

A teal-colored bicycle is positioned in the center of a paved road that stretches into the distance. The road is flanked by lush green trees and foliage. The sun is shining brightly from the right side of the frame, creating a lens flare effect. The overall scene is bright and scenic.

# 2023 Florida Nonprofit Training Academy June 14, 2023, Lakeland

CPAs | CONSULTANTS | WEALTH ADVISORS

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

# Welcome & Housekeeping

- CPE certificates will be emailed within 4 weeks following today's presentation to the email that was used to register. Recommended CPE of 6 credits total will be given to those in full attendance of today's CPE session from 8:30-3:30pm.
- All presentations will be available at the [CLAAconnect.com](https://CLAAconnect.com) under the **past events** page at the end of next week.





*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

# Nonprofit Tax Update: What's New for 2023?

# Meet the Speaker

- Amy K. Chapman, CPA



Principal, Orlando  
Office



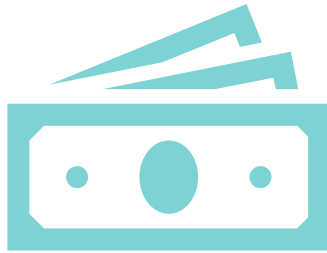
24+ Years of  
Experience



Nonprofits



# At the End of the Session, You Will Be Able To:



Recall current tax developments



Identify tax opportunities and risks that may affect your organization





*We'll get you there.*


CPAs | CONSULTANTS | WEALTH ADVISORS

# Priority Guidance Plan & Compliance Initiatives



# Donor Advised Funds (DAFs)

Regulations under section 4966 – excise taxes on donor advised funds



Regulations under section 4967 – prohibited benefits and related excise taxes



Regulations under section 4958 – donor advised funds and supporting orgs



Impact of donor advised funds on the public support test



# Donor Advised Funds – Proposed ACE Act

## Guidance regarding the public-support computation with respect to distributions from donor advised funds

- Accelerating Charitable Efforts (ACE) Act
  - Introduced to Senate on June 9, 2021
  - Introduced to House & referred to the House Committee on Ways and Means on February 3, 2022
- Designed to encourage DAFs and private foundations to distribute funds more rapidly
- Discouraging the shifting charitable funds between DAFs & private foundations
- Could have a negative affect on public charities
- Pending – we will be tracking



# Charitable Guidance for Cryptocurrency

IRS Legal Memorandum  
(ILM) 202302012  
Released 1/13/2023



To qualify for a charitable contribution deduction, taxpayer must submit a qualified appraisal over \$5,000

Can't rely on value listed on a cryptocurrency exchange

Cryptocurrency doesn't fit statutory exceptions on appraisal requirements under section 170

Form 8283 is required for donations over \$500



# Other Priority Guidance Plan Topics

## Allocation of indirect expenses in computing unrelated business income

- IRC Section 512

## 509(a)(3) Supporting Organizations

- Pending final regulations
- Proposed regulations issued in February of 2016

## Group exemptions

- Initial guidance released in 1980 in Rev. Proc. 80-27
  - Notice 2020-36 suggested proposed updates
  - No group exemption applications being accepted



# Compliance Initiatives



Worker misclassification and W-2/1099 matches



Retirement plans of small exempt organizations



Retirement plans and worker misclassification



990-N filings



Excess compensation excise tax



Tax exempt bonds





# IRS Audit Trends

# Recent IRS Audit Activity

Audits are back

Auditors are  
coming in person

Increased IRS  
funding =  
more audits



# Exemption Issues

In determining whether you comply as an organization described in Section 501(c)(3), it is necessary to review your internal controls. Therefore, please provide responses to the following questionnaire and mail them by the stated due date in an electronic format.

1. Describe your internal control structure.

**Does your organization:**

2. Use an annual budget or financial plan?
3. Analyze budget variances and report to the Board?
4. Provide monthly income statements to the Board?
5. Provide monthly balance sheets to the Board?
6. Require Board approval of non-budgeted expenses?
7. Require Board approval of checking account signatory's?
8. Use accounting procedure and policy manuals?
9. Require internal audits or performance reviews?
10. Use computer access passwords or security checks?
11. Require multiple signatures and dollar limits for checks?
12. Require independent (external) financial audits?
13. Provide cash payments for expenses or disbursements?
14. Reconcile all bank accounts on a monthly basis?
15. Deposit all receipts in a financial institution?
16. Provide lock and key security for unused checks and drafts?
17. Perform periodic checks for compliance with Federal, State, and local laws, regulations and legal requirements?
18. Restrict access to accounting files and records?
19. Follow record retention and file purge procedures?



# Revenue and Expense Deep Dive

We have completed our review of the financial data you submitted. We sampled the revenue and expense items for further review as noted below.

## A. Revenue Accounts:

Attached is a sample of the revenue accounts that were reviewed. Please provide the following information for greater clarity.

1. Source documents.
2. A detailed explanation for the source of revenue.
3. Explain what "BFET" and "Muckleshoot" means.
4. Provide any contracts that were entered for the sources of revenue identified, i.e. "Van Rental."

## B. Expense Accounts:

Attached is a sample of the expense accounts that were sampled. Please provide the following information for greater clarity.

1. An explanation describing the business nature of the expense.
2. Source documents supporting the expense: i.e. invoices, receipts, contracts, cancelled checks.
3. Explain what "NICMERE," "NARCH-AIWRE" and "NACTEP" mean.
4. It was observed that there were expenses related to a "boat." Please fully explain your ownership in a boat and its purpose.



# Employee / Independent Contractor

## F. Information Returns:

During our review, we identified several individuals who were issued both Forms W-2 and 1099. See attachment. To clarify the nature and proper worker classification, please provide the following:

1. A detailed explanation why both information returns were issued.
2. Detailed job description(s) for classification as an employee and an independent contractor.

## B. Invalid TIN:

In our review of the Form 1099 information, our records indicate that two individuals were identified as having invalid taxpayer identification numbers, social security numbers (“SSN”) in these instances. They are as follows:

- George Janice Marie
- Kelly Norton

To clarify the correct SSN, please provide the following:

1. Forms W-9 for each individual.

- C. State if you were contacted by the IRS with respect to this discrepancy and if so, what actions did you take to remedy the issue?



# Employee / Independent Contractor

## A. Worker Clarification:

In our review of the Forms 1099, we sampled 25 workers for the 2018 and 2019 years, which are listed in the schedule below. To clarify the accuracy of the worker classification as independent contractors, please provide the following:

1. Detailed description of the duties performed.
2. State if there are other workers who conduct similar duties but who are issued a Form W-2.
3. Describe how it was determined that the workers were properly classified as independent contractors.



# Political Activities

In determining whether you comply as an organization described in Section 501(c)(3), it is necessary to review and clarify your activities with respect to legislative and political activities. Therefore, please provide responses to the following questionnaire and mail them by the stated due date in an electronic format.

## LEGISLATIVE:

1. Do you urge either the public or your members to contact lawmakers regarding proposing, supporting or opposing specific legislation?
2. Do you make direct appeals to lawmakers concerning specific legislation, either in person or by letter?
3. Do you donate to or support other organizations, groups, or committees whose primary purpose is to engage in legislative or lobbying activities?
4. Do you provide information to the public or to your members concerning legislative issues?
5. Do you employ/contract with a professional lobbyist?

## POLITICAL:

1. Do you make donations to political campaigns or endorse political candidates?
  2. Do you have a political action committee (PAC)?
  3. Do you donate to any PAC funds?
  4. Do you collect political campaign donations from your members or the public and remit them to a PAC?
  5. Do you permit candidates to use your facilities, computers, employees, mailing or membership lists?
  6. Do you provide non-partisan information about candidates to any persons or groups?
  7. Do you conduct voter registration drives or promote voter participation in elections?
  8. Do you allow political intervention, in that do you permit employees to disseminate information using company computers to email staff members and students encouraging or discouraging them to vote for particular candidates running for public office?
- 



# Unrelated Business Income

During our on-site visit to [REDACTED], it was observed that you maintained a small store, referred to as the [REDACTED], that sold primarily clothing and snack items. [REDACTED] stated that the [REDACTED] was at one time a bookstore but because students now typically purchase books on-line, there was no need for the College to sell books.

[REDACTED] Manager of the [REDACTED] stated that the items sold in the [REDACTED] are marketed through Facebook and the [REDACTED] indicated that most of the sales were made to the public.

What are the issues here?





# Recap



Compliance Initiatives & Priority Guidance Plan in audits



What puts you on the radar?



