of standard deduction
  - Current \$ 6,350/\$12,700
  - Proposed \$12,000/\$24,000







# **Universal Charitable Giving Act**

- Introduced by Mark Walker (R-NC)
- Would allow non-itemizers to claim a charitable deduction
- Deductions capped at one third the standard deduction



Information on NFPs

### **GrantAdvisor.org**

- Vehicle for anonymous feedback on foundations and grant makers
  - What was the process like?
  - How responsive was the foundation?

Sallows and encourages responses from foundations



# **ProPublica Nonprofit Explorer**

- Provides information on NFPs including details from 990 filings
- Under Freedom on Information Act, got access to raw data from IRS
- Increases ability to do comparative analysis



Telling Your Story Using your Form 990

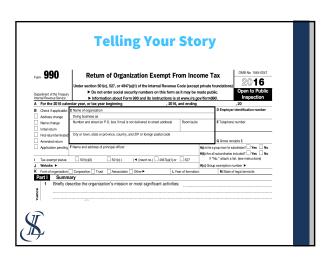
### **Telling Your Story**

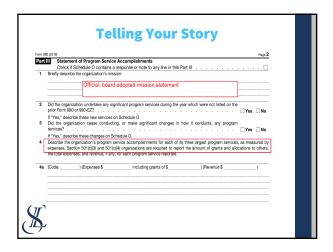
"The [Form] 990 gives me a snapshot of the financial health, governance, and operations of our applicants in one document," she said. "I can't emphasize enough how important it is for nonprofits to sell themselves in the mission and program descriptions required on the Form 990."

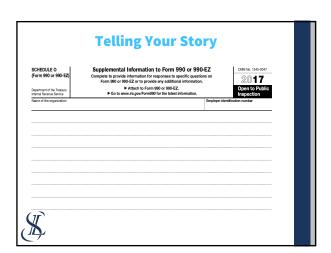
-Debra Faulk Wells Fargo VP of Community Affairs



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# Telling Your Story Use your marketing materials Quantify Specific numbers for year Comparative analysis Long term objectives Clear and concise Narratives, not bullets

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