



MANS&C

The Massachusetts Association of Nonprofit Schools and Colleges



PRESIDENT'S LETTER

Lessons from the IRS on Compliance and Compensation

The recent IRS report on college and university compliance held important lessons for nonprofit schools, colleges and universities – and some troubling implications.

In 2008 the IRS sent questionnaires to 400 randomly chosen colleges and universities and then selected 34 for further study. They were singled out because their responses and Form 990 reports indicated noncompliance in the areas of executive compensation and unrelated business taxable income (UBTI).

As a result, 90 percent of the colleges that were examined faced increases in their UBTI that totaled about \$90 million. More than \$170 million in losses and Net Operating Losses were disallowed, which could amount to more than \$60 in assessed taxes.

In addition, the report found that nearly 20 percent of the colleges had violated the rules for reporting executive compensation of their chief executives, due to errors in their comparability ratings.

Believing its findings are only the tip of the iceberg, the IRS plans to expand its investigations into the nonprofit sector, including nonprofit schools.

These findings are even more disconcerting in light of the large number of recently filed bills on Beacon Hill that would impose PILOT programs on our institutions, erode our Dover Amendment rights and increase tax reporting requirements.

The IRS findings will only add fuel to the fire for legislators and community leaders who believe our institutions are not paying their fair share.

MANS&C Legislative Counsel John J. Spillane is our champion at the State House, where he speaks out on bills that attack our historic independence and shares the social and economic benefits nonprofit schools, colleges and universities provide to our communities,

Meanwhile, on the local level, we must re-double our efforts to educate our communities about the negative effects these bills would have on our institutions and the local economy.

The pressure on our institutions is not going away. By working together, however, we can protect our independence and our future.

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MANS&C Legislative Counsel Testifies before Revenue Committee



MANS&C Legislative Counsel John J. Spillane recently presented testimony against two bills that would have detrimental effects on nonprofit schools, colleges and universities in Massachusetts.

At a hearing of the Joint Committee on Revenue on May 7, Spillane opposed House Bill 2586, which would place a 2½ percent tax on endowment funds in excess of \$1 billion. He also stated MANS&C's opposition to House Bill 2678, which would place additional, burdensome tax reporting requirements on nonprofit colleges and universities, and their trustees or directors.

Regarding House Bill 2586, Spillane pointed out that donors make financial contributions to nonprofit educational institutions because they want them to grow and thrive. Donor support also is an economic driver for the local economy.

If they know their donations will be eroded by an annual tax, donors will most likely direct their contributions to out-of-state institutions, Spillane cautioned. The local economy will suffer as a result.

"The unintended consequence of this bill will be to make a select number of colleges less competitive, which the commonwealth cannot afford," Spillane said.

The measure also violates the institutions' constitutionally protected tax-exempt status, and could result in costly litigation, he added.

House Bill 2678 calls for disclosure well in excess of the extensive standards already required for revised IRS Form 990, Spillane informed the committee. The requirements would place an undue burden on smaller institutions and lead to significant administrative costs.

In addition, Spillane said the bill calls for disclosure of contractual matters, financial holdings and investment data that may lead to the disclosure of proprietary information and serve no valid public purpose.

Form 990 includes extensive reporting requirements, including the reporting of conflict-of-interest issues between trustees (and their families), and the nonprofit institutions they serve.

Spillane requested that the committee give unfavorable reports to both bills.

Senator Wins John W. Spillane Award at MANS&C Annual Meeting

MANS&C presented its prestigious John W. Spillane Award for Leadership in Education to State Sen. Stephen M. Brewer at its Annual Meeting on May 2 at the Hampshire House in Boston.

Brewer, chairman of the Joint Committee on Ways and Means, was a close personal friend of the late John W. Spillane, who served as MANS&C legal counsel for 25 years. The award was presented by MANS&C Board Member James Tracy.

Tracy praised the senator as highly regarded, one of the most hard-working senators on Beacon Hill and committed to education. He noted that since Brewer became Ways and Means chairman in 2011, education spending in the commonwealth increased for Fiscal Years 2012 and 2013.

"He cares deeply about all of the schools and colleges in his district," Jim said. Brewer, a Democrat from Barre, represents 28 communities in Central and Western Massachusetts.

In accepting the award, Brewer spoke warmly about John, who was a personal friend. "John W. Spillane did well in the world and he also did good," he said. "This award means an awful lot to me. It embodies the spirit of a man who had a moral compass and tried to pass that along to others."

The senator also praised Tracy for developing a strong relationship between Cushing

and the community during his tenure as headmaster. Tracy is leaving his post this year to begin a consulting business.



MANS&C President Julaine McInnis, Sen. Stephen M. Brewer and MANS&C Legislative Counsel John J. Spillane

Join
MANS&C
Today!

