

WINDES NONPROFIT ADVISOR



The [Windes Nonprofit Advisor](#) is a periodic technical publication focusing on the tax, regulatory, and accounting issues confronting nonprofit organizations.

The [Windes Nonprofit Group](#) possesses extensive experience in preparing and reviewing more than 150 Forms 990, 990-T, 990-PF, and state tax-exempt forms, in addition to having experience in the preparation and filing of both federal and state tax exemption applications for public charities, private foundations, and other exempt organizations. Furthermore, we can assist in providing valuable guidance (governance / reasonable compensation documentation / public support test / special events / lobbying / transactions with related parties) to nonprofit organizations.

The Windes Nonprofit Group prepares audited financial statements and ERISA audits for more than 170 nonprofit organizations. For retirement plans, Windes has experts on staff for 403(b) plan administration and compliance, including plan document issues, Form 5500 preparation and filing, non-discrimination testing, and government compliance programs.

Our [Nonprofit Team](#) is composed of the following individuals who are dedicated to providing nonprofit organizations with high-level tax, regulatory and accounting consulting, tax compliance services, and financial statement audit and assurance services:

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THE NEW FEDERAL AUDIT CLEARINGHOUSE

INTRODUCTION

In October 2023, the General Services Administration launched the new Federal Audit Clearinghouse. All single audit submissions must now be submitted using the [new system](#) beginning October 1, 2023. As a reminder, organizations that expend more than \$750,000 of federally sourced funds during a fiscal year are required to have an audit performed under Uniform Guidance and to complete a submission regarding their federal awards to the Federal Audit Clearinghouse.



REASONS FOR THE NEW SYSTEM

The Federal Audit Clearinghouse is a system that federal grantees and grantors must use to submit and review audit data and resolve audit findings. There are over 40,000 such audits carried out every year. It is a highly visible system used by agency customers and tens of thousands of public users. The goal of the new system is to establish an infrastructure that can be continually upgraded, automate processes that will save auditors and recipients time and money, seamlessly integrate with other relevant systems, and ensure that the data submitted is easily accessible. The new platform is designed so that enhancements and modifications can be easily and frequently performed as needed.

CHANGES UNDER THE NEW SYSTEM

Those familiar with the process for submitting audits will find that the new system is user-friendly, if a bit quirky, initially. The new platform takes some time to familiarize yourself with. The login requirements have changed and will ensure more security for the system and participants. All organizations are now required to have a Unique Entity ID (UEI) to submit an audit.

As auditors, we have found that the process for reviewing data entered into the system before submitting our certification has had to change. Reviewing the data in the system is not as easy as it used to be, primarily due to familiarizing yourself with the new system. We'd recommend that all organizations give themselves extra time and start the submission process early to ensure that no time deadlines are missed due to the necessity of learning a new system. Thankfully, historical FAC records can continue to be found in the [old system](#).

TRANSITION FLEXIBILITY

Due to the change in systems, some concessions have been granted to auditors and auditees during the transition to the new system. Under current rules, an audit must be submitted to the Federal Audit Clearinghouse within 30 days after the receipt of the auditor's report or risk being determined a "high-risk auditee." This requirement is currently waived for auditees that have fiscal years ending between January 1, 2023, and September 30, 2023, as long as they are submitted within 9 months of the fiscal period end date. This will allow auditees extra time to get their submissions into the new system without any consequences for delays incurred.

CONCLUSION

The new system is in place, and organizations and auditors should be sure to give themselves plenty of time to familiarize themselves with the new interface. Ultimately, the new system promises to be an excellent platform to maintain a secure and frequently updated resource for the users of the Federal Audit Clearinghouse.

[Connect with Windes](#) today if you need assistance with an audit or complying with the new Federal Clearinghouse requirements.

For more information or questions about this article or to find out how [Windes can assist](#), please contact our [Nonprofit Team](#) at nonprofit@windes.com.

This article was written by Windes Nonprofit Group Leader Mike Barloewen.



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CHARITIES HAVING CREDIT CARD TRANSACTIONS DECLINED

As a result of California Assembly Bill 488 (CA AB 488), online payment platforms are required to confirm that charities are current in their status with the IRS, Franchise Tax Board, and Registry of Charitable Trusts. Some charities have recently seen credit card transactions being declined because of a delinquent status with the California Attorney General's Registry of Charitable Trusts (the agency to which the Form RRF-1 Annual Registration Renewal is filed).



The Registry recently issued a report, "Charities May Not Operate or Solicit for Charitable Purposes," which provides a list of all entities that are delinquent (or suspended or revoked). This report appears to be a resource used by online payment platforms to determine if payments must be declined to a particular charity.

