990 e-file 2008

jennifer SILVAN

The 990 series of forms is used by tax-exempt organizations including charities, private foundations and other tax-exempt organizations to provide information about their programs and activities, and to verify that they are operating in accordance with their stated tax-exempt purpose. For tax year 2007 returns due in 2008, the IRS has released regulations that require public charities with total assets of $10 million or more and 250 returns filed during a calendar year to file its annual return electronically. Returns filed during a calendar year include forms such as W-2s, 1099s, 941s, and 990s. For example, if a public charity has 245 employees and $11 million in assets, it must file its 2007 Form 990 electronically. Since each Form W-2 and quarterly Form 941 is considered a separate return, the organization files a total of 250 returns (245 W-2s, four 941s, and one Form 990).

In addition, all private foundations and charitable trusts who file at least 250 returns during the calendar year will be required to file electronically. If an organization is required to file a return electronically but does not, the organization is considered to have not filed its return.

A penalty of $20 a day, not to exceed the smaller of $10,000 or 5% of the gross receipts of the organization for the year, may be charged when a return is filed late, unless an organization can show that the late filing was due to reasonable cause. Organizations with annual gross receipts exceeding $1 million are subject to a penalty of $100 for each day the failure continues (with a maximum penalty with respect to any one return of $50,000). The penalty begins on the due date for the electronic filing of the return.

If you are uncertain of your requirements, or have any questions regarding electronic filing, it is important to speak with a tax professional as soon as possible. Failure to comply with these requirements may affect an organization's tax-exempt status.

For more information, please contact Jennifer Silvan.

Non-Profit Financial Professionals Group Seminar Series 2007-08

Upcoming Sessions

Thursday, March 20, 2008
Best Practices for Your Organization

Thursday, May 1, 2008
Preparing for Your Audit

Please visit www.asherco.com/npte for more details and to register.

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Did You Know?

Asher's Non-Profit and Tax Exempt Services (NPTE) is the second largest practice area for the firm. We serve over 80 non-profit and tax-exempt organizations, providing a range of accounting, audit, tax and consulting services. Our NPTE client base includes, but is not limited to, organizations that provide social services to the general public, membership organizations, cultural organizations, and foundations. Over the years we have built strong relationships with our NPTE clients, and continue to develop new relationships with some of the area's most sophisticated organizations and the connected leaders within the non-profit community.

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NP Advisor

February 2008

Form 990 Redesign

jennifer SILVAN

On December 20, 2007, the IRS released a redesigned Form 990, *Return of Organization Exempt from Income Tax*, to be used for tax year 2008. The redesign of Form 990 is based on three guiding principles:

- *Enhancing transparency:* providing the IRS and its stakeholders with a realistic picture of the organization and its operations, along with the basis for comparing the organization to similar organizations.
- *Promoting compliance:* the form must accurately reflect the organization's operations and use of assets, so the IRS may efficiently assess the risk of noncompliance.
- *Minimizing the burden on filing organizations:* asking questions in a manner that makes it relatively easy to fill out the form, and that does not impose unwarranted, additional recordkeeping or information gathering burdens.

The 2008 Form 990 consists of an 11-page core form, an increase of two pages over the prior existing form. In addition, the form's 16 schedules are designed to require reporting of information only from those organizations that conduct particular activities. Certain schedules, such as Schedules A and B, will be completed only by public charities. Nearly every filing organization will be required to complete at least one portion of Schedule D, *Supplemental Financial Statements*. Based on IRS estimates, 3 of the 16 schedules will be completed by more than 25% of the filing organizations, while 8 of the schedules will be completed by less than 10% of all of the filing organizations.

Many organizations thought the draft redesign did not provide an opportunity for an organization to fully explain its operations and accomplishments. As a result, Schedule O, *Supplemental Information to Form 990,* was added. The schedule provides additional space and opportunity for organizations to highlight their accomplishments.

The IRS will allow for transition relief for smaller organizations by phasing-in the requirement to file the new form over a three-year period. Smaller organizations will be allowed to file the Form 990-EZ in lieu of the Form 990. For the 2008 tax year, organizations with gross receipts less than $1.0 million and total assets less than $2.5 million may file the Form 990-EZ.

