



2022 Florida Nonprofit Training Academy

June 7 & 8, 2022

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Welcome & Housekeeping

- CPE certificates will be emailed one to two weeks following today's presentation to the email that was used to register. Recommended CPE of 6 credits total will be given for attendance of the full day presentation.
- All presentations will be available at the CLASconnect.com under the past events page at the end of the week.



We'll get you there.

Lease Standard Implementation: Tips and Strategies

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Learning Objectives

- At the end of this session, you will be able to:
 - Identify the key elements and general step-by-step process for implementing the new lease standard
 - Recognize leading practices and practical implementation tips based on lessons learned from other entities implementations



Effective Date

NOW!

Public not-for-profit entities

- Fiscal years beginning after December 15, 2019
- Interim periods therein (e.g. fiscal year 2021)

All Others

- Fiscal years beginning after December 15, 2021 (COVID-19 deferral)
- **Interim periods within fiscal years beginning after December 15, 2022**



Overview of ASC 842 Lease Standard

We'll get you there.

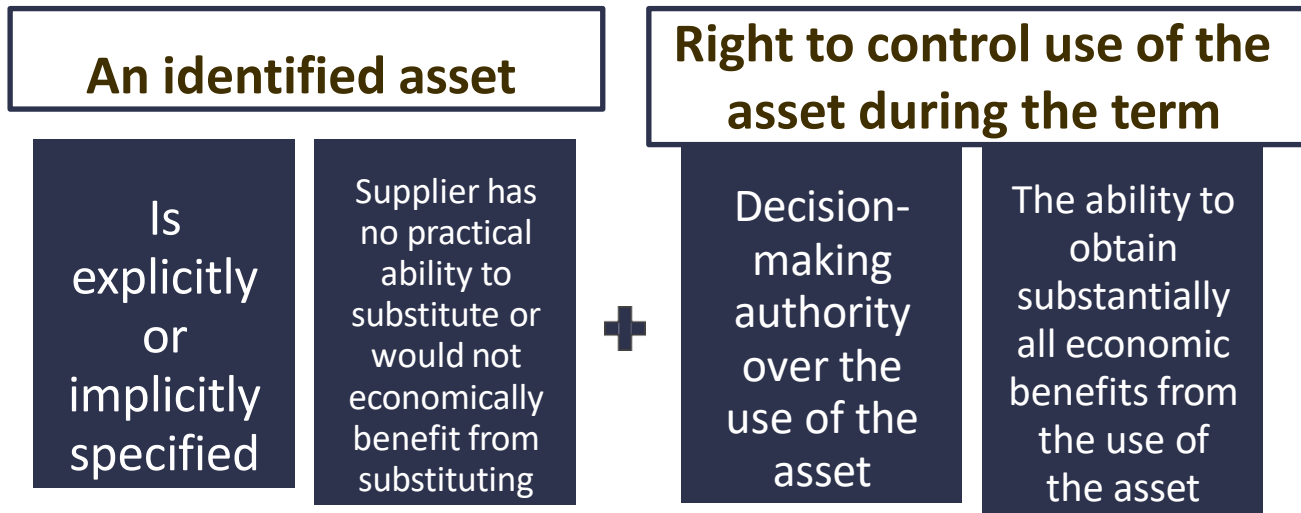
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Overview - Definition of a Lease

A lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease is present in a contract if the contract includes both:



Examples

- Common
 - Office Space (Lessee/Lessor)
 - Vehicles
 - Copiers
 - Computers
- Uncommon
 - Server space
 - Land lease
 - Camera Systems

Major pitfall: Assuming that because a contract does not say lease that it's not eligible as a lease.





Implementation Tips and Strategies



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Program Agenda

Three Key Elements of an Implementation

- Identify Explicit Lease Contracts
- Software/Subsidiary Ledger
- Embedded Lease Assessment

Other Considerations

- Discount Rates
- Process Changes
- Areas of Impact
- Why Start Now?



Lease Implementation - Three Key Elements

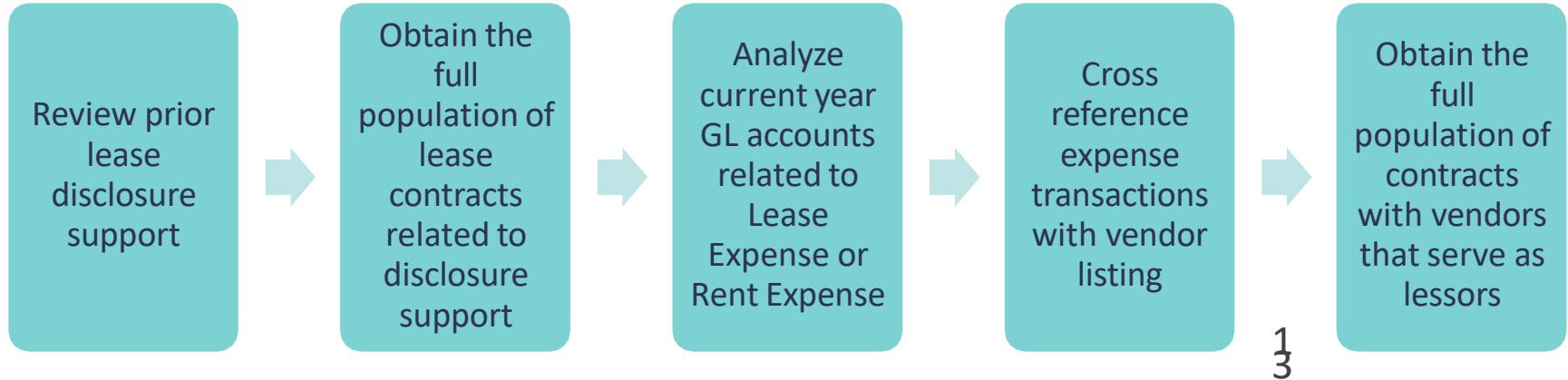


Identify Explicit Lease Contracts

Software/Subsidiary Ledger

Embedded Lease Assessment

Explicit Leases – Determine Full Population



Explicit Leases – Practical Advice

Categorize the following:

- Short Term Leases (12 months or less)
- Real Estate Leases
- Non-Real Estate Leases
- Lessee/Lessor contracts

Review lease contracts to identify follow-up requirements

- Delivery Dates
- Occupancy Dates



Lease Accounting Sub Ledger Solution



Consider the benefits of using lease accounting software (be cautious with Microsoft Excel, it may likely not be optimal given the size, nature and complexity of the lease portfolio)



Determine whether current ERP platform offers lease accounting sub ledger



Consider various cloud-based lease accounting software packages that are available



Review software demos from several vendors, assess available tools, and determine the best solution for the circumstances



Lease Accounting Sub Ledger: Implementation Tips



The sub ledger will need to be configured to generate journal entries at the desired level of detail within the accounting ledger structure (top-side, department/division level, etc.)



After configuration, a small test sample of records should be entered to validate the output based on the configuration and calculations (journal entries and other reports)



Perform manual calculations on a sample of records and compare against sub ledger output



Lease Accounting Sub Ledger: Implementation Tips

Review chart of accounts to identify all lease related accounts that will be required

- Right of Use Asset – Operating (Intangible Assets)
- Right of Use Asset – Finance (Intangible Assets)
- Short Term Lease Liability – Operating
- Short Term Lease Liability – Finance
- Long Term Lease Liability – Operating
- Long Term Lease Liability – Finance
- Short Term Lease Expense
- Variable Lease Expense
- Operating Lease Expense
- Interest Expense – Finance Lease
- Amortization Expense – Finance Lease
- Lease Clearing Account (Balance Sheet)



Lease Accounting Sub Ledger: Implementation Tips



Review current accounts payable process related to lease payments



Review current journal entries recorded for lease expense (i.e., deferred rent, etc.)



Map expected revised process for recording all lease related entries (coordinate current processes with the requirement to record entries generated by the sub ledger)



All balances related to deferred rent, unamortized tenant improvement allowances, etc. should be gathered and tied to specific lease contracts in preparation for adoption entry (those balances are rolled into the ROU asset balance)

Embedded Leases - Concept



Embedded leases may potentially exist in vendor arrangements where the supplier or service provider employs tangible property in the delivery of the supply or the provision of the service.



Assessment is required to determine whether tangible property would be considered a leased asset in compliance with the standard (an identified asset used solely for the customer's benefit and is controlled by the customer, etc.).



Embedded Leases – Examples

IT Service Contract for which the IT Service Provider dedicates specific hardware (i.e., a specific server) to house the customer's applications and data.

Cafeteria service contract may include refrigeration units to be installed on-site to be used in storage of perishable items.

Supply contract for gas or chemicals – As part of the vendor arrangement, the vendor will install a tank on the premises of their customer to facilitate bulk storage. That tank may, in many cases, be considered an embedded leased asset, based on the guidance.

Water coolers and dispensers that are provided by a water supply company.

Vending machines or soda fountains that are provided by the suppliers of sodas/snacks.



Embedded Leases - Assessment

The embedded lease assessment requires consideration of all purchase activity from the entire list of vendors

The population should be categorized as either casual vendors (PO only), or contract vendors

The contract vendor population should be assessed for the following characteristics:

- Minimum spending requirement (absent a minimum spending requirement, there would be no amount that could be allocated to fixed base rent, thus no capitalizable balance could be developed)
- Tangible property used to satisfy the contract



Embedded Leases - Assessment

After identifying contract vendors that use tangible property which also have a minimum spending requirement, the fact pattern related to the tangible property should be evaluated utilizing the concepts in the appropriate standard to reach a conclusion as to whether an embedded lease asset requires capitalization

If the conclusion is that an embedded leased asset exists and requires capitalization, the fixed minimum spending requirement should be allocated between the embedded leased asset and the related service or supply

That allocated fixed minimum spend is treated as our fixed base rent and used to calculate the right of use asset and related lease liability





Lease Term Determination



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Lease Term

- The lease term is the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable:
- Keep in mind, these have to be reasonably certain (of being/not being) exercised, based on all relevant factors...

Periods covered by a lessee's option to extend the lease

Periods covered by a lessee's option to terminate the lease

Periods covered by a lessor's option to extend the lease

Periods covered by a lessor's option to terminate the lease



Lease Term... Keep in Mind

- Rolling month-to-month or holdover leases are cancelable if both lessee and lessor have option to terminate at any time.
- Periods where both lessee and lessor have an option to terminate without permission from the other party (or if both parties have to agree to extend) are cancelable periods and excluded from the lease term.
- Termination penalty causes do not affect if the period is considered cancelable or not.

Lease Term – Odd Clauses

- Beware of clauses which could look like both parties have to agree but do by electing the extension.
 - One clause which I have seen many times in real estate contracts is a clause which allows the lessee to extend, and rate is based on prevailing market rate.
 - Some of these clauses provide an out as both sides have to agree to market rate.
 - Some provide for determination by average rates provided by experts.
- Always verify when/if the opposing party can terminate.



Lease Term – Best Practices

- Get your dates clear and if they are not listed directly in the contract have your additional supporting documentation included with your lease.
- If you considered a lease not eligible due to lease term, note the clause and any applicable reasons. (Especially if you're exercising a term provision)
- Carefully evaluate any termination provisions you are asserting. If the lease still exists after your asserted termination date, this will lead to additional questions.
- Consider all renewal provisions which you have a right to exercise and document the expectations. Remember that if you say yes to renew at implementation this does not lock you into renewing the contract if circumstances change.



Lease Term – Examples

- Entity has a lease for ten years with two (5) five-year renewal options and the ability for either party to cancel with two-year notice.
 - What's the Lease Term length of the contract?



Lease Term – Examples

- Entity has a lease for 4 years with two (2) two-year renewal options. There are no provisions to cancel and the Entity has ability to renew without approval.
 - What should the Lease Term be?





Other Considerations

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Other Considerations

Discount rate

Lessees

- Interest rate charged by lessor, which may be an implicit rate (when determinable)
- The lessee's incremental borrowing rate

Lessors – rate it charges the lessee

Discount rates should only be reassessed in the following instances

- Lessee - Upon a change in the lease term or a change in determination as to whether the lessee is reasonably certain to exercise a purchase option.
- Lessor - Upon a change in lease term or a change in interest rate charged to the lessee.



Other Considerations

Discount rate

For lessees, to determine the incremental borrowing rate, a practical solution is to contact your primary source of financing (i.e., a lender)

Bankers are aware of the new lease standard and are generally receptive to providing guidance with their understanding of the lessee financial position and industry (subject to certain bank disclaimers)

The FASB allows private entities to use a risk-free rate in lieu of an incremental borrowing rate



Why Our Clients Should Start Now



- A complete list of Lease/Service and Supply contracts – can be difficult and time consuming to compile
- A software solution to perform complex computations – can take many months to be implemented
- Time/Staffing – Limited resources can create delays





Example of Lessee

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Initial Recording - Lessee

- Lease Asset (right to use asset) – Initial measurement of lease liability, plus prepayments and initial direct costs to place asset in service, less any lease incentives received at or before lease commencement.
- Liability - Present Value of future lease payments for the lease term
- Governmental funds – expenditure and other financing source should be reported in the period the lease is initially recognized



Case Study #1 – Copiers (Lessee)

- Lease Commencement Date: August 1, 2022
- Full Lease price: \$52,743.04
- Lease Term: 3 Years
- Options: 2 years, expect to extend (Only Lessee has option to cancel)
- Stated Interest Rate: 6%
- PV of min lease payments: \$38,526.52
- Payment due at the beginning of the month - \$741.12
- 12/31/2022 Year End Entity



Case Study #1 – Copiers (Lessee) – Journal Entries

Accrual Accounting

Initial entry to record lease:

Dr. Right-to-Use Asset	38,526.52	
Cr. Lease Liability		38,526.52

End of Year Entry 12/31/2022:

Dr. Amortization Expense: Right-to-Use Asset	535.09	
Cr. Accumulated Amortization: Right-To-Use Asset		535.09
Dr. Lease Liability	2,788.71	
Dr. Interest Expense	916.89	
Cr. Cash		3,705.60



Financial Statement - Examples

The main area which clients and family members will see the changes are reflected in the balance sheet.

