2025 Florida Nonprofit Training Academy

June 4 & 5, 2025





Welcome, Housekeeping, and Introductions

- CPE certificates will be emailed within 4 weeks following today's presentation to the email that was used to register.
 Recommended CPE of 6.5 credits total will be given to those in full attendance of today's CPE session from 8:30-3:50pm.
- All presentations will be available at the CLAconnect.com under the past events page at the end of the week.







990 Speed Round

Florida Nonprofit Training Academy

June 4 and 5, 2025

Tina Henton



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Learning objectives

- Describe the latest developments impacting 990 reporting for nonprofits
- List the potential responses to the latest developments
- Explain the leading practices to streamline the filing process.









Q.1

Is the IRS still currently backlogged in responding to inquiries from nonprofits?





A.1

- Current "on hold" wait times had been greatly reduced
- IRS still somewhat challenged responding in timely fashion to faxed/mailed communications





Q.2

Our Form 990 was filed late with the Internal Revenue Service, what are the penalties for such? Do we have any ability to have the late filing penalties abated?





A.2

- For smaller nonprofits, maximum annual late filing penalty is the lesser of \$12,000 or 5% of the organization's gross receipts for the year
- For larger nonprofits (gross receipts of approximately \$1.2M),
 maximum annual late filing penalty is \$60,000
- Late filing penalties can be abated by filing a reasonable cause penalty abatement letter with the IRS
 - Unfortunately, current processing time around 12 months





Q.3

Are we legally required to electronically file nonprofit tax returns with the IRS? If so, which forms? What should we do if we are having trouble electronically filing a nonprofit tax return with the IRS?





A.3

- Currently, almost all nonprofit tax returns are legally required to be electronically filed with the IRS
 - Significant penalties imposed if not electronically filed
 - Very few exceptions exist
- Contact the IRS if having trouble with electronic filing
 - o e-help Desk: 866-255-0654





Q.4

We started a new nonprofit four years ago, but we haven't really done anything with it. It is inactive. Is that, OK?





A.4

 No. Nonprofits are required to be organized and operated for exempt purposes. In a recent Private Letter Ruling (PLR 202511016) the IRS revoked exempt status for not meeting the "operational" test. And as a backup, if the organization's exemption is not revoked, it is defaulting to private foundation status because it has had no public support.





Q.5

Just received a notice from the IRS, it looks very different than previous notices.





A.5

- Quite recently, the IRS has begun to transition to issuing more streamlined notices
 - Unfortunately, they are still quite cryptic and hard to decipher
- Never ignore notices received from the IRS; respond completely and promptly





Q.6

What does the IRS focus on when conducting an audit of a nonprofit?





A.6

- Unrelated business income
- Worker classification
- Insider transactions (private inurement)
 - Reasonable compensation
 - Expense reimbursements
- Private benefit transactions
- Lobbying / political





Q.7

What issues have we noted regarding the updating of TEOS and the EO business master file?





A.7

- Updating challenges
 - Change of tax year ends
 - Short period returns
 - Change of form being filed (990 to 990-PF)
 - Name changes





Q.8

What are some useful tools available on the IRS web site?





A.8

- www.irs.gov/charities-and-nonprofits
 - Life cycle of a public charity
 - EO snapshots
 - Audit technique guides
 - EO CPE textbooks
 - IRS publications









Q.9

Is there anything new with the 2024 Form 990?





A.9

No, nothing new

Form: https://www.irs.gov/pub/irs-pdf/f990.pdf

Instructions: https://www.irs.gov/instructions/i990



Q.10

What is important regarding Part III of Form 990?

on the · · · Yes · No
rogram
· · Yes No





A.10

Part III items to note:

- The place to make your organization's story shine!
- Be descriptive but succinct
- Most important, but not frequently applicable
 - Any significant new program?
 - Cease or change any programs?





Q.11

What do you look for in the "trigger" section, Part IV?

Part	IV Checklist of Required Schedules		
		Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A		
2 3	Is the organization required to complete Schedule B, Schedule of Contributors? See instructions Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I		
4	Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II		





A.11

Part IV -

- Is there lobbying?
- Any foreign activities?
- Fundraising activities?
- Transactions with insiders?
- Related organizations?





Q.12

What is asked on Part V?

_			
Part	V Statements Regarding Other IRS Filings and Tax Compliance		
	Check if Schedule O contains a response or note to any line in this Part V		
		Yes	No
1a	Enter the number reported in box 3 of Form 1096. Enter -0- if not applicable 1a		
b	Enter the number of Forms W-2G included on line 1a. Enter -0- if not applicable 1b		
С	Did the organization comply with backup withholding rules for reportable payments to vendors and		
	reportable gaming (gambling) winnings to prize winners?		





A.12

Part V -

- Do you have FBAR filing requirements?
- Do you have to file a Form 990-T?
- Do you provide proper donor acknowledgements?
- And are you subject to excise taxes?
 - Endowment tax for higher education
 - Remuneration > \$1m or excess parachutes





Q.13

What are common issues you see with Part VI?

Part	Part VI Governance, Management, and Disclosure. For each "Yes" response to lines 2 through 7b below, an response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes on Schedule O. See				
	Check if Schedule O contains a response or note to any line in this Part VI				
Secti	on A. Governing Body and Management				
				Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain on Schedule O.	1a	-		
ь 2					
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, trustees, or key employees to a management company or other person?				
4 5					





A.13

Part VI – accuracy in governance matters

- Number of voting board members and independent voting board member at YE
- Relationships among certain individuals
- Changes to governing documents
- Embezzlement or sweetheart deals?!





A.13

Part VI – policy matters

- Is the full 990 provided to all board members?
- Do disclosures comply with instructions?
 - Monitoring and enforcing COI
 - Reviewing and approving CEO compensation
- Are policies required?
- Joint venture? Got a policy?





Q.14

Part VII – board members and executives - what's important about this sensitive listing?

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors





A.14

Part VII

- What board members are listed?
- When would a former officer be listed?
- What defines a key employee?
- What compensation is reported here?





Q.15

What do we need to know about Part VIII?

Part VIII Statement of Revenue Check if Schedule O contains a response or note to any line in this Part VIII									
					(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512–514	
ts,	1a	Federated campaigns	1a						
Contributions, Gifts, Grants, and Other Similar Amounts	b	Membership dues	1b						
ع ق	C	Fundraising events	1c						
r A	d	Related organizations	1d						
ਲੂ 'ਛੋ	e	Government grants (contributions)	1e						
Si.	f	All other contributions, gifts, grants,							
e ë		and similar amounts not included above	1f						
혈된	g	Noncash contributions included in							
멸		lines 1a-1f	1g	\$					
S E	h	Total. Add lines 1a-1f							





A.15

Part VIII

- Few differences between financial and tax reporting
- Revenue that is unrelated or excluded
- Fundraising event revenue and net
- Other revenue





Q.16

What about Part IX the functional expenses?

_											
Par	Part IX Statement of Functional Expenses										
Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).											
	Check if Schedule O contains a response or note to any line in this Part IX										
	ot include amounts reported on lines 6b, 7b, b, and 10b of Part VIII.	(A) Total expenses			(D) Fundraising expenses						
1	Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 .										
2	Grants and other assistance to domestic individuals. See Part IV, line 22										
3	Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16										



A.16

Part IX

- Again, minor differences from financial reporting
- Officers, directors, trustees, key employee comp
- Comp to other disqualified persons
- Really, no information technology expense?
- Really, no fundraising expenses?





Q.17

Are there any hot buttons on Part X?

Part X Balance Sheet Check if Schedule O contains a response or note to any line in this Part X									
		(A) Beginning of year		(B) End of year					
1	Cash-non-interest-bearing		1						
2	Savings and temporary cash investments		2						
3	Pledges and grants receivable, net		3						
4	Accounts receivable, net		4						
5	Loans and other receivables from any current or former officer, director, trustee, key employee, creator or founder, substantial contributor, or 35% controlled entity or family member of any of these persons		5						
6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), and persons described in section 4958(c)(3)(B)		6						





A.17

Part X

- Loans/receivables to/from insiders
- Investments in other securities (alternatives)
- Tax-exempt bonds





Q.18

Part XI – reconciliation of net assets - What should I consider here?

Par	Reconciliation of Net Assets Check if Schedule O contains a response or note to any line in this Part XI		
1	Total revenue (must equal Part VIII, column (A), line 12)	1	
2	Total expenses (must equal Part IX, column (A), line 25)	2	
3	Revenue less expenses. Subtract line 2 from line 1	3	
4	Net assets or fund balances at beginning of year (must equal Part X, line 32, column (A))	4	
5	Net unrealized gains (losses) on investments	5	
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain on Schedule O)	9	
10	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line		
	32, column (B))	10	





A.18

Part XI – reconciliation items

- Unrealized gains or losses
- Donated services or facilities
- Prior period adjustments
- Bad debt





Q.19

Anything of interest in Part XII?

Part	·			
	Check if Schedule O contains a response or note to any line in this Part XII			
			Yes	No
1	Accounting method used to prepare the Form 990: Cash Accrual Other If the organization changed its method of accounting from a prior year or checked "Other," explain on Schedule O.			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both.	2a		
	Separate basis Consolidated basis Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b		
	Separate basis Consolidated basis Both consolidated and separate basis			
С	If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c		
	If the organization changed either its oversight process or selection process during the tax year, explain on Schedule O.			





