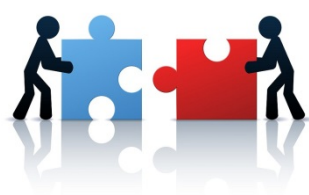


Welcome to the Jones & Associates LLC, CPAs March 2015 newsletter! Feel free to pass it along...

Fiscal Agency v. Fiscal Sponsorship



Established nonprofit organizations often are approached by other projects to perform certain activities on the project's behalf. Perhaps the project is a group of individuals who want to start a new charitable effort, but does not yet have 501(c)(3) status. Or maybe the project does have 501(c)(3) status, but is small and lacks the infrastructure to perform its own administrative functions. Can you help them? What are the legal implications?

There are two different options:

- If you are serving as FISCAL AGENT, then you are acting as a legal agent for a project, but you do not retain discretion or control of the funds. This is commonly seen when a small nonprofit with 501(c)(3) status (project) wants to contract with another organization to provide back office or administrative support. The fiscal agent performs this function, usually for a fee; however, the project has legal control over its activities. The fiscal agent does not include the project's revenue and expenses in its income statement. Donations received are only tax-deductible if the project is tax-exempt.
- If you are serving as FISCAL SPONSOR, then you are accepting charitable donations for a project and ensuring that the funds are properly spent to achieve the project's goals. A couple of key elements under a fiscal sponsor arrangement: the project must further the fiscal sponsor's own tax-exempt purpose; and the fiscal sponsor must have complete discretion and control over the funds. A common example would be a newly formed organization (project) that has not yet achieved tax-exempt status, but wants to begin operations. The project seeks out a larger, established nonprofit with a similar mission to act as its fiscal sponsor, usually for a fee. The fiscal sponsor records the project's revenue and expenses in its income statement. Donations received are tax-deductible under the fiscal sponsor's tax exemption.

One of the biggest risks of fiscal sponsorship is the perception that the fiscal sponsor is merely acting as a conduit for the project. If the IRS determines that the elements of fiscal sponsorship are not present, there can be serious tax consequences, such as the re-characterization of the donations as non-tax-deductible, penalties, and loss of tax-exempt status. To ensure this does not happen, carefully consider any proposals brought to you by projects, determine the type of arrangement that best fits, and prepare a written agreement clarifying the nature and conditions of the relationship.

Health Insurance Options for Small Employers (50 or fewer employees)

Under the Affordable Care Act (ACA), employers with less than 50 FTE's are not required to provide health insurance to their employees. However, many small employers (including nonprofit organizations) want to provide a health insurance benefit for their employees.

If an organization does want to provide health insurance benefits for their employees, including reimbursements and stipends, it must be in compliance with ACA and must meet the required market reforms. If the insurance is not in compliance with ACA requirements, the employer could be subject to additional

If you DO provide health insurance benefits to your employees – make sure it is ACA compliant!

excise taxes (as much as \$100 per day per affected participant).

Here are links to articles that describe this in more detail:

- 1) From the AICPA: <http://www.aicpa.org/Publications/TaxAdviser/2014/January/Pages/clinic-story-04.aspx>
- 2) From the US Dept. of Labor: <http://www.dol.gov/ebsa/faqs/faq-aca22.html>
- 3) From the IRS (in particular, questions #1 and #5): <http://www.irs.gov/pub/irs-drop/n-15-17.pdf>
- 4) For information on health plans, here is a link to the WA State Insurance Commissioner's page for small employers: <http://www.insurance.wa.gov/your-insurance/health-insurance/business-owners/>

The IRS has announced that there will be limited transition relief for coverage sponsored by small employer which does not comply with ACA: no excise tax will be due for 2014 and from January 1 – June 30, 2015; and small employers are not required to file IRS Form 8928 for that time period.

We are the first to admit that we are not employment specialists, we strongly recommend that you reach out to an insurance broker/agent or contact the State for assistance to help guide you through options to ensure that you are meeting the requirements and finding the best option for your organization and employees.

Seattle Minimum Wage Increase



The first phase of the Seattle \$15 Minimum Wage Legislation takes effect April 1, 2015. All employers must pay each employee an hourly minimum wage of at least \$11. Employers with 500 or fewer employees in the U.S. can pay an employee \$10/hour provided other types of compensation (tips, commissions, etc.) as well as employer-paid portion of medical benefits total at least \$11/hour. For employer medical plan payments to be included, the medical benefits plan must be the equivalent of a "Silver" plan or higher as defined by the Affordable Care Act and the employee actually must receive the qualifying benefits.

For more information: <http://murray.seattle.gov/minimumwage/#sthash.UoRCZigK.dpbs>.

2015 Trends to Watch

Last month the National Council of Nonprofits published their 2015 Trends to Watch report, highlighting:

1. The resource squeeze
2. Increased needs in the communities
3. Governments shifting their burdens to nonprofits

To read the full report, go to: <https://www.councilofnonprofits.org/thought-leadership/2015-trends-watch>

* * * * *

To better stay connected on the social media front, "follow" us on LinkedIn and "like" us on Facebook to get regular updates on important topics and events in the area.

"Follow" us on LinkedIn:



"Like" us on Facebook:



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

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

Judy, Scott, Jennifer, Matt, Angela and Debbie

Jones and Associates LLC, CPAs

(206) 525-5170

www.judyjonescpa.com

The subject matter contained in this newsletter is general information that we feel your organization may find useful. Jones & Associates LLC, CPAs is not responsible for misinterpretations, errors or omissions related to the content of this newsletter. Nor are we responsible for its applicability to your personal or organization situation. If you would like to be unsubscribed from this list, please reply to this email with "unsubscribe" in the subject.