If Notes and additional disclosures are being provided on a client, please go to the FAQ document for specific examples.

ABC Test Company, Inc.	
Balance Sheet	
As of December 31, 2018	
Assets	
Current Assets	
Cash and Equivalents	6,500,000
Accounts Receivable - net	1,250,000
Prepaid Expenses	150,000
Other Current Assets	25,000
Total Current Assets	7,925,000
Long Term Assets	
Fixed Assets - Net	1,750,000
Finance ROU Asset - Net	1,110,000
Total Assets	10,785,000
Liabilities & Equity	
Current Liabilities	
Accounts Payable	860,000
Accrued Expenses	450,000
Short-Term Deferred Revenue	2,650,000
Short-Term Finance Lease Liability	250,000
Other Current Liabilities	300,000
Total Current Liabilities	4,510,000
Long Term Liabilities	
Long-Term Deferred Revenue	1,250,000
Long-Term Finance Lease Liability	775,000
Total Long Term Liabilities	2,025,000
Equity	
Members Capital	3,000,000
Retained Earnings	1,100,000
Net Income	150,000
Total Equity	4,250,000
Total - Liabilities & Equity	10,785,000

ASC 842	
ABC Test Company, Inc.	
Balance Sheet	
As of December 31, 2018	
Assets	
Current Assets	
Cash and Equivalents	6,500,000
Accounts Receivable	1,358,610
Prepaid Expenses	150,000
Other Current Assets	25,000
Total Current Assets	8,033,610
Long Term Assets	
Fixed Assets - Net	1,750,000
Operating ROU Asset	2,046,217
Total Assets	11,829,827
Liabilities & Equity	
Current Liabilities	
Accounts Payable	860,000
Accrued Expenses	450,000
Short-Term Deferred Revenue	2,650,000
Short-Term Lease Liability	233,672
Other Current Liabilities	300,000
Total Current Liabilities	4,493,672
Long Term Liabilities	
Long-Term Deferred Revenue	1,250,000
Long-Term Lease Liability	1,836,155
Deferred Rent	-
Total Long Term Liabilities	3,086,155
Equity	
Members Capital	3,000,000
Retained Earnings	1,100,000
Net Income	150,000
Total Equity	4,250,000
Total - Liabilities & Equity	11,829,827



What will happen during an Audit?

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Does Completeness Matter?

- In short “Yes”
- As the standard is implemented, ensuring that you have performed additional testing/procedures to look for additional leases is recommended.
- Why? – One of the questions that your auditors will be asking about the implementation of the lease standard is “How do you know if you captured and evaluated all potential lease contracts?”



What can be done to make sure I got them all?

1. Get all the lease details which have already been reported in your financial statements.
2. Analyze your expense accounts for reoccurring payments to vendors.
3. Analyze any active contracts or agreements which are in effect.

Pitfalls

- Pitfalls
 - Assuming its not a lease because it doesn't say lease.
 - Intentionally making leases not eligible under the standard.
 - (Possible loss of assets, greater risk)
 - Assuming your termination for convenience clause makes it short-term.
 - Documentation
 - As you preform your analysis, review various documents and apply the rules create documentation which demonstrates all the steps which you took to comply with the standard.



How to make it smooth during Audit?

- Document, Document, Document

- Completeness procedures
- Contracts ready
- Assumptions
- Discount rates
- Other relevant documents
 - Lease acceptance
 - Renewals
 - Change Orders



Thank You!

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Cybersecurity: Reducing the Risk of a Cyber Attack

Ransomware, Phishing and Password Attacks

June 2022

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Learning Objectives

- Identify the key risk factors surrounding cyber threat landscape today
- Recognize how attackers plan and execute attacks, such as phishing, and password guessing
- Identify how to implement simple processes to help you improve overall security posture



Cyber Security Services

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 (HIPPA, CIS, NIST, CMMC, DOL, GLBA/FFIEC, etc...)

- PCI-DSS Readiness and Compliance Assessments

- Incident response and forensics

- Independent security consulting

- Internal audit support

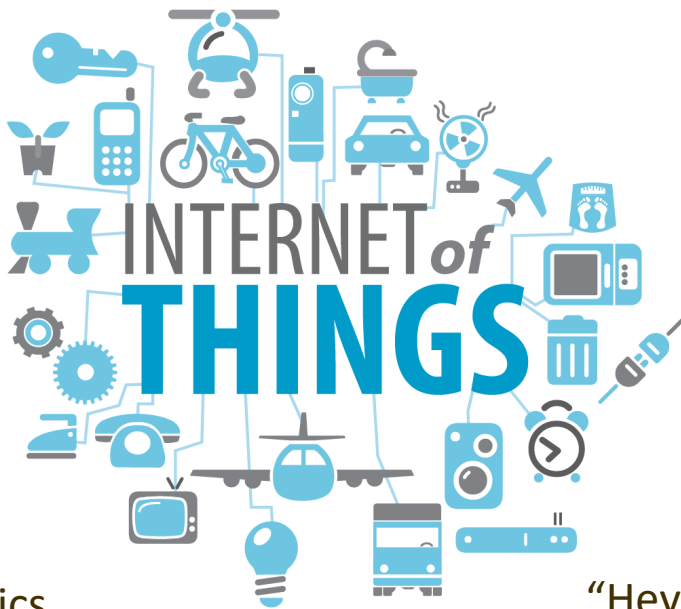


HITRUST
Authorized CSF Assessor



Raise Your Hand if You Work for a Tech Company

- Security Cameras
 - Motion Sensors
 - Logistics Tracking
 - Print Vendors
 - Smart TV Displays
 - Temperature and Humidity
 - Digital Assistance
 - Cloud Applications & Analytics
 - Bio-Medical Care & Monitoring
- **“Presence”**



Security cameras

Garage door

Home thermostat

Cable TV remote

Smart TV

Sleep number bed

Roomba

“Hey Siri, what’s my balance?”

Apple Watch or FitBit

“Presence”



Sun Tzu:

*“Know your enemy, know
yourself and you can fight a
hundred battles without
disaster”*

We'll get you there.

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Cybercrime and Black-Market Economies

- Black market economy to support cyber fraud
 - Business models and specialization
 - Underground Marketplace (The Dark Web)
- Most common cyber fraud scenarios we see affecting our clients
 - Theft of information
 - Credit card information
 - PII, PFI, ePHI, account profiles, etc...
 - Log-in Credentials
 - Ransomware and interference w/operations

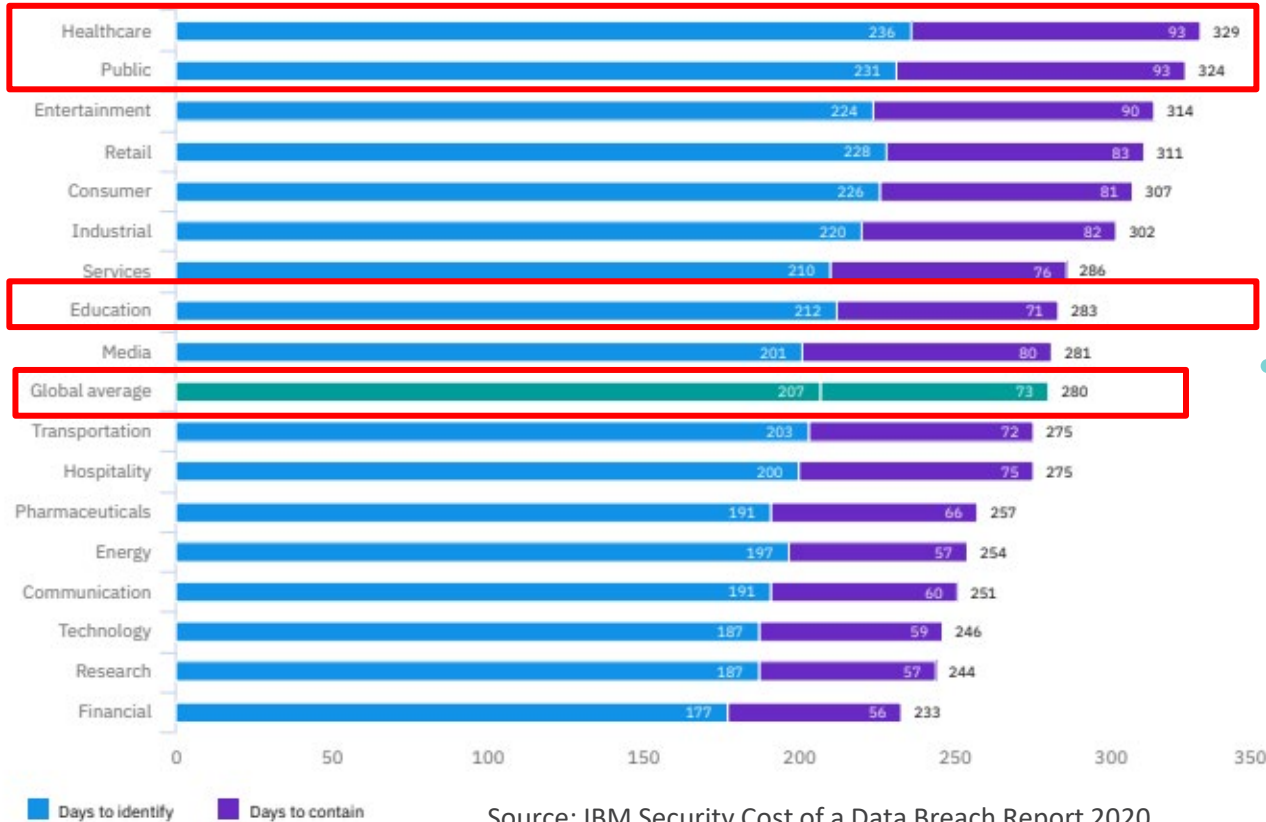
➤ To the Hackers, we all look the same...



They will hit you with any or all of the following:

1. Email Spear Phishing Attacks
2. Password Guessing and Business Email Account Takeovers
3. Payment and Funds Disbursement Transfer Fraud
4. Ransomware
5. Extortion to avoid breach disclosure

Average Days to Identify and Contain a Data Breach



- Global average is 280 days
 - 207 days to identify a breach
 - 73 days to contain the attack

Source: IBM Security Cost of a Data Breach Report 2020



Behind the statistics

- Hackers can do a lot in AND to your network in 236 days
 - Learn everything about your group
 - Find your crown jewels and take them
 - Disable backups and security systems
 - Create numerous back doors
 - Public portrayal of ransomware creates a **false sense of security**
 - Ransomware is usually coupled with other acts – Ransomware is simply the most visible part of the attack – it is usually “the last act”
 - Current ransomware attacks are coupled with data exfiltration
 - Resuming operations is just the first step
 - Legal and business ramifications of a data breach can persist
- Over 80% of breaches have a root cause in some form of Spear Phishing or other Social Engineering



Average cost
\$8.4M





Here They Come

We All Look the Same
To the Hackers

We'll get you there.

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Phishing and Pre-Text Phone Calls?

The image shows a screenshot of an email client window displaying a phishing email. The email header shows it is from 'Account@votfy@verizonwireless.com' and is dated 'Wed 8/14/2013 10:29 AM'. The subject is 'Your Bill Is Now Available'. The email body features the Verizon logo and a red banner that reads 'IMPORTANT ACCOUNT INFORMATION FROM VERIZON WIRELESS.' Below this, the text states 'Your current bill for your account is now available online in My Verizon' and 'Total Balance Due: \$2335.58'. A red circle highlights this text. Further down, there is a link to 'View and Pay Your Bill' with the URL 'http://dancingdivaswear.com/robyn/index.html'. A red circle highlights this link. To the right of the main text, there is a section titled 'My Verizon is also available 24/7 to assist you with:' followed by a list of services. A red circle highlights this section. At the bottom, there is a map of the United States and the text 'Verizon. America's Largest 4G LTE Network.' with a 'Learn More' button. A red circle highlights the 'Learn More' button. A red box on the right side of the email contains the text 'Your current bill for your account is now available online in My Verizon' and 'Total Balance Due: \$2335.58'. Another red box at the bottom right contains the text 'Keep in mind that payments and/or adjustments made to your account after your bill was generated will not be reflected in the amount shown above.' and a link to 'View and Pay Your Bill' with the URL 'http://dancingdivaswear.com/robyn/index.html' and a button that says 'Click to follow link'.

From: Account@votfy@verizonwireless.com
To: Rogers, Ted; Romes, Randall J.; Ruivo, Roy; Olsen, Craig W.; Olson, Cathy L.; Boston Confirmations; Orlando Confirmations;
Cc: Sicilia, Teresa
Subject: Your Bill Is Now Available

Sent: Wed 8/14/2013 10:29 AM

verizon

IMPORTANT ACCOUNT INFORMATION FROM VERIZON WIRELESS.

Your current bill for your account is now available online in My Verizon

Total Balance Due: \$2335.58

Keep in mind that payments and/or adjustments made to your account after your bill was generated will not be reflected in the amount shown above.

> [View and Pay Your Bill](http://dancingdivaswear.com/robyn/index.html)
http://dancingdivaswear.com/robyn/index.html
Click to follow link

Want to simplify your bill payment?

> [Enroll in Auto Pay](#)

My Verizon is also available 24/7 to assist you with:

- Viewing your usage
- Updating your plan
- Adding Account Members
- Paying your bill
- Purchasing accessories for your devices
- And much more...

Thank you for choosing Verizon Wireless.

Verizon. America's Largest 4G LTE Network. [Learn More](#)

© 2013 Verizon Wireless
Verizon Wireless | One Verizon Way | Mail Code: 180WVB | Basking Ridge, NJ 07920

Your current bill for your account is now available online in My Verizon

Total Balance Due: \$2335.58

Keep in mind that payments and/or adjustments made to your account after your bill was generated will not be reflected in the amount shown above.

