



A Message from Ned and Brooke

Accounting and tax issues related to special events

If net tuition revenue is decreasing each year due to declining student enrollment or increasing financial aid need, Schools may want to consider increasing or implementing special events to raise funds. Examples of special events include golf tournaments, auctions, dinners, galas or balls.

Under FASB ASC 958-225-45-17 the presentation of special events on your financial statement will depend on the nature of the special event. If the special event occurs every year and is considered a major event the School should report the gross revenues and expenses of those activities. If, however, the event is not an essential part of the School's usual activities or if the gross revenues are not significant to the School's budget, then the School may report net amounts. Only direct costs, however, can be netted against receipts.

There are three possible methods to display ongoing special events that are considered significant to the School's budget:

1. Direct benefits to donors displayed on a line below gross revenue from the special event.
2. Special event revenues reported as part exchange and part contribution.
3. Direct benefits to donors displayed as a line with other expenses.

The cost of the ticket to a special event has to be broken out to determine the donation amount. For a dinner, the School should be aware of what the value of the meal is upfront. Therefore, if a person donates \$300 for the fundraiser dinner and the value of the meal is \$100, then the donor can only deduct \$200 on their tax return.

Please don't hesitate to call if you have any questions.

Ned McCrory and Brooke Rossi
Private School Practice Group
Batchelor, Frechette, McCrory, Michael & Co.

THINGS TO KNOW

Documentation necessary to provide to donors:

- Items donated for an auction that have a fair market value of \$250 or higher should be acknowledged by the School in a letter containing required language stating that no goods or services were received in exchange for the donation. The School, however, should not put the value on the acknowledgement letter because the donor is responsible for valuing the donated item.
- Items purchased via auction should be acknowledged as well, and the \$250 rule again applies. This letter should explain how much of the purchase price is for the goods and services received and how much is the excess of that amount, in other words, which amounts are deductible and non-deductible.



Randy Rossi, Finance Director for Town of Smithfield and Brooke Rossi at The Rocky Hill School's 17th Annual Fall Classic Dinner Auction.



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How does this relate to the School's 990 preparation?

- » If a School reports more than \$15,000 gross receipts from fundraising and special events during the year, they are required to report additional detail on Schedule G.
- » On the Schedule G, the two largest fundraising events with gross receipts higher than \$5,000 are required to be reported. Other events over \$5,000 are combined into another column, "other events."
- » On line 2A of the Schedule G, the School must check yes if at any time during the year it had an agreement with another person or entity in connection with professional fundraising service. For example, a School that had a written contract with a business to supply printing and mailing services would report that agreement if the business also provided to the School professional fundraising services such as strategy mailing.

Return Service Requested