

Welcome to the Jones & Associates PLLC, CPAs December 2019 newsletter! Feel free to pass it along...

## *Judy's Retirement Message...*

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Well the time has finally come that I am officially retiring. Since I was very small, I always dreamed of 2020 – it seemed so far away – as the date I was determined to stop working and play full-time. Well, here it is, and I couldn't be happier. I'm happy because I have had the opportunity to work with an amazing team of dedicated, smart and fun co-workers who are passionate about the nonprofit community here at J&A. I'm happy because I feel that we have been helpful in teaching the nonprofit community more about some of these crazy and changing accounting rules since we started our practice almost 20 years ago. I'm happy because the legacy of helping small nonprofits in the Puget Sound area will continue with Jennifer Haddon at the helm as the new Managing Partner of J&A. I can sit back and know that we've made a difference in the financial health of our nonprofit community and will continue to do so.

My husband and I have many plans for travel, home improvements, art projects, fishing, spending time in Mexico, etc. I don't think it will be too difficult to make "play" my full-time occupation! I'll still be "on call" as a minority partner in the firm during the transition, so I'll be around. If you'd like to connect with me, feel free to use my personal email: [laska2@comcast.net](mailto:laska2@comcast.net).

I wish you all the best. Adios, my friends! ~ Judy Jones



## *Advertising Income or Sponsorship Contribution?*

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It is often difficult to determine if the income from a sponsor should be considered advertising income (considered unrelated business income (UBI) and taxable, after appropriate deductions) or a contribution from a qualified sponsor, which is not taxable. In the past, the IRS tried to address the issue by focusing on the nature of the services provided by the organization rather than the benefit received by the sponsor, but has recently clarified its definitions.

Currently, the IRS has clarified what are NOT qualifying sponsorships:

- Any payment if the amount is contingent 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; or
- Any payment which entitles the payor to the use or acknowledgement of its name or logo in regularly scheduled and printed material published by or on behalf of the exempt organization that is not related to a specific event conducted by the exempt organization; or
- Any payment made in connection with any qualified convention or trade show activity. (The term "convention and trade show activity" means an activity traditionally conducted at conventions, annual meetings, or trade shows (IRC Sec. 513(d)(3)(B)).

If any of these payment conditions are met, the revenue should be considered advertising income and taxed as unrelated business income.

It is important to note that acknowledgements at the event do not constitute UBI. These can include sponsor logos and slogans (that do not contain comparative or qualitative descriptions), sponsor website links, value neutral descriptions or sponsor product listing. These cannot include any promotion of the sponsor's products or services. For example, the President of the Board should not stand at the podium and ask all the participants at a fundraising event to "contact Jones & Associates today for the best accounting services in the Puget Sound!" Such a claim would be a promotion of the sponsor's services, making any income from that sponsor likely taxable as UBI.

Another area to watch for is any substantial return benefit. For example, if, in exchange for sponsorship funds, the sponsor receives a free full-page ad in the event program, exclusive right to have their name on all materials that would limit any competitors, free tickets to the event, etc., this substantial return could consistute treatment of the income as UBI and taxable.

Here is a checklist on how to determine if your "sponsorship" is really advertising income that may be subject to UBI:

- Review contracts for sponsorship payments to determine if:
  - The "sponsor" received any substantial return benefit or if payments are contingent upon the level of attendance.
  - The payment entitles the payor to the exclusive use or acknowledgement of its name or logo in periodicals that would limit competitors.
  - The payment is made in connection with any qualified convention or trade show activity.
  - Any other exclusive provider arrangement exists.
- Determine if the use or acknowledgement contains:
  - qualitative or comparative language
  - price information
  - indications of savings or value
  - an endorsement or an inducement to purchase, sell, or use such products or services.

If any of these conditions are met, likely the income should be considered advertising income and subject to UBI. For more information on the IRS rules, see their article, [Advertising or Qualified Sponsorship Payments?](#)

## *J&A Learning Opportunities*

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Over the past couple years we have accumulated a library of webinar videos on various topics related to nonprofit financial health. See if any of these might be helpful to you. The cost is just \$25 for each 2-hour recorded webinar. To purchase, click on the program title:

- [Managing Restricted Net Assets](#) – learn how to capture and properly release restricted and designated funds
- [Internal Controls for Small Organizations](#) – how to develop and adjust internal controls in small operations
- [Nonprofit Finance Essentials](#) – covers the basic nonprofit accounting concepts, terminology and rules
- [Understanding the IRS Form 990](#) – using this public document to tell the true story of your organization
- [Revenue Recognition Standard](#) – how to properly identify and categorize revenue streams under the new standards
- [Board Member Basics](#) – from fiduciary duties to having adequate resources to advance your organization's mission, Board members play a large role in management. This session goes over the potential pit-falls and successes in their role
- [Preparing for the Audit](#) – how to successfully wrap your organization's year, closing the books, preparing for compliance reporting and audits and presenting the year in the best light
- [Nonprofit Expenses](#) – how to properly identify and classify expenses by natural and functional categories
- [Building Better Reports for Users](#) – creating meaningful and understandable financial reports for your organization
- [Budgeting](#) – how to develop a budget process plan and a monthly master cash budget model

- [Nonprofit Reporting Standard](#) – new GAAP guidance on disclosures for net asset classes, investment return, expenses, liquidity and availability of resources and presentation of operating cash flows
- [Financial Leadership](#) – focus on using leadership's role in sustaining sound financial health within your organization

## *We've moved*

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Our new address is: 17544 Midvale Ave N., Suite 100 \* Shoreline \* WA \* 98133

Phones and PO Box will stay the same. Please make note!

## *We're hiring!*

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While the opportunity does not come along often, Jones & Associates is looking for one more experienced CPA to join our team. Please spread the word. For more information, look [HERE](#).

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Should you have any questions about the content of anything in this newsletter, please contact us.

Your dedicated nonprofit team at Jones & Associates PLLC, CPAs,

*Judy, Jennifer, Doug, Adrienne, Stacia and Debbie*

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