There's still time to join MANS&C or renew your membership. As part of MANS&C, you will learn about issues of concern to nonprofit schools, colleges and universities in Massachusetts and help promote the interests of your school, college or university at the State House.

Additional information and a membership form can be found on the website, www.mansac.org, under MANS&C Membership.

For more information, contact MANS&C President Julaine McInnis at 781-545-5544, x-115 or jmcinnis@inlyschool.org.

Revised Bylaws Open the Door to Sponsorship Members

At the Annual Meeting on May 2, MANS&C members approved revisions to the bylaws that will allow dues-paying sponsorship members to join the organization and serve in an advisory capacity. The fee will be set at the next board meeting.

Sponsorship members will include individuals, associations, corporations, trade groups and vendors. They will not be allowed to vote or be counted towards a quorum at meetings.

“By drawing in sponsorship members, we’ll be strengthening MANS&C and providing more resources to our members,” MANS&C President Julaine McInnis said.

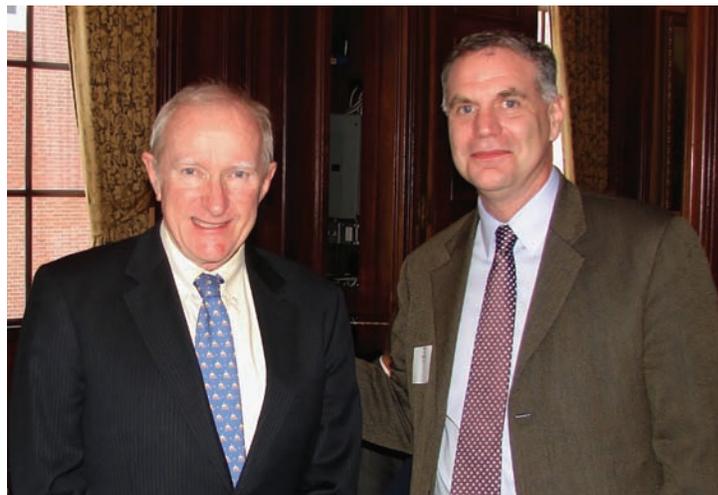
Other changes to the bylaws:

- Clarify that the day-to-day operations and affairs of the organization are the responsibility of the Board of Directors
- Permit the use of electronic media to inform members of the Annual Meeting
- Offer more flexibility in setting an Annual Meeting date
- Change the title of “Secretary” to “Clerk”

Sections also were added relating to Duty of Care required by directors and officers, and outlining procedures in the unlikely event that the corporation is dissolved.

The bylaws state that MANS&C operates as a 501c4 nonprofit under the Internal Revenue Code and is governed as a Massachusetts Chapter 180, section 11 corporation.

MANS&C is a member organization. Membership requires timely paying of annual dues and active participation in the programs and activities of the organization. Members must provide evidence of being tax-exempt, and engage in activities that are consistent with the mission and purpose of the organization.



Sen. Brewer and Board Member Jim Tracy of Cushing Academy



MANS&C Board Member Chris Rosell Brad Freeman and Rob McCarron of Cambridge Friends School of AICUM



MANS&C President Julaine McInnis of Inly School and Mary Beth Rurode of Dexter & Southfield Schools

MANS&C Members Elect New Officers and Board

At the Annual Meeting on May 2 at the Hampshire House in Boston, MANS&C members elected new officers and board members for the 2013-14 year.

Officers

- Julaine McInnis, Inly School, *President*
- William J. Conley Jr., College of the Holy Cross, *Vice President*
- Richard D. Saul, Dexter & Southfield Schools, *Treasurer*
- Timothy Parson, Beaver Country Day School, *Clerk*

Board Members

- Bruce T. Amsbary, *the Rivers School*
- Michelle Consalvo, *Boston University*
- Linda C. Deasy, *Lawrence Academy*
- Jeanne Finlayson, *Stonehill College*
- Christine M. Rosell, *Cambridge Friends School*
- William Stephenson, *Thayer Academy*
- Todd A. Vincent, *Dexter & Southfield Schools*
- Roberta B. Whiting, *Shore Country Day School*



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20 Newton St. | Brookline MA | 02445-7498

Helpful Reminders

JUNE

Business Manager

- ✓ Review insurance policies regarding limits and coverage.

JUNE AND JULY

Business Manager and Trustees

- ✓ Review the bylaws and charter documents.

Business Manager

- ✓ Update your institution's identity theft program, as required by federal regulations and state law.

Facilities Manager

- ✓ Review safety, security and supervision practices and facilities, including emergency and crisis response drills.

EXECUTIVE BOARD MEMBERS 2013-14

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