

NONPROFIT

Coordinating Committee of New York

Accountability & Transparency

Even an astute and up-to-date nonprofit leader may sometimes feel dizzy these days trying to keep up with all the new management and governance guidelines and best-practices that should be adopted by a well-run nonprofit.

In the past year alone, there have been the recommendations from Independent Sector's Panel on the Nonprofit Sector, bits and pieces from us here at NPCC, continuing fallout from efforts to apply Sarbanes-Oxley to the nonprofit sector, and scores of suggestions from management and governance groups. To make sense of it all, NPCC offers a "checklist" of items that have emerged as definite "to-do's." First, we begin with the Annual Filings required of most nonprofits as legally required insurance coverage. Not all of the items under the Compliance Checklist portion are required by law; all do make sense for nonprofits that seek to increase transparency and accountability. For each, we provide a direct link to sample forms that can be copied and modified to suit your organization. Stay tuned: this checklist will continue to grow. We will update you regularly when new items are added. If you need help with your password, please email mbrown@npccny.org or dpenabad@npccny.org.

Annual Filings

If you've already:

- obtained an EIN (employer identification number) from the IRS: www.irs.gov/businesses/small/article/0,,id=98350,00.html
- incorporated and registered with the New York State, Department of State: www.dos.state.ny.us or www.dos.ny.gov/corps/nfpcorp.html#certinc
- registered with NYS Attorney General (Form CHAR 410): www.charitiesnys.com.
- applied for IRS 501(c)(3) tax exempt status (IRS Form 1023) and received your IRS Determination Letter or advanced ruling letter: www.irs.gov. All organizations that have gross receipts of \$5,000 or more must receive an IRS Determination Letter.
- applied for NYS and local sales tax exemption: New York State Department of Taxation & Finance, Form ST-119.2: www.tax.ny.gov. If the organization owns real estate, it should apply for property tax exemption by filing the Exemption From Real Estate Taxation for Property for Property Owned by Nonprofit Organizations form available at www.nyc.gov/html/dof.

you must file:

- Federal: Beginning in 2007, those with receipts of less than \$25,000 will be required to file IRS Form 990-N (see www.npccny.org/info/gti11.htm). The new Form 990 series returns are effective for 2008 tax years (returns filed beginning in 2009). To allow organizations time to adjust to the new forms, the IRS is phasing in the new returns during a three-year transition period. During the transition, an organization's annual filing requirement depends on its financial activity (see www.irs.gov/charities/article/0,,id=184445,00.html).

Organizations having \$1,000 or more in income from activities unrelated to their tax exempt purpose (UBIT) must file Form 990 T. IRS forms and instructions are at www.irs.gov.

— State: All organizations must annually file a report, CHAR 500, with the NYS Attorney General. Forms and instructions for the Charities Bureau of the New York State Attorney General are at www.charitiesnys.com.

— Audit Requirements: Organizations with gross revenues greater than \$250,000 must undergo a financial audit by an independent CPA. Those with revenues between \$100,000 and \$250,000 must file a CPA's review report. Those with revenues below \$100,000 are not required to retain a CPA, but must submit a financial report certified by its board with its CHAR 500 to the NYS AG's office. See www.npccny.org/info/fi21.htm for more.

Employee Filings & Requirements for Organizations with Paid Employees

— Obtain an Employer Registration Number (ERN) from New York State for reporting unemployment insurance, withholding and wage data. ERN: Download Form NYS-100 from www.tax.ny.gov.

and provide:

— Workers' Compensation Insurance &

— Short Term Disability:

New York State law requires employers to provide short term disability coverage to employees. Many organizations obtain these coverages through the New York State Insurance Fund, although there are alternatives. The State Insurance Fund: www.nysif.com.

— Unemployment Insurance

Payments based on your gross payroll are remitted quarterly to the NYS Unemployment Insurance Division. Nonprofits are exempt from Federal Unemployment Tax. NYS Unemployment Insurance division: www.labor.state.ny.us/ui/ui_index.shtm

and secure or file:

— I-9's: Employees must complete and submit Form I-9, Employment Eligibility Verification, within 3 days of employment to their employers. I-9s are not filed with the U.S. government. Employers are required to retain I-9s for up to 3 years. Go to US Citizenship & Immigration: www.uscis.gov

— W-2s and 1099s: Employers (or their payroll service) must provide W-2s for each employee and 1099s for independent contractors paid \$600 or more in a calendar year. IRS Form 1096 correlates to 1099 information, and Form W-3, Transmittal of Wage and Tax Statements, covers W-2 data. IRS forms: www.irs.gov

— If you have payroll, you must remit Federal and FICA (employer and employee) withholding payments, and NYS/NYC withholdings. The filing frequency is based on the size of your payroll. A reputable payroll service provider can provide this service and will assume the liability for failure to pay withholdings.

Compliance Checklist

[] Create an Audit Committee. The roles and responsibilities of an audit committee are outlined at www.npccny.org/info/fi20.htm.

[] Adopt a Conflict of Interest Policy. NPCC has a memo outlining why a nonprofit organization should adopt a conflict of interest policy along with a template. It's at www.npccny.org/members_only/goi44.htm.

[] Adopt a Document Retention and Destruction Policy. NPCC has a sample at www.npccny.org/info/RecordsRetention.doc.

[] Adopt a Whistleblower Policy. NPCC has crafted a policy that can be adapted by an organization. Download it at www.npccny.org/members_only/Whistleblower_Policy.doc.

[] Adopt an Investment Policy. This draft sample Investment Policy is intended for consideration by a nonprofit that holds only cash equivalents (such as bank deposits) and does not have donor-restricted endowment funds. It is at www.npccny.org/members_only/Investment_Policy.doc.

Additional Resources

- NPCC's checklist, *The Things You Gotta' Do to Start a Nonprofit Organization*, is at www.npccny.org/checklist.htm.
- Independent Sector's website is at www.independentsector.org.
- National Council of Nonprofits: www.councilofnonprofits.org
- The Charities Bureau of New York State's Attorney General website is at www.oag.state.ny.us/bureaus/charities/about.html.
- NPCC's Information Databank has scores of articles on various governance and management topics at www.npccny.org/databank.htm.

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