

**BRIAN M. CAREY, CPA**  
**DEPAOLA, BEGG & ASSOCIATES, P.C.**  
**PLANNED GIVING COUNCIL OF CAPE COD**  
**“A TAXING PERSPECTIVE...”**  
**JUNE 15, 2011**

1. Compliance
  - a. Be sure to file annual report every year by 11/1 with Secretary of Commonwealth's office.
  - b. If there is a change in Board of Directors need to file Certificate of Change of Directors or Officers.
  - c. Form PC needs to be filed every year with Attorney Generals office if you are a 501(C)(3) organization. Will need to do this to obtain Certificate of Solicitation.
    - i. If gross support/revenues is over \$500,000 then audited financial statements needed.
    - ii. If over gross support/revenues is over \$200,000 but not more than \$500,000 then reviewed financial statements needed.
  - d. Form 990 – new filing requirements:
    - i. If gross receipts are less than \$50,000 (\$25,000 before 12/31/10) than can file e-postcard via IRS website. General info return.
    - ii. Can file 990-EZ if gross receipts are less than \$200,000 and total assets less than \$500,000 for 2010. This is down from \$500,000 gross receipts and \$1,250,000 total assets in 2009.
    - iii. If over the above threshold have to file Form 990.
    - iv. If you fail to file for 3 consecutive years your tax exempt status is automatically revoked.
2. IRS and Non-Profits
  - a. Tax exempt organizations are being scrutinized more by IRS last couple of years.
  - b. New 990 released a couple of years ago. More detailed questions and information needed now.
    - i. More detail wanted on Balance Sheet items.
    - ii. Now 4 pages of questions regarding Organizations policies and procedures, related party transactions, nature of activities, etc.
  - c. 2<sup>nd</sup> Extensions for returns harder to get approved. Need valid reason now.
3. Public Support Test – Schedule A
  - a. Need to be careful of disqualified donors and large donors.
    - i. Disqualified person is any person in a position to influence control over the Organization, related family members and related businesses.
    - ii. Large donor definition depends on type of tax exempt status per Schedule A. One test it is those with gifts greater than 2% of Organizations total support for 5 year period. Other test is great of \$5,000 or 1% of total support for 5 year period.
    - iii. Need to review this with your accountant carefully.

cont...

- b. If you fail 5-Year test can lose tax exempt status and become a private foundation.
  - c. If in your 6<sup>th</sup> year as Organization you fail the test can apply for conditional status for another couple of years.
4. Accounting considerations
- a. Need to keep track of all types of contributions you receive: cash, pledges receivable, CRUTS, CRATS, bequests, etc.
  - b. Each of these are accounted for differently for GAAP purposes and can affect your financial statements.
  - c. If you are unsure on how to properly record these you should contact your accountant.
  - d. More sophisticated donors will look closely at your % of program expenses vs general and administrative and fundraising expenses. They want to see majority of money received by Organization going towards program related expenses.