



NOT-FOR-PROFIT NEWS

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Are You Following Best Practices Guidelines for Your 403(b) Plan?

By: Yash Ruparelia, Accountant

Employee benefit plans fall into two broad categories: welfare plans and pension plans. The pension plans are then split into defined contribution plans and defined benefit plans. Under a defined contribution plan, participant's benefits are limited by his or her contributions into the plan and accumulated earnings. A defined benefit plan defines the benefits through the plan design. For example, a defined benefit plan will typically define the pension benefit based on compensation over some period of years with the employer and a percentage which will vary with length of service with the employer. For now, we will focus on the defined contribution plan, specifically on 403(b) plans which are sponsored by a litany of organizations such as hospitals, churches, charitable organizations, governmental organizations and public schools.

403(b) plans are governed by ERISA in generally the same way as most other defined contribution retirement plans. There are, however, key differences in the rules for 403(b) plans and it is important to keep them in mind.

Formation and Documentation

Like all other ERISA plans, 403(b) plans must be in writing. A key difference between a 401(k) plan and a 403(b) plan is that a 403(b) plan is not limited to a single document. All of the documentation taken together covers the rules governing the operation of the plan and the management of plan assets. A 403(b) plan can have multiple providers.

Eligibility

403(b) plans do not have specific eligibility standards; rather they must be universally available. This is to say that nearly every employee of the organization has the right to participate in the plan and must be notified of that right. There may be exceptions in the cases of students or employees who work under 20 hours a week, however, the general rule is universal availability.

Non Discrimination

A third key difference is that 403(b) plans only have to adhere to the Actual Contribution Percentage (ACP) test. The ACP test compares the match rate (matching contributions received divided an employee's compensation) of non-highly compensated employees against the match rate of highly compensated employees. To contrast, a plan such as a 401(k) must adhere to the ACP test as well as the Average Deferral Percentage (ADP) test. Compensation is defined within the 403(b) plan, but is limited by the IRS to \$265,000 in both 2015 and 2016 as a measure of determining benefits.

As different as they may seem, 403(b) plans and their administrators are subject to many of the same requirements that other defined contribution retirement plans must adhere to. The plan administrators of 403(b) plans are subject to titles I and II of ERISA which state that the administrators must operate the plan for the benefit of participants and their beneficiaries, otherwise known as fiduciary duty. While the plan administrator has fiduciary duty, he or she may contract with a third party to handle the plans operations. It is important to remember that this does not transfer the fiduciary duty of the plan administrator to the third party performing the functions assigned to it. 403(b) plans are subject to the Pension Protection Act of 2006 and are required to obtain a certification of funded status no later than October 1st. Finally, 403(b) plans are required to be audited if they meet the definition of a large plan, generally defined as a plan with more than 100 participants at the beginning of the plan year.

To aid our clients in ensuring that they meet the requirements for operating their retirement plans, we offer our clients a plan administrator checklist that contains ERISA and DOL requirements. Please contact your RINA representative if you would like a copy of the administrator checklist.



How Can Free Software Benefit Your Nonprofit?

By: Michael Critch, Senior Accountant

Nonprofit and charitable organizations play a vital role in the economic and social well-being of our communities, state, and nations. Unlike for profit organizations, nonprofit corporations are created by the people and for the people, in order to help achieve a common purpose. While this purpose varies greatly from one organization to another, all nonprofits are subject to overhead costs. As we continue to move into the digital age, one overhead cost that continues to increase is the business software expense, of which can be challenging for small nonprofit organizations with limited funds. In order to combat the increased expense, many companies have begun to offer free software to meet the needs of small nonprofits, allowing them to spend money in a manner that has a more direct impact on their mission. While there may exist innumerable “on the house” applications available to meet your organization’s needs, I have taken the time to research a few that may be beneficial to you.

GnuCash

GnuCash is a free open-source accounting program that was initially released in 1998. While it still looks like a program that was designed in the 90’s, it performs many of the same duties as QuickBooks. It has the essential features accountants are used to including: bank account reconciliation, chart of accounts maintenance, full general ledger maintenance, accounts receivable, billing, all of which are available to be exported in XML format for us excel nerds. Although there are countless wonderful functions enabled within GnuCash, the free software is undoubtedly subject to limitations. GnuCash is limited to a single user, doesn’t allow for integrated payroll, offers no inventory tracking, and isn’t supported by one particular company. While this software has its limits, it may offer a great initial accounting platform for your budding nonprofit organization.

Front Accounting ERP

For those looking for more advanced accounting software,

Front Accounting ERP is another free open-source accounting program that may meet your complex requirements. Front Accounting ERP is much more robust than GnuCash. Front Accounting has taken full advantage of their open-source roots and allowed third party developers to create additional innovative modules, all at no cost to you. Front Accounting will perform just about any function QuickBooks performs, including integrating with your current programs in order to streamline your accounting process. This software is an incredible QuickBooks alternative.

Office 365

Yes that’s right, Microsoft Office donates their products to nonprofit companies. Microsoft offers their Office 365 Nonprofit Business Essentials programs to nonprofits free of charge. This package comes with online versions of Office (desktop available for a small fee), file storage and sharing of up to 1TB, business-class email up to 50GB, unlimited online meetings, intranet site for your teams, and many other features that may benefit your organization.

Open Office

In this day and age it’s hard to get any work done without Microsoft Office Suite. Open Office was created as a gratis open-source platform designed to be your Microsoft Office replacement. Open Office performs all the functions you would use Microsoft Office Suite for, at no cost to you. There are some down sides to this program though. While it supports just about any document format you could want, opening the same document in a Microsoft program may cause difficulties.

GnuCash, Front Office ERP, Office 365, and Open Office are just a few of the free programs available to help your nonprofit flourish. So next time you are in need of a new program, do not forget to explore the free options, or contact RINA accountancy corporation and we will be happy to help.



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