A.19

Part XII

- Accounting method
- Compilation, review, or audit?
- Federal award audit requirement?









Form 990 2024 Schedules

Q.20

Is there anything new with the 2024 Form 990 Schedules?





Form 990 2024 Schedules

A.20

No, nothing of note

- 2024 Schedules D, E, F, G, J, K, L, R, O and related instructions have been converted from an annual revision to continuous use. Use until a superseding revision is issued.
- Can access schedules through: https://www.irs.gov/forms-pubs/about-form-990





Q.21

What are some key preparation pointers to complete Schedule A?

SCHEDULE A (Form 990)

Department of the Treasury Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

Attach to Form 990 or Form 990-EZ.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

2024

Open to Public Inspection





- If pass §509(a)(1) or §509(a)(2) in immediately previous year,
 then deemed to pass in current year
- Can switch between preparing Part II or Part III of Schedule A if outside first five years as a public charity
- All contributions received from Board members deemed not to be public support under the §509(a)(2) public support test
- Generally, make previous year corrections to Schedule A in the current year
- Consider classifying certain grants received as unusual grants





Q.22

What are some key preparation pointers to complete Schedule B?

Schedule B (Form 990)

(Rev. December 2024)

Department of the Treasury
Internal Revenue Service

Schedule of Contributors

Attach to Form 990, 990-EZ, or 990-PF.

Go to www.irs.gov/Form990 for the latest information.

OMB No. 1545-0047





- Never report "anonymous" if identity of donor is known
- Schedule B is not just required for §501(c)(3) organizations
- If applicable, reconcile Schedule B reporting to Schedule M reporting if nonprofit received non-cash contributions





Q.23

What are some key preparation pointers to complete Schedule F?

SCHEDULE F (Form 990)

(Rev. December 2024)

Department of the Treasury Internal Revenue Service

Statement of Activities Outside the United States

Complete if the organization answered "Yes" on Form 990, Part IV, line 14b, 15, or 16.

Attach to Form 990.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

Open to Public Inspection





- It is likely that Schedule F will need to be completed if the nonprofit has made foreign investments.
- Do not report specific countries on Schedule F, if possible.
 - Regions reporting
- Generally, attach foreign forms to Form 990-T rather than 990.
- Reconcile Schedule F reporting to Form 990, Part IX, Line 3.

Form 990 (2024)											
Par	Part IX Statement of Functional Expenses										
Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).											
	Check if Schedule O contains a response	or note to any line	in this Part IX .								
	ot include amounts reported on lines 6b, 7b, b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses						
1	Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21 .										
2	Grants and other assistance to domestic individuals. See Part IV, line 22										
3	Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16										





Q.24

What are some key preparation pointers to complete Schedule G?

(Forn (Rev. De	EDULE G n 990) ecember 2024) nent of the Treasury Revenue Service	Supplemental Information Complete if the organization organization of the unusuring of the properties of the unusuring of the	OMB No. 1545-0047 Open to Public Inspection				
		GO to WWW.#s.go	07/1-0/1/1990 101	IIIət	ructions and the latest information.	Frankrian identi	
Name of the organization Employer identification							
Part		sing Activities. Complete i 0-EZ filers are not required			ion answered "Yes" on Forn his part.	n 990, Part IV	, line 17.
1	Indicate wheth	er the organization raised fund	ds through an	ıy c	of the following activities. Check	k all that apply.	
а	Mail solicit	ations	e		Solicitation of nongovernment	grants	
b	Internet an	d email solicitations	f		Solicitation of government gra	nts	
С	Phone solic	citations	g		Special fundraising events		
d	In-person s	solicitations					
2a	Did the organia	zation have a written or oral ag	greement witl	h a	ny individual (including officers	, directors, trus	stees,
	or key employe	ees listed in Form 990, Part VI	l) or entity in o	cor	nnection with professional fund	raising services	? Yes No
b	,	e 10 highest paid individuals o at least \$5,000 by the organiza		ndr	aisers) pursuant to agreements	under which t	the fundraiser is to be





- Advise nonprofits that they should only engage with registered professional fundraisers (Schedule G, Part I, Line 2b)
- Calculate Schedule G, Part II, Line 2 by determining fair market value of tangible items received by attendees of the special event
- Make sure that the nonprofit registered their raffle before conducting;
 otherwise, the raffle would be considered an illegal activity
 - All income from the conducting of an illegal activity is considered to be unrelated business income
- Raffles should not be conducted at a loss





Q.25

What are some key preparation pointers to complete Schedule J?

SCHEDULE J (Form 990) (Rev. December 2024) Department of the Treasury Internal Revenue Service		Compensation Information For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees Complete if the organization answered "Yes" on Form 990, Part IV, line 23. Attach to Form 990. Go to www.irs.gov/Form990 for instructions and the latest information.						
_	of the organization	Employer identification nu	mber					
Part	Questic	ons Regarding Compensation						
				Yes	No			
1a	990, Part VII, S First-class Travel for c Tax indemn	ropriate box(es) if the organization provided any of the following to or for a person listed on Form ection A, line 1a. Complete Part III to provide any relevant information regarding these items. or charter travel						
b		poxes on line 1a are checked, did the organization follow a written policy regarding payment ment or provision of all of the expenses described above? If "No," complete Part III to	1b					
2		nization require substantiation prior to reimbursing or allowing expenses incurred by all tees, and officers, including the CEO/Executive Director, regarding the items checked on line	2					
3	organization's related organi Compensa Independe	n, if any, of the following the organization used to establish the compensation of the CEO/Executive Director. Check all that apply. Do not check any boxes for methods used by a zation to establish compensation of the CEO/Executive Director, but explain in Part III. tion committee						





- Reconcile Schedule J reporting to Form 990, Part VII,
 Section A reporting
- Determine have documentary support for responses to Schedule J, Part I, Line 3
- Recommend not estimating benefits amounts

Form 990 (2024)										Page 8
Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (continued)										
(A) Name and title	(B) Average hours per week (list any hours for related organizations below dotted line)	(do n box, office or directo	ot ch	Posi eck s pe	ition more	than or the is or/trust Highest compensated employee	one i an	(D) Reportable compensation from the	(E) Reportable compensation from related organizations (W-2/1099-MISC/1099-NEC)	(F) Estimated amount of other compensation from the organization and related organizations





Q.26

What are some key preparation pointers to complete Schedule L?

SCHEDULE L Transactions With Interested Persons (Form 990) Complete if the organization answered "Yes" on Form 990, Part IV, line 25a, 25b, 26, 27, OMB No. 1545-0047 28a, 28b, or 28c; or Form 990-EZ, Part V, line 38a or 40b. (Rev. December 2024) Attach to Form 990 or Form 990-EZ. Department of the Treasury Open to Public Internal Revenue Service Go to www.irs.gov/Form990 for instructions and the latest information. Inspection Name of the organization Employer identification number Part I Excess Benefit Transactions (section 501(c)(3), section 501(c)(4), and section 501(c)(29) organizations only) Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b; or Form 990-EZ, Part V, line 40b.





A.26

- Understand who is considered to be an interested person (insider) of the organization
- Make sure contemporaneous documentation exists to support Schedule L responses
- Prepare Form 4720 if reporting any transactions on Part I

Form **4720**

Department of the Treasury Internal Revenue Service Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code

(Sections 170(f)(10), 664(c)(2), 4911, 4912, 4941, 4942, 4943, 4944, 4945, 4955, 4958, 4959, 4960, 4965, 4966, 4967, and 4968)

Go to www.irs.gov/Form4720 for instructions and the latest information.

OMB No. 1545-0047







Q.27

What are some key preparation pointers to complete Schedule O?

SCHEDULE O (Form 990)

(Rev. December 2024)

Department of the Treasury Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on Form 990 or 990-EZ or to provide any additional information.

Attach to Form 990 or Form 990-EZ.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047

Open to Public Inspection





- Proactively prepare Schedule O to disclose information in best interest of the nonprofit
- Make sure to proof Schedule O before filing Form 990
- Do not report "private" information on Schedule O





Q.28

What are some key preparation pointers to complete Schedule R?

SCHEDULE R (Form 990)

(Rev. December 2024)

Department of the Treasury Internal Revenue Service

Related Organizations and Unrelated Partnerships

Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.

Attach to Form 990.

Go to www.irs.gov/Form990 for instructions and the latest information.

OMB No. 1545-0047







- Part V has a \$50,000 reporting threshold
- Make sure understand what a 512(b)(13) organization is

Part V Transactions With Related Organizations. Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.									
Note: Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.									
1	During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II–IV?								
а	Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity	П							
b	Gift, grant, or capital contribution to related organization(s)	П							
С	Gift, grant, or capital contribution from related organization(s)	П							
d	Loans or loan guarantees to or for related organization(s)	П							
е	Loans or loan guarantees by related organization(s)	\mathbf{I}							









Q.29

What are tax considerations for Executives incoming?





- Reading the Employment contract is key!
 - Employer-provided housing or allowance
 - Social club
 - Tax gross ups
 - Car allowance
 - Personal services





- Bonus arrangements
- Moving expenses
- §457(f) nonqualified deferred compensation plan
- Initial contract exception may apply





Q.30

What are tax considerations for Executives going?