<https://oag.ca.gov/charities/reports>

We advise that all charities immediately check their Registry Status with the Registry of Charitable Trusts (the Registry). To do this, you can use the Registry search tool to look up your organization at:

<https://rct.doj.ca.gov/Verification/Web/Search.aspx?facility=Y>

The "Registry Status" is posted at the top of the page, and you can view the status of prior filings below. If any particular filing has an issue, the reason should be described there as well (e.g., "IRS Form 990 missing").

To inquire about a delinquency, you should email delinquency@doj.ca.gov. Missing forms can be emailed to this address. Include in the email the organization's full name and either the EIN, CA Secretary of State ID, or Charitable Trust (CT) ID. The registry does not operate a call center to discuss delinquencies with a representative over the phone.

The Registry also has an online submission portal, where organizations can submit the RRF-1 and 990 copies and make online payments. Organizations are encouraged to utilize this new feature to avoid filings and payments being lost in the mail. Registration is not immediate, as there is a verification code that must be obtained.

<https://oag.ca.gov/charities/online-renewal-checklist>

We also advise that all charities check their status with the following agencies:

- IRS Tax Exempt Organization Search – <https://apps.irs.gov/app/eos/>
- California Franchise Tax Board Entity Status Search – <https://webapp.ftb.ca.gov/eletter>
- California Secretary of State Business Search – <https://bizfileonline.sos.ca.gov/search/business>

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OMB PROPOSED REWRITE OF UNIFORM GUIDANCE

In September 2023, the federal Office of Management and Budget (OMB) released its [proposed rewrite](#) of the Uniform Guidance. The proposed changes would affect all nonprofit organizations receiving federal funding. The proposed changes are intended to reduce the burdens on recipients of federal funds and clarify some areas that currently have multiple interpretations by simplifying the language used.



UNIFORM GUIDANCE

The Uniform Guidance was established in 2013, in part, to consolidate 8 federal circulars into a single document. It was established to provide guidance on administrative requirements, cost principles, and audit requirements as it relates to the expenditure of federal awards. It was last revised in 2020.

Proposed Changes Affecting Nonprofit Organizations

The proposed changes include a number of positives for the nonprofits that receive federal funding. Among them include:

- Increasing the equipment threshold from \$5,000 to \$10,000
- Increasing the single audit requirement from \$750,000 to \$1,000,000 of federal funds expended during a year
- Increasing the indirect de minimus rate from 10% to 15%
- No longer requiring English to be the language used in applications and reporting

There are also plans to improve the Notice of Funding Opportunities to reduce the application burden for recipients of funding. The rewrite also proposes to remove some of the prohibitions surrounding geographic preference in selecting vendors. Additionally, to ease the application process, a proposal to remove prior approval requirements for a number of costs has been included. Another positive coming from the proposed rewrite is that all entities would have to adopt the indirect de minimus rate, which some pass-through entities currently do not grant to the final recipients of funding.

PROPOSED CHANGES AFFECTING AUDITORS

Nonprofit auditors will also be affected by some of the proposed changes. The proposal includes an expanded definition of questioned costs and adds requirements for auditors when there are multiple recipients of federal funding included in a single audit. Specific audit requirements pertaining to for-profits, not included in Subpart F, are also being established in the proposal.

Potentially, these proposed changes are very exciting for the nonprofit industry, with the promise of making applying for federal funds, spending, and reporting, less burdensome. Another exciting aspect is that the rewrite includes mechanisms to auto-increase thresholds for inflation.

The implementation date has yet to be determined by the OMB. Its process for receiving comments from industry and affected parties concluded in December 2023, and the OMB will begin the work of sorting through those comments to consider if any changes to the proposed guidance are warranted.

Be sure to work with your audit team to stay abreast of these changes as they are implemented and find out how your organization may be specifically affected.

For more information or questions about this article or to find out how [Windes can assist](#), please contact our [Nonprofit Team](#) at nonprofit@windes.com.

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Our team understands the multiple drivers that contribute to your nonprofit's long-term success. We believe both strategic planning and risk management are key to maximizing value for your stakeholders, e.g., students, patients, association members, donors, and countless other deserving beneficiaries under your mission. Our audit, tax, and advisory teams are committed to helping your organization achieve success in a smart, cost-effective manner.

Windes embraces the legacy of nearly a century of unwavering commitment to professional excellence, personalized client service, and innovative business solutions. Drawing inspiration from our rich history, we forge a path towards a promising future fueled by the visionary leaders and remarkable clients that have shaped our journey.

Our approach combines the personalized touch of a boutique firm with the expertise and resources of a global powerhouse, ensuring that our clients receive an outstanding experience tailored to their specific needs.



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