

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

Website Advertising and Taxes



There are pros and cons to advertising on a nonprofit organization's website. There are concerns that advertising dilutes the organization's mission and appears that you are endorsing for-profit advertisers. But there is no denial that the additional money from that advertising helps sustain the organization's work.

Website promotions can take the form of sponsorship or advertising. Sponsorships are presented on the site as just the name of the sponsor with no endorsement or "call to action". Advertising has a call to action, such as a link to the advertiser's website of items for sale. Advertising can also be related to the organization's mission; for example, an association that produces a quarterly on-line catalog of member art that is for sale. While the advertising is provided for the benefit of the members, it is still considered a "call to action" that benefits individuals outside of the association and could be taxable.

From a Federal IRS standpoint, sponsorships are not considered taxable income and are included as contributions to the organization. However, advertising is considered taxable and the revenue generated, less the costs associated, is reported on IRS Form 990-T each year.

For more information about the IRS rules regarding advertising and other unrelated business income: <http://www.irs.gov/publications/p598/ch03.html>. At the end of the publication are sections on qualified sponsorship activities and advertising.

If the organization wishes to avoid unrelated business income tax on its activities, it is a best practice to have a vetting process to ensure that the sponsorship income meets established protocol and has a relation to the organization's mission.

Electronic Document Management Systems



Paperless document management is becoming increasingly more important to nonprofit organizations. How do organizations find the best system to maintain good internal controls over new electronic processes that support proper review, authorizations and approvals?

If you search the internet for electronic document management systems you will find many companies that are providing these services with varying degrees of access, security and price. However, your organization may already have some of these systems available.

For example, if your organization uses QuickBooks for its accounting software, it allows authorized documents to be attached to bills and invoices directly. Another example is if your organization uses the Microsoft Office Suite, you may have the option internally to secure and retain authorizations on certain documents. Some versions of Adobe Acrobat also allow for secure electronic signatures that can be retained.

There are many ways your organization can ease into the world of electronic document management. Your organization may want to start with a simple process, such as bill authorization retained in QuickBooks, then progress to larger documents. It is a good idea, however, to check with your auditor any time you implement a new control process.

Hiring a new Bookkeeper?

Hiring a new bookkeeper is a challenge because usually there are no other people in the organization who fully understand what that person does! Consider having the candidates take this test, developed by Blue Avocado: <http://www.blueavocado.org/content/nonprofit-bookkeeping-test>. Don't worry. Blue Avocado gives you the answers and how to evaluate the results too.

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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:



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

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