- Severance
- Vacation payouts
- Moving
- §457(f) payouts
- §4960 excise tax on excess compensation and excess parachute payment concerns





One Big Beautiful Bill



Q.31

What is the current status of the Bill?





A.31

• It is a moving target!





Q.32

What exempt organization items are in the Bill?





A.32

Proposals affecting:

- Higher education institutions
- Private foundations
- Excise tax on excess compensation
- UBIT royalty and research and parking!

Note: These are all proposals only and subject to change





Thank you!

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10 Cybersecurity Questions Your Organization Should Be Able to Answer

June 2025



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Learning Objectives

Recognize common threats and social engineering techniques

At the end of this session, you will be able to: Identify online behaviors that can lead to increased exposure

Recognize where the organization can focus valuable risk mitigation resources

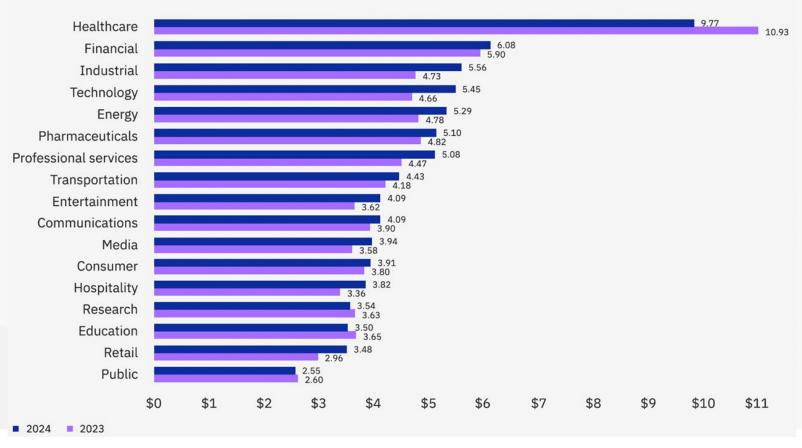
Recall the ways to develop and refine a framework of knowledge to plan future security efforts





Cost of a data breach by industry

The Why









1. Do We Have a Formal Information Security Program in Place?



The importance of information

The Information Security Program Should Establish The need to protect information

Roles and responsibilities

Enforcement of policies





Policies, Standards, and Procedures

Network and system policies

- Logging and monitoring of security events
- Remote access
- Wireless networking
- Patch management
- Firewall management
- Antivirus management
- Intrusion detection/prevention

The Board should review (annually)

- Information security program and status
- IT and information security policies
- Security breaches or attempted breaches
- IT strategic plan
- Information security risk assessment
- Business continuity plan and testing results
- Incident response plan
- Results from vendor management reviews
- Insurance coverage for cybersecurity



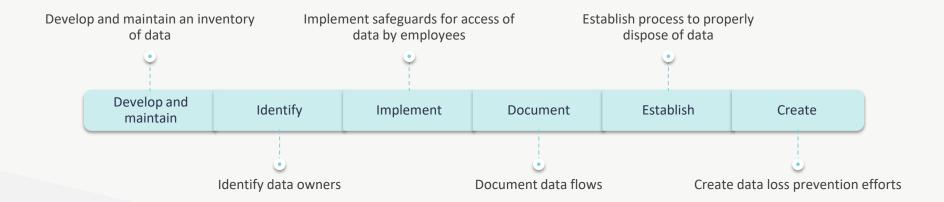




2. What Data is Important to Our Organization?



Data Protection







Organizations should strive to have at least three levels of data classifications.

- Public
- Internal use
- Confidential



Controls should be implemented for each level of classification regarding data handling.





Data Backups



Attackers are getting smarter and deleting or encrypting online backups; so, organizations should confirm that they have off-line copies of backup and restore files available



Backup and restore files should be saved in well secured location



Perform an in-depth review of file permissions for network file shares



Test the restoration of your data





3. When Was Our Last Compliance or Security Audit Performed?



Compliance and Operational Frameworks

Regulatory, Contractual, and Operational frameworks require regular/periodic assessments

• GLBA, FERPA, HIPAA, NERC/CIP, State Laws

• PCI – DSS, CMMC

--- Contractual

--- Regulatory

• CIS Critical Controls, NIST Standards, HITRUST

--- Operational standards

 These all have defined expectations for system settings, controls, operational procedures, and independent testing, assessment and reporting.

In nearly every case, these frameworks require independent testing at least annually.





IT Systems are changing under the covers all the time: security patches, features updates, user roles and permissions, etc...

Independent security assessments should validate adherence to standards and expectations and shine a light on risks related to exceptions.

Annual Security Assessments Audit tracking mechanism should be in place to regularly report on the status of outstanding audit and assessment findings and remediation efforts.







4. How Are Vulnerabilities
Managed at The
Organization?



Vulnerability Management



How are vulnerabilities defined and identified?

Threat Intelligence?
Internal Scanning?
Vendor
Collaboration?



Within how many days are critical and high vulnerabilities addressed for:

Operating systems? Network devices? Applications?



Are there any endof-life systems in the environment?

What is the goal with these systems?



Are exceptions documented?

Is there an approval process?



How often do we scan our networks for vulnerabilities?

Scan profiles?







5. Are Employees Receiving Security Awareness Training?



Consistent Security Awareness Training is Essential

- 1 _____ training based on current _____ requirements
- Password strength and confidentiality

3 Document destruction

4 Locking and logging off computers

5 Social engineering and phishing

Data loss risks (removable media, email, third-party storage sites, social media posts)

Acceptable use





User Education and Phishing Awareness

Malware typically needs a helper to do its job.

 Educate users on phishing scenarios and consider internal phishing "tests" to gauge employee readiness.

 Tests should familiarize employees with common phishing scenarios as well as teach employees how to identify masked links and spoofed sender addresses.







6. Are We Ready For a Cyber Attack?



Are We Ready?

What are we doing to prevent cyber attacks?

What will we do if we are attacked?

Have we been attacked/compromised in recent history?

Did this result in data loss?







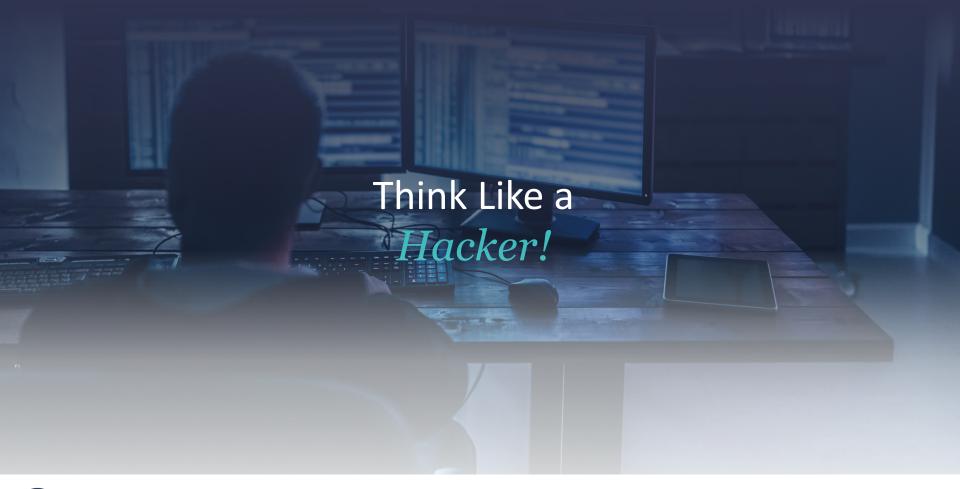






7. What Could an Attacker Do in Our Environment?







Penetration Testing Uncovers Risks and...

Reveals system vulnerabilities and misconfigurations that are beyond the scope of a vulnerability scanner; validates effectiveness of monitoring, logging and alerting

Evaluates the effectiveness of security awareness training and employees' ability to detect and report social engineering attacks (email phishing, pretext phone calls)

Allows organizations to receive a "fresh look" at the network from an outside perspective that is free from internal bias

Red Team/Black Box/Adversarial Simulations test the systems and the staffs "recognize, react, and respond capabilities"

*Penetration testing of information systems should be performed at least annually or when major changes occur







8. Do We Have an Incident Response Plan in Place?



The Incident Response Lifecycle

Preparation

Identification

Containment

Eradication

Recovery

Lessons learned





Preparation

Can we properly respond to comprehensive security incidents?

Create incident response policies

Develop roles and responsibilities

Establish communication procedures

Verify we have the correct people, process, and tools/technologies in place





Practice The Plan

- Like all emergency procedures, they need to be practiced
- Table-top exercises simulations where participants walk through the incident and response procedures
- Two types of table-top exercises
- Technical
- Management
- Both types should be conducted annually







Prove the Plan

Many businesses end up over-notifying customers about data breaches, significantly increasing costs and risk of litigation

Low visibility into IT infrastructure means lack of forensic evidence to determine which system or data hackers accessed

Conduct trial forensic exercises to determine you have the proper data and visibility













9. How Do We Assess Third-Party Risks?



How do we select and onboard vendors?

