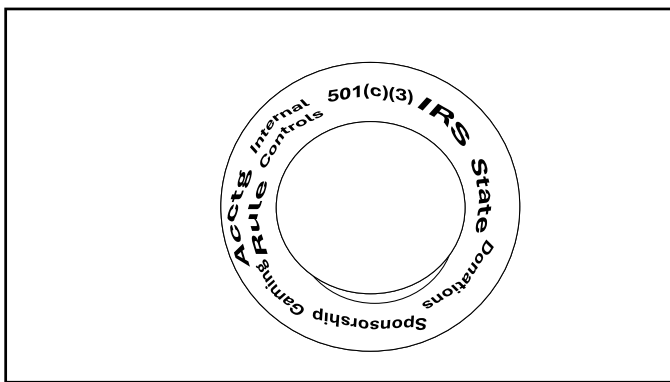
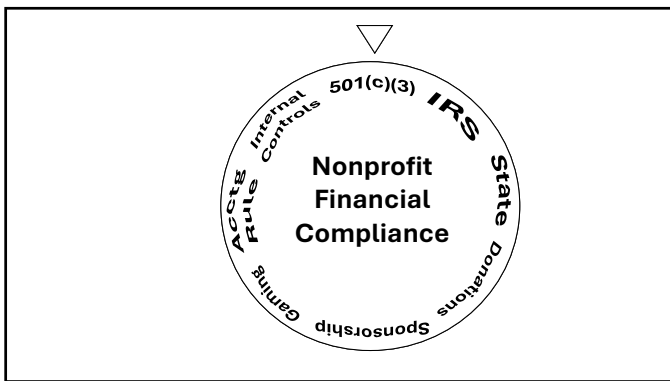




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Basic Review of Tax Exempt Charitable 501(c)(3) Organizations

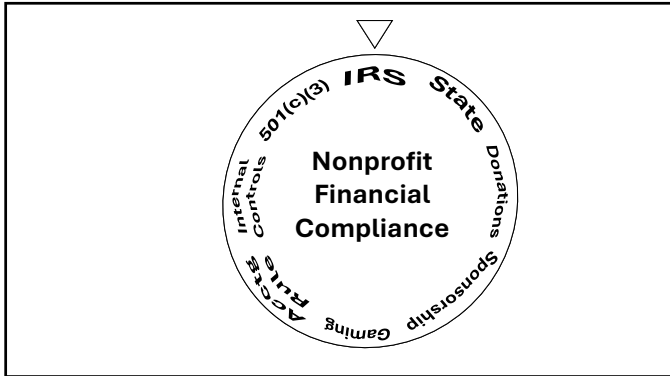
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Tax Exempt Organizations

- Focus on 501(c)(3) Public Charities of the Internal Revenue Code.
- Federal tax law provides tax benefits to nonprofit organizations.
 - No corporate income tax
 - Tax deductible donations
- In return, the Code requires tax exempt organizations comply with federal tax law maintaining tax exempt status and avoid penalties.

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Internal Revenue Service – Annual Reporting Requirements

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Type of Form 990 to File

Revenues > \$50K

Form 990-N: Common for small nonprofits that generally have \$50K or less in revenues annually

Revenues <\$50K>\$250K

Form 990-EZ: Primarily for mid-sized organizations with more than \$50K in revenues but less than \$250K. Form is less complex than Form 990.

Revenues < \$250K

Form 990: For larger nonprofits with revenues generally over \$250K annually. Form is more complex than Form 990-EZ with more compliance questions.

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Submitting Form 990-N (e-Postcard)

Are you eligible to submit Form 990-N (e-Postcard)?

1. Register for your account
2. Review the [submission guidance](#)
3. Gather the [information needed](#)
 1. Organization name
 2. D/B/A name (if necessary)
 3. Organization's address
 4. Organization's website, if applicable
 5. Principal officer

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Annual Return Due Date

- Form 990, Form 990-EZ, Form 990 T & Form 990-N is due on the 15th of the fifth month following fiscal year end
- Recently added:
 - Form 8868 updated to provide for automatic six-month extension for Form 990, Form 990-EZ & 990T
 - Form 8868 Application for Automatic Extension must be filed on or before original due date
- No Extension allowed for Form 990-N
 - However, there is no penalty for late filing
- So when is your return due?