Importance of having a pulse on overall compliance



Regardless of where the audit starts....it will likely hit all these topics





## Additional Insights

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

# Form 8940 – Changes to Note

- IRS revises request for Miscellaneous Determination to allow for electronic filing
- Beginning April 3, 2023 – E-filing available
- IRS will allow for a 90-day grace period to accept paper versions
- Pay.gov & you will need to set-up an account and the fee is \$500- but it can vary depending on what you are asking for



# Employee Retention Credit Overview

	2020	2021
<b>Covered Dates (payroll paid during period)</b>	3/13/20 – 12/31/20	1/1/21 – 9/30/21
<b>Employer size-based restrictions*</b>	Over 100 fulltime employees can only include paid but not working	Over 500 fulltime employees can only include paid but not working
<b>Quarterly Revenue Decline vs. Same quarter 2019 OR</b>	>50%	>20%
<b>Partial or full government shut-down</b>	Actual dates organization was shut-down by government order	
<b>Maximum eligible wages + healthcare cost per employee</b>	\$10,000/year	\$10,000/quarter
<b>% wages + healthcare eligible for credit</b>	50%	70%
<b>Maximum annual credit/employee</b>	\$5,000	\$21,000

\*Fulltime employee measured by Calendar 2019 according to ACA definition of fulltime employee (130 hrs+/mo = 1.0; < = 0.0)



# Employee Retention Credit Opportunity

- Still a great opportunity if you have not yet looked into it!
- Reconciliation of ERC revenue to Form 990 revenue
- Reduce compensation tax deductions for UBI on Form 990-T
- American Rescue Plan Act of 2021 - expanded statute of limitations
- IRS Information Release IR-2022-183



# Inflation Reduction Act



Alternative minimum tax  
(AMT)

\$79.6 billion IRS improvements  
and enforcement

Clean Energy Tax Credits





# IRS Nationwide Tax Forums 2023

- [IRS https://www.irs.gov/tax-professionals/irs-nationwide-tax-forums-information](https://www.irs.gov/tax-professionals/irs-nationwide-tax-forums-information) Nationwide Tax Forums Information | Internal Revenue Service

## IRS Nationwide Tax Forums 2023 Locations and Dates

City	Hotel	Dates
New Orleans, LA	<a href="#">Hyatt Regency New Orleans</a> 	July 11-13, 2023
Atlanta, GA	<a href="#">Hilton Atlanta</a> 	July 25-27, 2023
National Harbor, MD (Washington, DC area)	<a href="#">Gaylord National Harbor</a> 	August 8-10, 2023
San Diego, CA	<a href="#">Town and Country Resort</a> 	August 22-24, 2023
Orlando, FL	<a href="#">Hyatt Regency Orlando</a> 	August 29-31, 2023





# Refundable Tax Credit Opportunities for Tax-Exempts

# Inflation Reduction Act Credit Opportunities

- IRA of 2022 created and modified several green energy credits
- IRC Section 6417 provides a “direct pay” option for tax-exempts and certain governmental entities
- Many credits have prevailing wage requirements that increase credit, in most cases from 6% to 30%
- Applies to tax years beginning after Dec. 31, 2022
- Unique opportunity for NFPs to get cash refunds from the federal government for green energy investments



# Section 6417 Overview

- **Sec. 6417(a):** “In the case of an applicable entity making an election...with respect to any applicable credit determined with respect to such entity, such entity shall be treated as making a payment against the tax imposed by subtitle A (for the taxable year with respect to which such credit was determined) equal to the amount of such credit.”
- **Applicable Entity:**
  - Any organization exempt from the tax imposed by subtitle A,
  - Any state or political subdivision thereof,
  - The Tennessee Valley Authority,
  - An Indian tribal government,
  - Any Alaska Native Corporation, or
  - Any corporation operating on a cooperative basis which is engaged in furnishing electric energy to persons in rural areas
- **Election Timing**
  - In the case of any government, or political subdivision for which no return is required under section 6011 or 6033(a), such date as is determined appropriate by the Secretary, or
  - In any other case, the due date (including extensions of time) for the return of tax for the taxable year for which the election is made, but in no event earlier than 180 days after the date of the enactment of this section



# Section 6417 Direct Pay Credits

§30C Alternative fuel vehicle refueling property credit

§45 Electricity produced from certain renewable resources, etc.

§45Q Credit for carbon oxide sequestration

§45U Zero-emission nuclear power production credit

§45V Credit for production of clean hydrogen

§45W Credit for qualified commercial clean vehicles

§45X Advanced manufacturing production credit

§45Y Clean electricity production credit

§45Z Clean fuel production credit

§48 Energy credit

§48C Advanced energy project credit

§48E Clean electricity investment credit



# Section 179D Tax Deduction

Allows the owner of a commercial building to receive a tax deduction for a building that is constructed or renovated in an energy-efficient manner.

As of 2023 Nonprofit organizations can now “assign” deduction. Prior to 2023 only governmental entities could assign the deduction.

Deduction can range from \$0.54 - \$5.36 per sq. ft.





# Guidance Still Needed...

## How will credits be refunded?

- “The Secretary may require such information or registration as the Secretary deems necessary for purposes of preventing duplication, fraud, improper payments, or excessive payments under this section”
- Excessive payment penalty of 20%

## What support will be required?

- Will the projects/costs/credits have to be certified by a third party?
- What forms or applications will need to be submitted?
- Will there be a “monitoring” period?





*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

Questions?

Thank You!



Amy Chapman, CPA  
Principal, Tax  
420 S Orange Avenue, Suite 900  
Orlando, FL 32801-3399  
[amy.chapman@CLAconnect.com](mailto:amy.chapman@CLAconnect.com)



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer).  
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

# Grants Management: Current Events and Best Practices



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

# Learning Objectives

- At the end of the session, you will be able to:
  - Identify ways to evaluate your organization's need to improve the grant management business process.
  - Recognize key considerations used to determine what digital solutions would work for key business processes.
  - Identify next steps to start simplifying grant management and enabling higher compliance with laws and regulations.
  - Identify lessons learned and success stories that can be applied to future programs.



# The Importance of Effective Grant Compliance

# Grant Lifecycle: The Entire Process of a Grant





# Effective Grant Compliance

Effective grant compliance relies on having:

An in-depth understanding of the grant requirements

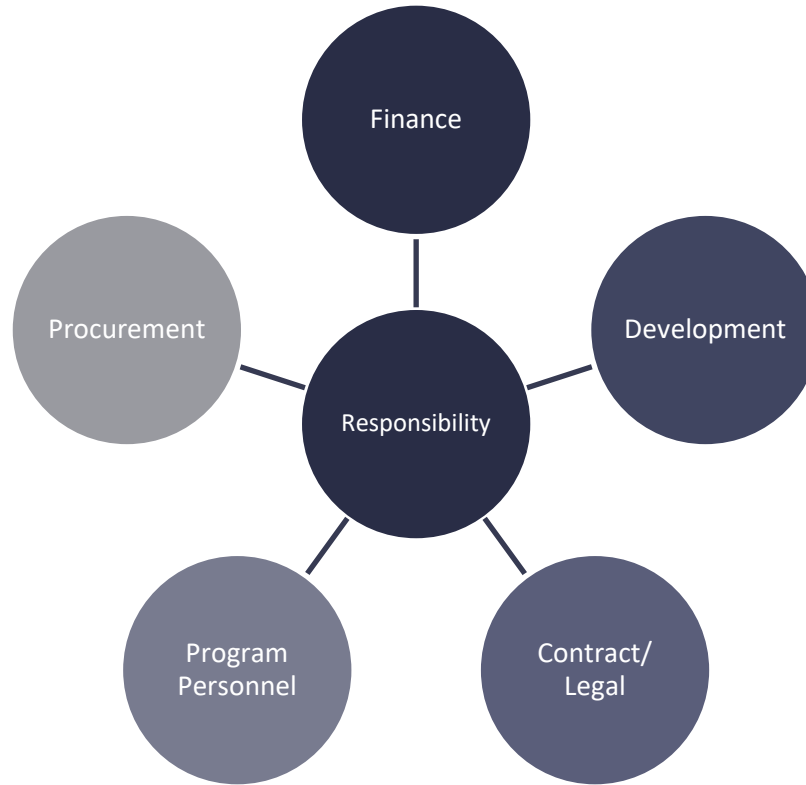
Proper policies and procedures in place

Strong internal controls

Resources and personnel



# Grant Compliance Responsibility





# Grants Management Best Practices

# Grants Compliance

Read through  
grant  
agreement for  
terms and  
conditions.

Read through  
Uniform  
Guidance &  
OMB  
Compliance  
Supplement.

Obtain Proper  
Training.



# Checklists

Develop checklists for all aspects of the grant process, such as:

Procurement

Grant application process

Preparation for the single audit

Subrecipient risk assessment and monitoring

Submission of financial and program reports

Grant close-out



# Policy Review and Revisions



Document proper internal controls over compliance.



Document compliance requirements.



# Policy Review and Revisions



Designate key individual or team to monitor your policies over federal programs.



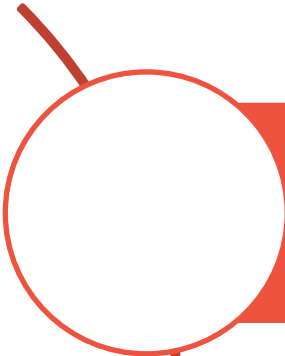
Regularly review policies for compliance and educate employees on changes to policies. Encourage open dialogue regarding questions and decision making.




Make sure policies are easily accessible for all employees involved and they know that they are responsible for reviewing these.



# Documentation is your friend



Retain documentation throughout the year supporting any judgments on why a cost was reasonable, allocable, allowable and necessary.