Is there an assessment of risk associated with the onboarding of vendors?

Vendor Due Diligence

Do vendors adhere to our policies, standards, and procedures?

Do we review assessments/audits of our vendors?







10. Do We Have a Business Continuity and Disaster Recover Plan in Place?



Business Continuity Planning

Continuity event planning and preparedness – Business Impact Analysis (BIA) documentation

Responsibilities and communication plans

Alternate procedures for critical business processes while systems/applications and facilities are unavailable

Alternate locations/facilities where work can commence during disaster situation

Recovery strategies and procedures for critical systems/applications

Continuity planning for key technology service providers and vendor-hosted systems/applications





Planning for a

(pandemic)







Plan the Test and Test the Plan!

The BCP should be tested such that every critical component is tested at least once every three years (systems, processes)

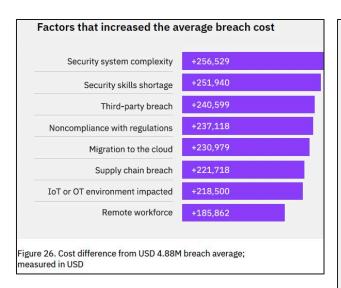
A test plan should show scheduled testing for the current year

BCP testing should include networking, hosts, personnel, and procedures





Incident Preparedness Cost Savings



Source: IBM Security Cost of a Data Breach Report 2024



- Global Average cost is \$3.5M
- The impact of 28 factors on the average cost of a data breach





Thank you!

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Manager – Cybersecurity
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CLAconnect.com









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Resources

- CLA Cybersecurity Services:
 - https://www.claconnect.com/en/services/information-security
- CLA Digital Services:
 - https://godigital.claconnect.com/
- IBM Annual Data Breach Report
 - https://www.ibm.com/reports/data-breach
- Center for Internet Security Critical Controls Resources
 - https://www.cisecurity.org/controls



Cyber Security Services At CLA

Information Security offered as specialized service offering for over 25 years

- Penetration Testing and Vulnerability Assessment
 - Black Box, Red Team, and Collaborative Assessments



- IT/Cyber security risk assessments
- IT audit and compliance (HIPAA, GLBA/FFIEC, NIST, CMMC, CIS, etc.)
- PCI-DSS Readiness and Compliance Assessments (PCI-DSS)
- **Outsourced Information Security Advisory**
- Incident response and forensics
- Independent security consulting
- Remediation assistance











CLA Cybersecurity Helps Clients



Governance, risk, and compliance

Risk assessments
IT controls assessments (NIST, CIS, etc.)
Policy development
Compliance assessments (PCI, GLBA, HIPAA, etc.)



Security testing

Penetration testing
Vulnerability assessments
Social engineering (phishing, phone calls)
Computer forensics









Penetration Testing

CIA has been providing penetration testing and vulnerability assessment services for over 25 years. These services rely on a combination of tools that are developed internally by CIA cybersecurity professionals, as well as open-source and commercially available software. Our professionals are constantly on the lookout for new tools and tactics to continually enhance their capabilities. Engagement projects can range from highly collaborative to Red Team assessments designed to mimic true adversaries to assess response capabilities.

Penetration Test Goals	Examples		
Penetration Testing, executed in a collaborative manner, to identify exploitable vulnerabilities in the environment and gauge the impact the vulnerabilities have to the organization.	Application / API Penetration Test External Penetration Test Internal Penetration Test Social Engineering Wireless Network Penetration Test		
Penetration Testing used to evaluate logging and monitoring capabilities; or used to evaluate your ability to recognize, react, and respond.	Purple Team collaborative assessments Red Team covert assessments		
Penetration Testing used to satisfy regulatory or compliance requirements.	Various compliance frameworks and regulatory bodies require or recommend penetration testing, including GLBA, FFIEC, FTC, HIPAA, and PCI.		

"Penetration Testing is a process. It can be applied to any system, application, or network. What's important is to define the organization's goals and objectives."

Contact us to learn more:

https://www.claconnect.com/en/services/information-security/

CLAconnect.com

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20 Minute Break

10:20 - 10:40 a.m.





Moving Your Nonprofit up the Al Maturity Curve



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Learning Objectives

At the end of the session, you will be able to:

List the different stages and how AI can be strategically implemented at each stage to enhance digital presence and operational efficiency.

Identify practical AI tools and solutions.

Describe the common challenges and successful strategies for integrating AI into nonprofit operations.





Nonprofit Digital Maturity Curve

Gaining Speed (Advanced) **Pedaling Steady**

Out in Front

(Market Leader)

Training Wheels (Ad Hoc)

Minimal online presence

with outdated websites.

Information is stored in

disparate systems or

Reliance on manual

processes.

spreadsheets.

Learning to Ride (Basic)

Basic implementation of

Basic systems to manage

Upgraded website with

management and user

software and email

information and

engagement.

better content

experience.

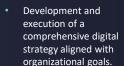
marketing.

Coasting (Opportunistic)



(Strategic)

- Coordinated digital marketing campaigns.
- Centralized database allowing better data management and reporting.
- Mobile-friendly website to enhance user engagement and accessibility.



- Utilization of advanced systems and data to drive personalized engagement and measure effectiveness.
- Use of digital platforms to deliver programs and services, increasing reach and impact.



- Implementation of automation tools and AI for communications, predictive analytics, and operational efficiencies.
- Seamless integration of various digital channels (social media, email, SMS, etc.) for consistent and engaging communication with stakeholders.

- Recognition as a leader in digital transformation within industry, setting benchmarks for others.
- Regular introduction of cutting-edge technologies and practices to enhance delivery and stakeholder engagement.
- Advanced use of data analytics and insights to drive strategic decisions and improve outcomes for the organization.





Nonprofit Digital Maturity Curve

Pedaling Steady (Strategic)

Gaining Speed (Advanced)

Out in Front (Market Leader)

Training Wheels (Ad Hoc)

Learning to Ride (Basic)

Coasting

(Opportunistic)



- Al-driven donor sentiment analysis helps refine engagement strategies.
- Automated grant applications leverage machine learning for funding recommendations.
- Predictive analytics optimize social impact measurement for mission-driven projects.



- Al-powered donor engagement tools analyze giving patterns and . suggest personalized fundraising strategies.
- Blockchain-backed nonprofit accountability systems provide greater transparency in funding allocation.
- Al-generated campaign messaging improves advocacy efforts and policy influence.



- Al-driven predictive donor modeling identifies high-impact donors, automatically tailoring outreach based on behavioral trends and engagement patterns.
- Fully autonomous fundraising campaigns use AI to generate, test, and optimize donor messaging in real-time across multiple digital platforms.
- Decentralized blockchain-based giving platforms enable fully transparent and real-time donation tracking, increasing trust and compliance.
- Al-generated, hyper-personalized impact reporting dynamically adjusts based on donor preferences, offering immersive AR/VR storytelling experiences of nonprofit initiatives.
- Autonomous, Al-powered nonprofit governance systems streamline operational decisionmaking, reducing administrative costs and increasing programmatic efficiency.



- Donor and volunteer information is stored in unstructured spreadsheets, leading to inefficient outreach and engagement.
- Fundraising efforts are conducted manually, with no digital tools for campaign tracking or donor analytics.



- A CRM system is adopted for donor and volunteer management, improving engagement and outreach.
- Fundraising campaigns are digitized, allowing for online donations and engagement tracking.
- Automated, digitally powered insights and reporting through dashboards and reports



- Al-powered donor analytics help personalize outreach efforts and improve fundraising success.
- Social media engagement tools drive digital-first awareness campaigns and volunteer recruitment
- Automated grant management platforms streamline funding applications and tracking.



Where is *your organization*, and where are *you*, on your Al journey?





CLA Digital Services Overview

Experience our data driven difference

Rethink the business of your mission and **turn challenges into opportunities** with modernized systems and processes adapted to your nonprofit.

Artificial Intelligence

Leveraging the power of AI and Machine Learning to improve operations and achieve strategic outcomes.

Data Analytics and Insights

Developing customized dashboards and data warehouse solutions to highlight key metrics, benchmarking, and performance indicators.

Automation and Integration

Improving organizational efficiency through automated workflow management solutions and enhanced communication platforms.

Cybersecurity

लि

Combining technical experience and risk-based methodologies to help protect an organization's systems and data with a strong cybersecurity plan.

Software Reseller

Software solutions to help you automate and streamline your processes.





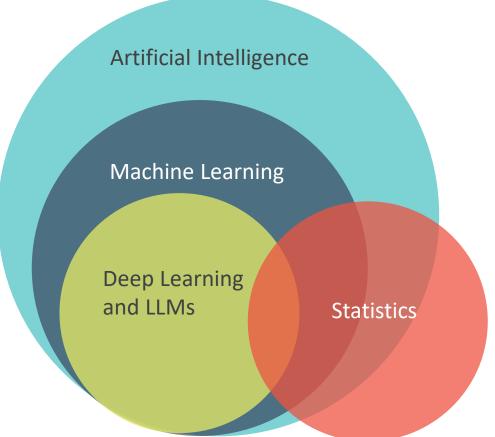


Introduction to Al

Basics and Definitions
Understanding Benefits of AI



What is Artificial Intelligence?