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Return Due Dates for Exempt Organizations: Annual Return
 Use the table below to find your due date of annual returns (Form 990, 990-EZ, 990-PF) that a tax exempt organization must file.

Ending date of tax year	Initial return due date	Auto 6-month extension due date
December 31	May 15	November 15
November 30	April 15	October 15
October 31	March 15	September 15
September 30	February 15	August 15
August 31	January 15	July 15
July 31	December 15	June 15
June 30	November 15	May 15
May 31	October 15	April 15
April 30	September 15	March 15
March 31	August 15	February 15
February 28/29	July 15	January 15
January 31	June 15	December 15

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Form 990 & 990-EZ filing instructions

- Required electronic filing by exempt organizations. For tax years beginning on or after July 2, 2019, section 3101 of P.L. 116-25 requires that returns by exempt organizations **be filed electronically**.
- Therefore, any tax-exempt organization required to file a Form 990 or Form 990-EZ must file electronically.
- No exceptions

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Authorized IRS Electronic return providers - Partial List

- Form 990 Online – www.efile.form990.org
 - Meets Form 990 & 990-EZ and Schedules, 8868 requirements
 - Cost: Free for organizations with less than \$100K in gross receipts
- Express Tax Exempt – www.expresstaxexempt.com
 - Meets Form 990 & 990-EZ and Schedules, 8868 requirements Other: Engage with an accountant to prepare
 - Cost: Form 990-EZ \$59.90/return; Form 990 \$69.90/return
- Tax Act – www.taxact.com
 - Meets Form 990 & 990-EZ and Schedules, 8868 requirements
 - Cost: Download version \$109.95

Note: Presenter is neither recommending nor advocating these vendors listed above. These are suggested from the irs website as authorized vendors, meeting the irs requirements and are the least expensive of the vendors identified.

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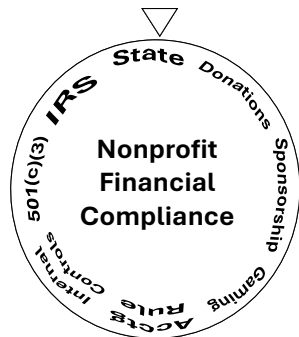
Focus on Nonprofits from OBBBA

- **Increased IRS scrutiny:** Expanded funding for IRS oversight under the OBBBA means the agency will be more active in enforcing compliance among tax-exempt organizations, particularly concerning unrelated business income tax (UBIT) and donor-advised funds (DAFs).

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State Annual Reporting Requirements

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Typical State Reporting Requirements

- Important to check state taxing authorities to verify registration and reporting requirements
- Every state requires some form of an annual corporate report
- Most states have some form of charitable status registration
 - Requires annual reporting, including financials, for nonprofits receiving donations
- Most states require registering for state bingo/raffle license
- Must file for sales tax exemption, if available
- **CHECK YOUR STATE STATUTES**

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**Nonprofit
Financial
Compliance**

IRS State Donations Sponsorship Gaming
Raffle Internal Controls 501(c)(3)

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**Donations
Fundamentals**

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Donations

- Charitable contributions received.
 - Donations of amounts greater than \$250
 - IRS Requirement to provide written contemporaneous acknowledgment to donor
 - It is just a good business practice to recognize and acknowledge all donations, by mail or email

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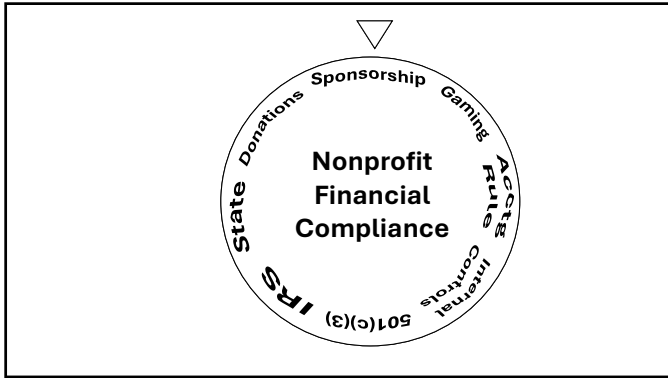
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**Quid pro quo
donation
disclosures**

- What is a quid pro quo donation?
 - Something for something. A donor makes a contribution to an organization and the donor receives a good or service in return for the donation.
- What is the issue?
 - IRS doesn't want the donor to claim the entire amount of contribution if it received an offsetting amount of a good or service.
 - Example: Donor gives \$100, however, receives a \$40 concert ticket from the charitable organization to induce the donation.
- Example of a contemporaneous donor letter:
 - Thank you for your \$100 donation to Crime Stoppers on 7/14/2020. In exchange for your contribution, we provided a concert ticket worth an estimated fair market value of \$40. Therefore, for federal income tax purposes, your contribution deduction is limited to \$60.