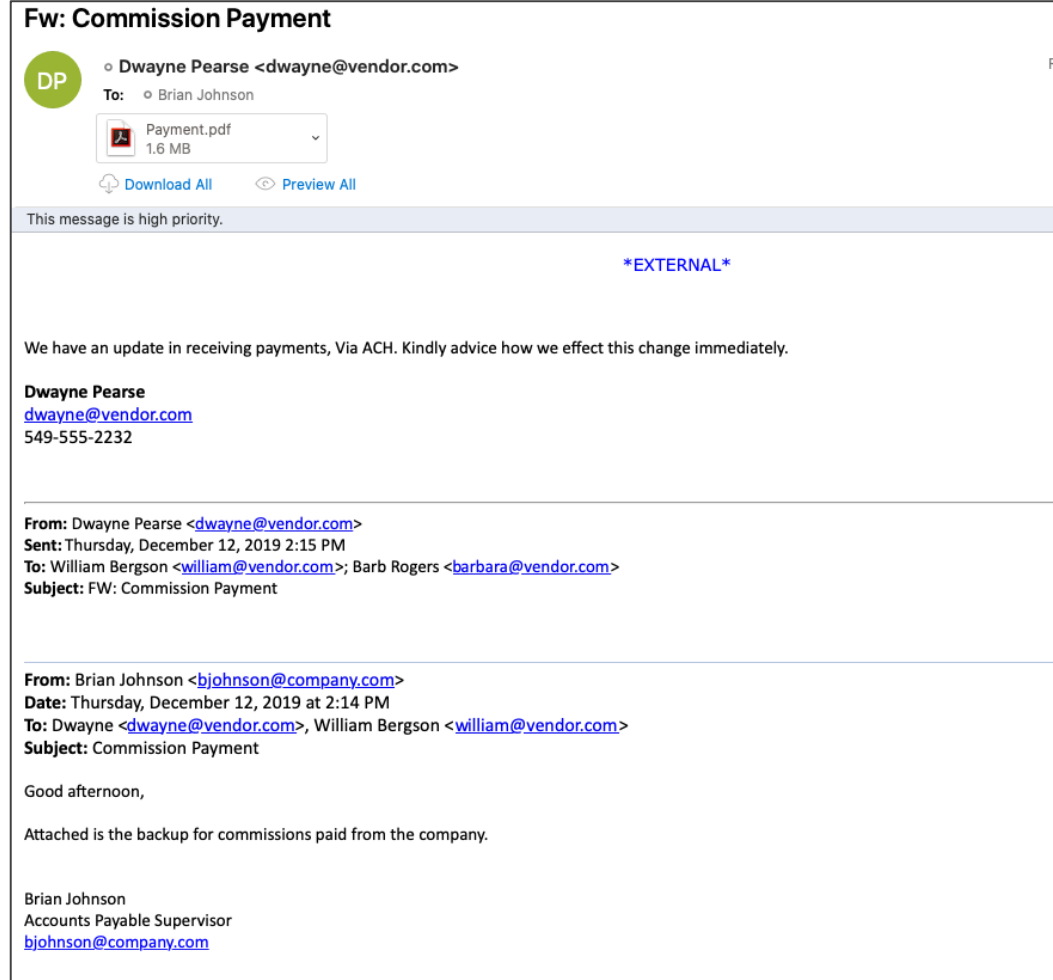
> [View and Pay Your Bill](http://dancingdivaswear.com/robyn/index.html)
http://dancingdivaswear.com/robyn/index.html
Click to follow link

> [Enroll in Auto Pay](#)



Business Email Compromise

- Fraudsters impersonate employees, service providers, or vendors via email in an attempt to...
 - Steal or transfer \$\$\$
 - Authorize a distribution
 - Impersonate an Executive asking staff to “buy gift cards”
 - Update direct deposit account



Does Your Organization Already Use a Phishing Service?

- “We already use _____”
 - “IT tests our people every _____”
 - “Click through rate is _____”
 - “Failures are required to take training...”
 - “We report results to the board quarterly...”
- These services are best categorized as training and training effectiveness measurement tools.
- They are NOT penetration testing...
 - **There is a “so what factor” that you may be missing...**



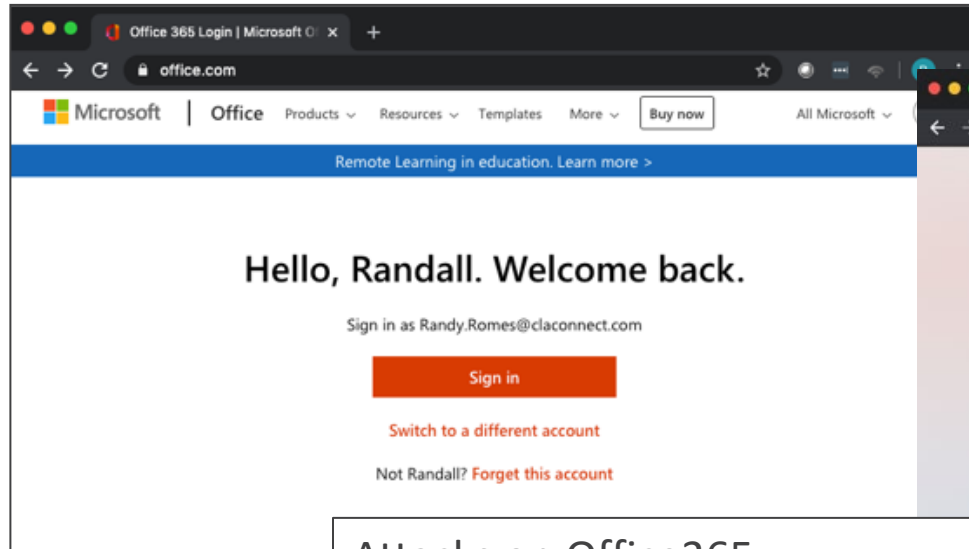


Passwords Are the Keys to the Kingdom...

We'll get you there.

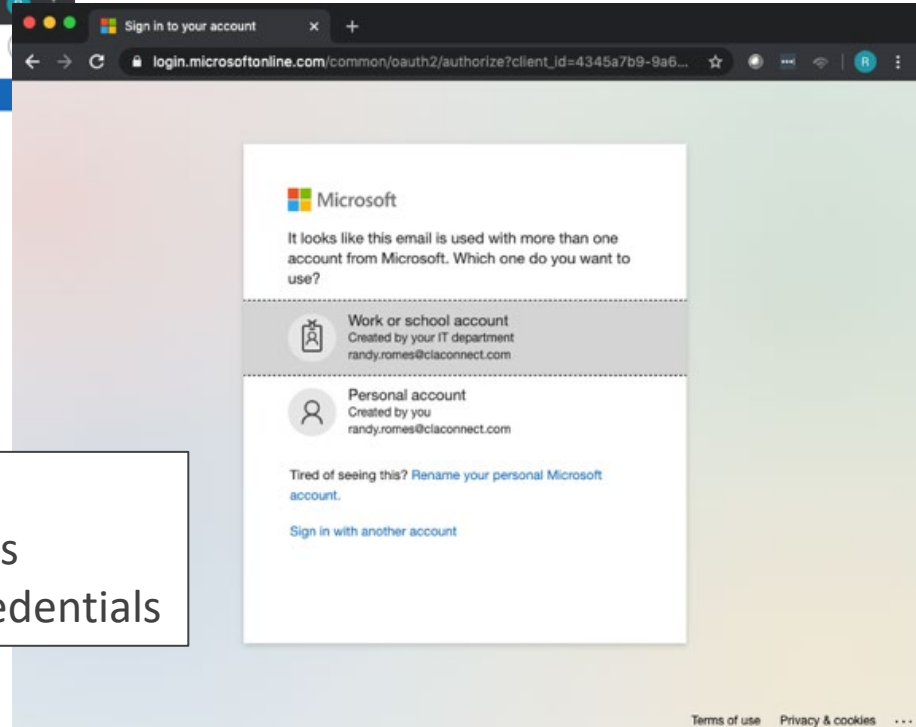
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Credential Harvesting and Password Guessing: The Cloud is Ripe for the Picking



Attacks on Office365

- Password guessing attacks
- Phishing that harvests credentials



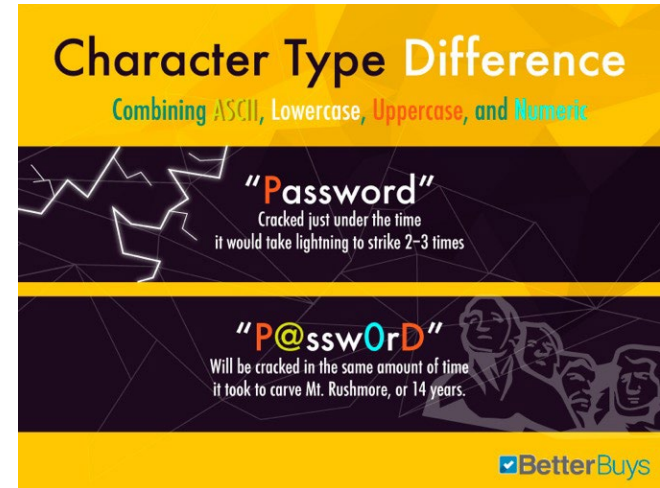
Password Cracking

- Password Hash

- Passwords are stored in an encrypted format (Hash) - unique value for each password
 - *P@ssw0rD > DF3C25A62D926F27B08C6D6B8A9F02BA*

- Password Cracking

- Attackers must “decrypt” to get the password
 - *Guess > Compute Hash > Compare*



14 Years to Crack “P@ssw0rD”???

Host memory required for this attack: 345 MB

Dictionary cache hit:

- * Filename..: /Users/zjovic/Wordlists/rockyou.txt
- * Passwords..: 48621253
- * Bytes.....: 465243592
- * Keyspace...: 48621253

df3c25a62d926f27b08c6d6b8a9f02ba:P@ssw0rD

Cracked password

Session.....: hashcat
Status.....: Cracked
Hash.Name.....: NTLM
Hash.Target.....: df3c25a62d926f27b08c6d6b8a9f02ba
Time.Started....: Thu Oct 7 13:46:36 2021 (1 sec)
Time.Estimated...: Thu Oct 7 13:46:37 2021 (0 secs)
Guess.Base.....: File (/Users/zjovic/Wordlists/rockyou.txt)
Guess.Queue.....: 1/1 (100.00%)
Speed.#3.....: 14845.3 kH/s (1.62ms) @ Accel:1024 Loops:1 Thr:64 Vec:1
Recovered.....: 1/1 (100.00%) Digests
Progress.....: 3147333/48621253 (6.47%)
Rejected.....: 1605/3147333 (0.05%)
Restore.Point....: 2097282/48621253 (4.31%)
Restore.Sub.#3...: Salt:0 Amplifier:0-1 Iteration:0-1
Candidates.#3....: SABOR -> tolly2001

Started: Thu Oct 7 13:46:36 2021
Stopped: Thu Oct 7 13:46:37 2021

Time required to crack



Password Strategies:

- Multi-factor authentication on ALL external systems
- Password management tools
- **Pass Phrases – Loooooong natural language**

Password21 <----- **Unforgiveable!**

Summer21 <----- **Terrible**

*N*78fm/1* <----- **Painful**

Wallet Painting lamp <-- **GOOD**

Bills will eventually win the Superb0wl! ← BEST

- Password tools: MFA and Password Managers are needed





Other common attack vectors

Ransomware and Supply Chain

We'll get you there.

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Ransomware Attacks Continue to Evolve

- Earliest versions attack consumer availability
- 2nd generation attacked business availability & confidentiality
- Newest versions
 - Successful against all operating systems
 - Include Internet banking trojans (Zeus Sphinx Trojan)
 - Search for and encrypt back ups first
 - **FINISH with threat of data disclosure (DR is not enough...)**
- **If you have not tested your susceptibility to Ransomware...???**
- **If you have not tested your recovery capabilities, from bare metal up...???**



Ransomware



Software Vendor/Supply Chain Risk Management

- All software products have bugs/vulnerabilities
- Key questions:
 - What does this software application have access to?
 - What user account/privileges are given to it?
 - What is the software vendor doing to provide us a level of comfort that they have done their due diligence?
 - What do we need to do for our due diligence?



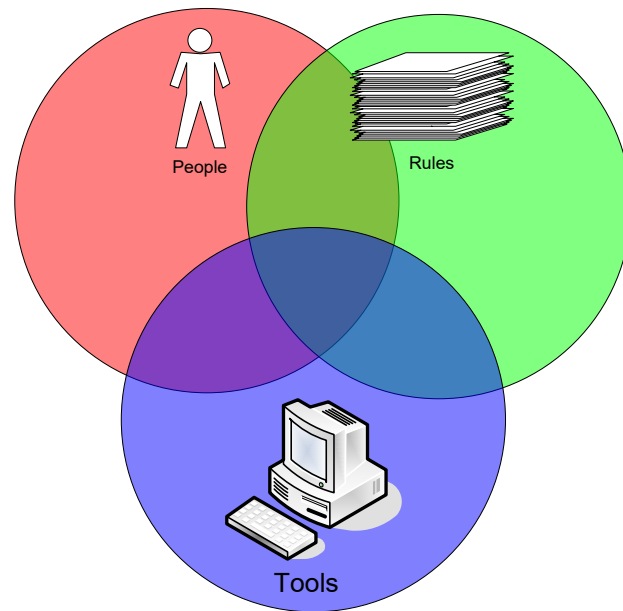
Is Cybersecurity Built Into Your Operational DNA?

We'll get you there.