Prepare a summary sheet for each award with all pertinent information (award period, amount, matching provisions and any special terms and provisions) for your program and accounting staff.





# Schedule of Expenditures of Federal Awards (SEFA) Tips & Completeness

# Schedule of Expenditures of Federal Awards (SEFA)

## Assistance Listing Number

- Replaces Catalog of Federal Domestic Assistance (CFDA) Number

## Clusters

- Include sub-total for the cluster

## Pass-Through Grants

- Identify pass-through agency
- Include identification number

## Totals

- Total by Assistance Listing Number
- Total by Federal agency

## COVID-19 Awards

- Must be separately identified



# SEFA Presentation

Example: Assistance Listing No. 14.218 Community Development Block Grant with COVID-19 funding and regular entitlement funding.

Presentation would be as follows:

<u>Federal Grantor/Pass through Grantor/ Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b><u>Federal Awards</u></b>				
<b>U.S. Department of Housing and Urban Development</b>				
COVID-19 Community Development Block Grant	14.218		\$ 1,000,000	\$ -
Community Development Block Grant	14.218		3,000,000	500,000
Total Community Development Block Grant			<u>\$ 4,000,000</u>	<u>\$ 500,000</u>

COVID-19 notations should also be included in the Data Collection Form.



# Common SEFA Errors to look out for

- COVID-19 programs not properly identified or separated
- New programs missing
- SEFA does not tie to financial statements – may contain mathematical errors
- Non-monetary programs not properly reported
- Formatting issues

# Properly Formatted SEFA Example

ORGANIZATION NAME  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

Federal Agency/Program/Cluster	Assistance Listing Number	Pass-Through Entity	Pass-Through / Grantor Number	Total Federal Expenditures	Passed Through to Subrecipients
<b>Department of Commerce</b>					
Coastal Zone Management Estuarine Research Reserves	11.420	Department of Natural Resources	P06-PY20-A-432	\$ 890,000	\$ 890,000
<b>Total Department of Commerce</b>				<u>890,000</u>	<u>890,000</u>
<b>Department of Defense</b>					
Community Economic Adjustment Assistance for Advance Planning and Economic Diversification	12.614	Economic Recovery Center	436799	375,000	375,000
<b>Total Department of Defense</b>				<u>375,000</u>	<u>375,000</u>
<b>Department of Labor</b>					
WIOA Cluster					
WIOA Adult Program	17.258	N/A		458,800	355,450
WIOA Adult Program	17.259	State Department of Labor	P00P94-SQ-PY18-Y, P06-SQ-PY19-Y	255,000	27,555
Dislocated Worker Formula Grants	17.278	State Department of Labor		700,050	625,380
		WIOA Cluster total		<u>1,413,850</u>	<u>1,008,385</u>
<b>Total Department of Labor</b>				<u>1,413,850</u>	<u>1,008,385</u>
<b>Department of Treasury</b>					
COVID-19 - Coronavirus Relief Fund	21.019	Department of Budget	2050-2021-A45	2,675,000	-
<b>Total Department of Treasury</b>				<u>2,675,000</u>	<u>-</u>
<b>Department of Housing and Urban Development</b>					
Housing Voucher Cluster					
Section 8 Housing Choice Vouchers	14.871	N/A		58,000	-
Mainstream Vouchers	14.879	N/A		178,000	-
		Housing Voucher Cluster total		<u>236,000</u>	<u>-</u>
CDBG Entitlement Grants Cluster					
COVID-19 - Community Development Block Grants/Entitlement Grants	14.218	N/A		313,094	-
Community Development Block Grants/Entitlement Grants		N/A		466,657	-
<b>Total Community Development Block Grants/Entitlement Grants</b>	14.218			<u>779,751</u>	<u>-</u>
		CDBG Entitlement Grants Cluster total		<u>779,751</u>	<u>-</u>
<b>Total Department of Housing and Urban Development</b>				<u>1,016,751</u>	<u>-</u>
<b>Total Expenditures of Federal Awards:</b>				<u>\$ 6,369,601</u>	<u>\$ 2,173,385</u>





# Procurement Requirements per the Uniform Guidance – Key Reminders

# Must vs. Should

When the Uniform  
Guidance References:

MUST = Requirement

SHOULD = Best Practice,  
Suggestion,  
Recommendation



# Procurement (200.318(B))

Entities must maintain oversight to ensure that contractors perform in accordance with the

terms

conditions

and specifications

of their contracts or purchase orders.



# I – Procurement §200.318(H)

Organizations must award contracts only to responsible contractors:

Contractors must possess the ability to perform successfully under the terms and conditions of a proposed procurement.

Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

# Suspension and Debarment

Checks for contracts over \$25,000 should be made on the EPLS site – ([www.sam.gov](http://www.sam.gov)).



Also add in the clause in the procurement contract.



Keep documentation.



Best practice recommendation is to do this on every procurement with federal funds!



# Procurement Records (200.318(I))

For ALL procurements:

- Detail history of the procurement (different for each procurement method)
- Rationale for method of procurement
- Selection of contract type
- Contractor selection or rejection
- Basis for contract price



# Competition (200.319)

---

Some of the situations considered to be restrictive of competition include but are not limited to:

- (1) Placing unreasonable requirements on firms in order for them to qualify to do business;

---

- (2) Requiring unnecessary experience and excessive bonding;

---

- (3) Noncompetitive pricing practices between firms or between affiliated companies;

---

- (4) Noncompetitive contracts to consultants that are on retainer contracts;

---

- (5) Organizational conflicts of interest;

---

- (6) Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement; and

---

- (7) Any arbitrary action in the procurement process.

---




# §200.320 Methods of Procurement (5 methods)

Method	Dollar Threshold
Micro-purchase	Not to exceed micro-purchase threshold (\$0 - \$10,000)
Small purchase procedure	Greater than micro-purchase, not to exceed the Simplified Acquisition Threshold (\$10,001 - \$249,999)
Sealed bid	Greater than the Simplified Acquisition Threshold (\$250,000 and greater)
Competitive proposal	Greater than the Simplified Acquisition Threshold (\$250,000 and greater)
Noncompetitive proposal (Sole Source)	Greater than micro-purchase threshold (\$10,000 and greater)





# Subrecipient vs. Contractor Determination

# Subrecipient Monitoring and Management (200.330-332)



Subaward is for the purpose of carrying out a portion of a federal award and creates a federal assistance relationship.



Subrecipient: determines eligibility, has performance measured in relation to objectives of program, has responsibility for programmatic decision making; and uses the Federal funds to carry out a program for a public purpose.



# Subrecipient Monitoring and Management (200.330-332)



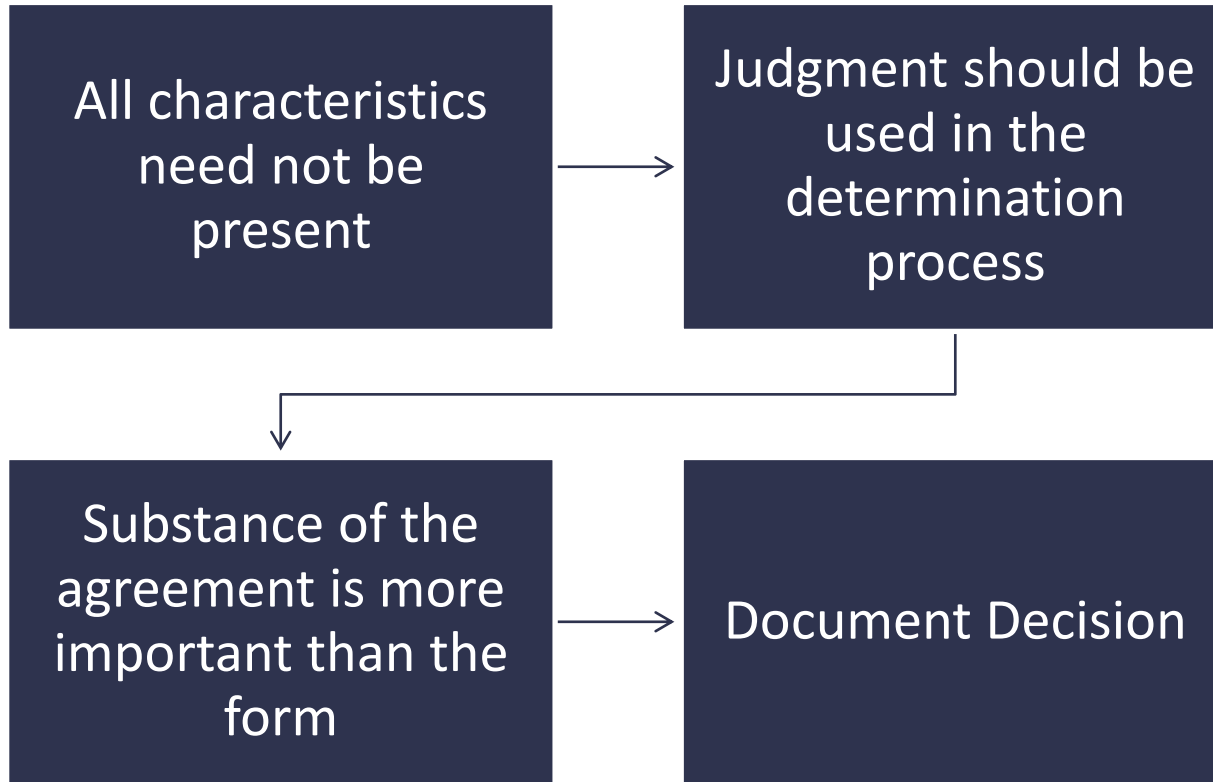
Contract is for the purpose of obtaining goods and services for the non-federal entity's own use and creates a procurement relationship.



