IRS Work Plan for Exempt Organizations

The 2009 Internal Revenue Service (IRS) Exempt Organization's (EO) work plan was part of the EO's first Annual Report, which includes statistics and other information intended to provide a fuller picture of how the EO conducts its operations. The plan includes accomplishments and planned activities and provides an essential view into the current and emerging trends to the IRS's activities directed at exempt organizations. Highlights of key areas are listed below:

- Improved Service to Achieve Voluntary Compliance
  - > Preparing and helping to file the form 990
- New Fiscal Year 2009 Compliance Initiatives
  - > Charitable spending initiative
  - > Gifts in-kind
  - > Governance
- Ongoing Compliance Initiatives
  - > Colleges and universities
  - > Political Activities Compliance Initiative (PACI)
  - > Hospitals
  - > Community foundations
  - > Form 990 non-filers
- Determinations
  - > Public charity status
  - > Cyber assistant: web-based application for tax exemptions

For our full overview of the plan, please visit our website at www.loebandtroper.com/publications. For further information, please contact Frederick H. Rothman, CPA, JD, LLM, Director of Tax Services, at frothman@loebandtroper.com.

SHORT SUBJECTS

SPEAKING ENGAGEMENTS

Financial Managers Assoc. of Rehab Facilities of NY
Not-for-Profit Accounting & Audit Update
David M. Rottkamp, CPA, Partner
May 6, 2009
Making & Managing Surpluses in OMRDD Programs
Brian O'Reilly, CPA, Partner
May 7, 2009

Foundation for Accounting Education 2009 Expo
The New Form 990 and NFP Accounting Updates
Allan M. Blum, CPA, Partner
May 13, 2009

Home Care Association of New York State
Refocusing Ourselves – An Internal Review May Be the Starting Point
Nancy Lisy, RN, Senior Health Care Consultant
May 18, 2009

INDUSTRY CONFERENCES

New York State Association of Independent Schools
Business Affairs Conference
May 6–8, 2009
New Paltz, NY

Home Care Association of New York State
Annual Conference
May 18–20, 2009
Booth #36
Saratoga, NY

New York Association of Homes & Services for the Aging
2009 Spring Training Institute and Exhibition
June 1–3, 2009
Saratoga, NY

SAVE THE DATE

Loeb & Troper's Annual Not-for-Profit Industry Conference is set for June 23, 2009. Please visit our website for updates: www.loebandtroper.com.

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LOEB & TROPER LLP

Insights

for Not-for-Profit Organizations

Spring 2009

LOEB & TROPER MARKS ITS 90-YEAR ANNIVERSARY

Operating a Not-for-Profit Organization in an Economic Downturn

Joseph Blatt, CPA, Partner, works closely with not-for-profit clients in all aspects of accounting and auditing areas in addition to various managerial and consulting activities, such as accounting controls, accounting policy and procedure manuals, board advisory, budgeting, and cash flow forecasting. Mr. Blatt has specific expertise with respect to private schools and OASAS agencies.

Against a backdrop of a global economic downturn, the collapse of investment banks, historic investment fraud schemes, and state and federal budget cuts, it becomes a mammoth task to operate a healthy not-for-profit organization. The effects of this environment on not-for-profits continue to emerge. Not-for-profits face many of the issues that their for-profit brethren face, including reduction in available credit, reduction in investment income and assets, cash flow concerns and increased fraud. But not-for-profits also have the added burden of facing unique issues, such as reduction in grants, funding streams and contributions.

While it is not an easy time to operate any organization, we believe that it is a time to ensure that best practice approaches are implemented in order to maintain viability in this environment and into the future. This is particularly true for not-for-profit organizations that provide vital services to the community and may be relied upon more heavily in this environment.

> . . . not-for-profits also have the added burden of facing unique issues . . .

Through our work with thousands of not-for-profits, we are uniquely positioned to create a framework that will help not-for-profit executives and board members successfully navigate the current environment. We are recommending that executives and board members review the following outline and incorporate relevant steps into both strategic planning initiatives and daily operations.

I. OPTIMIZE REVENUE AND FUNDING SOURCES

It is always important to ensure that revenues and funding sources are optimized; however, in this environment, it becomes imperative. From making it easy to accept donations to taking a hard look at programs to ensure viability, now is the time to prioritize all revenue streams. Areas of consideration should include:

- Evaluating all programs to ensure viability
- Board involvement in seeking out new fund sources
- Donor outreach programs, including restricted funds
- Optimizing all grants/contracts (vis-à-vis administrative percentage)
- Accepting on-line donations
- Enhancing the board of directors
- Reaching out for "legislative member items"

INSIDE:

We are also advising our clients to be cautious when entering new programs. All programs have start-up costs and these may not always be absorbed by the grantor or funder. Additionally, it is essential to ensure that the funding stream is sufficient to perform the objectives of the program and support the cash flow.