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Policies and Standards

- Security is not a product
- People, Rules and Tools
 - What do we expect to occur?
 - How do we conduct business?
 - Who is responsible for what?
- Standards based operations from a governance or compliance framework:
 - GLBA, FFIEC, HIPAA, DOL,
 - PCI – DSS, CMMC
 - CIS Critical Controls, NIST



- Disciplined Exception Management



Basic

- 1 Inventory and Control of Hardware Assets
- 2 Inventory and Control of Software Assets
- 3 Continuous Vulnerability Management
- 4 Controlled Use of Administrative Privileges
- 5 Secure Configuration for Hardware and Software on Mobile Devices, Laptops, Workstations and Servers
- 6 Maintenance, Monitoring and Analysis of Audit Logs

Foundational

- 7 Email and Web Browser Protections
- 8 Malware Defenses
- 9 Limitation and Control of Network Ports, Protocols, and Services
- 10 Data Recovery Capabilities
- 11 Secure Configuration for Network Devices, such as Firewalls, Routers and Switches
- 12 Boundary Defense
- 13 Data Protection
- 14 Controlled Access Based on the Need to Know
- 15 Wireless Access Control
- 16 Account Monitoring and Control

<https://www.cisecurity.org/controls/>

Organizational

- 17 Implement a Security Awareness and Training Program
- 18 Application Software Security
- 19 Incident Response and Management
- 20 Penetration Tests and Red Team Exercises

Standards Based
IT and Cyber
Operations



Secure Office 365

NOT fully secure by default

- Needs to be secured:
 - Enable/Turn On security features
 - Harden (email) security
 - Fine tune logging, monitoring and alerting
 - Enforce retention periods
- Security configurations need to be periodically assessed.

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Microsoft 365 admin center help

- Get started
- Overview of the Microsoft 365 admin center
- Manage users, groups, and passwords
- Manage email and calendars
- Manage your data and services
- Manage subscriptions and billing
- Secure your organization
 - Top 10 ways to secure your data
 - Multi-factor authentication for Microsoft 365
 - Set up multi-factor authentication
 - Manage and monitor priority accounts
 - Enable Modern Authentication for Office 2013
 - Pre-requisites for data protection
 - Security features
 - Increase threat protection
 - Threats detected by Microsoft Defender Antivirus
 - Review detected threats and take action
 - Set up compliance features
 - Secure score
 - A guide to GDPR compliance
- Manage devices and app data
- Work with customers
- Troubleshoot
- Contact support
- Modifiable fields

Download PDF

Top 10 ways to secure Microsoft 365 for business plans

10/05/2021 • 14 minutes to read • 10

If you are a small or medium-size organization using one of Microsoft's business plans and your type of organization is targeted by cyber criminals and hackers, use the guidance in this article to increase the security of your organization. This guidance helps your organization achieve the goals described in the Harvard Kennedy School Cybersecurity Campaign Handbook.

Microsoft recommends that you complete the tasks listed in the following table that apply to your service plan.

Number	Task	Microsoft 365 Business Standard	Microsoft 365 Business Premium
1	Set up multi-factor authentication	✓	✓
2	Train your users	✓	✓
3	Use dedicated admin accounts	✓	✓
4	Raise the level of protection against malware in mail	✓	✓
5	Protect against ransomware	✓	✓
6	Stop auto-forwarding for email	✓	✓
7	Use Office Message Encryption		✓
8	Protect your email from phishing attacks		✓
9	Protect against malicious attachments and files with Safe Attachments		✓
10	Protect against phishing attacks with Safe Links		✓

Is this page helpful?

Yes No

In this article

- 1: Set up multi-factor authentication
- 2: Train your users
- 3: Use dedicated admin accounts
- 4: Raise the level of protection against malware in mail
- 5: Protect against ransomware
- 6: Stop auto-forwarding for email
- 7: Use Office Message Encryption
- 8: Protect your email from phishing attacks
- 9: Protect against malicious attachments and files with Safe Attachments
- 10: Protect against phishing attacks with Safe Links

Related content



Privileged Account Discipline and Hygiene

- Staff should not have local administrator rights to their workstations
- Administrators use two sets of credentials (general use and elevated privileges).
- No email, browsing, or general computer use as administrator.
- Implement a policy to reinforce practice



Incident Response Preparedness

- Unfortunately, data breach can still occur despite implementing all the best security precautions
Think WHEN... NOT IF
- Have a Plan – Implement the Plan – Practice the Plan
- Develop an incident response program and plan
 - Include the appropriate procedures
 - Ensure points of contact are included
 - Keep the plan update to date
- Establish relationships with key incident responders
 - Breach Counsel
 - Forensic provider
 - Public relations

Are you prepared to respond to any (or all) of the following:

1. Email Spear Phishing Attacks
2. Password Guessing and Business Email Account Takeovers
3. Payment and Funds Transfer Fraud
4. Ransomware
5. Extortion to avoid breach disclosure

**Practice and
Test the Plan**



Incident Response Preparedness- Cost Savings



Impact of 25 key factors on the average total cost of a data breach
Change in US\$ from average total cost of \$3.86 million

By the numbers:

- \$8.64m – Average cost of a data breach in the United States

Source: IBM Security Cost of a Data Breach Report 2020



“Chance Favors the Prepared Mind”

- Are you confident you’ve done enough to secure your systems and data?
- Are exceptions well defined, understood, and managed?
- Do you have appropriate governance and visibility into your service providers (are they doing enough of the right thing?)
- Are you prepared for...???

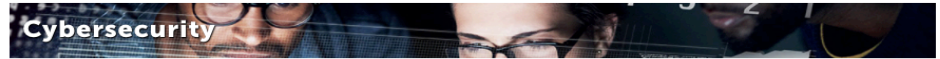


Other Resources

➤ CIS – Akamai Ransomware Risk Mitigation Partnership



CLA Blogs



SHARE

CIS and Akamai to Offer No-Cost Malicious Domain Blocking and Reporting Service for U.S. Hospitals

February 19, 2021 / by [Javier Young](#)

Authored By: [John Hoffoss](#)

The Center for Internet Security (CIS), together with Akamai, is offering a service called Malicious Domain Blocking and Reporting (MDBR), which prevents IT systems from connecting to harmful web domains, helping limit infections related to known malware, ransomware, phishing, and other cyber threats. This capability can block most ransomware infections just by preventing the initial outreach to a ransomware delivery domain. This service is like Cisco Umbrella or Quad9, offering differences in threat intelligence, logging of DNS lookups, and reporting portal access.



On Feb. 18, [CIS announced](#) they would offer MDBR services to [U.S. Hospitals](#), expanding this offering beyond the previous recipients of U.S. State, Local, Tribal, and Territorial government organizations through the Multi-state Information Sharing and Analysis Center (MS-ISAC) and Elections Infrastructure Information Sharing and Analysis Center (EI-ISAC).

CIS and Akamai are offering this service at no cost to the following U.S. based healthcare organizations:

- Independent hospitals
- Multi-system hospitals
- Hospital-based integrated health systems, meaning an organization, consisting of one or more hospitals plus at least one or more groups of physicians, that provides a continuum of care and that are connected to each other through joint ownership or joint management
- Post-acute patient care facilities
- Psychiatric, rehabilitation, or other specialty hospitals

For further information, please see the main page for [U.S. Hospitals](#), read the [MDBR Service Overview](#), and read the [MDBR FAQ](#).

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Compliance (2)
Information Security (7)
IT Controls (4)
Network Security (6)
Penetration Testing (3)
Technology Infrastructure (4)
Uncategorized (2)



Other Resources



White House Memo:

<https://s3.documentcloud.org/documents/20796933/memo-what-we-urge-you-to-do-to-protect-against-the-threat-of-ransomware17.pdf>



THE WHITE HOUSE
WASHINGTON

TO: Corporate Executives and Business Leaders

FROM: Anne Neuberger, Deputy Assistant to the President and Deputy National Security Advisor for Cyber and Emerging Technology

SUBJECT: What We Urge You To Do To Protect Against The Threat of Ransomware

DATE: June 2, 2021

The number and size of ransomware incidents have increased significantly, and strengthening our nation's resilience from cyberattacks – both private and public sector – is a top priority of the President's.

Under President Biden's leadership, the Federal Government is stepping up to do its part, working with like-minded partners around the world to disrupt and deter ransomware actors. These efforts include disrupting ransomware networks, working with international partners to hold countries that harbor ransomware actors accountable, developing cohesive and consistent policies towards ransom payments and enabling rapid tracing and interdiction of virtual currency proceeds.

The private sector also has a critical responsibility to protect against these threats. All organizations must recognize that no company is safe from being targeted by ransomware, regardless of size or location. But there are immediate steps you can take to protect yourself, as well as your customers and the broader economy. Much as our homes have locks and alarm systems and our office buildings have guards and security to meet the threat of theft, we urge you to take ransomware crime seriously and ensure your corporate cyber defenses match the threat.

The most important takeaway from the recent spate of ransomware attacks on U.S., Irish, German and other organizations around the world is that companies that view ransomware as a threat to their core business operations rather than a simple risk of data theft will react and recover more effectively. To understand your risk, business executives should immediately convene their leadership teams to discuss the ransomware threat and review corporate security posture and business continuity plans to ensure you have the ability to continue or quickly restore operations.

Below you will find the U.S. Government's recommended best practices – we've selected a small number of highly impactful steps to help you focus and make rapid progress on driving down risk.

What We Urge You To Do Now

Implement the five best practices from the President's Executive Order: President Biden's *Improving the Nation's Cybersecurity* Executive Order is being implemented with speed and urgency across the Federal Government. We're leading by example because these five best practices are high impact: multifactor authentication (because passwords alone are routinely compromised), endpoint detection & response (to hunt for malicious activity on a network and block it), encryption (so if data is stolen, it is unusable) and a skilled, empowered security team (to patch rapidly, and share and incorporate threat information in your defenses). These practices will significantly reduce the risk of a successful cyber-attack.

Backup your data, system images, and configurations, regularly test them, and keep the backups offline: Ensure that backups are regularly tested and that they are not connected to the business network, as many ransomware variants try to find and encrypt or delete accessible backups. Maintaining current backups offline is critical because if your network data is encrypted with ransomware, your organization can restore systems.

Update and patch systems promptly: This includes maintaining the security of operating systems, applications, and firmware, in a timely manner. Consider using a centralized patch management system; use a risk-based assessment strategy to drive your patch management program.

Test your incident response plan: There's nothing that shows the gaps in plans more than testing them. Run through some core questions and use those to build an incident response plan: Are you able to sustain business operations without access to certain systems? For how long? Would you turn off your manufacturing operations if business systems such as billing were offline?

Check Your Security Team's Work: Use a 3rd party pen tester to test the security of your systems and your ability to defend against a sophisticated attack. Many ransomware criminals are aggressive and sophisticated and will find the equivalent of unlocked doors.

Segment your networks: There's been a recent shift in ransomware attacks – from stealing data to disrupting operations. It's critically important that your corporate business functions and manufacturing/production operations are separated and that you carefully filter and limit internet access to operational networks, identify links between these networks and develop workarounds or manual controls to ensure ICS networks can be isolated and continue operating if

your corporate network is compromised. Regularly test contingency plans such as manual controls so that safety critical functions can be maintained during a cyber incident.

Ransomware attacks have disrupted organizations around the world, from hospitals across Ireland, Germany and France, to pipelines in the United States and banks in the U.K. The threats are serious and they are increasing. We urge you to take these critical steps to protect your organizations and the American public. The U.S. Government is working with countries around the world to hold ransomware actors and the countries who harbor them accountable, but we cannot fight the threat posed by ransomware alone. The private sector has a distinct and key responsibility. The federal government stands ready to help you implement these best practices.

Additional Resources

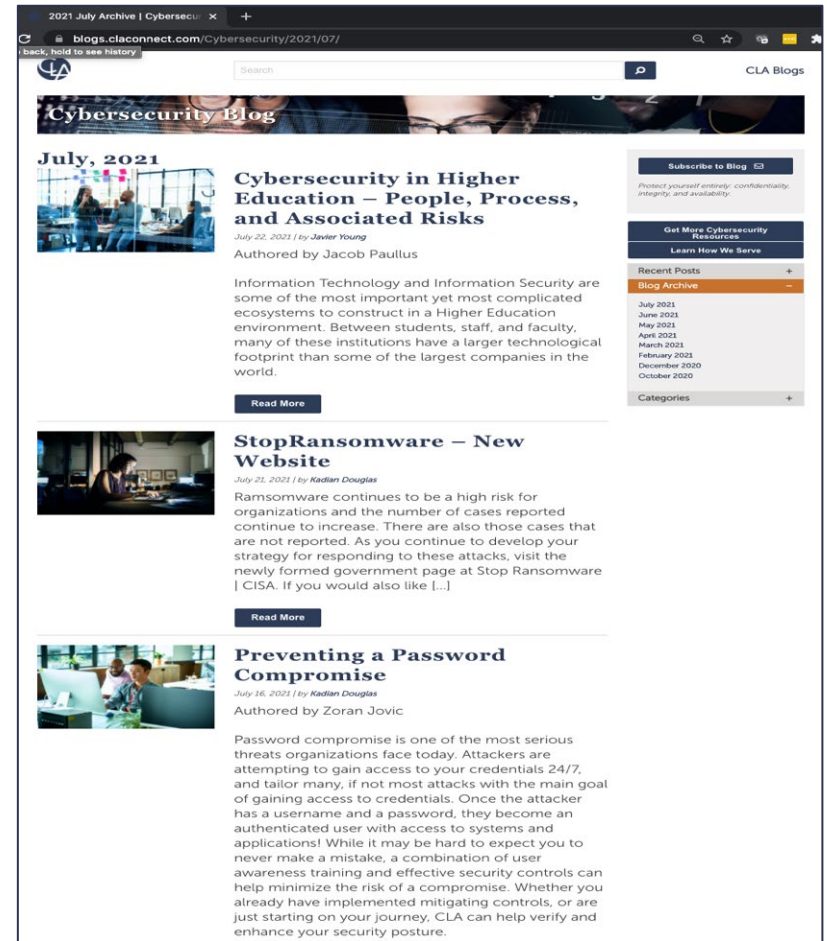
[FACT SHEET: President Signs Executive Order Charting New Course to Improve the Nation's Cybersecurity and Protect Federal Government Networks](#)

[CISA - RANSOMWARE GUIDANCE AND RESOURCES](#)



Other Resources

- CLA Cybersecurity Blog
- <https://blogs.claconnect.com/Cybersecurity/2021/07/>



Thank you!