Types of AI based on Functionality



Natural Language Processing (NLP): Sentiment analysis and conversational Al.



Computer Vision: Image and facial recognition.



Machine Learning: Predictive and prescriptive analytics, classification & anomaly detection



Generative AI: Creates new content such as text, images, audio, and video.





Benefits of Al

Improve efficiency

Automate repetitive tasks to save time

Streamline workflows for faster processes Improve accuracy

Reduce human errors in data entry and analysis

Provide consistent and reliable outputs

Improve capabilities

Enhance with datadriven insights

Implement innovative solutions to meet growing needs

Improve employee satisfaction

Alleviate workload by automating mundane tasks

Enable staff to focus on higher-value activities





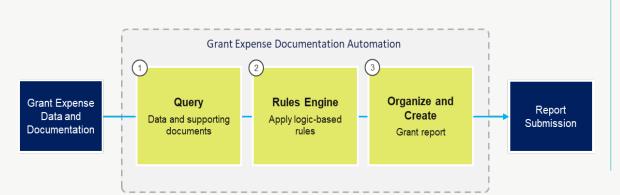


AI-Based Tools and Integration

Identify AI Use Cases
Emerging AI Application Trends



Grant Expense Documentation Automation



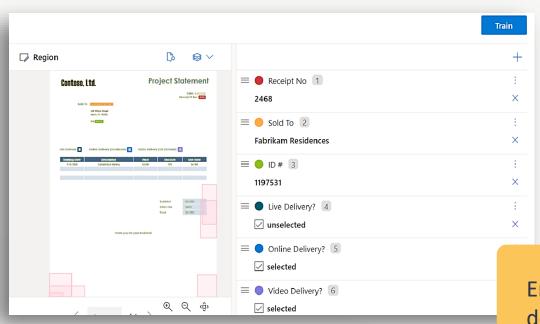
- Automates the collection and organization of expense data
- Ensures accurate and timely documentation for grant reporting
- Reduces manual effort and improves accuracy

Not Just for Grants: Can streamline 990s and audit processes.





Cognitive Services for Document Intelligence



- Al-powered document processing and analysis
- Extracts, analyzes, and understands unstructured data
- Automates workflows for efficiency and accuracy
- Can train custom models for tailored document processing

Enhance automation with Al-powered document processing





AP Automation

CONTOSO LTD.

INVOICE

Contoso Headquarters 123 456th St New York, NY, 10001

INVOICE: INV-100 INVOICE DATE: 11/15/2019 DUE DATE: 12/15/2019

CUSTOMER NAME: MICROSOFT CORPORATION SERVICE PERIOD: 10/14/2019 - 11/14/2019 CUSTOMER ID: CID-12345

Microsoft Corp 123 Other St. Redmond WA, 98052

BILL TO:

SHIP TO:

SERVICE ADDRESS: Microsoft Services 123 Service St.

Microsoft Finance 123 Bill St. Redmond WA, 98052

Microsoft Delivery 123 Ship St. Redmond WA, 98052 Redmond WA, 98052

SALESPERSON	P.O. NUMBER	REQUISITIONER	SHIPPED VIA	F.O.B. POINT	TERMS
	PO-3333				

DATE	ITEM CODE	DESCRIPTION	QTY	UM	PRICE	TAX	AMOUNT
3/4/2021	A123	Consulting Services	2	hours	\$30.00	\$6.00	\$60.00
3/5/2021	B456	Document Fee	3		\$10.00	\$3.00	\$30.00
3/6/2021	C789	Printing Fee	10	pages	\$1.00	\$1.00	\$10.00

\$100.00 SUBTOTAL SALES TAX \$10.00 \$110.00 PREVIOUS UNPAID BALANCE \$500.00 AMOUNT DUE \$610.00

THANK YOU FOR YOUR BUSINESS!

REMIT TO: Contoso Billing 123 Remit St New York, NY, 10001

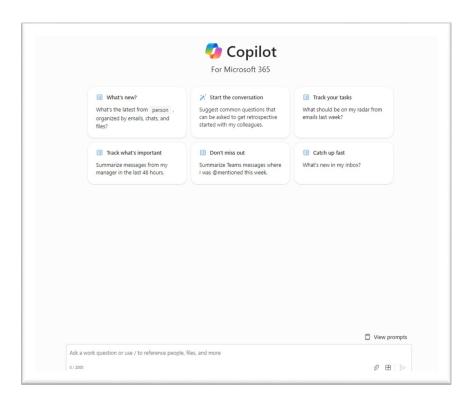
- Reduce manual data entry from documents such as invoices.
- Minimize error associated with manual processing
- Integrate with existing workflow and enterprise systems including accounting systems

Reduction in manual invoice processing time by up to 90%





Microsoft 365 Copilot



- Al-powered assistant integrated into Microsoft 365 applications
- Helps automate tasks, provide insights, and enhance productivity
- Available in applications like Word, Excel, Outlook, Teams and more

Customizable through Copilot Studio within Microsoft's ecosystem





Large Language Models – GPT



- Enhancing human potential and productivity
- Powerful and intuitive search for accurate and timely data retrieval
- Efficiency driving personal assistance

Generative AI is transforming the daily work experience







Assessing AI Risks and Challenges

Common Risks and Challenges
Misconceptions of Al



Risks and Challenges



Data accuracy



Bias



Security



Trust but Verify



Know the source



Fear of use of available tools





Misconceptions of Al



COMPLEX
IMPLEMENTATIONS



FULLY AUTONOMOUS



GUARANTEES PERFECT PREDICTIONS



REPLACE HUMAN JOBS COMPLETELY







Practical Al Implementation Strategies

Where to go from here?
Actionable Steps and Assessment



How to Get There



Assess current state



Develop a data strategy



Craft a roadmap



Short-term and long-term objectives



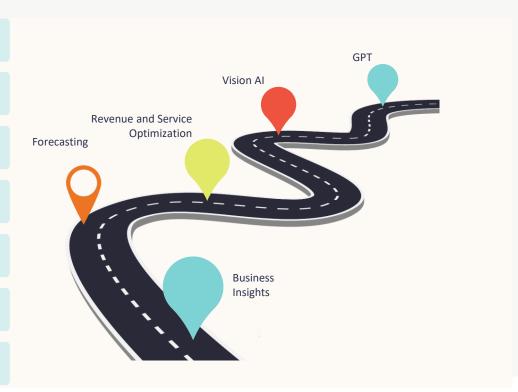
Form a working group



Test the technology



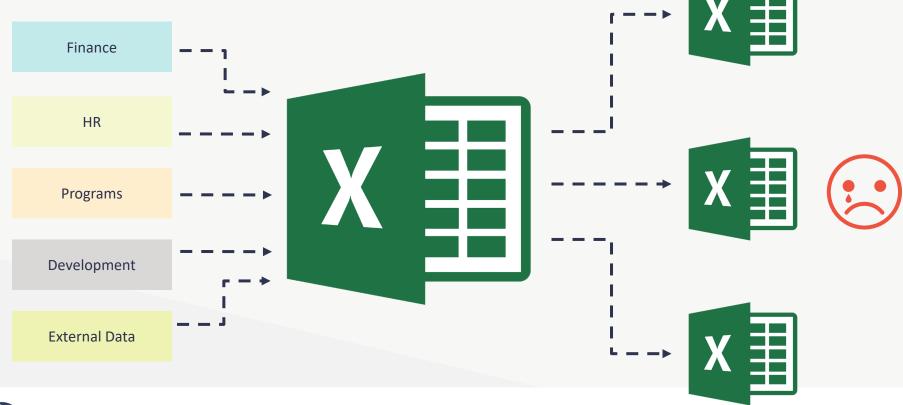
Educate yourself!







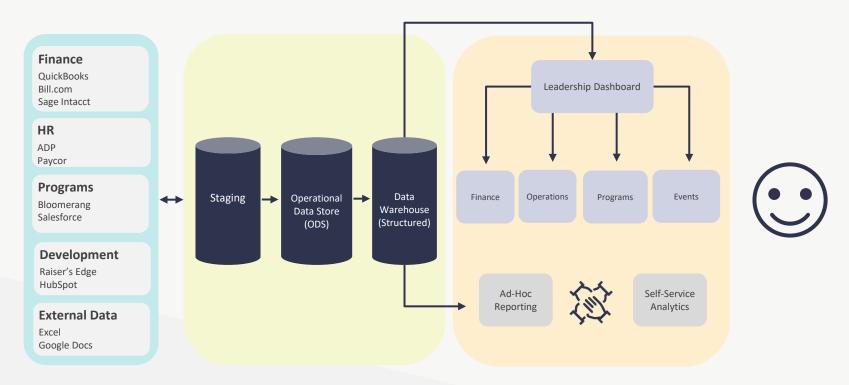
Example Challenge Diagram







Example Future State





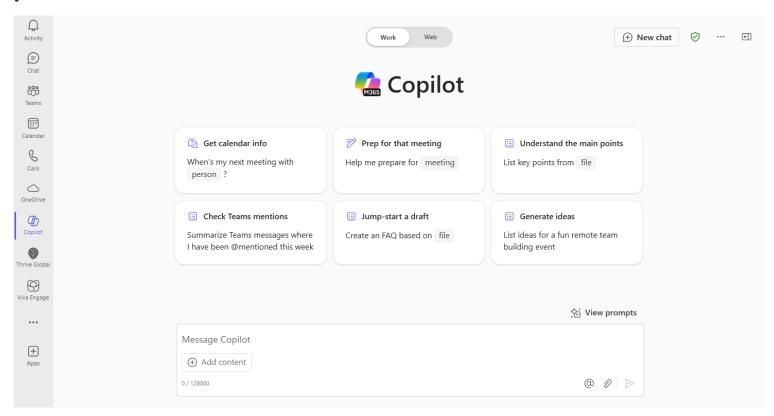


Live Demo

Copilot in Microsoft Teams



Copilot in Teams







Discussion



Think

Take 60 seconds to answer for yourself:

- What is one AI-based strategy or tool you think your organization should explore?
- What potential risks or challenges do you foresee in implementing AI within nonprofit organizations?
- What questions do you have?



