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In This Issue:

What Credit Card Chip Technology Means For Merchants And Consumers

Nonprofit Governance - A Focus On Executive Compensation



WHAT CREDIT CARD CHIP TECHNOLOGY MEANS FOR MERCHANTS AND CONSUMERS

The use of credit cards has long been a staple for consumers and merchants alike. However, beginning October 1, 2015, credit card use began to change due to the nationwide migration to EMV technology. EMV, which stands for "Europay, MasterCard and Visa," is a technical standard designed to ensure that microchip-embedded payment cards are compatible with the terminals of merchants who accept them. Rather than reading the magnetic strip on the back of a card, payment processing systems will read the microchip on the front. Consumers will notice credit card companies and banks have begun mailing new cards to their customers with the microchip technology.

The change to EMV technology aims to significantly reduce fraudulent purchases using counterfeit credit cards. The current method of reading the magnetic strip on the back of credit cards can be easily duplicated by fraudsters. The microchip is much more expensive and difficult to duplicate which will reduce the opportunity for fraud.

In order to incentivize merchants into integrating the EMV technology into their point-of-sale systems, the major card associations have announced a shift in fraud liability. Beginning in October 2015, the merchant, not the issuing bank, will be liable for counterfeit card transactions if the

merchant receives a fraudulent chip card but has not installed an EMV-capable terminal.

October 1, 2015 was a soft deadline for introducing the EMV technology as many merchants do not have the necessary equipment installed and some banks have not issued microchip-embedded cards. However, the credit card networks, Visa, Discover, MasterCard, and American Express, are front-running the liability shift and are using this deadline.

While EMV technology is the right step in fraud protection, it is only effective in in-store purchases. There are no changes for online payments and EMV enabled credit cards will be just as vulnerable as the magnetic strip counterparts. Therefore, consumers and merchants alike will need to continue to take certain precautions when it comes to online transactions.



By Justin Forster,
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THE VAST MAJORITY OF NONPROFIT BOARDS
FOCUS ON THE NEED TO RAISE SUFFICIENT FUNDS
TO HAVE A SALARY STRUCTURE THAT ATTRACTS
AND KEEPS THE HIGH LEVEL OF MANAGEMENT
THAT TODAY'S BUSINESS ENVIRONMENT REQUIRES.



NONPROFIT GOVERNANCE - A FOCUS ON EXECUTIVE COMPENSATION

Today's nonprofit organizations face a variety of complex mission and regulatory concerns that require strong leadership skills and experience. Attracting and keeping the right people to manage the organization and work with board members to achieve the organization's mission is one of the most important responsibilities of the board.

Compensation for these purposes includes all cash and non-cash compensation including salary, bonuses, severance pay and deferred compensation plans. In addition, payment or reimbursement of insurance premiums, tax payments or certain other expenses, most fringe benefits, whether taxable or not, and imputed interest on loans also need to be considered in determining the reasonableness of executive compensation.

Form 990 requires that a description of the process used to approve executive compensation in Section VI. The instructions recommend a process to determine that compensation is "reasonable and not excessive".

The guidance focuses on the Board's fiduciary responsibility and requires three steps:

1. Arrange for an independent body to conduct comparability review. Usually this will be assigned to a human resource, compensation or in some cases an executive committee. The person receiving the compensation should not be a part of this review.
2. Look at the comparable salary and benefits data, from surveys or other sources, to determine what similar organizations in similar geographic areas pay their executives. This information is easily accessible on line through programs such as Guidestar since the Form 990 of all nonprofit organizations are available for public inspection.
3. The process needs to be documented, including the resources used, the individuals consulted, when compensation is determined and the approval of the full Board.

These disclosure requirements are spelled out in IRC Section 4958 which provides for a "rebuttable presumption" that compensation is reasonable. Nonprofits should be familiar with these requirements when developing and implementing policies for executive compensation.

There are three requirements that must be met to rely on this presumption; approval in advance by an authorized body, reliance on comparable data and documentation.

An authorized body usually would be the board of directors or trustees but may also be a group authorized by the board such as the executive or compensation committee. None of the members of the group making the compensation decisions can have a conflict of interest including any financial interest that might be affected by the transaction. Smaller organizations will generally want the entire board to give the final approval for executive salary and benefit terms while larger organizations may delegate this responsibility to a committee.

Taking into consideration the members' knowledge and expertise, the board needs to have enough information to determine if the compensation is reasonable or, if it is a property transfer that it is made at "fair market value." The relevant information for compensation and benefits might include comparable salary levels paid for comparable positions for local organizations, both taxable and exempt, current information regarding organizations of similar size and function in other areas, and salary surveys from published sources or independent trade organizations.

In order to be considered "adequately documented concurrently with the determination of the compensation" the records should note all of the following:

1. The terms of the compensation and the date of approval.
2. The members of the authorized body present during the debate and those voting or abstaining.
3. What comparable data was considered and how it was obtained.
4. Actions taken by any member of the Board who had a conflict of interest.
5. If the reasonable compensation differed from the comparable values considered, the basis for making that decision.

"Excess benefit transactions" under these IRS sanctions and guidelines are the exception not the rule. The vast majority of nonprofit boards focus on the need to raise sufficient funds to have a salary structure that attracts and keeps the high level of management that today's business environment requires. Never the less, all boards can benefit by adopting policies that conform to these practices.

“Today's nonprofit organizations face a variety of complex mission and regulatory concerns.”



By Marilyn Pendergast,
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NOT-FOR-PROFIT INDUSTRY INSIGHT

With the increasing complexity of laws and regulations, it's important for associations, foundations, charities, hospitals, schools and other tax-exempt entities to seek out professionals with extensive experience in nonprofit compliance issues. We understand there are many challenges affecting the industry and provide the attention needed to help clients stay focused on their job at hand.

UHY LLP's National Not-For-Profit Practice offers comprehensive audit and assurance, tax planning and compliance and business advisory services to meet the unique, complex needs of nonprofit organizations. These types of specialized services, which cut across the traditional service lines, demonstrate our philosophy of skilled professionals integrating industry expertise with technical services.

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