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15 Minute Break

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The Technology-Enabled Nonprofit

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Agenda:

- Learning Objectives
- Digital with a purpose
- Q&A

Learning Objectives

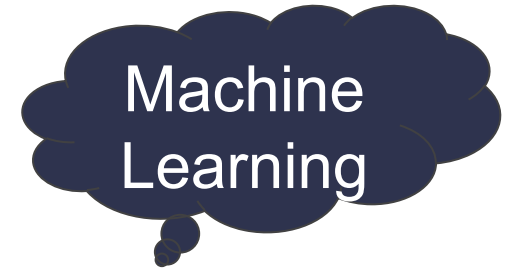
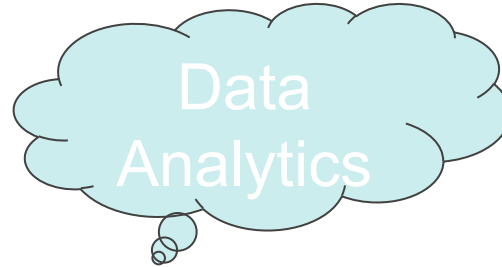
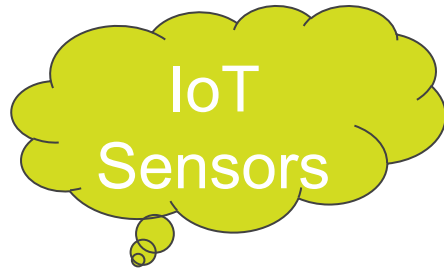
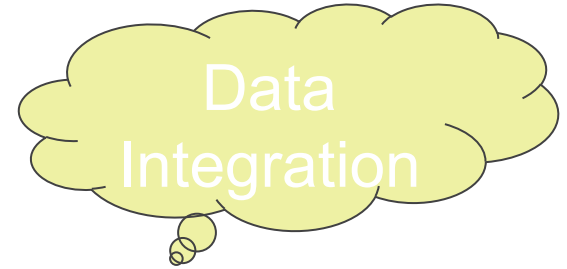
At the end of the session, you will be able to:

- Recall the fundamentals of digital transformation
- Identify the first steps in developing your digital roadmap
- Define practical technology applications and how to improve outcomes

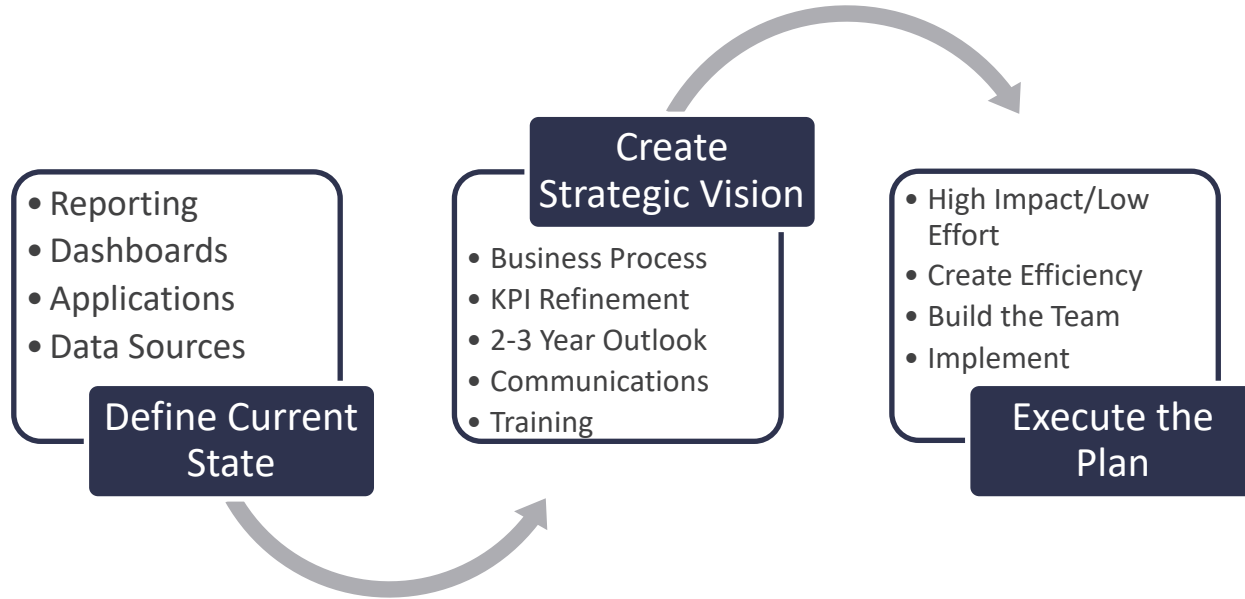
Digital with a Purpose



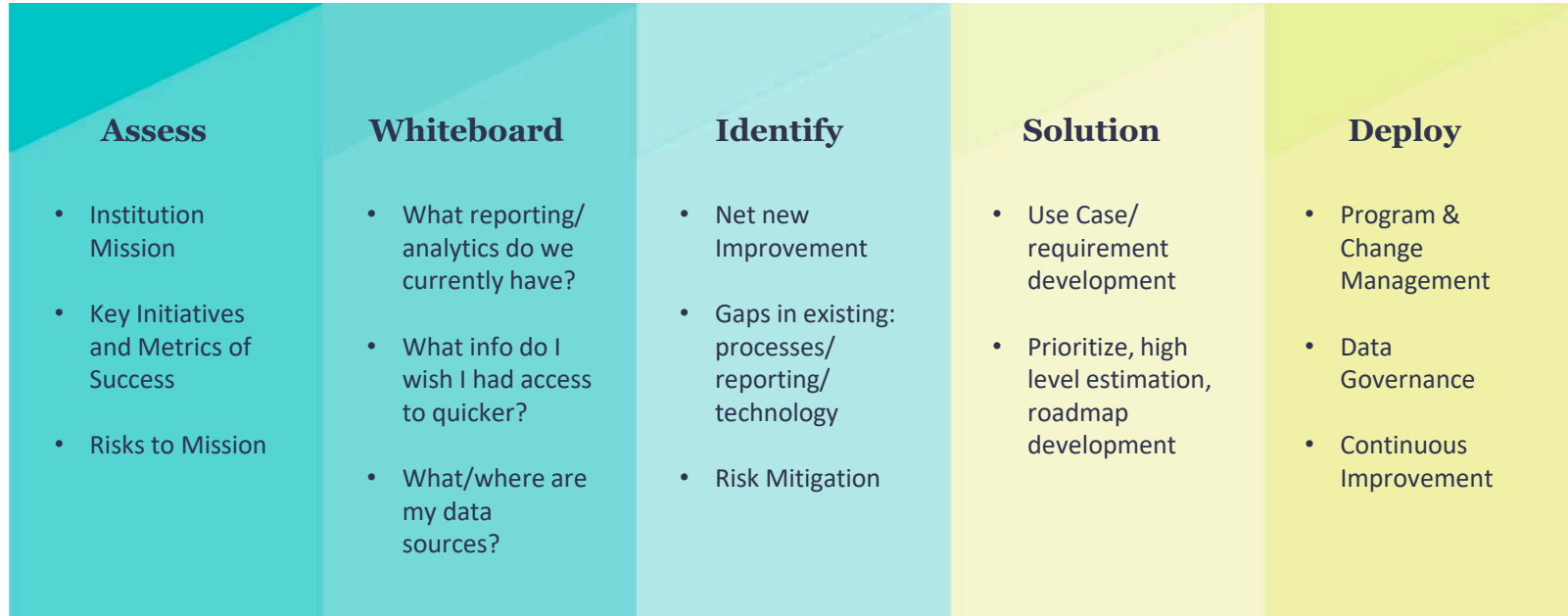
Fundamentals



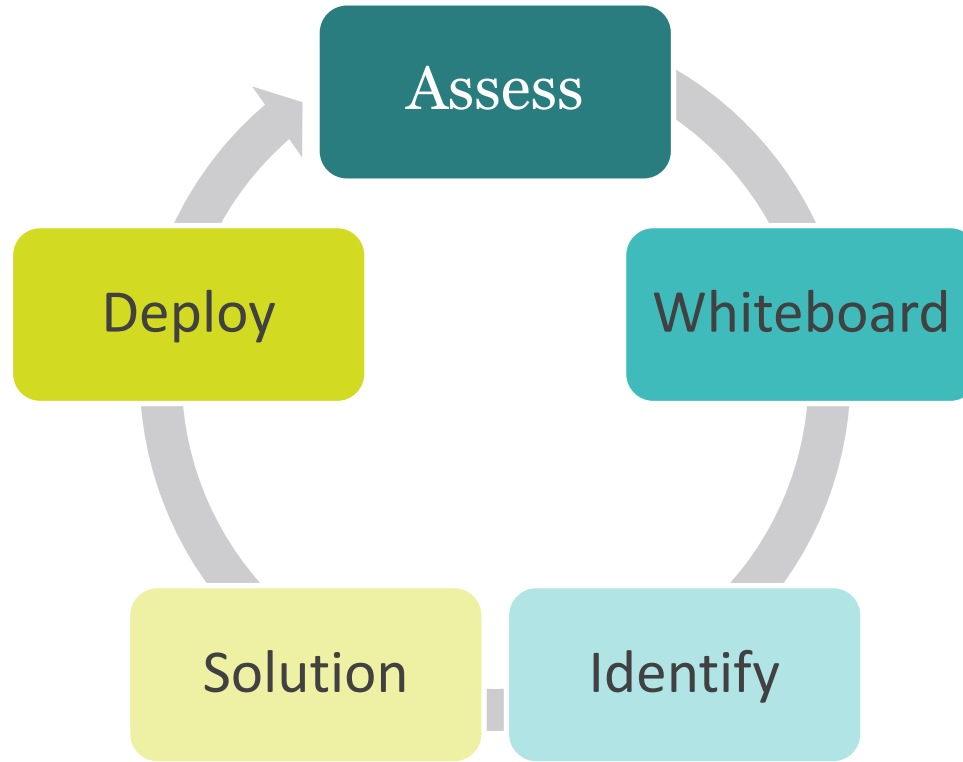
Data Readiness



First Steps



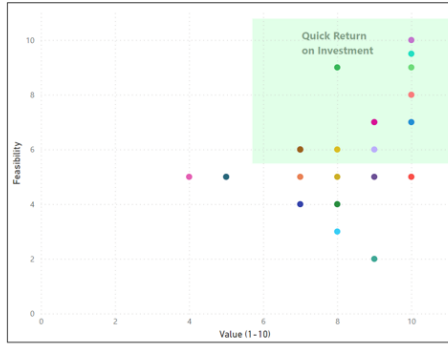
Transformation – Continuous Improvement



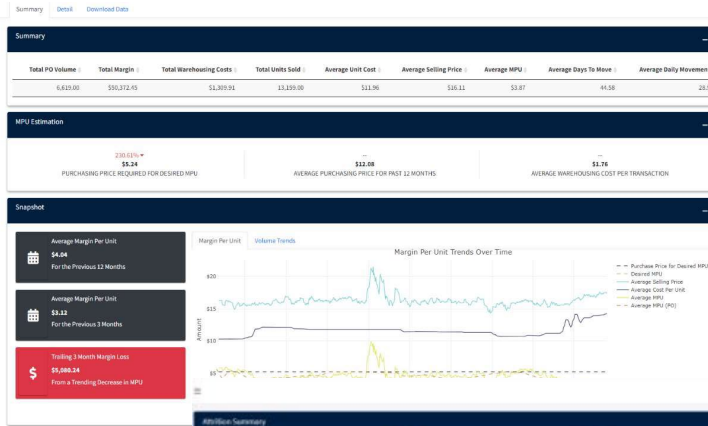
Practical Applications



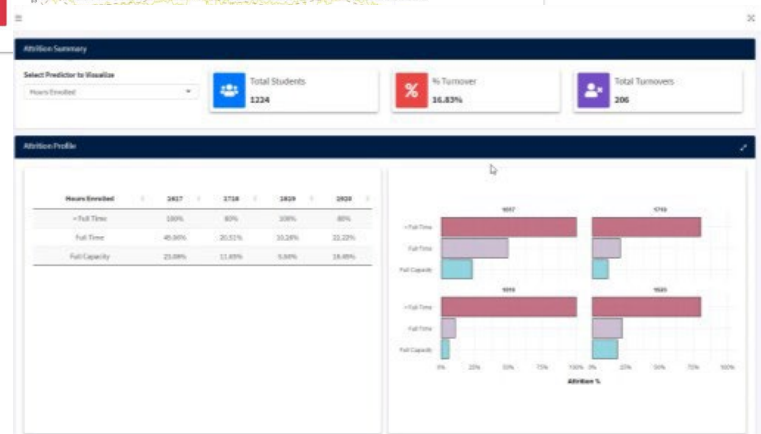
Use-Case Prioritization Matrix



Supply Chain Analytics



Supply Chain Analytics



Q&A

- Questions?
- Get started!
- Email me with “Checklist”
in subject line



Thank you!

Ron Horton, Digital Growth Director
ron.horton@claconnect.com



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Public Support and Public Charity

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Learning Objectives



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

- Identify the difference between a 509(a)1 and 509(a)2 public support tests
- Recognize how to track public support and why it is important
- Describe what an unusual grant is and the exclusion from the public support test
- Identify practical information to help address and prepare 990 Schedule A and B



Meet the Speaker

- Amy K. Chapman, CPA, CFE



Principal, Orlando
Office



23 Years of
Experience



Nonprofits





What is the Purpose of Schedule A?



