

Welcome to the Jones & Associates LLC, CPAs April 2014 newsletter!

Who's My Donor??

Donations come from a variety of sources: individuals, foundations, businesses, etc., all of which must be reported to the IRS if they exceed certain amounts. Today, we are seeing more and more of a new class of donations: funds from donor advised funds, currently the fastest growing charitable giving vehicle in the US.

A donor advised fund is a fund set up by a donor with a sponsoring organization. The sponsoring organization then manages the funds and makes distributions over time to nonprofit entities. These arrangements call for the donor to have input on the distribution, but importantly the donor does not have the final say on the distribution – the sponsoring organization does. In the Puget Sound area, a good example of a sponsoring organization that manages donor advised funds is the Seattle Foundation.

When a donation comes from a donor advised fund, the sponsoring organization will include a notification that the payment is from a donor advised fund in the name of the donor. From the IRS perspective, several questions arise: Who is the donor? The sponsoring organization? The original donor? And to whom must you substantiate the donation?

**WHO IS THE DONOR:
SPONSORING ORGANIZATION?
ORIGINAL DONOR?**



"About my loaves and fishes...
could I get a receipt for tax purposes?"

The mechanics of these funds help us answer these questions. Donor advised funds were created to give donors the best

of both worlds. First, they allow the donors to take a tax deduction for the (usually) large amounts they transfer to the funds. Then, they allow the donor to strategically distribute funds over years, all while having a money manager provide input as to how to help preserve the principal and offer donation suggestions.

Not surprisingly, the IRS has decided to place a spotlight on this type of arrangement. The key concept for donors to stay in the IRS's good graces is that the sponsoring organization *must control* the distribution, also known as "variance power". While the donor may advise the sponsoring organization

on what distributions to make, it is ultimately the sponsoring organization's decision. In these situations, since the sponsoring organization is controlling the distribution, the sponsoring organization is the donor.

See the following IRS link for more info on this topic: <http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Donor-Advised-Funds>

Please take some time to discuss these types of donations within your organization. You will very likely want to capture both the donor and the sponsoring organization information in your donor database, giving one a "hard credit" and the other the "soft credit". And you will want to be careful to word your substantiation letters properly for these tricky transactions, always referencing the supporting organization.

Miscellaneous...

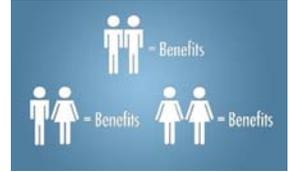


Ten Biggest Mistakes Boards & Executives Make – Here's a great article from Blue Avocado on the pitfalls to watch out for, including limiting your attention

to just your organization and not thinking about succession planning. Have you found that you have lost sleep over any of the issues raised in this article?

<http://www.blueavocado.org/content/ten-biggest-mistakes-boards-and-executives-make>.

Update on Washington Domestic Partnerships - Effective June 30, 2014 most Washington domestic partnerships are automatically converting to marriages. Since the IRS requires additional disclosures for married couples, this change may affect your organization's related party disclosures and how you handle conflicts of interest. For more information on the conversion, see this notice from the Secretary of State:



<https://www.sos.wa.gov/corps/domesticpartnerships/Notice-regarding-same-sex-marriage-and-domestic-partnerships.aspx>

Upcoming Seminar

Our next seminar will be held on June 4th entitled, *The Closing Argument: Can Your Books Withstand the Scrutiny?* More information coming soon....

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. Also, let us know if you have a job posting, program or other event you would like us to add to our website at www.judyjonescpa.com.

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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 LLC, CPAs,

Judy, Scott, Debbi, Jennifer, Christa and Debbie

Jones and Associates LLC, CPAs

(206) 525-5170

www.judyjonescpa.com

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