Contractor: Provides the goods and services normally, provides similar goods or services to many different purchasers; provides goods or services for the benefit of the pass-through entity.



# Subrecipient/Contractor Determination





# Best Practices for Grants Management and Common Audit Findings

# Procurement

- Inadequate support for sole source vendor
- Lack of supporting documentation in the vendor file
- Lack of documentation to support contractor's suspension and debarment status



## PROCUREMENT CHECKLIST

To comply with CLIENT NAMESs Federal Procurement Standards Policy, 2 CFR 200 Uniform Guidance, and other contractual requirements, completion of this form is required.

This form must be retained by the Project Manager with all supporting documentation upon completion of the purchase. Failure to do so will result in noncompliance with Federal requirements.

Project Name and Code: \_\_\_\_\_

Describe the goods and services being procured:

### SELECT WHICH METHOD OF PROCUREMENT YOU ARE FOLLOWING:

**Small Purchase** (\$10,001 - \$249,999)

List the two quotations/proposals solicited and received.

	<u>Vendor/Contractor Name</u>	<u>Item/Service</u>	<u>Total Cost</u>	<u>Other Consideration:</u>
1	_____	_____	_____	_____
2	_____	_____	_____	_____

**Simplified Acquisition** (\$250,000 and above)

Reference: CRF 200.320 as your guide for additional procurement requirements

Competitive Proposal process used  Sealed Bid process used

List the three bids/proposals solicited and received.

	<u>Vendor/Contractor Name</u>	<u>Item/Service</u>	<u>Total Cost</u>	<u>Other Consideration:</u>
1	_____	_____	_____	_____
2	_____	_____	_____	_____
3	_____	_____	_____	_____

### Check the reason you chose this vendor/contractor for this purchase:

- Vendor/contractor was the lowest bidder.
- Vendor/contractor provided the best evaluated responsible offer (other than low bid).\*
- Vendor/contractor establishes or maintains essential research, development, or technical capacity. \*
- Compatibility with other components of a system already exist.\*
- Only vendor/contract that meets pre-established performance characteristics.\*
- Vendor/contractor specifically identified within award documentation.\*
- Other. \*



\* REQUIRES EXPLANATION. Also, attach any/all supporting documentation.

**Price/Cost Analysis based on:**

- |   |  |
|---|--|
| <input type="checkbox"/> Adequate price competition | <input type="checkbox"/> Comparison to similar items * |
| <input type="checkbox"/> Catalog/market pricing     | <input type="checkbox"/> Cost/benefit analysis *       |
| <input type="checkbox"/> Historical pricing         | <input type="checkbox"/> Award specifically identifies |
| <input type="checkbox"/> Other. *                   |  |

\* REQUIRES EXPLANATION. Also, attach any/all supporting documentation.

**Sole Source (Noncompetitive Procurement)**

- Item/service only available from this source.\*
- An unusual and compelling urgency precludes full and open competition.\*
- Approval from granting agency received.\*
- Other. \*

\* REQUIRES EXPLANATION. Also, attach any/all supporting documentation.

*2 CRF Part 200 requires that grantees take affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible. Were any of the following groups solicited for this purchase?*

- |                                   |   |
|-----------------------------------|---|
| <input type="checkbox"/> Small    | <input type="checkbox"/> Women-owned        |
| <input type="checkbox"/> Minority | <input type="checkbox"/> Labor-surplus Area |

If not solicited, explain why not:

If solicited and not selected, explain why not:

- Suspension/Debarment checked online (<https://www.sam.gov>)

Name of vendor/contractor selected for work: \_\_\_\_\_

- Contract/agreement executed
- Form W-9 rec'd     Insurance certificate rec'd

Date

Preparer Print & Sign: \_\_\_\_\_

Project Manager Print & Sign: \_\_\_\_\_



# Subrecipient Monitoring

Subaward does not contain required information

Subs are not monitored timely

Lack of written procedures over subrecipient process

Inadequate monitoring documentation maintained

Lack of proper identification of noncompliant subrecipients and noncompliance remedies



# Time and Effort

Lack of written procedures for budgetary reporting of time and effort process

Lack of documentation to support allocation of hours/pay (COVID-19 or Federal Disaster)

Lack of documentation to support adjustments to employee hours charged to the grant



# Internal Control

Internal control structure is not documented or consistently performed

Lack of written procedures

Lack of documentation to support review and approvals (electronic process)







# ARPA CSLFRF Updates

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

# American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)

- \$1.9 Trillion Covid Aid Bill. Signed into law on March 11, 2021.
- Final Rule took effect on April 2022
- Period of Performance: Funds must be used for costs incurred on or after March 3, 2021, funds must be obligated by December 31, 2024, and expended by December 31, 2026.
- <https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds>



## Support Public Health Response

Fund COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff



## Address Negative Economic Impacts

Respond to economic harms to workers, families, small businesses, impacted industries, and the public sector



## Replace Public Sector Revenue Loss

Use funds to provide government services to the extent of the reduction in revenue experienced due to the pandemic



## Premium Pay for Essential Workers

Offer additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors



## Water and Sewer Infrastructure

Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure



## Broadband Infrastructure

Make necessary investments to provide unserved or underserved locations with new or expanded broadband access



# ARPA SLFRF Update: “ARPA Flex”



In Dec. 2022, Congress passed the final 2023 budget through the Consolidated Appropriations Act of 2023, which included a significant provision to make the SLFRF program more flexible, “ARPA Flex”



## What’s changing:

- Treasury has decided to keep the Standard Allowance election (of up to \$10M, not to exceed the award allocation) portion of the reporting portal open for recipients through April 2023, which will permit recipients to update their prior revenue loss election.



# ARPA SLFRF Update: “ARPA Flex”

The ARPA Flex provision provides additional flexibility for states, tribes, and local units of government to spend up to \$10 million or 30% of the total ARPA funds received on the following newly eligible SLFRF grant expenditures:

- ***Emergency relief from natural disasters***, including temporary emergency housing, food assistance, financial assistance for lost wages, or other immediate needs.
- ***Transportation infrastructure*** eligible projects and matching funds.
- Any program, project, or service that would also be eligible under HUD’s ***Community Development Block Grant program***.

# Subrecipient vs. Beneficiary vs. Contractor – Common Issues with CSLFRF



Subawards usually are silent about whether the entity receiving the funds is a subrecipient, beneficiary, or contractor.



Subaward originally states that the entity is a subrecipient and then the Pass-Through-Entity (PTE) informs the entity (sometimes much later) that it really is a beneficiary (or vice versa).



Subaward states that the entity is a subrecipient, but the entity believes it is really a beneficiary based on the facts and circumstances.



# Tips for Dealing with Subrecipient vs. Beneficiary vs. Contractor Issues

Auditees should go back to PTE to make the determination if none has been made.

Auditees should get something in writing form from the PTE, especially if the PTE is changing the designation such that the potential exists for the wrong major program to be tested or affect whether a single audit is even required.

If the PTE does not provide the designation or tells the auditee to make designation – review auditee’s analysis.

Documentation of the process and conclusion reached is critical for both auditees and auditors.



# Another Quick Federal Grant Update

## DUNS is done!

- Effective April 4, 2022, the use of DUNS numbers was replaced with Unique Entity Identifier (UEI).
- SAM.gov has assigned UEI and have issued guidance to getting your UEI.



# Resources and Links

- CLA's State and Local Government website:  
<https://www.claconnect.com/en/industries/state-and-local-government>
- 2 CFR Part 200, Uniform Guidance, link:  
<https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200>
- Treasury's website for COVID-19 related programs:  
<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments>





# Questions?

## Thank you for attending!

Tori Lehman, CPA  
Principal  
Nonprofit  
[tori.lehman@CLAconnect.com](mailto:tori.lehman@CLAconnect.com)



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://claglobal.com/disclaimer).  
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



# 20 Minute Break

10:20 – 10:40 a.m.