Public support

- Purpose of Schedule A – provide information about public charity status and how is it being publicly supported /sources of revenue
- The tracking of Public Support is one of the first steps a non-profit should take before preparing a 990—why?

Schedule A

- The IRS uses this information to determine whether the entity meets the applicable public support test(s).
- Accounting Method: Schedule A must be prepared using the accounting method checked on the return Form 990, Part XII, line 1



Computing Public Support and Total Support

- Public support tests are math and good record keeping.
- Failure to do this may cause the IRS to question the status as a public charity.
- Five-year lookback period for support calculations



Public support test(s)

- Public Support Test: To qualify as a publicly supported organization under section 170(b)(1)(A)(vi) aka (509(a)(1) either:
 - 33 1/3% or more of your total support must come from governmental agencies, contributions from the general public, and contributions/grants from other public charities; or
 - 10% or more of the its total support must come from the same as above AND the facts & circumstances indicate it is a publicly supported organization.

Public Support -170(b)(1)(A)(vi)& (iv)

- Test period – performed on aggregate basis using info from the current tax year and the four (4) preceding years. If the Org. satisfies the support test for the 5-year period, it's deemed to meet the test for the current year, but also the next year.
- 509(a)(1)



TIP #1

- Noncash contributions are added to Line 1- use any reasonable method to determine the value
 - Note: DO NOT report any donations of services, such as broadcast air time; or donations of use of materials/facilities. However, if a governmental unit donated facilities or services report the amount on line 3.

Public Support under 509(a)(2)

1. 33 1/3% support test: IRC Sec. 509(a)(2) states that an organization will meet the one-third support test if it normally receives from permitted sources more than one-third of its support in each taxable year from any combination of-
 - Gifts, grants, contributions, or membership fees; &
 - Gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities, in an activity that is related to the orgs. tax-exempt purpose.



Public Support under 509(a)(2)

2. **Not-more-than-one-third** support test: if the Org. normally receives **not** more than one-third of its support in each taxable year from the sum of its gross investment income and the excess (if any) of the amount of its unrelated business taxable income (derived from a trade or business)



TIP #2

- An organization is not required to use the same public support test specified in its determination letter from the IRS. It can annually use the support test that best reflects its sources of support and that enables it to retain public charity status.



Elimination of Advance ruling process

- In 2008 – this went away. A new Organization may automatically qualify as a public charity for its initial five years based on its exemption application to the IRS.
- In the 6th year, an Org. must annually compute qualifying support for the most recent 5 year period to establish why it is not a private foundation.



Computing Public Support and Total Support

- If an organization qualifies as publicly supported for the current year, it will also automatically qualify for the following year. Thus, an organization must fail to satisfy one of the public charity tests for two consecutive years before it will lose public charity status and be classified as a private foundation.



Differences between Private Foundation and Public Charity

1. Form 990 vs. 990-PF
2. PF's dollars from a single source
3. PF's don't solicit funds from the public
4. PF's pay an excise tax on Net Investment income



**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

2021

**Open to Public
Inspection**

Name of the organization

Employer identification number

Part I Reason for Public Charity Status. (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E (Form 990).)
- 3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: _____
- 5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
- 6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
- 9 ☐ An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: _____
- 10 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions, subject to certain exceptions; and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
- 11 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
- 12 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box on lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.
 - a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**
 - b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**
 - c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**
 - d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**
 - e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.
 - f Enter the number of supported organizations _____
 - g Provide the following information about the supported organization(s).



Schedule A, Part II, Section A. Public Support

- Line 1 – total of gifts, grants, contributions, membership fees
- UNUSUAL GRANTS
 - these are excluded from the public support and total support definitions & calculations. However, they are still reported in **Part VI, Supplemental Information**



Unusual Grants

IRC Sec 1.509(a)-3(c)(4) – provides for the exclusion under the support tests and generally applies to:

1. A substantial contributor or bequest,
2. Was attracted by reason of the publicly supported nature of the Org.,
3. Unusual and unexpected with respect to amount
4. And, would by reason of amount result in the Org. not meeting any public support test



Unusual Grant example

- Bequest from David Donaldson to the Orlando Museum of Art of \$2,000,000 that was noted in his will.
- List in **Part VI, Schedule A** – showing the amount, date and description of donation. Do not include donor-identifying information.



Factors Indicating a Grant is Unusual

1. The contribution is made by a person with no connection to the Org.
2. The contribution is a bequest
3. Cash or marketable security or an asset related to the exempt purpose i.e. painting to an art museum



Factors Indicating a Grant is Unusual

4. Active program of solicitation that resulted in significant public support
5. The contribution is to an Org. that may reasonably expect to attract significant future public support
6. The Org. has satisfied the 33 1/3% support test prior without exclusion of any unusual grants



Unusual Grants – Advance Ruling Available

- Form 8940 – Request for Miscellaneous Determination
- A User Fee is Required to be attached to the form. Current fees available at www.irs.gov



**Request for Miscellaneous
Determination**
Under Section 507, 509(a), 4940, 4942, 4945, and
6033 of the Internal Revenue Code

OMB No. 1545-2211

Use the instructions to complete this form. **A User Fee must be attached to this form, if required.** For user fee information or additional help, visit our website at www.irs.gov/eo or call IRS Exempt Organizations Customer Account Services toll-free at 1-877-829-5500. If the required information and documents are not submitted with payment of the appropriate user fee, the form may be returned to you.

Part I Identification of Organization

1a Full Name of Organization				
b Address (number, street and room/suite) If a P.O. Box, see instructions.		c City	d State	e Zip Code + 4
2 Employer Identification Number	3 Month Tax Year Ends (MM)	4 Person to Contact if More Information is Needed		
5 Contact Telephone Number		6 Fax Number (optional)	7 User Fee Submitted	

Part II Type of Request

- 8** Please select the item(s) below that best describe your request. Using an attachment, provide a detailed explanation of your request. Be sure to include the organization's name and EIN on each additional sheet.
- a** ☐ Advance approval of certain set-asides described in section 4942(g)(2)
 - b** ☐ Advance approval of voter registration activities described in section 4945(f)
 - c** ☐ Advance approval of scholarship procedures described in section 4945(g)
 - d** ☐ Exemption from Form 990 filing requirements
 - e** ☐ Advance approval that a potential grant or contribution constitutes an "unusual grant"
 - f** ☐ Change in Type (or initial determination of Type) of a section 509(a)(3) organization
 - g** ☐ Reclassification of foundation status, including a voluntary request from a public charity for private foundation status



Schedule A, Part II, Section A cont'd

- Line 4 – **Totals** 1 -3
- Line 5 – portion of total contributions by each person included in line 1 that exceeds 2% of the amount on line 11, column(f). This is the total support amount.
 - Do not include contributions from a publicly supported organization or governmental unit.



Schedule A, Part II, Section A cont'd

- Line 5 – the 2% limitation does **not** apply to
 - Churches described in section 170(b)(1)(A)(i)
 - Educational institutions described in section 170(b)(1)(A)(ii)
 - Hospitals described in section 170(b)(1)(A)(iii)
 - Organizations operated for the benefit of a college or university 170(b)(1)(A)(iv)



Line 5 Calculation

- Gets subtracted in column (f) the total column before Line 6 – **Total of public support**
- **Total support from line 11 = \$750,000**
- **Example:** Assume 2% of the amount on Schedule A, of the amount on line 11, column(f) is \$15,000. Over the last 5 years. AKC Corporation has given \$25,000 and Lady Gaga gave \$15,000 in 2020 and \$15,000 in 2021. What is the excess contribution amount to report on line 5?



Line 5 Calculation

Answer: \$25,000

**Excess contribution amount
minus the 2% limitation**



Revenue Test – Section 509(a)(2)

- Organizations that check Part I, Line 10 on Schedule A
- Recap – 33 1/3% test of support from Contributions, membership fees and gross receipts from admissions
- **Not** more than 33 1/3% of its support from gross investment income and net unrelated business income



Schedule A, Part III, Section A cont'd

- Line 1 – same as 509(a)1
- Line 2 – gross receipts from programming, memberships etc.
- Line 3 -\$\$ from activities not Unrelated Trade or Business under section 513: i.e.
 - 85% or more of the work is performed by volunteers
 - Sale of merchandise, of which was donated
 - Qualified trade show activities or qualified public entertainment
 - Qualified sponsorship payments



TIP #3

- Capital Gains are excluded from the support calculation.



Schedule A, Part III, 7a and 7b

- Line 7a: Subtract amounts from lines 1,2 & 3 received from **disqualified persons**.
 - Keep a list of amounts received each year and list on line 7a. This total is backed out of Public Support
- Line 7b: List amounts included on Line 2 or 3 other than a disqualified person that exceeds the greater of \$5000 or 1% of the amount on line 13 for the year.



A disqualified person includes:

- An officer, director, trustee, or other insider with similar powers
- A substantial contributor
- A person holding a more than 20% interest in an entity that is a substantial contributor
- A family member of any of the preceding persons
- A corporation, partnership, or trust in which any of the preceding have a more than 35% interest



Disqualified persons IRC Sec. 4946

- A ***substantial contributor***- any person that gave an aggregate amount of more than \$5,000, if that amount is more than 2% of the total contributions the Org. received from its inception through the end of the year
- A ***family member***, for this purpose is the donor's spouse, ancestors, children, grandchildren, great- grandchildren and the spouses of these same. A spouse includes a legally married same-sex spouse.



Example of Line 7a & 7b tracking?

- 7a – i.e. Board Member- the first penny they give is disqualified
- 7b – These are not contributors! Think of more like customers– i.e. Nursing home entrance fees



TIP #4

- Volunteer Services- support?
 - Yes
 - No



What is a 509(a)(3)?

- An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).
 - Type I
 - Type II
 - Type III



Form 990, Schedule A, Schedule B....

- Start with Schedule A
- Cross reference to Page 1, Part I & page 9, Part VIII
- Schedule B – Schedule of Contributors. What is included, what amounts?



What did you learn?

- How and why you track public support
- What is included in public support and total support
- Calculations for 5 year look-back
- The difference between 509(a)(1) and 509(a)(2)
- What are unusual grants
- Who is a disqualified person
- How parts of the 990 should be completed as it relates to public support/revenue



Does anyone know this tree?





QUESTIONS?

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Lunch Break

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We'll get you there.

Strengthen and Streamline your Month-End Close

Automation, Internal Controls, and Value-Added Analysis

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Learning Objectives

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

- Recognize the key components to a strong month-end close process
- Identify ways to introduce or enhance technology used in your process for greater efficiency
- Determine how you might use the time saved in an efficient process to introduce analysis, forecasting, and more



Agenda

1. Month-end Close: What to Reconcile When & Use of Estimates
2. Technology Options to Consider
 - Accounts Payable & Credit Cards
 - System Integration
 - Report Access
3. What to do with the “extra time” – Value-added analysis



Month-End Close

Definition: The month-end close is the collection of financial accounting information, review, and reconciliation of records each month. This is a reporting requirement for some companies, and **helps businesses keep accurate records throughout the year.** The most important closing period comes at the end of the financial year.





Month-End Close

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Month-End Close

- Raise of hands- on what day are your financials closed each month?
 - 5 days after month end
 - 10 days after month end
 - 15 days after month end
 - We are lucky to close at all the following month



Month-End Close

- How often do you reconcile balance sheet accounts
 - Monthly
 - Quarterly
 - Yearly
 - Depends



Month-End Close



Why reconcile balance sheet accounts monthly

- Ability to identify miscoded transactions
- Collection issues on receivables
- Fraud noted when doing a bank reconciliation
- Incorrect deposits made for benefits (ex 403b/401k)
- Missed payment on loans
- Over/Underspending on grants
- Double recording of revenue (AR + deposit for same funds)



Month-End Close: Use of Estimates

What are some common areas to use estimates or delayed periods for month-end close?

- Investment mark-to-market
- Accruals for recurring expenses (utilities, etc.)
- Credit cards (sometimes !?!)
- Others?



Small Group Discussion

What are your organization's biggest pain points in achieving a timely month-end close?



Technology & Automation

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Technology & Automation



1. A/P and Payroll



2. System Integration



3. Report Access



1. A/P and Credit Cards

- #1 thing we hear holding up month-end close in nonprofits?
 - Accounts payable (coding, approvals)
 - Credit cards (receipts, coding, approvals)

Particularly important (and cumbersome) with cost reimbursement grants

- Ideas to add automation and remove this month-end delay?
 - Online bill pay platforms
 - Expense management platforms
 - Accountability mechanisms



2. System Integration

Small Group Discussion

- How many of you have systems integrated with your general ledger?
- Which ones? How well do they work?
- Where have you found a “solid upload/download” works better than?

2. System Integration



- Time-saving system integrations we like:
 - Bill pay (integrates to book journal entries)
 - Month-end close software (integrates to pull balances; house reconciliations)
 - Payroll with allocations (some full integrations; others better upload/download)
 - Bank feeds
 - Fundraising systems (similar to payroll; sometimes full integrations are great; other times an efficient upload/download makes more sense)
 - Financial report generation (makes your reports look amazing)



3. Report Access

- By granting more people in your organization read-only access to (appropriate) financial information, you can empower them to:
 - Review financial information throughout the month and spot errors/coding changes mid-month vs. at month-end
 - Allow budget owners to see budget v. actual (particularly on the expense side)
 - Gain a better understanding of the financials of the organization





Value-Added Analysis

What to do with all that extra time?

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Raise of hands....

When your books are closed, what are you able to do on a recurring basis each month today?

1 Review results and bring questions/observations to the team to discuss.
Financials produced are standard packet (SOA, SOFP)

2 *Option 1 +*
Analysis of key highlights at a summary and/or line-item level
Dashboard or graphic representation of the financials

3 *Option 2+*
Updated forecast showing where the organization is likely to end the year
Interactive tools to allow budget owners and/or governance to analyze performance to-date



Interactive Visual Tool

Demo of CLA QBO BI Dashboard Tool
[SmartMission Demo - Power BI](#)





Questions?