Since annual returns of exempt organizations are available to the general public on the internet, your organization's Form 990 offers a public relations opportunity. Now is the time to review the information presented so readers can get a full appreciation of your organization's work.

For more information on the Form 990 redesign and how it may impact your organization, please contact Jennifer Silvan.

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Writing an Audit RFP to Get Results

Choosing a new firm to audit your organization's financial statements does not need to be an overwhelming endeavor. Since most non-profit organizations do not change auditors frequently, you may be unsure how to best proceed. However, developing a results-producing Request for Proposal (RFP) process can be simplified by a few easy steps.

jack KOLMANSBERGER

Determine Needs
Begin the process by summarizing the reasons why you are considering a change. Consider the following:

- Are you dissatisfied with current service?
- Does your organization seem too big or too small for the current auditor? Organizations may feel they have outgrown their current firm and could benefit from a firm with more resources. Conversely, if you find the level of service has dropped and bills have increased, your firm may be gently hinting that they have outgrown you.
- Are you looking for more value for your audit dollars?
- Have you heard about things that another auditor is doing for a colleague's organization?
- What are your service needs?
- Do your funding sources list any specific audit guidelines?
- Does your Board require a bidding process?
- What are the key factors in your decision (experience, service, price, etc.)?

Research
Based on your needs, you should conduct due diligence to determine which firms should be considered. Key points of action may include:

- Review various reference sources for firms with non-profit experience (i.e., Philadelphia Business Journal, American and Pennsylvania Institutes of Certified Public Accountants, Accounting Today, etc.)
- Consult colleagues
- Consult other service providers (lawyers, bankers, etc.)

Efforts should be made to reduce your list of potential firms in order to make the first round easily manageable. Identify an appropriate mix of large, mid-sized, and/or small firms. Due diligence can help ensure that only the best candidates receive an RFP. When an organization solicits too many proposals, some qualified audit firms may view earning the engagement as a long shot. Soliciting from too many firms may signal that an organization is merely price shopping. Since many firms will request at least one face to face meeting to learn more about the organization, they may deem the probability of earning the work to be low and remove themselves from consideration.

Organize It - What's Important Here?
Your key issues should be organized in a formal RFP and cover the following:

- How long is the bid contract?
- What are the deadlines?
- What are the bidder's qualifications to perform this audit?
- Who will be on the engagement team and what experience do they have?
- What similar experience does the firm possess? While most auditors agree that it is not necessary to have experience that exactly matches this engagement, many would agree that similar experience is beneficial.
- Ask the bidder to confirm their understanding of the scope of work requested.
- What does the auditor expect from your staff?

- Request a 'not-to-exceed' price quote. This is important for the sake of comparison, since sometimes firms may bid low and bill for extras you may not anticipate. Provided that you share current financial statements, and assuming that the scope of the engagement stays similar to prior years, an experienced bidder should be able to provide an accurate quote after seeing your organization's financial information.
- Ask the bidder to summarize reasons you should choose them – make it easier on yourself and let them tell you why you will be an important client and why they should be chosen!
- Would you like to see a copy of the firm's "peer review" letter? Most firms are having quality reviews done by other firms, and letters of findings should be available for your review.

Write It
Be clear and concise. Lay out the key issues you would like to see bidders address, in the order that makes sense. Bidders should follow your format exactly, so be sure to provide a section for additional information. Bidders that do not follow your format should be red-flagged. They are making things difficult before they have even earned the right to work for you!

Follow-up
By clearly organizing your RFP, you should have an 'apples to apples' comparison to help make your evaluation process easier. You may choose to conduct follow-up meetings with a 'short list' of firms. Make sure that you provide guidance to the firms on what you are looking for during a follow up presentation - you do not need someone to read excerpts from their proposal! A question and answer session can help you and your board/audit committee to get a better feel for the proposing team members.

A Note About References
References are perhaps the most important source of information on a bidder, but only if you actually contact them! Many times, RFPs ask for references, but it is good to have a plan for what you would like to accomplish by requesting them. Keep in mind that references are busy people, so they may be hard to contact. Leave them a message with your name, organization, phone, reason for the call, and a few good times for them to return your call.