Pair

Take 4-5 minutes to share with your peers around you.

Nominate one or two people to share within your group



Share

One minute report out from each group







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Fiduciary Responsibility and Board Governance Training

June 2025



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Learning Objectives:

At the end of the session, you will be able to:

- Define the purpose of a Board
- Identify governance recommended practices for nonprofit organizations
- Recognize the role of management versus governance







Top 12 Board Governance Mistakes



Top 12 Board Governance Mistakes

Failing to understand fiduciary duties	Outdated, inconsistent governing documents
Failing to provide effective oversight	Failure to recruit effective and diverse Board members
Micro-managing staff	Failing to educate Board members
Avoiding the hard questions	Failing to document actions
Insufficient conflict management	Failing to review program effectiveness
Lack of awareness of laws governing non- profits	Failing to hold executives accountable





Does Anyone Mind Sharing an Example of a Board Governance Mis-step?





Board Fiduciary Responsibility

Concepts for Consideration



Purpose of the Governing Board



Three purposes for the board of directors:

Register as a tax-exempt corporation.

Provide organizational oversight.

Maintain accountability to the public and the law.



A governing board must confirm that:

The organization provides a product or service that reflects the community's need.

The organization is healthy – financially, managerially, and programmatically.





Governance Responsibilities

- 1. Establishing mission and philosophy
- 2. Thinking and planning strategically
- 3. Setting policies to effectively guide operations and programs
- 4. Advocating for the organization in the community
- 5. Enhancing the organization has adequate resources
- 6. Evaluating whether the organization is managing resources effectively
- 7. Reviewing financial and programmatic performance as compared to objectives
- 8. Organizing the board to work effectively
- 9. Recruiting and orienting of effective and diverse board members
- 10. Ensuring legal and ethical integrity





What Does the Law Require

Duty of care

 Diligence and attentiveness to board responsibilities. Act as "an ordinarily prudent person" would "in a like position and under similar circumstances."

Duty of loyalty

• Faithful pursuit of the interests of the organization rather than personal interests or the interest of another person or organization.

Duty of obedience

Act with fidelity, within the bounds of law generally, to the organization's mission.





Duty of Care

Enhance prudence

Enhance prudent use of all assets, including facility, people, and good will.

Participate actively

Attend meetings and participate actively in making decisions on behalf of the organization.

Use good judgment

Exercise your judgment while making decisions.

Be informed

Know the organization's mission, initiatives, programs and financial status.

Use information

Develop reports that are timely and accurate and use them in decisions.





Duty of Loyalty

Avoid conflicts

Avoid conflicts of interest or the appearance of such conflict. If questions arise, the burden of proof that no conflict exists lies with the director.

Establish policies

Establish a written policy on avoiding conflicts of interests.

Do not lend

Do not lend money to a director or the director's family unless the board deems it will benefit the corporation.

Do not divert

Do not divert a corporate business opportunity for your own personal gain.

Adhere to rules

Adhere to the rules of the Internal Revenue Code regarding selfdealing.





Duty of Obedience

Be familiar Follow **Enhance purpose** Comply Get help Enhance the Be familiar with state Comply with Be familiar with the Where appropriate, organization remains and federal statutes deadlines for all local, organization's obtain opinions of obedient to its legal counsel or and laws related to state, and federal governing documents central purpose. the organization. filings. and follow the accountants. provisions of those documents.





Fiduciary Responsibility

Financial oversight is a core responsibility of the board.

That means that <u>all</u> board members:

- Have equal and shared fiduciary responsibility for the organization.
- Understand the content and significance of your financial statements and audit.





Fiduciary Responsibility Recommended Practices

- Validate protection and appropriate use of assets.
- Establish program revenue and expense objectives which are consistent with mission.
- Discuss and adopt an annual budget that reflects the financial objectives and strategies of the organization before the beginning of its fiscal year.
- Review financial statements regularly and compare them to budget.
- Establish appropriate financial policies to guide organization operations.
- Determine that strong and appropriate internal financial controls exist.





Fiduciary Responsibility Recommended Practices (cont.)

- Where possible, establish a reserve to finance working capital and organizational reinvestment.
- Assess annual audit implications and approve action plans to strengthen performance.
- Establish a system to verify the organization is in compliance with laws and regulations.
- Approve contractual obligations as defined by approved board policies.
- Establish adequate risk management mechanisms.







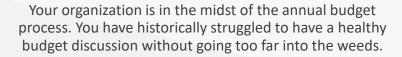
Scenario One

Creating, Reviewing, and Approving Your Annual Budget



Scenario One: Budgeting







This year, your finance committee wants to be very intentional about preparing for and managing content dissemination and conversations to determine the proper division of management and governance.





Background Information

- Despite negative trends in both individual giving and programmatic revenues over the past three years, your management team is optimistic that both will go up by 10 percent this year over prior year.
- Management plans to "go lean" this year and increase efficiencies while choosing not to rehire for the open operations director.
- While the organization originally planned to reroof three facilities this year,
 management decided the work could wait one more year.
- The organization plans to switch program evaluators due to quality concerns with the previous evaluator. The new evaluator would cost \$5K more per year.





Question for Consideration

- Of the four pieces of background information, which do you feel should be discussed at each level?
 - Management team
 - Finance committee
 - Board of directors



Scenario One: Information and Transparency

- Your CFO and finance department prepares the following budget information:
 - 1. Organization-wide budget and two years of actuals by high-level, natural groupings
 - Departmental budgets and organization-wide summary by high-level, natural groupings
 - 3. Departmental budgets with line-item details
 - 4. Statement of activities by department
 - 5. Statement of activities organization-wide summary
 - 6. Capital budget
 - 7. Statement of financial position
 - 8. Projected statement of cash flows





Question for Consideration

- Which information should be shared at each level?
 - Management team
 - Finance committee
 - Board of directors







Policies for Governance

Key Policies Oversight



4 policies noted on the IRS Form 990	Additional policies to consider
Written conflict of interest policy	Written investment policy
Written whistleblower protection policy	Written reserve policy
Written document retention/destruction policy	Written expenditure and travel policy
Written gift acceptance policy	Written risk policy







Management vs. Governance

Modes of Governance



Governance

In the nonprofit setting, the purpose of governance is to

"ensure, usually on behalf of others, that an organization achieves what it should achieve, while avoiding those behaviors and situations that should be avoided."

John CarverBoards That Make A Difference, 2006



Governing Functions

Strategic direction

Set direction for the organization that reflects its constituents needs.

Resource development

Develop financial resources that support program activities.

Financial accountability

Verify that financial resources are deployed with honesty and cost-effectiveness.

Leadership development

• Develop the human resources to lead the organization today and in the future.



Management Functions

Program planning and implementation

 Take the strategic directions to the next level of detail and putting it into action.

Administration

 Verify the effective management of the details behind the program.





Determining Different Roles

Governance is the ultimate responsibility of the *board*, while management is the responsibility of the *staff*.

Rather than seeing the nonprofit board's job as a function of *management, it* is *first and fundamentally* a responsibility for *ownership*.

Board should ask, in regard to programs and administration, "Why are we doing this, rather than, how can we do it?"





Governance Triangle

Three modes of governance based on recommended practices of organizations and behavioral theory

Type I: Fiduciary

GOVERNANCE AS LEADERSHIP Type II: Strategic





Type I: Fiduciary Mode

Fiduciary accountability, integrity, and oversight

"Essential but if that is all a board does, its focus is to prevent trouble rather than promote success."

- Richard Chiat, William Ryan and Barbara Taylor Governance as Leadership: Reframing the Work of Nonprofit Boards (2006)





Type II: Strategic Mode

Moving beyond annual strategic planning to continuous strategic thinking.

"Until a board learns to *use ideas rather than plans* to drive strategy, the full range of the board members' talents will be vastly under utilized."

"Boards are better suited to *think together* than to plan together, *to expand the essence* of a great idea, rather than elaborate the details of a plan."

