

NP Advisor



October 2007 Volume II

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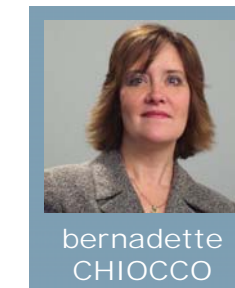
New Filing Requirement for Small Tax-Exempt Organizations

Small tax-exempt organizations, whose gross receipts are normally \$25,000 or less, are not required to file Form 990, *Return of Organization Exempt from Income Tax*, or Form 990-EZ, *Short Form Return of Organization Exempt from Income Tax*.

The Pension Protection Act of 2006 requires that small tax-exempt organizations notify the IRS annually of their continued tax-exempt status. Beginning in 2008, small tax-exempt organizations that previously were not required to file returns are required to electronically file an annual notice, Form 990-N, *Electronic Notice (e-Postcard) for Tax-Exempt Organizations not Required To File Form 990 or 990-EZ*. This filing requirement applies to tax periods beginning after December 31, 2006. Organizations that do not file the notice for three consecutive years will lose their tax-exempt status. Exceptions to this filing requirement include organizations that are included in a group return, private foundations required to file Form 990-PF, and supporting organizations required to file Form 990 or Form 990-EZ. In addition, this filing requirement does not apply to churches, their integrated auxiliaries, and conventions or associations of churches.

The information to be provided annually will include legal name and any other name under which it operates, mailing address, website (if any), employer identification number, principal officer name and address, and evidence of gross receipts below \$25,000.

The IRS began mailing educational letters starting in July 2007 notifying small tax-exempt organizations that they may be required to file the e-Postcard. The IRS is in the process of developing an electronic filing system for the e-Postcard and will publicize filing procedures when the system is completed and ready for use. There will not be a paper form to file. For more information, please contact Bernadette Chiocco.



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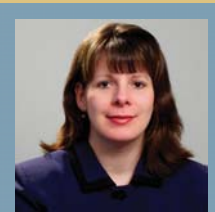


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Panel on the Non-Profit Sector – Making Strides at Improving Non-Profits

For the last three years, the Panel on the Non-Profit Sector has been working towards protecting the public as well as the good name and actions of the non-profit community. Convened in October 2004 by the Independent Sector (www.independentsector.org), the Panel strives “to ensure that the non-profit community remains a vibrant and healthy part of American society”. Various non-profit and philanthropic leaders with diverse backgrounds and expertise have joined together for this Panel as well as various committees and groups to improve the oversight and governance of charitable organizations.



elizabeth PILACIK

In June 2005, the Panel released its report on recommendations to strengthen the non-profit sector’s transparency, governance, and accountability. Over 120 actions were proposed to charitable organizations, to Congress, and to the Internal Revenue Service in an effort to strengthen the non-profit sector. In April 2006, the Panel released a supplemental report to the June release. This companion to the original report focused on nine specific areas, such as international grant making, charitable solicitation, and disclosure of unrelated business activities, as well as proposed additional recommendations. Some of the recommendations to Congress and to the Internal Revenue Service have been addressed and implemented through the Pension Protection Act (signed August 17, 2006) as well as comprehensive revisions to the reporting requirements for Forms 990 and 990-T.



louis MORAVEC

Today, the Panel continues its work with the development of the “Principles of Effective Practice”. These principles are to provide guidance to charitable organizations for developing and maintaining a strong system of self-regulation. Addressing areas such as effective governance, strong financial oversight, and risk management, the principles will hopefully encourage the non-profit community to aspire to higher standards and “to ensure that their organizations are living by the highest ethical standards”. Accountability and transparency are crucial to the non-profit sector. It is imperative that non-profits maintain the trust of the public, which is dependent upon the integrity and credibility of its organization, its staff, and its board – both in fact and in appearance.

For more information on the Panel of the Non-Profit Sector and its efforts, go to www.nonprofitpanel.org, or contact Elizabeth Pilacik or Louis Moravec.

Firm News

We’re moving to Ten Penn Center in November!

Look for a mailer with all the details.



The Skinny on FAS 158

On September 29, 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (FAS 158). Another year, another FAS. As earth-shattering as another pronouncement from the FASB is, the question that demands answering is: Should I care?



patrick MILLER

The answer: If your organization sponsors a defined benefit plan or other postretirement benefit plan (collectively referred to as "benefit plans"), then yes, you should care. Both your balance sheet as of June 30, 2007 and the related disclosure in the notes to the financial statements will feel the impact of FAS 158.

Prior accounting standards (FAS 87, 88, 106 and 132(R)) allowed an employer to recognize in its statement of financial position an asset or liability arising from the benefit plans, which almost always differed from the plan's over funded or under funded status. Those standards permitted a delay of recognition of economic events that impacted the cost of providing these benefit plans. This discrepancy caused concerns that the old standards failed to communicate the funded status in a complete and understandable manner. The funded status was relegated to the notes of the financial statements, in the form of a reconciliation to the amounts recognized in the statement of financial position.