# Nonprofit Accounting and Audit Update



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

# Learning Objectives

1

Outline new and current accounting guidance affecting nonprofits

2

Identify upcoming accounting standards and recognize important items to consider during implementation of the leasing standard





## ASC 842 (Leases)

# Leases (Topic 842)



EFFECTIVE DATE:

FISCAL YEARS BEGINNING AFTER 12/15/21

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

EXCEPT FOR **PUBLIC NFP ENTITIES** WHICH HAVE AN  
EFFECTIVE DATE OF YEARS BEGINNING AFTER 12/15/19

**(12/31/20; 6/30/21)**

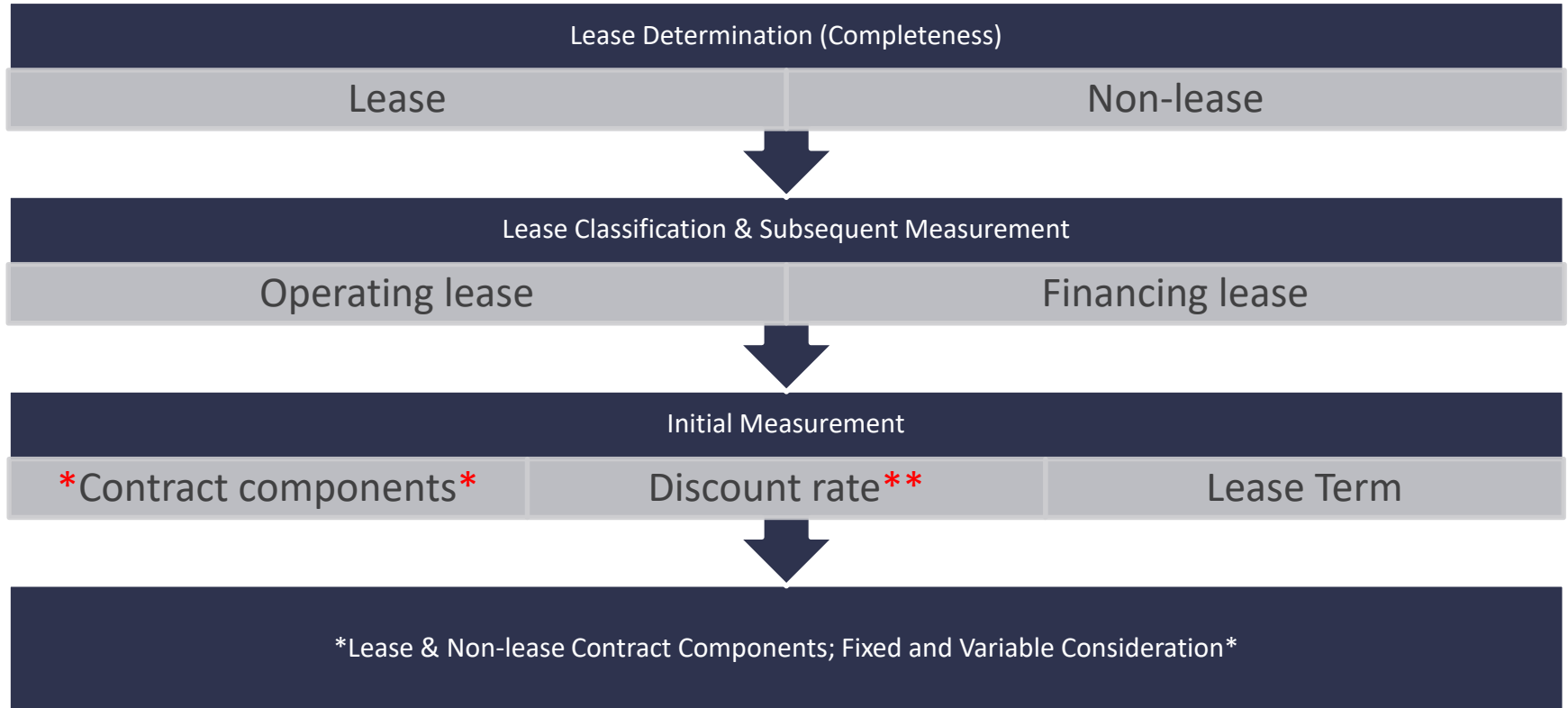


**PUBLIC NFP ENTITY** = AN ENTITY THAT HAS ISSUED, OR IS  
A CONDUIT BOND OBLIGOR FOR, SECURITIES THAT ARE  
TRADED, LISTED, OR QUOTED ON AN EXCHANGE OR  
OVER-THE-COUNTER MARKET





# Steps: Lease Analysis and Accounting



# Lease Determination



## An identified asset

- Can be explicitly or implicitly specified
- Supplier has no practical ability to substitute
- Supplier receives no economic benefit from substituting



## The right to control the use during the lease term

- Decision making authority over the use of the asset
- Ability to obtain substantially all economic benefits from the use of the asset



# Lease Classification – Lessee

Financing lease if ANY of the following 5 conditions are met:

Transfer of ownership

Option to purchase is reasonably certain

Lease term is a major part of the economic life

Present value of lease payments is substantially all of the fair value of the underlying asset

The underlying asset is of a specialized nature

If none of the above are met, the lease is an operating lease



# Leases Financial Statement Impact – Statement of Financial Position

## Finance Lease

- Right-of-Use Asset
- Lease Liability

## Operating Lease

- Right-of-Use Asset
- Lease Liability



# Lease Liability – Initial Measurement



# Lease Right of Use Asset – Initial Measurement

- ROU asset =
  - Initial measurement of lease liability
  - Plus: lease pre-payments
  - Plus: lessee initial direct costs
  - Minus: lease incentives received



# Lease Financial Statement Impact – Statement of Activity

**Finance  
Lease**

- Amortization Expense
- Interest Expense

**Operating  
Lease**

- Lease Expense



# Lease Financial Statement Impact - Cash Flow Statement

## Finance Lease

- Operating:
  - Amortization of ROU Asset
  - Change in lease liability
- Financing:
  - Principal Payments

## Operating Lease

- Operating:
  - Amortization of ROU Asset
  - Change in lease liability





# Example – Operating Lease

3-year lease term

Annual rent of \$100, escalating \$3 annually

7% interest rate



# Example – Operating Lease

- Initial Recognition:

Dr. ROU Asset	270	
Cr. Lease Liab		270

- Year 1 Entry:

Dr. Lease Exp	103 A	
Dr. Lease Liab	81 D	
Cr. Cash		100 B
Cr. Accum Amort		84 A-C

- NOTE: No amortization expense is recorded! It is a component of the lease expense!

	Expense	Liability			Asset
		Payment	Interest	Principal	Amortization
Year	A	B	C	D	A-C
1	103	100	19	81	84
2	103	103	13	90	90
3	103	106	7	99	96
	309	309	39	270	270



# Example – Finance Lease

3-year lease term

Annual rent of \$100, escalating \$3 annually

7% interest rate



# Example – Finance Lease

- Initial Recognition:

Dr. ROU Asset	270	
Cr. Lease Liab		270

- Year 1 Entry:

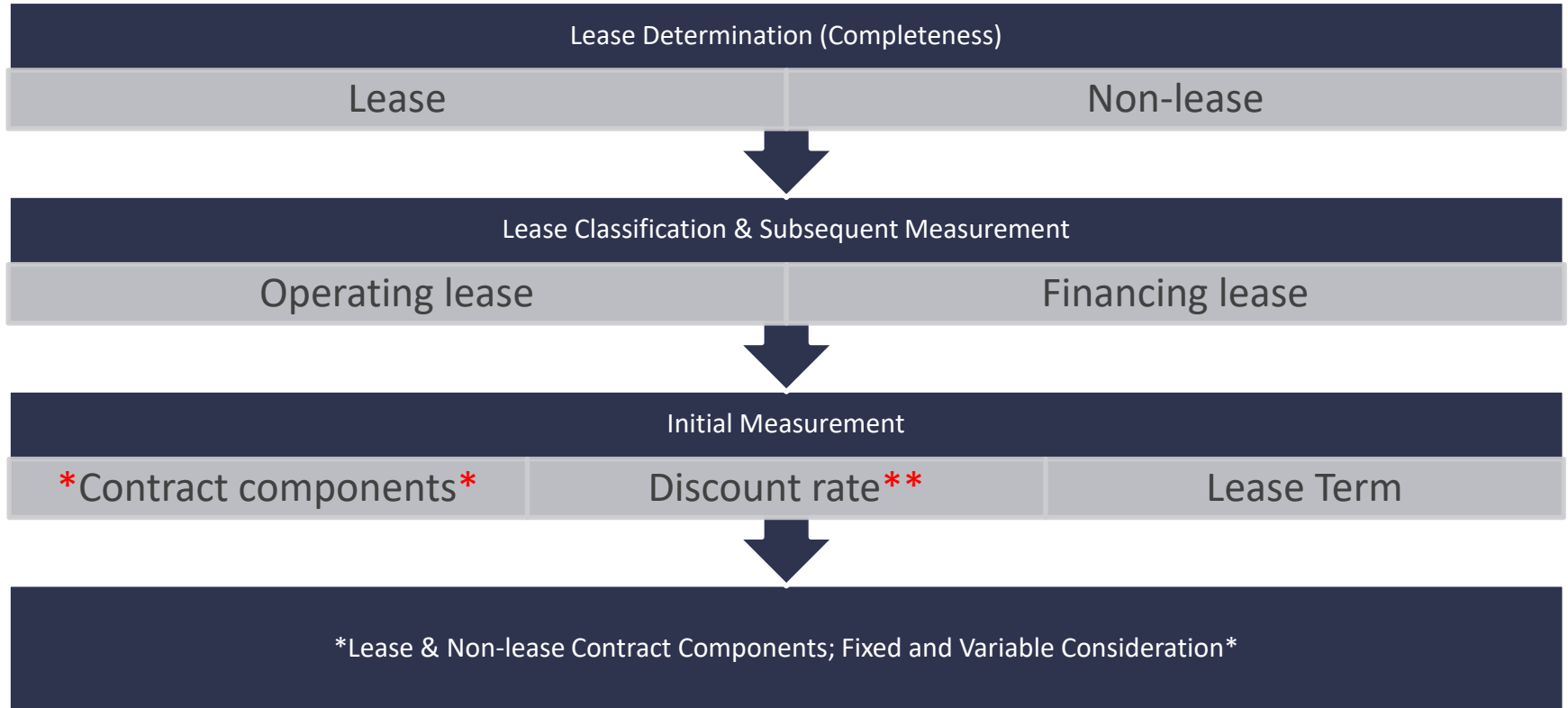
Dr. Interest Exp	19 C	
Dr. Amort Exp	90 A	
Dr. Lease Liab	81 D	
Cr. Cash		100 B
Cr. Accum Amort	90 A	

- NOTE: No lease expense is recorded. Each component is recorded.

