Happy Holidays! Welcome to the Jones & Associates LLC, CPAs December 2017 newsletter! Feel free to pass it along…

## *Health Insurance: The Rules Have Changed…*

On October 31, 2017, the IRS issued new guidance regarding qualified small employer health reimbursement arrangements (QSEHRAs). Small employers that do not maintain group health plans may establish QSEHRAs for their employees, effective for plan years beginning on or after Jan. 1, 2017. Unlike other health accounts, QSEHRAs can be used to reimburse employees for their health insurance premiums. The guidance also clarifies technical rules for these arrangements, including the requirements that employees provide proof of minimum essential coverage and that employers provide a written notice to eligible employees each year.

To qualify as a QSEHRA, the reimbursement arrangement must meet the following criteria:

- The QSEHRA must be **funded solely by the employer**.
- Employees cannot make their own salary reduction contributions.
- QSEHRA payments or reimbursements must be limited to medical care expenses incurred by the employee or the employee's family members, after the employee provides proof of coverage.
- The maximum amount of payments and reimbursements from the QSEHRA for any year cannot exceed $4,950 (or $10,000 for QSEHRAs that also reimburse medical expenses of the employee's family members). These amounts are adjusted annually for inflation. For 2018, the total amount of payments and reimbursements from a QSEHRA cannot exceed $5,050 ($10,250 for family coverage).
- The QSEHRA must be provided on the same terms to all eligible employees.

Important written notice - An employer funding a QSEHRA for any year must provide a written notice to each eligible employee at least 90 days before the beginning of each year or **by February 19, 2018** (for plan year 2017). For employees who become eligible to participate in the QSEHRA during the year, the notice must be provided by the date on which the employee becomes eligible to participate. If an employer fails to provide this notice it may be subject to a penalty of $50 per employee.

For more information, here is a link to the IRS guidance: Notice 2017-67.

## *Nonprofit Employment Practices Survey*


The new 2017 Nonprofit Employment Practices Survey is out. Produced annually by Nonprofit HR, the survey is intended to provide a snapshot of current employment practices and discuss the economic trends and implications of employment practices in the nonprofit sector. This report includes responses from 420 nonprofits in the U.S. and Canada that serve as a representative sample of the makeup of the sector.

According to the survey results, hiring qualified staff within limited budget constraints continues to be the top talent management challenge for nonprofits for the sixth year in a row. This challenge, along with others that ranked in the top five, can all be addressed through the development and execution of recruitment, retention, diversity, equity and Inclusion (DEI) and other talent management strategies. Nonprofit HR suggests taking these steps:

- Develop talent acquisition, retention and DEI strategies.
- Align your talent strategies with your organization's strategic plan.
- Advocate for an increased investment in talent.

Here is a link to this year's survey: Nonprofit Employment Practices Survey.

## *Q&A with J&A*


We are asked many questions related to financial best practices for nonprofit organizations. We thought we'd highlight a few:

Q: Our Organization's office is closed between December 20th and January 3rd. All the mail we receive during that period is picked up by our Administrative Assistant but not processed until we get back to the office on January 3rd. We have been sending gift substantiation letters to those donors, thanking them for their gift in 2017, even though we do not deposit their checks nor recognize the revenue until 2018. Are we doing that right?

> A: No and yes. The Organization needs to record the revenue for all funds received before the end of the year, even if it is not processed until the following year. An accepted receipt by the Organization should be recognized as revenue in the period in which it was received. You do have the substantiation part correct, though. Any donation received in 2017 should be substantiated for 2017.
>
> A common mistake, however, can occur if the donor writes the check with a December 31, 2017 date on the check and then mails it. The Organization may not receive the actual check until the following year. Be sure to recognize the revenue and the substantiation as of the date **received**, not the date of the donor's check. Even though you may think the donor wants the substantiation to be dated 2017, it really matters little to them, as they can still deduct their contribution in 2017, with documented evidence that they wrote the check in 2017. That is between them and the IRS and the Organization need not be involved.

Q: What are some of the precautions you would advise if we want to transition away from physically signed checks to electronic bill pay?

> A: Technology is making all of our work easier. The time it takes to print out a physical check, find the appropriate people to sign it, then mail it certainly seems antiquated. Electronic bill pay has fewer steps and is in many ways is more secure, as it is confirmed on your bank statement that a check was paid to the proper payee.
>
> When using electronic bill pay, be sure that you have fully developed a system of approvals BEFORE it gets to the point of payment. Some organizations use a system of electronic controls (secured and password protected) to approve payment. Others use a paper-based system. Who actually goes online and pays the bill is not as critical as it is to ensure all the proper approvals have been gained prior to the payment. Once the payment is made, there should be a review of payees and authorized approvals by someone other than the person paying the bills.

## *J&A Learning Opportunities*

The next 2-hour session of our popular J&A webinar training series is" **Internal Controls for the Small Nonprofit**," which will be on January 18, 2018 from 10am to noon. This session covers how to develop and adjust internal controls for small nonprofit organizations. This will be a very informative session that will give you tools to help your organization identify current weaknesses and then design and implement reasonable and adequate internal controls. To learn more about this valuable session, click HERE. To learn about all the topics in our webinar training series, click HERE.

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

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