FAS 158 addresses these concerns, improving financial reporting because the information required to now be reported is more complete, timely and, therefore, more representationally faithful. FAS 158 will enable the users of the financial statements to assess an employer's financial position and ability to fulfill benefit plan obligations. This is done as follows:

- Recognize the funded status of a benefit plan – measured as the difference between plan assets at fair value and the benefit obligation – in the statement of financial position.
- Aggregate the status of all over funded plans and recognize that amount as an asset in the statement of financial position. Also, aggregate the status of all under funded plans and recognize that amount as a liability in the statement of financial position.
- Recognize as a separate line item within changes in unrestricted net assets, apart from expenses, the gains or losses and the prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit costs (FAS 87 and 106).
- Reclassify to net periodic benefit cost a portion of the net gain or loss and prior service costs or credits previously recognized in a separate line item and a portion of the transition asset or obligation remaining from the initial application of FAS 87 and 106. The contra adjustment shall be reported in the same line item within the changes in unrestricted net assets. Net periodic benefit cost shall be reported by functional classification.

- Disclose in the notes to the financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior costs or credits, and transition asset or obligation.

Implementation guidance can be found at www.fasb.org/pdf/fas158.pdf or contact Patrick Miller.

On-line Not-For-Profit Monitoring Groups – Why your 990 is more important than ever

Guidestar - View and/or download copies of organizations' Form 990 Returns. Find information on the activities and finances of more than 1.7 million nonprofit organizations, the latest news on philanthropy, and resources for donors and nonprofits.

Charity Navigator - Provides ratings and reviews on over 5,000 charities after evaluating the financial health of these charities. The goal is to promote intelligent giving decisions.

BBB Wise Giving Alliance - Give.org is the site formed from the merger of the National Charities Information Bureau and the Council of Better Business Bureaus' Foundation and its Philanthropic Advisory Service. The alliance evaluates charities that are the subject of donor inquiries based on the voluntary CBBB Standards for Charitable Solicitations.

Common Tax Law Restrictions on Activities of Exempt Organizations

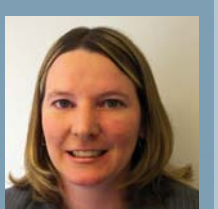
	501(c)(3)	501(c)(4)	501(c)(5)	501(c)(6)	527
Receive tax-deductible charitable contributions	Yes	No	No	No	No
Receive contributions or fees deductible as a business expense	Yes	Yes	Yes	Yes	No
Substantially related income exempt from federal income tax	Yes	Yes	Yes	Yes	Yes
Investment income exempt from federal income tax	Yes	Yes	Yes	Yes	No
Engage in legislative advocacy	Ltd	Yes	Yes	Yes	Ltd
Engage in candidate election advocacy	No	Ltd	Ltd	Ltd	Yes
Engage in public advocacy not related to legislation or election of candidates	Yes	Yes	Yes	Yes	Ltd

- A 501(c)(3) organization is a charitable organization.
- A 501(c)(4) organization is a social welfare organization.
- A 501(c)(5) organization is a labor organization.
- A 501(c)(6) organization is a business league or trade association organization.
- A 527 organization is a political organization.

Source: <http://www.irs.gov>

Revisions of Circular OMB A-133

The Office of Management and Budget (OMB) has recently enacted certain revisions to OMB Circular A-133. These include: (1) revisions of internal control definitions and related matters and (2) simplification of the submission of the audit reporting package to the Federal Audit Clearinghouse.



megan McBRIDE

In order to be consistent with the language adopted through the issuance of recent standards by the American Institute of Certified Public Accountants (AICPA) and the Government Accountability Office, OMB has replaced the references to "reportable condition" and "material weakness" in internal control over financial reporting with the terms "significant deficiency" and "material weakness" (these terms are defined in Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, which became effective for audits of periods ending on or after December 15, 2006).

The AICPA, in accordance with OMB and other federal agencies, has issued the AICPA Auditing Interpretation No. 1, "*Communicating Deficiencies in Internal Control Over Compliance in an Office of Management and Budget Circular A-133 Audit*" of SAS No. 112. Under Circular A-133, the auditor is required to report on compliance related to major federal programs. Therefore, this interpretation provides definitions of control deficiency, significant deficiency, and material weakness, as related to communicating deficiencies in internal control over compliance, and should be used in single audits of periods ending on or after December 15, 2006.

The change in terminology and definitions with regard to internal control may result in the reporting of additional internal control matters in the current year and those to come, than in previous years. These additional matters could potentially affect the scope of an A-133 audit, including the major program determination and low risk auditee status.

In addition, effective January 1, 2007, the auditee need only send one copy of the reporting package to the Federal Audit Clearinghouse, rather than the multiple copies that were previously required. However, Part III, item 8, of the Form SF-SAC should continue to note all agencies required to receive a copy of the reporting package.

The Form SF-SAC is not scheduled to be updated for the new terminology until January 1, 2008. Therefore, auditees submitting single audits should continue to use the approved current Data Collection Form when filing with the FAC (note this does not reflect the new terminology changes).

The revisions discussed above apply to audits of fiscal years ending on or after December 15, 2006. For more information, please contact Megan McBride.

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