	Asset	Liability			Expense
	Amortization	Payment	Interest	Principal	
Year	A	B	C	D	A+C
1	90	100	19	81	109
2	90	103	13	90	103
3	90	106	7	99	97
	270	309	39	270	309



# Steps: Lease Analysis and Accounting



# Contract Components

- Separate lease components from non-lease components
- Allocate the consideration on a relative standalone basis
  - Use observable standalone prices wherever available
- May elect practical expedient to not separate the non-lease component
  - Accounting policy



# Contract Components – Example 1

- Payments for taxes and insurance are included in a contract
- Annual lease payments are fixed at \$10,000 per year
- Real estate taxes and insurance payments are variable and will be billed to the lessee each year



# Contract Components – Example 1

- Are the real estate taxes and insurance components of the contract?
- Contract contains a single lease component
  - The right to use the building
- Lessee payments are a reimbursement of the lessor's costs
  - Not a payment for goods or services in addition to the right to use the building





# Contract Components – Example 2

- Payments for taxes and insurance are included in a contract
- Annual lease payments are fixed at \$13,000 per year
- Contract components are itemized
  - \$10,000 for rent
  - \$2,000 for real estate taxes
  - \$1,000 for insurance



# Contract Components – Example 2

- Are the real estate taxes and insurance components of the contract?
- Contract contains a single lease component
  - The right to use the building

# Contract Components – Example 3

- Payments for taxes, insurance, and common area maintenance are included in a contract
- Annual lease payments are fixed at \$17,000 per year and include rent, taxes, insurance, and building maintenance

# Contract Components – Example 3

- Real estate taxes and insurance are still not components of the contract
- What about the common area maintenance?
- Lessee receives a service from the lessor
  - A second component of the contract (non-lease component)
  - Consideration is allocated among the two components
  - CAM payments are not included in lease liability
    - Unless the practical expedient is selected

# Disclosures

## Objective

- Enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases

## Requirement

- Enhanced qualitative and quantitative disclosures



# Example Disclosures – Quantitative

	2019
Lease cost:	
Finance lease cost:	
Amortization of right-of-use assets	\$ -
Interest on lease liabilities	
Operating lease cost	
Short-term lease cost	
Variable lease cost	
Sublease income	
Total lease cost	<u>\$ -</u>
Other information:	
(Gains) and losses on sale leaseback transactions, net	\$ -
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from financing leases	
Operating cash flows from operating leases	
Financing cash flows from financing leases	
Right-of-use assets obtained in exchange for new financing lease liabilities	
Right-of-use assets obtained in exchange for new operating lease liabilities	
Weighted-average remaining lease term - financing leases	x years
Weighted-average remaining lease term - operating leases	x years
Weighted-average discount rate - financing leases	
Weighted-average discount rate - operating leases	



# Example Disclosures – Maturity Table

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2019, is as follows:

<u>Year</u>	<u>Financing Leases</u>	<u>Operating Leases</u>
2020	\$ -	\$ -
2021		
2022		
2023		
2024		
Thereafter		
Total	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2019, the Company has additional operating and finance leases, primarily copiers and facility rental, that have not yet commenced of \$XXX and \$XXX, respectively. The operating and finance leases will commence between fiscal year 2020 and fiscal year 2021 with lease terms of 1 year to 20 years.





# Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Gifts in Kind) ASU 2020-07



# Gifts in Kind (ASU 2020-07)



## Effective Date:

Annual reporting periods  
beginning after June 15, 2021

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



## Objective:

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



## How to prepare for implementation:

- Track amounts separately
- Prepare for additional disclosures - see examples included in the ASU
- Review related accounting policies



# Gifts in Kind (ASU 2020-07) Specified Changes

## Financial Statement Presentation:

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

## Disclose:

- Disaggregation of the amount of contributed nonfinancial assets by category
- For each category disclose:
  - Qualitative info about monetized vs utilized
  - 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) Income Statement 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 Disclosure - Example 1

## 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



# Gifts in Kind Disclosure - Example 2

## Contributed Nonfinancial Assets

	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
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 Disclosure - Example 3

## 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





# Other Current Accounting Topics, Upcoming Standards, and Operational Considerations

# Other Current Accounting Topic Upcoming Standards

## ASU 2016-13 Current Expected Credit Losses (CECL)

- Effective for years beginning after 12/15/22
  - (12/31/23; 6/30/24)

## SAS 145, Understanding the Entity and its Environment and Assessing the Risk of Material Misstatement



# ASU 2016-13 Current Expected Credit Losses (CECL)

A credit loss is recognized when:

## Current US GAAP:

- It is probable a credit loss has occurred

## ASU 2016-13:

- Based on a Current Expected Credit Loss (CECL) model

# ASU 2016-13 CECL

Trade receivables,  
such as:

membership  
dues

tuition

Notes receivable

Capital or  
financing leases  
held by the lessor

# ASU 2016-13 CECL

Assets reported at the net amount expected to be collected

Requires entities to use an allowance for credit losses (contra-asset account) that serves as a valuation account



# (CECL) Estimate Expected Credit Losses Using:

## Information from:

- Past events and historical experience
- Current conditions
- Supportable forecasts

## Methods including:

- Discount cash flow methods
- Loss rate methods
- Roll rate methods
- Probability of default methods
- Aging schedule methods

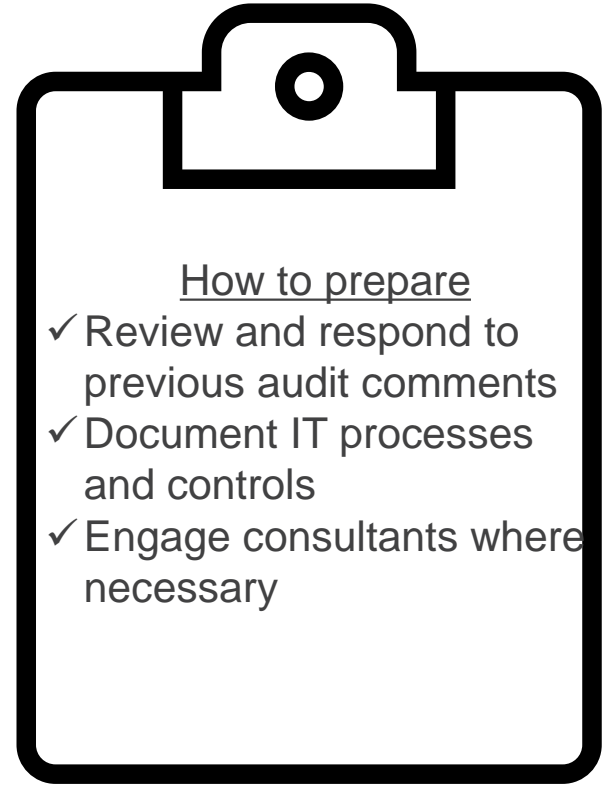


# Changes to Audits in 2023

- What Changed?
- Standards modernized for evolving business environment
- Effective 12/31/23 year ends
- New Requirements
- Enhanced risk assessments and understating of accounting estimates
- Deeper understanding of IT:
  - More inquires of IT group
  - Additional request for data

# Changes in Audits in 2023 – Continued

- Audit impact
- Additional time on internal control evaluations
- Increase in use of IT specialists
- Greater chance of internal comments
- More impact on complex IT systems



# We're Here For You



Find additional resources and learn about upcoming events at [CLAconnect.com](https://CLAconnect.com).



Improving your financial health starts with an honest check-in.

Our guidance can help organizations and individuals stay on the right track.

[Learn More](#)





*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

Questions?





Tori Lehman, CPA  
Principal, Nonprofit  
[tori.lehman@CLAconnect.com](mailto:tori.lehman@CLAconnect.com)



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://claglobal.com/disclaimer).  
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



# Lunch and Networking

11:30 a.m. - 12:30 p.m.