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Sponsorship Fundamentals

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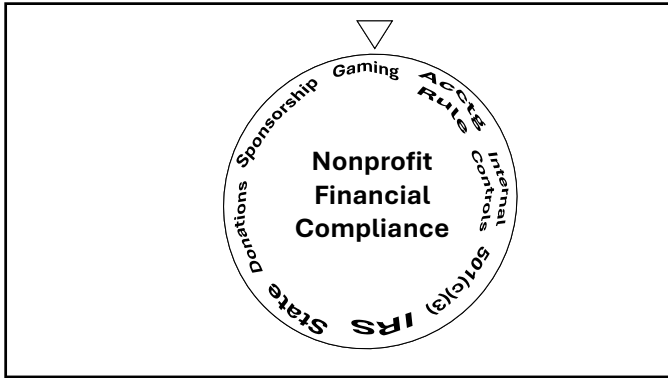
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Be Aware of IRS Sponsorship RESTRICTIONS

- Sponsorships are facing additional IRS scrutiny
- IRS definition of corporate sponsorship
 - Financial support by an outside party, usually a corporation, for the good of the non-profit organization. It is distinguished from a charitable contribution in that sponsor is typically motivated by a desire to receive public acknowledgement in exchange for its support.
- Non-profit receives corporate sponsorship is 'tax-free' if what is given corporate sponsor in return is an acknowledgement of thanks.
 - Hang a banner, conference program thank you or acknowledgement at podium.
 - Include: name, logo, address, telephone and products.
- Two important prohibitions
 - Non-profit **cannot make a qualitative judgement** on corporate sponsors products or services
 - Non-profit **cannot ask its members or public to buy the products or services**
 - Simple statement, "Please patronize our sponsors" may jeopardize sponsorship

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Gaming as Fundraising – Reporting Requirements

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Do you conduct Gaming as a fundraising activity?

- One of the most common and successful methods of producing sources of income for charities were gaming fundraising events
- Is gaming furthering your tax-exempt purpose?
 - Unrelated Business Income (UBI) reporting – Form 990-T. If it is not an ongoing business activity, it will not be treated as UBI
 - Also, ensure gaming doesn't become a substantial part of the organization's activities
 - Ensure that the gaming meets one of the UBI exceptions (type of gaming allowed)
- What about state gaming regulations?
 - Each state has its own regulatory statutes regarding gaming. Certain licenses must be acquired, and reporting requirements maintained.
 - Check your state statutes in case any specific excise taxes must be paid
 - Some states require games to be conducted by volunteers

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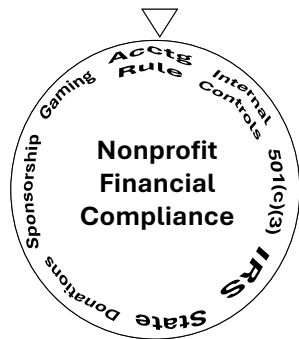
Do you conduct Gaming as a Fundraising activity – cont'd

- What about reporting requirements?
 - Similar to a Form 1099 process, winnings of \$600 or more, after considering the wager, must be reported to the IRS and individual on Form W2-G
 - Copy A of the W2-G is submitted to the IRS using Transmittal Form 1096
 - See Publication 3079 for additional details
- Does the organization need to take any withholding?
 - When the net proceeds exceed \$5,000, the regular withholding rate is 25%
 - This withholding will be placed on the Form W2-G, and transmitted to the IRS on Form 945
 - Withholdings are not required from traditional bingo, keno, slot machines or poker tournaments, however, net proceeds in winnings still need to be reported.
- Penalties and interest may be charged to the charitable organization if reporting requirements are not met

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Recent Accounting Rule – Revenue Recognition

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Accounting promulgation – revenue recognition

Do any contributions involve a contract or certain conditions that must be met?