Make it easy for them to share their opinions by having a list of prepared questions ready. Questions you may wish to ask include:

- What do you like about this firm?
- What could this firm do better?
- Do you work with the management team listed in the RFP?
- How would you describe the working relationship?
- Do you feel that the firm or audit team is proactive/responsive?
- Does the firm or audit team provide meaningful non-audit suggestions?

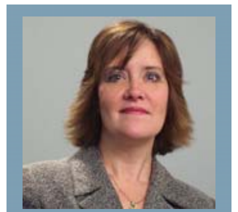
Conclusion
Your objective is to efficiently gather the appropriate information to make the best decision for your organization. By developing a process, performing research, and striving for consistency, soliciting bids via an RFP can be a worthwhile endeavor to further the cause of your organization.

For more information, or to download the suggested RFP format of the American Institute of Certified Public Accountants, visit www.aicpa.org and type 'RFP' in the search box.

For more information and tips on how to write an RFP that gets results, contact Jack Kolmansberger at 215-241-8963. Good luck!

Sponsorship Activites

If your organization receives money from sponsors of events (such as dinners, conventions and meetings) or if you have sponsors for publications, website or other activities, it is important that the payment be classified as a "qualified sponsorship payment" in order to be exempt from unrelated business income tax (UBIT). It is important to review the basic rules to ensure the payment is classified as a charitable contribution and not taxable advertising income.



bernadette CHIOCCO

USE OR ACKNOWLEDGEMENT A qualified sponsorship payment is made by a business (the sponsor) where the business will receive *no substantial return benefit* other than the use or acknowledgement of its name, logo, and product lines in connection with the sponsored event or activity. "Use or acknowledgment" does not include advertising the sponsor's products or services. For example, if, in return for receiving a sponsorship payment, an organization promises to use the sponsor's name or logo in acknowledging the sponsor's support for an educational or fundraising event, the payment is a qualified sponsorship payment and is not subject to the unrelated business income tax. Providing facilities, services, or other privileges such as complimentary tickets to a golf tournament or a reception honoring major donors in connection with a sponsorship payment does not affect whether the payment is a qualified sponsorship payment. You can include a link on your website to the sponsor's website as long as the link does not contain any advertising language.

EXCLUSIVITY ARRANGEMENTS An arrangement that acknowledges the sponsor as the exclusive sponsor of an exempt organization's activity, or the exclusive sponsor representing a particular trade, business or industry, generally does not, by itself, result in a substantial return benefit. However, an arrangement that limits the sale, distribution, availability, or use of competing products, services, or facilities in connection with an exempt organization's activity generally results in a substantial return benefit.

ADVERTISING A payment is not a qualified sponsorship payment if, in return, the organization advertises the sponsor's products or services. Advertising includes messages containing qualitative or comparative language, price information, or other indications of savings or value, endorsements, and inducements to purchase, sell, or use the products or services. The use of promotional logos or slogans that are an established part of the sponsor's identity is not, by itself, advertising.

CONTINGENCIES A payment is not a qualified sponsorship payment if its amount is contingent, by contract or otherwise, upon the level of attendance at one or more events, broadcast ratings, or other factors indicating the degree of public exposure to one or more events.

PERIODICALS A payment is not a qualified sponsorship payment if it entitles the sponsor to the use or acknowledgment of the business name, logo, or product lines in the organization's periodical. For this purpose, a periodical is any regularly scheduled and printed material (for example, a monthly journal) published by or on behalf of the organization. The treatment of this type of payment is determined under the rules that apply to advertising activities.

CONVENTIONS AND TRADE SHOWS A payment is not a qualified sponsorship payment if it is made in connection with any qualified convention or trade show. However, the payment is exempt if it qualifies under the convention and trade show rules.

The qualified sponsorship rules give organizations the ability to attract nontaxable corporate sponsorship. The UBIT tax rules are fact sensitive. If you have any questions concerning your corporate sponsorship program, please contact Bernadette Chiocco.