*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

# Cybersecurity Update for 2023



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

# Learning Objectives

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

- Identify potential risks and consequences of cybersecurity vulnerabilities and attacks
- Review strategies for recognizing and avoiding social engineering attempts
- Describe examples of how to secure your cloud services
- Identify potential benefits and risks with increased usage of AI-driven tool



# Cybersecurity Risk and Threat Landscape

# What is the Impact of Cybersecurity Threats

- Significant financial loss for individuals and organizations
- Data Breaches and Privacy Violations
- Operational Disruption/Downtime
- Intellectual Property Theft
- Damage to Reputation and Trust
- Regulatory and Legal Consequences



# 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
    - ePHI, PII, PFI, account profiles, etc.
    - Log-in Credentials
  - Ransomware and interference w/ operations

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



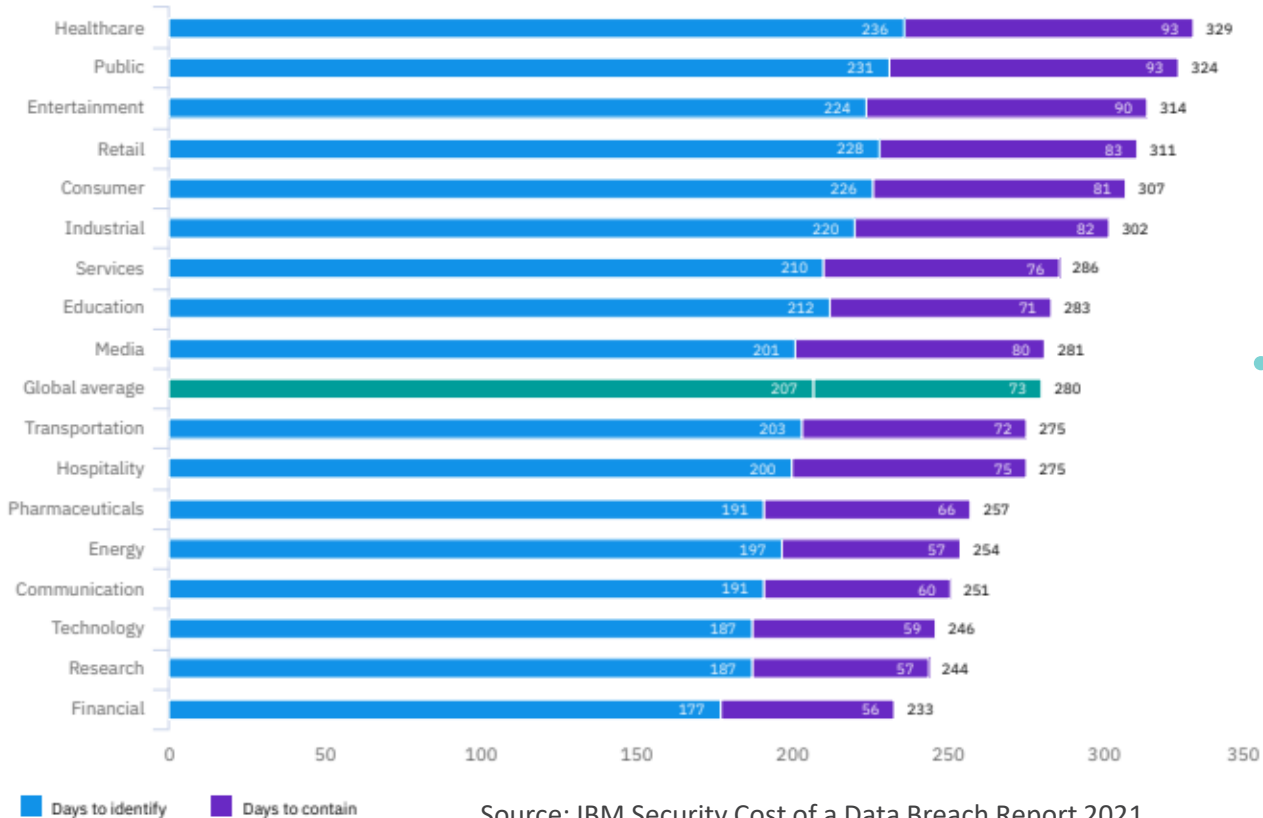
They will hit you with any or all of the following:

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 2021

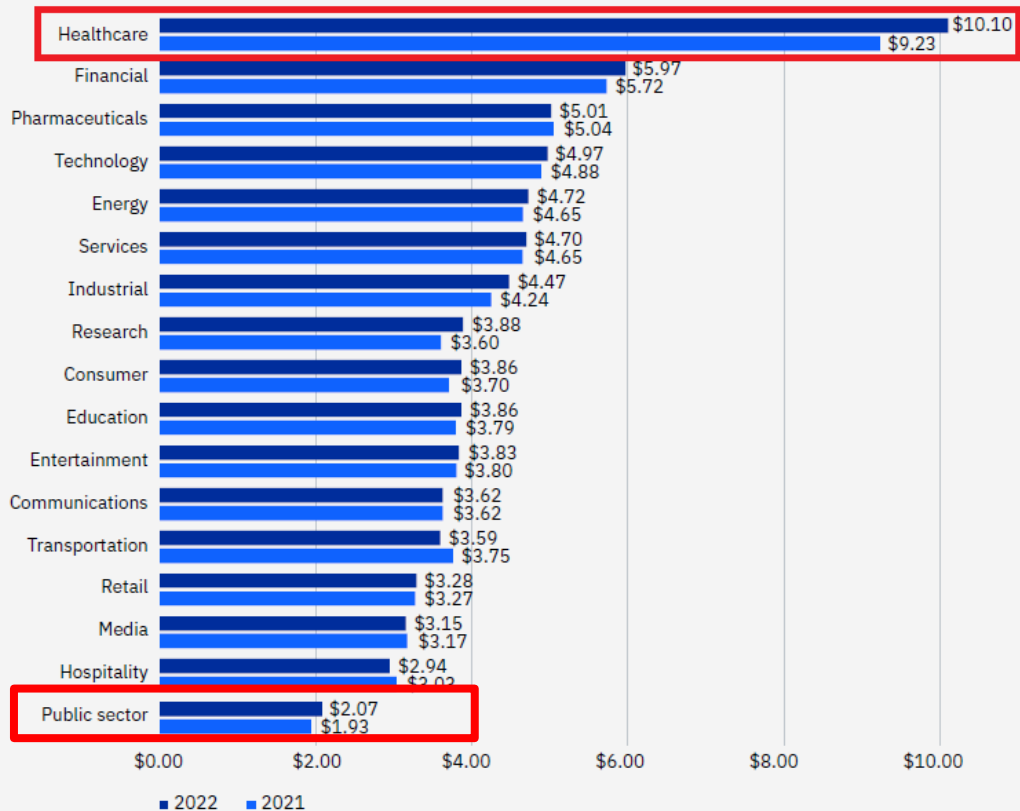


# Behind the statistics

- ***What are they doing while they are inside???***
  - Learn everything about your institution
  - 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



## Average cost of a data breach by industry



## 2022 IBM Data Breach Study:

What does a breach cost?

Measured in USD millions

Source: IBM Security Cost of a Data Breach Report 2022





# Cybersecurity Attacks

# Common Cyber Attacks

## Phishing

- *Step one in many attacks*
- **Method:** Voice, Email, Text, Search Engine, “Spear”
- **Effect:** Attacker receives login credentials, implants malicious software to device, potentially leading to other attacks.

## Ransomware Attacks

- **Attack Method:** Phishing, Infected USB Drives, visiting malicious sites
- **Effect:** Unusable resources

## DDoS (Distributed Denial of Service)

**Method:** Overloading of dummy/fake requests to a targeted server (or multiple) forcing it unusable.

**Effect:** Disturbance and unusable systems until remediated.

## Data Breach


- **Attack Method:** Phishing, lost or stolen devices, insider threats, malware
- **Effect:** Loss of data, regulatory sanctions

Potential effects of attacks: Reputational, financial, legal/regulatory sanctions



# ”Accidental” Email Example

Employee Compensation Adjustment List 1 message

 From: [Redacted] Dawn November 5, 2020 9:53 AM

To: [Redacted] Sent to EVERYONE in the company

BJ,

Below is the modified list of employees scheduled to receive out-of-cycle compensation adjustments as we previously discussed. Royce and I discussed and made a few updates.

[Employee-Comp-Adjustments-2020-11-05.docx](#)

Please let me know if you have any questions or want to discuss further. These adjustments will start on November 9<sup>th</sup>.

Regards,

**Dawn**



# Suspicious Emails

- Generic greetings
- Spelling or grammatical errors
- Suspicious email addresses or domains
- Requests for personal information
- Be cautious of email attachments and links
- Hover over links (without clicking) to inspect the actual destination address.

# Recognizing and Avoiding Social Engineering

- Be Skeptical and Question Requests
- Independently verify the legitimacy of any requests or claims before taking any action
- Be Wary of Urgency and High-Pressure Tactics
- Be cautious about sharing sensitive personal or financial information



# Minimize the Risk of a Breach

- Implement Multi-Factor Authentication (MFA)
- Keep Software and Systems Updated
- Employ security tools like spam filters, firewalls, and antivirus software
- Provide cybersecurity awareness training to their employees



# Strong User Controls

- Staff should not have local admin rights to their workstations.
- No email, browsing, or general computer use when using admin credentials.
- Network and domain admins should be required to have two sets of credentials.
- Administrators should NOT log into workstations with domain admin rights.