- Matching contributions
 - Record the match after the goal achieved
- A restricted donation, such as achieving or accomplishing a specific request
 - Accept as a donation **only** if your organization can meet the specific request.
 - Hold as a restricted Asset until the specific request is met.
- May affect revenue between fiscal years

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Accounting promulgation – revenue recognition

Do any contributions involve a contract or certain conditions that must be met (Cont'd)?

- Large Reward Agreements/Contributions
 - Measurable performance indicators to achieve?
 - Crime must be solved for program to keep funds?
 - All or portion of funds may be returned for non-performance?
 - Time limits involved?
- Record funds as revenue/Donation **when measurable performance achieved**
 - Crime resolved from Crime Stoppers tip and reward paid
 - Matching recognition of revenue to performance
- Again, may affect revenue between fiscal years

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Accounting promulgation – revenue recognition

Do any contributions involve a contract or certain conditions that must be met (Cont'd)?

- Handling accounting for large supplemental reward Agreements
 - Set up as a liability on balance sheet – unearned or deferred revenue
 - Do not treat as a donation initially
 - Donation issues with taxes
 - Crime solved and reward requested
 - Release liability and record as donation
 - Send donor contemporaneous letter for receipt of donation
 - Pay anonymous tipster the agreed upon reward

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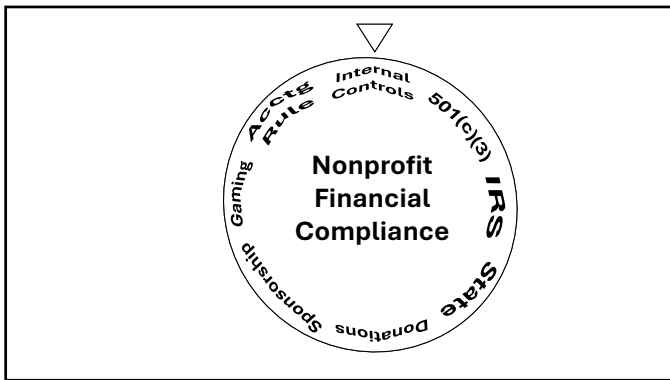
Accounting promulgation – revenue recognition

Do any contributions involve a contract or certain conditions that must be met (Cont'd)?

- Handling accounting for large supplemental reward Agreements
 - Crime not solved – funding source requests funds returned
 - Return funds from liability account to funder. No donation reporting required.
 - Crime not solved – funding source requests portion of funds returned
 - Relieve liability for portion of donation are requested by funder
 - Send a contemporaneous donation letter to funder for donated portion
 - Return remainder of funds from liability account to funder
- Since there are no services provided, this is not reportable on a Form 1099 MISC

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Don't Disregard Internal Controls

Implementing robust internal controls to prevent fraud and ensure proper handling of funds

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Basic Financial Statements

- Produce and review monthly financial statements
 - Balance Sheet
 - Income or Operating Statement
 - Bank Recon

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Annual Reporting

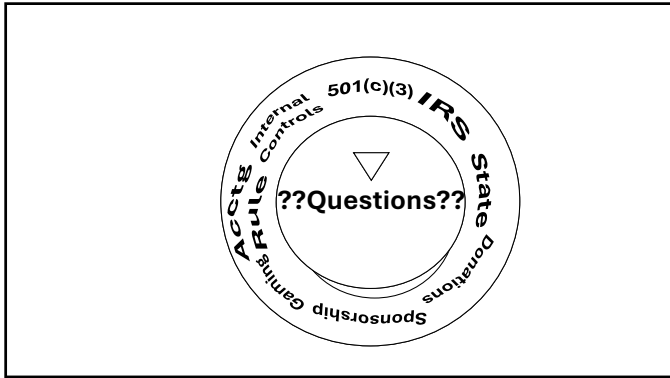
- Audit, if required
 - Large in scope and costly
- Review
 - Less in scope, not as costly
- Financial Analysis
 - Committee of CS board analyzes financial information with report to board

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Types of Internal Controls

- Prevent misuse and misappropriation of assets
- Written policies that serve as 'check and balances' on financial activities
- Review internal control policies periodically
- Examples
 - Segregation of duties
 - Fiduciary crime bond
 - Annual financial review

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Thank You!

Crime Stoppers USA
Finance Presentation
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CSUSA Past Chair
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