- Richard Chiat, William Ryan and Barbara Taylor Governance as Leadership: Reframing the Work of Nonprofit Boards (2006)



Type III: Growth Mode

Drivers for continually moving the organization forward and knowledge of the broader landscape. For example:

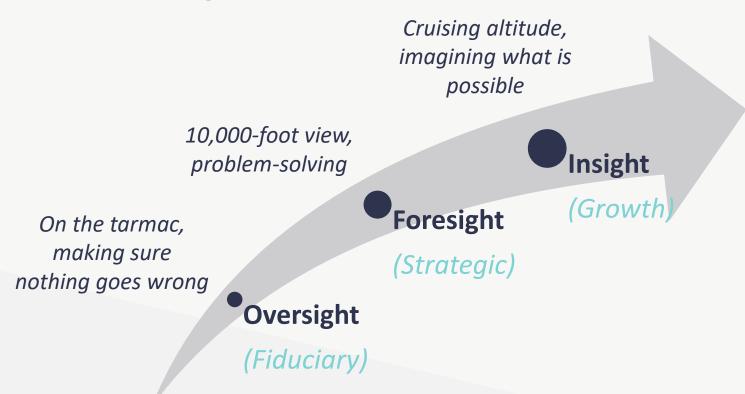
- Where is ally vs. competition appropriate given the corporation's mission and the law?
- Are we fulfilling our mission and our purpose?
- How are our programs part of the larger system?







Unleashing Board Potential







Thank you.

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Lunch

Noon -12:50 p.m.





Investments, Endowments, and Reserves

2025

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Performance can not be guaranteed and any references to past specific performance should not be interpreted as a promise to achieve results. Investing involves various degrees of risk. You may lose money, including the principal of your investment.

Before deciding whether to engage CLA Wealth Advisors to manage any investment assets, you should review CLA Wealth Advisors' Form ADV Part 2A (the "Disclosure Brochure"). Our Disclosure Brochure provides detailed description of CLA Wealth Advisors, its services, fees, and other important information including explanation of conflicts of interest. CliftonLarsonAllen Wealth Advisors, LLC is a wholly owned company of CliftonLarsonAllen LLP.

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Session Objectives

- List the key principles and strategies for managing investments to boost returns and reduce risk
- State the role of endowments supporting long-term financial sustainability and how to effectively manage them
- Identify leading practices for maintaining and using reserves to support the financial health and goals of your organization







Role of Endowments

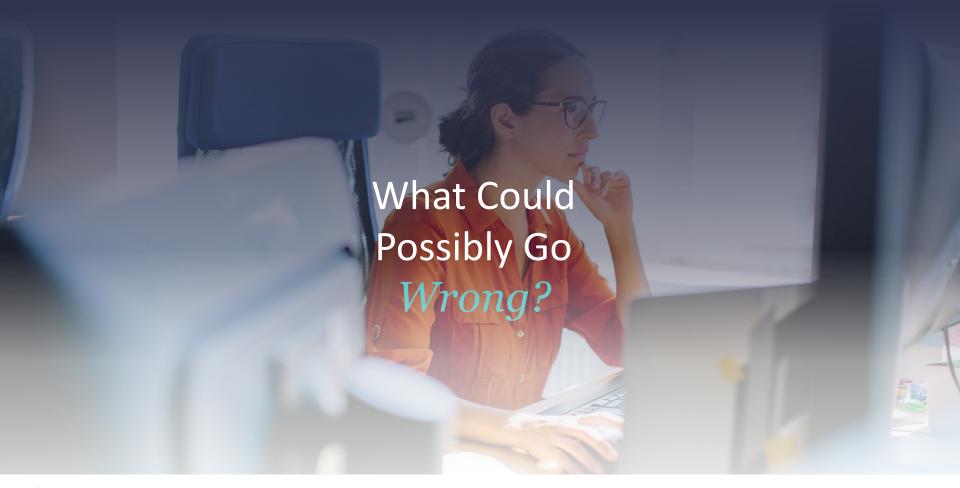




A Free Gift











What Could Possibly Go Wrong?

1 Reputational risk

Restrictions the nonprofit can't comply with

? Donor enforcement

Donor actions

5 Donor default

6 Conflicts of interest

Zack of clarity around agreement provisions

Change in culture or values over time





What Is an Endowment?

An established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit entity (NFP). The use of the assets of the fund may be with or without donor-imposed restrictions.

Types of Endowments			
Perpetual	Term	Quasi-Endowment	





UPMIFA – The Law

- Institution "may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established."
- It requires investment "in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances."
 - Nonprofits may delegate investment management as long as the Board acts prudently in doing so





UPMIFA – The Law

- Seven criteria guide the institution in its yearly expenditure decisions:
 - 1. Duration and preservation of the endowment fund.
 - 2. The purposes of the institution and the endowment fund.
 - General economic conditions.
 - 4. Effect of inflation or deflation.
 - 5. The expected total return from income and the appreciation of investments.
 - Other resources of the institution.
 - 7. The investment policy of the institution. These standards mirror the standards that apply to investment decision-making, thus unifying both investment and expenditure decisions more concretely.



UPMIFA – The Law

- Eight criteria guide the institution in its investment management decisions:
 - 1. General economic conditions.
 - Effect of inflation or deflation.
 - 3. Tax consequences.
 - 4. How an investment fits within the total portfolio.
 - 5. The portfolio's expected return.
 - 6. Other resources of the institution.
 - 7. Institutional needs and the relationship between distributions and capital preservation.
 - 8. An assets special relationship or value, if any, to the charitable purposes of the institution.





Building a Total Return Portfolio



CLA Core Strategies — Overview

Globally diversified portfolios with target allocations across publicly traded equities and fixed income.

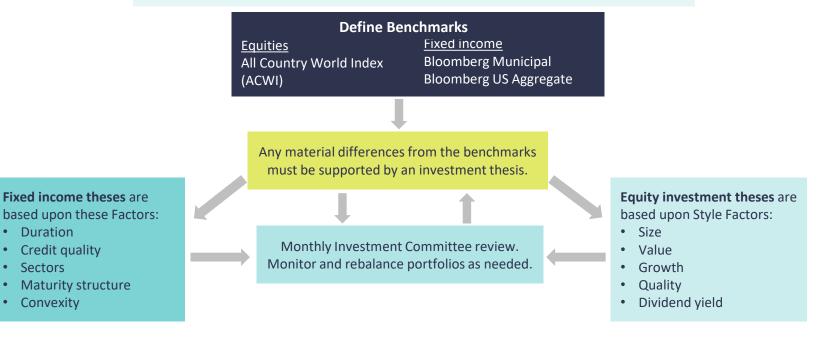






CLA Core Strategies — Portfolio Construction Process

CLA designs its Core Strategies using a well-defined process.







Duration

Sectors

Convexity

An Introduction to Factor Analysis

A factor is: "A fact or situation that influences the result of something."

Application: Factor analysis can be used to explain more than 90% of a portfolio's return.

Macroeconomic factors

- · Economic growth
- Real interest rates
- Inflation
- Credit conditions
- Geopolitical risk

Fixed income factors

- Duration
- · Credit quality
- Sector
- Maturity structure
- Convexity

Equity factors

Cyclical

- Consumer discretionary
- Financials
- Materials
- Real estate

Defensive

- Consumer staples
- Health care
- Utilities

Economically sensitive

- Communication services
- Industrials
- Information technology
- Energy

Geography

- United States
- Developed
- Emerging, frontier

Style factors

- Value Cheap relative to fundamentals
- Growth Strong 12-month sales growth
- Size Small Caps
- Quality Strong balance sheets and stable earnings
- Dividend yield High dividends relative to price
- Min vol Low historic price volatility







Establishing and Maintaining Strategic Reserves



Understanding Your Investment Objectives

Before determining how and where to invest your endowment, it is critical to understand what your goals and objectives are:

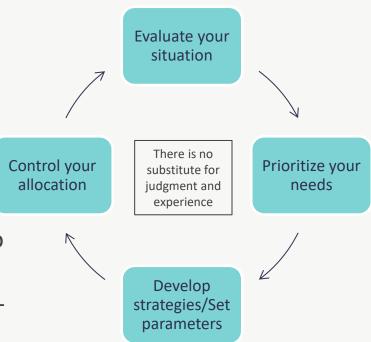
- 1. Aligning the investment goals with your organization's goals
- 2. Risk management
- Investment horizon
- 4. Restrictions and preferences
- 5. Distributions and liquidity





Aligning the Investment Goals With Your Organization's Goals

- What is the purpose of investing the endowment?
 - Generate income to support ongoing organizational needs?
 - Specific donor-restricted activities?
 - Develop a public facing pool of funds for fundraising purposes?
- Make sure you understand why you want to invest and have it clearly documented. Is it something that is perceived as a smart longterm investment?







Risk Management

- There is always risk associated with investing, so it is important to understand what level of risk the client is both able to take and willing to take.
- Establishing risk management is essential for dictating the eventual investment allocation.
- We have found that most of our nonprofit clients with endowments have a low to moderate tolerance for risk.









Investment Horizon

Determine how long you plan to hold the investments, given shorter and longer-term goals.

For many nonprofits, time horizons are generally longer, sometimes even perpetual. This is especially true for endowments and foundations.

There can also be cases where short-term portfolios are appropriate, such as optimizing cash management for upcoming spending needs.





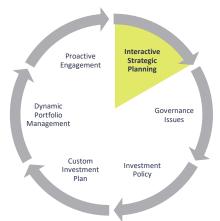
Distributions and Liquidity

- Outline your cash needs as annual disbursements and develop a spending policy.
 - Fixed Percentage model: set dollar value of assets distributed annually (can be adjusted or inflation or not)
 - Percentage of Assets model: set percentage value of assets distributed annually (can be average over a period of years)
- Liquidity needs of the portfolio are based on these distribution assumptions.



