

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

New United Way of King County Requirements

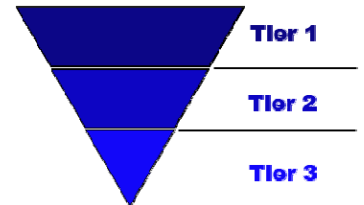
Last month, the Board of Directors of United Way of King County (UWKC) approved revised financial reporting requirements for its grantees.

Basically, there will be three tiers for required reporting:

Tier 1: grantee receives \$200,000 or more of UWKC funding – must have a CPA audited financial statement;

Tier 2: grantee receives between \$50,000 and \$199,999 of UWKC funding – must have a CPA reviewed or audited financial statement; or

Tier 3: grantee receives less than \$49,999 of UWKC funding – an annual IRS Form 990 is acceptable.



This is a significant change from the prior requirements. Previously, the tiers were based on the grantee's annual revenue or specified limits set by UWKC. Now with the tiers based on the amounts received from UWKC, many organizations will no longer need to submit an audit or review.

The submission due date of six months after the grantee's year end has not changed.

The United Way of King County has sent out the new guidelines to each of their FY14-15 grantees and will soon have it available on their website. If you would like a copy, please contact us and we can send it to you.

In-Kind Donations – How To Value?

In-kind donations come in one of three forms: donated goods, donated services or donated facilities. The treatment and valuation of each of these types of donations will be different, according to whether it is for financial statement purposes (governed by generally accepted accounting principles – GAAP) or for tax purposes (governed by IRS rules).

Under GAAP:

- Donated goods are recorded as contributions as of the date of contribution at a reasonable fair value.
- Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the organization. Donated services would be recognized at a reasonable fair value for the services provided, that is, the amount the organization would have paid someone had the services not been donated.
- Donated facilities are generally recognized as contributions at a reasonable fair rental value for the time used.



Under IRS rules:

- Neither donated services nor donated facilities are recognized at all. Only donated goods are recognized and should be recorded at their fair market value (FMV). Many organizations receive donated goods in the form of donated food, program supplies or items for their annual auction.

Both GAAP and the IRS defines the FMV as "...the price that property would sell for on the open market."

In its Publication 561, the IRS outlines how to value and recognize these donated goods. Here is a + link to the publication: <http://www.irs.gov/pub/irs-pdf/p561.pdf>.

Determining the fair value is always subjective and based on a necessary case-by-case evaluation by the organization. Because it is subjective, we recommend that the organization retain a file with its rationale on the valuation of these in-kind gifts.



Miscellaneous...



[New A-133 Audit Requirements](#) - Effective for Federal funds received after December 26, 2014, organizations will be required to account for federal funding under new guidance from the OMB. The largest change is that the limit threshold that triggers a Single Audit has increased from \$500,000 to \$750,000. The Council on Financial Assistance Reform (COFAR) has issued several web-links related to these future changes. To learn more, follow this link: <https://cfo.gov/cofar/>. Stay tuned for a larger article on these important changes in the near future.

[14 Ways to Share Results With Your Donors](#) - In this current environment of full disclosure and transparency, organizations are continually looking for ways to communicate their good work with donors. Here's an interesting article you may find useful: [14 Ways to Share Results with Your Donors](#).

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.

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