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Thank you!

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15 Minute Break

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HR: Recruitment through Retention

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Learning Objectives:

We will focus on some key components of successful employee recruitment and retention practices. We will look at the use of metrics to evaluate success or opportunities for improvement in these functions, as well as related tools and processes such as job descriptions and postings, rewards and recognition strategies, and aspects of organizational culture.

Learning Objectives:

- Identify and describe key recruitment and retention metrics
- Outline qualities of compliant and successful job descriptions and job postings
- Describe rewards and recognition approaches for organizations with limited resources
- Describe opportunities to highlight mission, vision, and values to support recruitment and retention efforts



Recruitment starts with.....

- Organizational culture
- Candidate experience – from the first “touch”
- Everything EXCEPT salary/compensation
- Accuracy, clarity and how you reach your market
- Success factors



Organizational Culture is.....

- **Shared beliefs and values**
 - connection to mission, vision, values
 - leader and manager behaviors
- **Shared behaviors and patterns**
 - defined by practices, metrics, priorities

What are aspects of your organizational culture do you want others to know about?

How do they show up in your recruiting practices?



Recruitment starts with: Attracting Candidates

- Beyond salary, what are they looking for:
 - Work-life balance
 - Benefits
 - Opportunities for flexible working
 - More interesting work
 - Better commute
 - “Better” culture
 - Greater responsibility, opportunity to grow



Recruitment starts with: Attracting Candidates

- Tangible options and demonstrations of culture
 - Flexible work options
 - Hybrid work arrangements
 - Schedule flexibility
 - True work-life balance
 - How employee appreciation is demonstrated
 - Tuition reimbursement
 - Wellness benefits
 - Professional development opportunities



Recruitment starts with: Accuracy

- Is it clear what the role is?
 - Minimum and Preferred Requirements and Qualifications
- Do your job descriptions....?:
 - Provide essential information for assigning the appropriate pay, job function and/or title for the job
 - Identify the essential functions of the job based on job specific competencies
 - Role match
 - Supports screening and interviewing
 - Sets understanding of role contribution
 - Basis of performance management
 - Supports succession planning



Recruitment starts with: Connecting

- Beyond job postings, do you...?
 - Use social media
 - Actively manage candidate experience
 - Stay in communication(!)



Be careful.....

- To use reasonable care in screening
- Of misrepresenting job conditions, wages or benefits
- Inadvertently creating verbal or implied contracts
- Word of mouth recruiting – such practices can have the purpose or effect (via “disparate impact”) of national origin discrimination
- Viewing a candidate too strongly because they presented after a weak candidate
- Picking a candidate because of similarities, not because of suitability for the job
- Allowing nonverbals to unduly influence
- Asking drastically different questions
- Stereotyping
- Fixating on one criterion
- Settling for “politically correct” answers



Key Metrics in Recruitment

- Choose the metrics that are most meaningful
 - Know how and when you will track and report on them
 - Who will you share this with and why?
- Choose the metrics that you can sustain and create a story from



Key Metrics in Recruitment

- Time to fill
- Communication touches
- Candidate reach
 - Where are you posting?
 - Do you know what's effective and what is not?
- Candidate pool demographics
- Compensation evaluation



Additional Key Metrics

- Turnover
- Exit interview data
 - Trends and statistics
 - Qualitative feedback
- Performance Key Indicators
 - Are your people achieving their goals?
 - Do you know?
 - Do they know?



Recruitment and Retention start with:

- Rewards and Recognition
 - Referral programs to help recruit
 - Recognition programs
 - Years of service
 - Achievement of goals
 - Personal achievements
 - Informal recognition
 - Transparent bonus programs/structures
 - Encouraging (and enabling) rallying and promotion efforts



Retention continues with:

- Stay interviews
- Developing your managers
- Supporting learning paths
- Career pathing
- Promote health and wellness
- How “bumps in the road” are handled
 - Coaching and counseling



Success in Recruitment, Retention, Rewards = Connection with your mission, vision, values

- In Recruiting and Hiring Practices:
 - Postings
 - Management of candidate experience
 - The offer process
 - Onboarding
 - In rewards and recognition
- In your Processes:
 - Website
 - Process
 - Communication
 - Interviewing
 - Performance Management
 - Progression and Promotion





Discussion and Questions

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Thank you for your time!



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Nonprofit Accounting Update

June 2022

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Learning Objectives

1

Recognize COVID-19 relief programs available to nonprofits, who qualifies, and impact to nonprofit orgs.

2

Identify new and proposed FASB Accounting Standards Updates (ASUs) and effective dates.

3

Explain which new Standards apply, and under what circumstances.

4

Identify implementation considerations, challenges, and approaches.



Covid-19 Assistance Programs



ERC Credits

Shuttered Venue Grants

PRF and CRF Funds

HEERF

PPP Loans

EIDL Loans

Other State and Local Assistance



Employee Retention Credits

Refundable payroll tax credit for compensation paid to employees

Processed through payroll taxes, 941s and form 7200

CARES Act and Consolidated Appropriations Act

- Provide guidance and access to ERCs



What is the Employee Retention Credit?



Fully refundable payroll tax credit for qualified wages (including allocable qualified health plan expenses) that eligible employers pay employees.



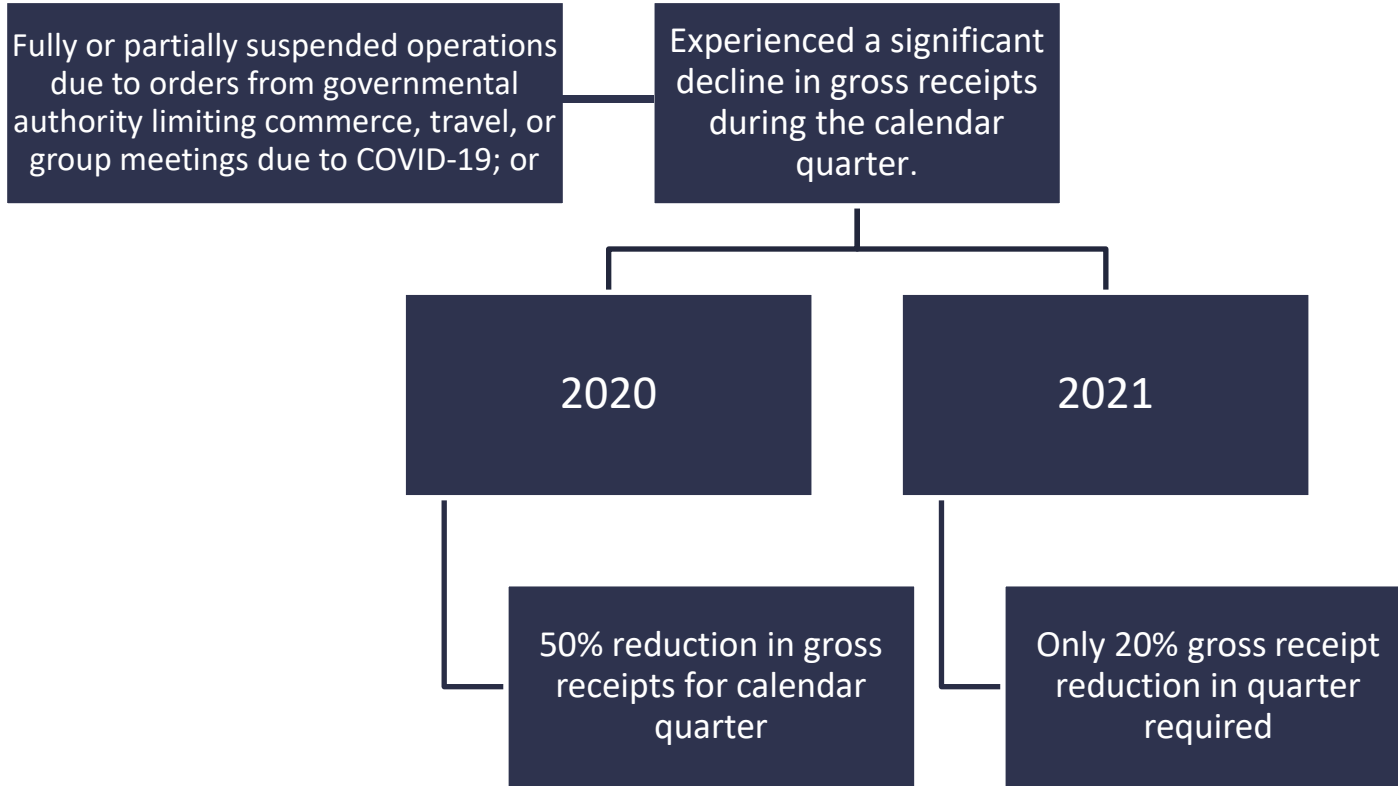
For 2020, credit amount = 50% of qualified wages (including allocable qualified health plan expenses) up to \$10,000 for year for each eligible employee.



For 2021, credit amount = 70% of qualified wages (including allocable qualified health plan expenses) up to \$10,000 per quarter for each eligible employee.



Who is Eligible for the ERC?



Employee Retention Credit Overview

	2020	2021
Covered Dates (payroll paid during period)	3/13/20 – 12/31/20	1/1/21 – 12/31/21
FTE-based restrictions*	Over 100 can only include paid but not working	Over 500 can only include paid but not working
Quarterly Revenue Decline vs. same quarter 2019 OR	>50%	>20%
Partial or full government shut-down	Actual dates organization was shut-down by government order	
Maximum eligible wages + healthcare cost per employee	\$10,000/year	\$10,000/quarter
% wages + healthcare eligible for credit	50%	70%
Maximum annual credit/employee	\$5,000	\$28,000

**FTE measured by number of FTE in 2019 according to ACA definition of fulltime employee*



ERC – Accounting Considerations

- No GAAP specifically addresses ERC or similar funding stream
- ASC 740 Income Taxes
 - Generally recognized through existence of income tax credit
 - Would NOT apply to ERC
- GAAP – government grants
 - ASC 958-605 for nonprofits
 - Analogize to government grants
 - ERC is not a change to payroll tax law but a method to provide funding to organizations



ERC – Accounting Considerations

Nonprofits should evaluate the following:

- When is grant in place?
 - Cannot record revenue until there is a grant in place.
- Exchange vs. Contribution – generally considered contribution
- Conditional vs. Unconditional – are there barriers?
 - Payment of qualified expenses
 - Limits on # of employees
 - Gross receipts reductions, required closures, etc.
 - **Recognize when barriers have been met**
- With or Without restriction

Present as grant revenue or other income



ERC – Accounting Considerations



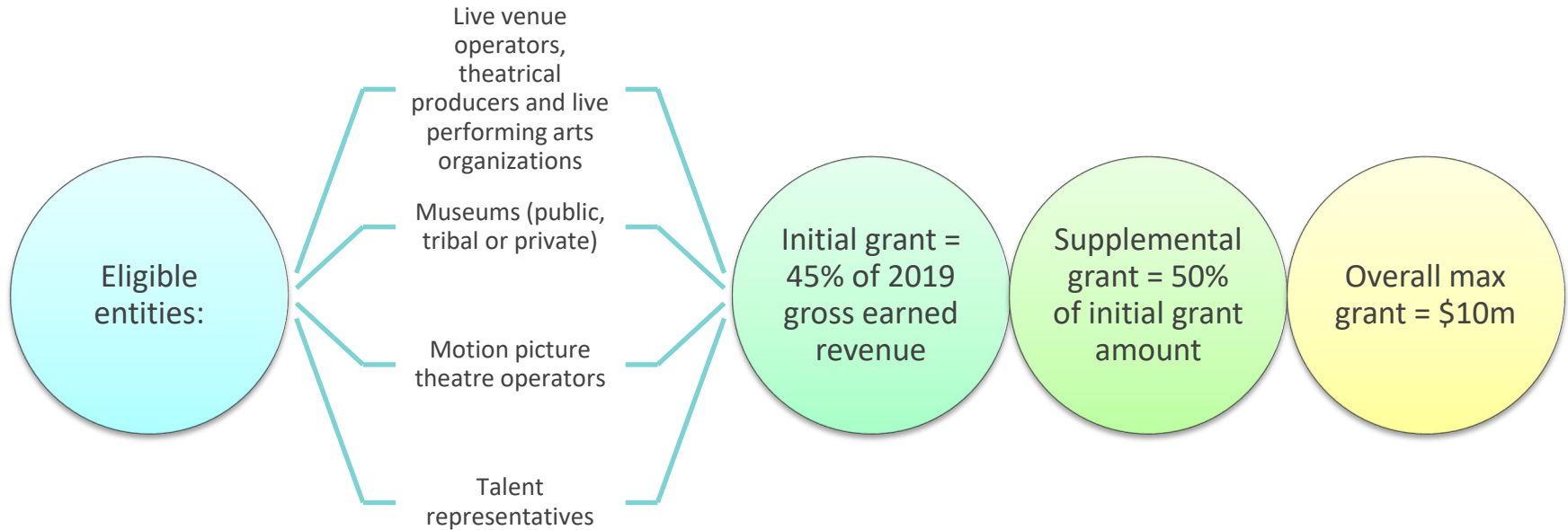
When do I record revenue?



What if I determine eligibility and request credits after my audit is completed?



Shuttered Venue Operators (SVO) Grant



Shuttered Venue Operators Grant

Accounting Considerations:

- Account for government grants in accordance with contributions received
- Conditional contribution
 - Barrier – incurrence of eligible expenses as barrier to entitlement
 - Right of Return
- Recognize revenue = eligible expenses
- Payment received in advance of expenses = Refundable Advance
- With or Without restriction



Covid Relief Funding and the Single Audit

Are ERC, SVOG,
or other relief
programs
subject to the
Single Audit?