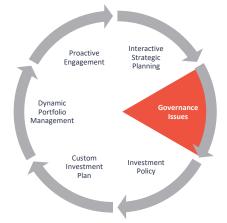


Endowment Management Lifecycle



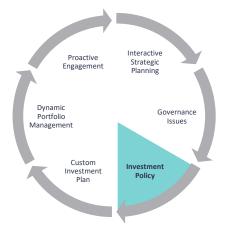
Strategic Planning

- Understanding investment objectives
- Determine what success means for the organization
- Stress testing, modeling, risk budgeting



Governance

- Responsible parties?
 - Board of Directors
 - Investment committee
 - CEO/CFO/Treasurer
 - Advisor
- Fiduciary duty
- UPMIFA



Investment Policy Statement

- Allowable asset classes
- Asset class ranges and targets
- Liquidity restraints
- Spending policy
- Risk budget

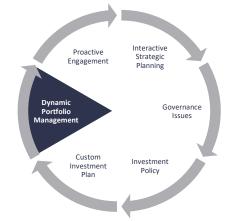


Endowment Management Lifecycle



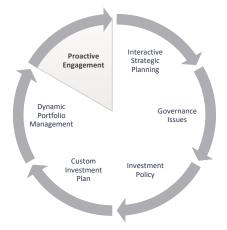


- Integrate insights from planning to design a portfolio
- Collaborative process
 between Board and Advisor
- Primary driver of returns is asset allocation



Portfolio Management

- Enhance proper time horizon, risk, and liquidity are maintained in portfolio
- Monitor continued alignment of organizational goal with investment strategy



Ongoing Engagement

- Reporting tailored to goals
- Portfolio monitoring
- Regular review of IPS





Current Hot Topics



Cash Management – Are You Putting Your \$ to Work?

With limited interest rates the past 15 years, maximizing return on cash and savings was a non-issue.

With rising interest rates, opportunities to gain meaningful returns with minimal risk and flexible liquidity are now available.

\$1M Example			
Investment Vehicle	Avg Rate of Return	Annual Interest	
Savings Account (based on national average*)	0.59%	\$5,900	
Certificate of Deposit – CDs (based on national average**)	1.60%	\$10,600	
Schwab Treasury Money Market (SCOXX) ^ (as of 5/19/25)	4.28%	\$42,800	
6 Month Treasury Bills^^ (as of 5/19/25)	4.27%	\$42,700	



[^]schwab.com/money-market-funds

^{^^}home.treasury.gov/policy-issues/financing-the-government/interest-rate-statistics

^{*} bankrate.com/banking/savings/average-savings-interest-rates

 $^{**} y charts.com/indicators/us_6month_cd_rate$

Values-Aligned Investing (ESG)

ESG investing means that investors consider environment, social and governance criteria alongside traditional financial factors.

A more holistic approach to investing that accounts for our impact on the natural world and society in addition to financial factors.

An example of ESG investing is when an investor chooses to purchase the stocks of a company that prioritizes environmental sustainability and social responsibility (i.e., reduction of carbon footprint or fair labor practices).





Three Main ESG Factors



Environmental

Conservation of the natural world



Social

Consideration of people and relationships



Governance

Corporate governance



Global ESG assets surpassed \$30 trillion in 2022 and are on track to surpass \$40 trillion by 2030 — over 25% of projected \$140 trillion assets under management (AUM) according to a latest ESG report from Bloomberg Intelligence (BI).



Questions? Thank you!





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Panel Discussion: Ask Your Accountant

June 4 & 5, 2025



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Learning Objectives

At the end of this session, you will be able to:

- Recall what you learned from experienced accountants
- Identify different approaches, strategies, and leading practices
- Identify emerging trends and developments related to the nonprofit industry





Open Discussion

This is your opportunity to ask the panel of accountant's questions about the audit, tax, and outsourcing process.



Questions

- Can you explain the audit process?
- What is a best practice in terms of how long it should take to close your books on a monthly basis?
- How often should we reconcile the donor database to the general ledger?
- How do you tell if revenue is unrelated business income or UBI?





Questions

- What strategies can we implement to transform the data we gather into something beneficial?
- What is the most common management letter comment you see and how can that be avoided?
- Can you please explain Schedule G in the Form 990?





Thank you!



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20 Minute Break

2:30 - 2:50 p.m.





HR Guidelines

The Small Business Guide For A Strong HR Strategy



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Speaker



Melissa Parziale
HRCO Consultant

- 18 Year HR Professional
- SPHR certified
- Black Belt in Six Sigma HR
- Advanced Professional Diploma in Leadership and Project Management
- Currently pursuing an executive MBA
- Professional HR Consultant and HR Director for CLA
- Devoted wife and mother of two beautiful children, Mia (7) and Xander (2) and two cats





Learning Objectives

- Recognize: describe the strategic role of the HR function.
- Explain: recognize and debunk common misconceptions about human resources.
- *Identify:* list current HR competencies and requirements through the HR Checklist.





The HR Function

Recruitment and talent acquisition

Training and development

Performance management

Total rewards

Performance evaluations

Safety and compliance

Employee relations

Organizational development

Strategic business advisor



HR Stereotypes



All cost center:

HR doesn't
generate revenue,
they just spend it



The bureaucrat: they slow everything down



The feelings
manager:
they care more
about employee
feelings than
business outcomes



The out of touch idealist:
they want a utopia, but don't understand the business reality



The obstacle to

terminating

employees:
they make it
impossible to get
rid of
underperformers



But The Truth Is



Studies show
companies with strong
HR practices
outperform by 51% in
operating income and
39% in net profit
(Boston Consulting
Group)



Good HR streamlines
decisions, uses
technology to
automate tasks like
onboarding, AI driven
recruiting, and selfservice platforms that
free up time for
strategic work



High employee
engagement = high
performance.
Companies with
engaged and happy
employees see 21%
greater profitability
(Gallup)



The greatest HR leaders are fluent in KPI's, revenue metrics, strategic planning, and business acumen.



HR Ensures that terminations are legally sound, ethically executed and less likely to result in costly lawsuits





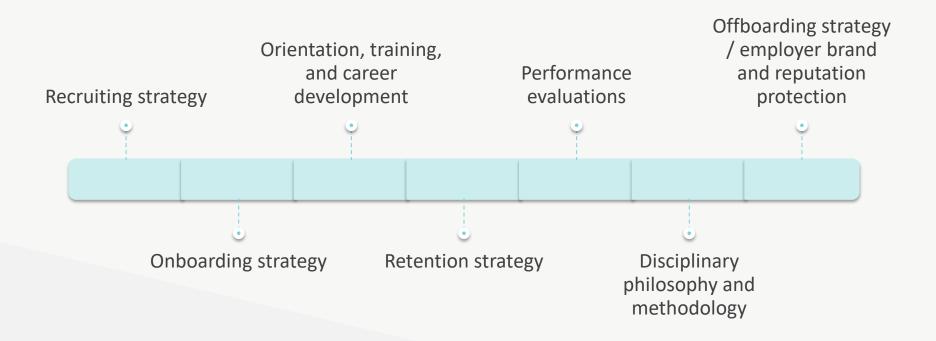


When do You Need HR?

Human Resources should be approached proactively rather than reactively.

Why?

The Employee Life Cycle







The HR Checklist

Legal and Compliance

- EIN
- ☐ Federal and State Labor Law Posters (digital as well)
- ☐ I-9 Documentation E-Verify
- W-4 on file
- ☐ FLSA compliance (1099 vs W2; exempt vs non-exempt)
- Worker's Compensation Insurance
- Fully compliant and updated employee handbook (with appropriate state addendums)
- Employment attorney
- ☐ A qualified, certified, HR Director or Director-Level Consultant

Recruiting

- Comprehensive Job Analysis, fully compliant job descriptions and job postings
- Interview training (what you can and cannot ask an applicant during the interview process)





The HR Checklist

- Systems
 - Payroll
 - □ Time tracking system
 - Human Resources Information System
 - Applicant Tracking System
- Record Keeping
 - Personnel records (kept for 3 years following termination)
 - Interview Records (kept for 1 year following interview application, resume, notes, and associated job posting)
 - Medical benefits and files (kept separate from personnel records)
 - I-9 storage and compliance (kept for three years after hire or 1 year after termination whichever is later)
 - ☐ Time and Pay Records retained for 3+ years





The HR Checklist

- Workplace Safety
 - OSHA posters and/or required reporting
 - Emergency procedures drafted and posted
 - Emergency Response Plan drafted and on file
 - Regular safety committee meetings
 - Quarterly, semi annual, or annual safety re-training
- Company Culture
 - Mission, Vision, Values
 - Code of Conduct
 - Performance Management
 - Employee Development
 - Onboarding/Offboarding
 - Employee Feedback Loop
 - Compensation Philosophy
 - Market Analysis
 - Total Rewards





Questions?

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Closing Remarks and Q&A

Thank you for attending!

Please complete the survey on your table and drop off at the registration desk when you sign out.