II. STRATEGIC BUDGETING

There is a natural instinct to identify quick and easy cost containment opportunities in an environment as difficult as this one. However, we are strongly recommending that not-for-profits undertake a strategic budgeting approach. Within a strategic review, there may be opportunities for some quick and easy cost containment, such as emailing communications instead of printing and mailing materials, but it is essential that the impact of any cost containment is understood and planned for accordingly. For example, it is imperative to understand the direct and indirect costs of each program and what impact will result in any reduction of services. We have also helped to establish more innovative and fruitful opportunities to rein in costs without impacting program activities, including use of collective bargaining agreements, conducting utility audits and distributing communications electronically instead of via hard copy. It is also essential to continue to plan for the future and ensure the long-term viability of your organization. Allow department and division heads to take ownership of their budgets. Encourage them to look at all costs and make suggestions about cost savings. By reaching out to staff and soliciting suggestions, you may be surprised at some of the effective suggestions you may receive. We are suggesting to clients that they consider reviewing some of the following areas:

i. Analyze direct and indirect costs of each program
ii. Conduct utility audits
iii. Benchmark key expenses against your peers
iv. Contingency planning
v. Use of technology to mitigate costs
   - Email vs. printing
vi. Reduce or eliminate 403(b) pension plan costs
vii. Use "associations" to develop shared vendor agreements
viii. Strategic partnerships with other organizations
   - Shared services
   - Subcontract services
   - Outsourcing
   - Joint ventures
ix. Renegotiate debt and leases
x. Active expense management
   - Limit overtime pay
   - Enhance productivity
   - Revisit discretionary spending
     a. holiday parties
     b. food at meetings
     c. car leases
   - Vacation caps
xi. Zero-based budgeting
xii. Operational reviews
xiii. Downsizing effect on program/service delivery
xiv. Revisit special events, e.g., scroll vs. journal

. . . there may be opportunities for some quick and easy cost containment, such as emailing communications instead of printing and mailing materials, but it is essential that the impact of any cost containment is understood and planned for accordingly.

III. MARKETING, COMMUNICATIONS & TRANSPARENCY

Remaining top-of-mind with all stakeholders is crucial in this environment. Whether you are securing lending relationships with banks, developing fundraising programs or negotiating terms with vendors, it is imperative that you are visible, transparent and that you demonstrate your organization is viable. It is not a time to hide out and leave your messages to fate. Ensure that those around you are aware of your accomplishments. Key audiences should include:

- Employees
- Lenders
- Vendors
- Donors/funders
- Board members

IV. BOLSTERING KEY GOVERNANCE AREAS

This environment creates a perfect opportunity to bolster key governance areas. With fraud on the rise and an investment marketplace that most people have not experienced, there is a real need to ensure that governance in your organization is prioritized. Position your organization to mitigate or avoid improprieties, both external and internal. Key areas for review should include:

i. Investments
   - Reassess portfolio for risk tolerance
   - Inventory of assets that can be liquidated
   - Address underwater assets
ii. Internal Controls
   - Consider the internal controls environment prior to eliminating and reassigning fiscal duties to others within the department. Ensure that mitigating controls are put into place.
iii. Reporting

V. CREATING OPPORTUNITIES

Like every other market condition, there are always opportunities. We are suggesting that not-for-profits be creative and think outside of the box to determine how this environment might create an opportunity. From considering new talent from outside the not-for-profit sector to demonstrating that your organization's services are vital to the economic recovery, including stimulus funding, there will be a silver lining for those organizations that take a proactive approach to this climate. Areas of opportunity may include:

- Use of volunteers
- Recruiting talent from for-profit sector
- Sale of real estate or other assets
- Acquisitions/mergers
- Marketing any positive activities (i.e., using 990 narratives to stand out from competition)

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Every not-for-profit organization will have a unique set of circumstances that influence the operating style in this environment. However, the information contained in the framework above can serve as a starting point. If you would like to discuss your specific situation and how Loeb & Troper can help, please contact Joseph Blatt, CPA, Partner, at jblatt@loebandtroper.com.

Loeb & Troper Launches New Website

After recently creating a new brand identity that showcases the firm's specialized industries — not-for-profit, health care and special needs — Loeb & Troper has extended its new identity to its website (www.loebandtroper.com).

"In addition to creating a look and feel that is consistent with our new visual brand, the site will also become a source of key information for clients and industry colleagues," says David Adest, Managing Partner. "Our strategy for the site is to create a communications center that focuses on the issues that are unique to not-for-profit, health care and special needs organizations. We plan to populate the site with regular industry publications and to showcase our growing Webinar program. It will create a consistent source of information that is relevant to our client base," says Adest.

The site was designed to allow the visitor to view information through a multitude of access points, including:

- Specialized industry segments: not-for-profit, health care, special needs
- Core capabilities: audit, tax, consulting
- Issues and Insights: publications and events
- Press releases
- Careers
- Partner profiles
- Firm overview

The site also permits on-line registration for the firm's events and includes an on-line submission form for organizations who wish to submit a request for proposal (RFP) electronically.

The new site goes beyond the traditional approach of other sites in its category by reflecting the firm's long-standing reputation for providing a high level of customer service, providing a level of expertise and knowledge to each engagement that incorporates its specialized industry knowledge, and for its commitment to its staff.