COVID-19 related funding

Funding	Subject to Single Audit?
PPP Loans	No
Provider Relief Funds (PRF)	Yes
Coronavirus Relief Fund (CRF)	Yes
Education Stabilization Fund (ESF)	Yes
Emergency Rental Assistance Program	Yes
Employee Retention Credit (ERC or ERTC) Program	No
Economic Injury Disaster Loans (EDIL)	Yes
Shuttered Venue Operators Grant Program	Yes



COVID-19 Compliance Guidance

OMB - Office of Federal Financial Management's website

AICPA GAQC website - [GAQC COVID-19 Resources](#)

- [COVID-19 Related Funding & UG Applicability Matrix](#) as of 2/16/21

Agency websites

- Coronavirus Relief Fund (CRF) ([link](#))
- Provider Relief Fund (<https://www.hhs.gov/coronavirus/cares-act-provider-relief-fund/index.html>)
- Education Stabilization Fund (<https://oese.ed.gov/offices/education-stabilization-fund/>)

U.S. Department of the Treasury COVID-19 Economic Relief:

- <https://home.treasury.gov/policy-issues/coronavirus>



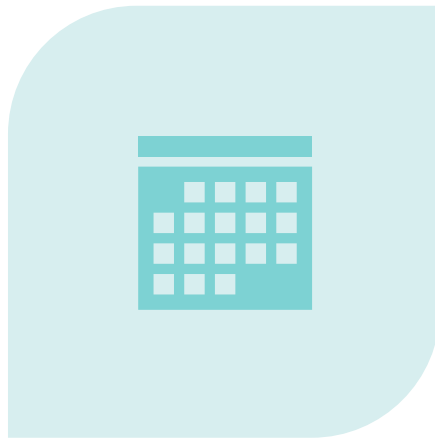


Accounting Standards - Effective now and in the Future

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Leases (Topic 842)



EFFECTIVE DATE:

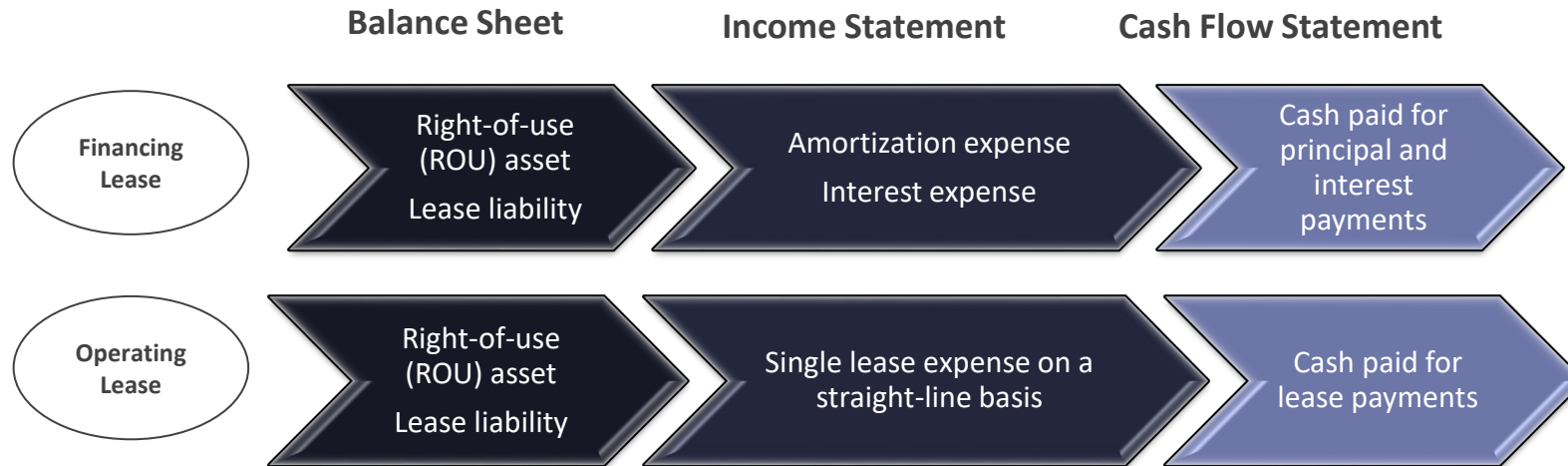
FISCAL YEARS BEGINNING AFTER 12/15/21

(12/31/22; 6/30/23);

EXCEPT FOR PUBLIC NFP ENTITIES; EFFECTIVE DATE OF YEARS
BEGINNING AFTER 12/15/19 **(12/31/20; 6/30/21)**



Leases (Topic 842; ASU 2016-02) – Lessee Accounting Overview



Classification is similar to that in Topic 840, *Lease*

Recognition and measurement exemption for short-term leases

Entities other than public business entities may use risk-free rates as practical expedient for measurement of all lease liabilities

Gifts in Kind (ASU 2020-07)



Effective Date: Annual reporting periods beginning after June 15, 2021

(6/30/22; 12/31/22)



Objective: Clarifies presentation and disclosure of contributed nonfinancial assets; recognition and measurement requirements remain unchanged



How to prepare for implementation:

Track, present & disclose amounts separately

Prepare for additional disclosures
- see examples included in ASU

Review related accounting policies



Gifts in Kind (ASU 2020-07) Specified Changes

Financial Statement Presentation:

- Contributed nonfinancial assets as a separate line in statement of activities

Disclose:

- Disaggregation of amount of contributed nonfinancial assets by category
- For each category disclose:
 - Qualitative info about monetized vs utilized. If utilized, then description of programs or other activities in which they were used
 - Policy about monetizing rather than utilizing
 - Description of donor-imposed restrictions
 - Description of valuation techniques and inputs to determine FMV
 - Principal market used to arrive at FMV in NFP is prohibited from participating in that market

Gifts in Kind (ASU 2020-07) Presentation

Not-for-Profit Entity A
Statement of Activities
Year Ended June 30, 20X1
(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 8,640	\$ 8,390	\$ 17,030
<u>Contributions of cash and other financial assets</u>	<u>\$ 6,790</u>	<u>\$ 7,430</u>	<u>\$ 14,220</u>
<u>Contributions of nonfinancial assets</u>	<u>1,850</u>	<u>960</u>	<u>2,810</u>
Fees	5,200		5,200
Investment return, net	6,650	18,300	24,950
Gain on sale of equipment	200		200
Other	150		150
Net assets released from restrictions (Note D):			



Gifts in Kind (ASU 2020-07) Disclosure Examples

Contributed Nonfinancial Assets

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

	20X9	20X8
Building	\$ 550,000	\$ -
Household goods	95,556	100,486
Food	85,407	86,633
Medical Supplies	90,389	115,173
Pharmaceuticals	111,876	113,982
Clothing	85,765	83,890
Vehicles	127,900	-
Services	73,890	65,392
	<u>\$ 1,220,783</u>	<u>\$ 565,556</u>

NFP K recognized contributed nonfinancial assets within revenue, including a contributed building, vehicles, household goods, food, medical supplies, pharmaceuticals, clothing, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

It is NFP K's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program

Contributed Nonfinancial Assets

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Building	\$550,000	General and Administrative	No associated donor restrictions	In valuing the contributed building, which is located in Metropolitan Area B, NFP K estimated the fair value on the basis of recent comparable sales prices in Metropolitan Area B's real estate market.
Household goods	\$95,556	Domestic Community Development; Community Shelters	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	\$85,407	Natural Disaster Services; Domestic Community Development; Community Shelters	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.



Gifts in Kind (ASU 2020-07) Disclosure Example LITE

CONTRIBUTED NONFINANCIAL ASSETS

For the year ended December 31, 20XX, contributed nonfinancial assets recognized within the statement of activities:

<u>Nonfinancial Asset</u>	<u>Revenue Recognized</u>	<u>How Utilized</u>	<u>Donor Restrictions</u>	<u>Valuation Technique</u>
Clothing	\$3,500	Community Shelter	No associated restrictions	Thrift store price guides
Children's books	\$2,200	Afterschool program	No associated restrictions	Used bookstore pricing



Standards on the Horizon

Implementation Costs Incurred in Cloud Computing (ASU 2018-15)

Credit Losses (CECL) ASU 2016-13

Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment (ASU 2017-04, 2021-03)

ASU 2021-08: Business Combinations: Accounting for Contract Assets and Contract Liabilities





New Audit Reporting Standards

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SAS 134-141 – Auditor Reporting Standards

SAS No.	Description
134	Auditor Reporting and Amendments
135	Omnibus Statement on Auditing Standards
136	Reporting on Employee Benefit Plans - ERISA
137	Other Information Included in Annual Reports
138	Description of the Concept of Materiality
139	Add'l reporting changes from SAS No. 134
140	Add'l reporting changes from SAS Nos. 134/137
141	Amendment to Effective Dates - SAS (134-140)



Auditor Reporting Standards



Effective for 12/31/21 audits



Revised form and content of the auditor's report



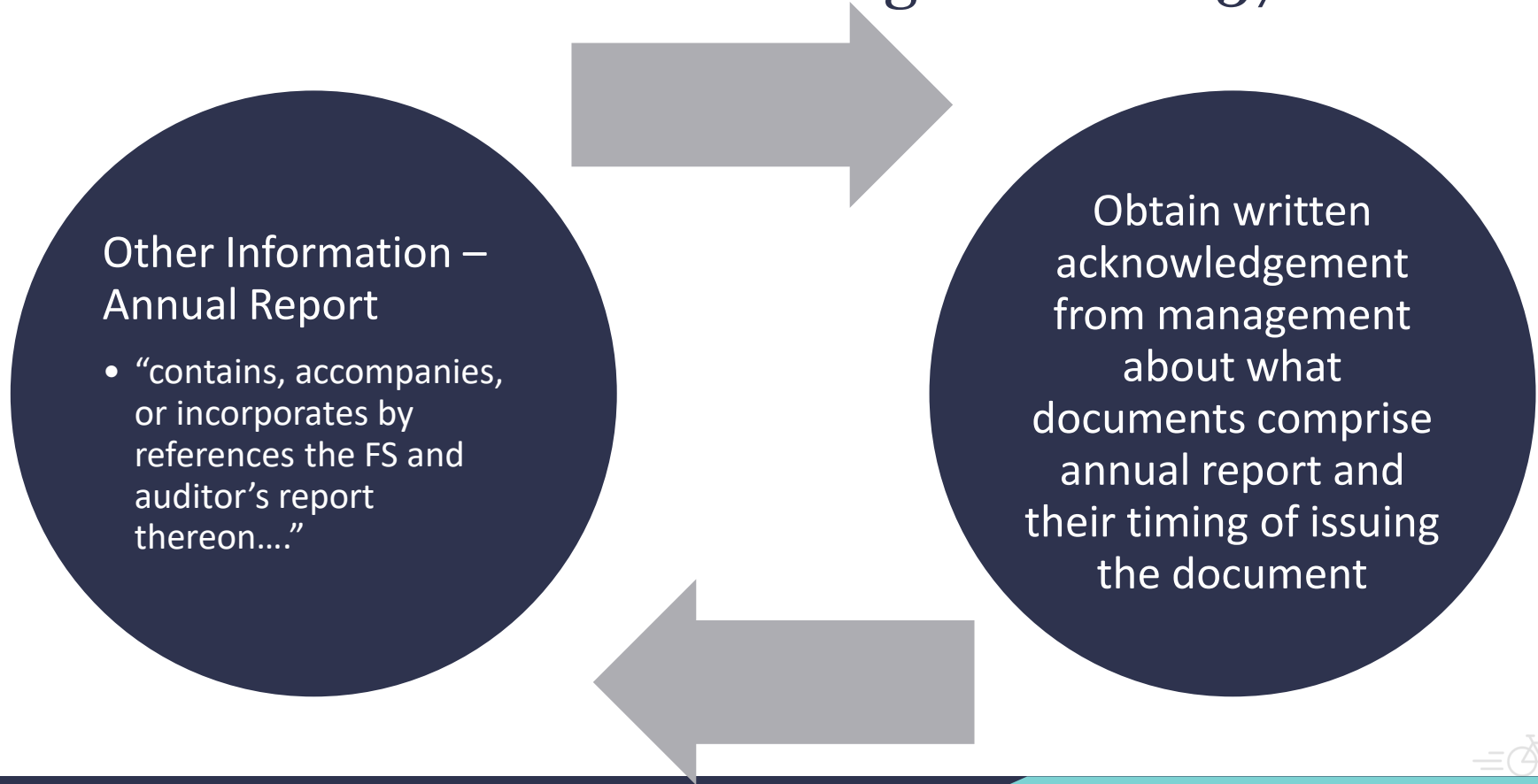
Extensive changes to other performance standards



SAS 134 - Auditor's Report Structure

Report Structure - Current	Report Structure – SAS 134
1. Introduction	1. Opinion
2. Management's Responsibilities for the Financial Statements	2. Basis for Opinion (New)
3. Auditor's Responsibility	3. Key Audit Matters (New) – if engaged to communicate
4. Opinion	4. Responsibilities of Management for the Financial Statements
5. Report on Other Legal and Regulatory Requirements	5. Auditor's Responsibilities for the Audit of the Financial Statements
	6. Report on Other Legal and Regulatory Requirements

Performance Standards Changes – SAS 137



(SAS) No. 137, The Auditor's Responsibilities Relating to Other Information Included in Annual Reports



Summary of Other Changes

Increased communication

Changes to engagement letter

Communications with governance

- Significant Risks
- Significant unusual transactions
- Potential effects of uncorrected misstatements on future-period financial statements

Summary of Other Changes (continued)

Clarification of audit procedures

- Related parties
- Enhanced emphasis on:
 - Disclosures
 - Significant and unusual transactions

Revised definition of materiality



Impact to Audit

Changes to:

Engagement
letters

Audit
programs

Various deliverables

Additional
required steps

Independent
Auditor's Report

Governance
Communications



Questions?



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Thank you for attending!

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