# Data Backups

- Attackers are getting smarter and deleting or encrypting online backups; so, organizations should ensure that they have off-line copies of backup and restore files available.
- Backup and restore files should be saved in well secured location.
- Perform a thorough review of file permissions for network file shares.
- Test the restoration of your data



# Password Challenge

Password1

Spring2023

IHatePasswords!

ClalsTheBestInTheUSA!

CLA!\$@m@z!ng

H!p21Y@wn!ng95\$v(



# Risks and Benefits of Cloud Services

# Cloud Services

- Potential benefits of using cloud services:
  - Flexibility to scale resources up or down based on needs
  - Reduce capital expenditures on hardware and infrastructure
  - Cloud services enable remote access to data and applications from anywhere with an internet connection
  - Cloud service providers typically have robust infrastructure and redundancy measures in place to ensure high availability and minimize downtime
  - Cloud services offer built-in data backup and disaster recovery capabilities



# Cloud Services

- Potential risks of using cloud services:
  - Data Breaches and Unauthorized Access
  - Data Loss and Service Disruptions due to reliance on the internet and the infrastructure provided by the cloud service provider
  - Compliance and Legal Issues when handling sensitive data
  - Vendor Lock-In and Dependency and Shared Infrastructure Risks
  - Insufficient Due Diligence and Security Controls
  - Lack of Control and Visibility

# CIS Controls Framework





# Account Management Detail

01

Identify and inventory all accounts in the organization

02

Establish policies for use of strong and unique passwords

03

Review users to ensure they are authorized and have the correct access rights

04

Disable/delete dormant accounts



# Access Control Management Detail

01

Establish proper user access granting process

02

Develop proper user access revocation process

03

Practice least privilege with user accounts

04

Utilize role-based access methods

05

Require multi-factor authentication, especially for external services





# Impact of AI on Cybersecurity Risks

# Benefits of Using AI-driven Tools

- AI automates repetitive and mundane tasks
- AI algorithms can analyze large volumes of data quickly and extract valuable insights, patterns, and trends
- AI can leverage data to understand individual preferences, behaviors, and needs to increase customer experience
- Can detect anomalies that may indicate potential risks or fraudulent activities
- AI can optimize business processes by identifying bottlenecks, inefficiencies, and predict equipment failures



# What can AI do?



Write a message to communicate with a kid that they are spending too much time on the electronics and need to spend more time outside, but do it in medieval language



Hearken, youngling of mine,

I beseech thee to lend thine ear and receive these humble words. Verily, I have noticed that thine eyes art glued to yon electronic contraptions more oft than not, neglecting the blessings of the world beyond. Allow me, in my humble manner, to entreat thee to venture forth from thy chamber and bask in the embrace of nature's enchantment.

In days of yore, children spent their hours frolicking amidst the meadows, chasing butterflies, and climbing trees. They reveled in the caress of the sun upon their countenances and the gentle rustle of leaves in the wind. Verily, their youthful hearts found solace and mirth in the great outdoors.

Thus, I implore thee to consider the value of a life lived outside these digital realms. Let the warmth of the sun be thy guide, the songs of birds be thy melodies, and the verdant



# Risks with Increased Usage of AI-driven Tools

- AI can enable attackers to automate and scale their attacks
- Create more convincing and realistic social engineering attacks
- Attackers can leverage AI to develop techniques that evade traditional security defenses
- Attackers can use AI to to develop sophisticated attacks or enhance their traditional attack techniques like ransomware

# Mitigating AI-based Threats

- Strengthen authentication mechanisms with multi-factor authentication (MFA) and strong, unique passwords
- Keep all software up to date with the latest security patches and updates
- Employ Intrusion Detection and Prevention Systems
- Train and promote Cybersecurity Awareness
- Perform thorough penetration testing to identify vulnerabilities in systems





Questions?

Thank you!





Zoran Jovic  
Senior – Cybersecurity  
813-947-9656  
[zoran.jovic@CLAconnect.com](mailto:zoran.jovic@CLAconnect.com)



# 20 Minute Break

1:20 – 1:40 p.m.



*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

# HR Assessments



The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

# Learning Objectives

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

- List the advantages of carrying out a HR assessments
- Define the key components of a successful HR assessment
- Identify how to apply the HR assessment results to drive organizational change



# What is an HR Assessment?

- A systematic evaluation of an organization's HR policies processes and practices.
- Identify areas of strength and areas in need of improvement.
- Provide recommendations for addressing any deficiencies.
- The results of the assessment are typically used to create an action plan that addresses identified issues and improves organizational performance, employee satisfaction, and overall business outcomes.



# Why are HR Assessments Important?

- Identify areas of strength and areas in need of improvement, allowing for data-driven decisions to improve performance and employee satisfaction.
- Assists with compliance around employment laws and regulations, reducing the risk of legal issues and negative publicity.
- Assists in attracting and retaining top talent by identifying areas for improvement in recruitment, hiring and employee development practices.





# What are the Benefits of HR Assessments?

- Improved decision making.
- Increased employee engagement.
- Enhanced organizational performance.



# Assessment Process

- Project planning and kickoff
- Document request and review
- Interviews and walkthroughs
- Draft report of observations and recommendations
- Review and gather feedback for implementation plan
- Finalize report and roadmap



# Areas of Assessment

- Organizational Structure and Culture
- Employee Lifecycle
  - Recruitment
  - Onboarding
  - Retention
  - Discipline and Termination
- Employee Performance Management



# Areas of Assessment

- Human Resource Policies and Procedures
- Total Rewards
  - Compensation
  - Benefits
- Recordkeeping



# Final Conclusions and Recommendations

- Analysis of Each Area
- Recommendations
- Priority Level
- Timeframe



# Links to Organizational Success

- Attracting and Retaining Top Talent
- Building a Positive Workplace Culture
- Managing and Mitigating Risk
- Driving Business Strategy



# Attracting and Retaining Top Talent







# Managing and Mitigating Risk



# Driving Business Strategy



# ROI in Human Resources

- Every employee is an investment
- What is the break-even point?
- Three phases for a typical employee's trajectory
  - Pre-break even – onboarding
  - Post-break even – performance
  - Post-performing - offboarding



# Onboarding

- Consistent
- High-quality
- Automation
- Checkpoints\*



*\*IntelliHR 2021*



# Performance

- Drivers of Performance
  - Ability
  - Motivation
  - Opportunity
  - Culture
- Continuous Feedback
- Performance Reviews
- Training
- Goals



# Offboarding

- Declining Performance
- Proactive
- Cost of Employee Turnover



# Final Thoughts

- There are MANY advantages to conducting an HR Assessment.
- Reviews can be conducted remotely.
- Actionable recommendations are provided.
- Recommendations can drive organizational success.

# THANK YOU!

**HUMAN RESOURCES  
ISN'T A THING WE DO.  
IT'S THE THING THAT  
RUNS OUR BUSINESS.**

-Steve Wynn, Wynn Las Vegas

*Any Questions?*





Deanna Balkcom, MBA, MSML, SPHR, SHRM-SCP  
HR Senior Generalist  
[deanna.balkcom@CLAconnect.com](mailto:deanna.balkcom@CLAconnect.com)



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer).  
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

Data Driven Board Reporting

Nonprofit Dashboards

*Helping Our Clients Along Their Digital  
Journey*





The information herein has been provided by CliftonLarsonAllen LLP for general information purposes only. The presentation and related materials, if any, do not implicate any client, advisory, fiduciary, or professional relationship between you and CliftonLarsonAllen LLP and neither CliftonLarsonAllen LLP nor any other person or entity is, in connection with the presentation and/or materials, engaged in rendering auditing, accounting, tax, legal, medical, investment, advisory, consulting, or any other professional service or advice. Neither the presentation nor the materials, if any, should be considered a substitute for your independent investigation and your sound technical business judgment. You or your entity, if applicable, should consult with a professional advisor familiar with your particular factual situation for advice or service concerning any specific matters.

CliftonLarsonAllen LLP is not licensed to practice law, nor does it practice law. The presentation and materials, if any, are for general guidance purposes and not a substitute for compliance obligations. The presentation and/or materials may not be applicable to, or suitable for, your specific circumstances or needs, and may require consultation with counsel, consultants, or advisors if any action is to be contemplated. You should contact your CliftonLarsonAllen LLP or other professional prior to taking any action based upon the information in the presentation or materials provided. CliftonLarsonAllen LLP assumes no obligation to inform you of any changes in laws or other factors that could affect the information contained herein.

# Today's Presenter



**Ben Aase**



# Learning Objectives

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

- Identify updates and trends on data in the nonprofit industry
- Discuss predictable and similar challenges across nonprofits
- Recognize how board-specific reporting can be a catalyst to digital transformation
- Identify data centralization and centralized data repositories





## Poll

What best describes  
your organization's  
mindset when it comes  
to digital  
transformation?

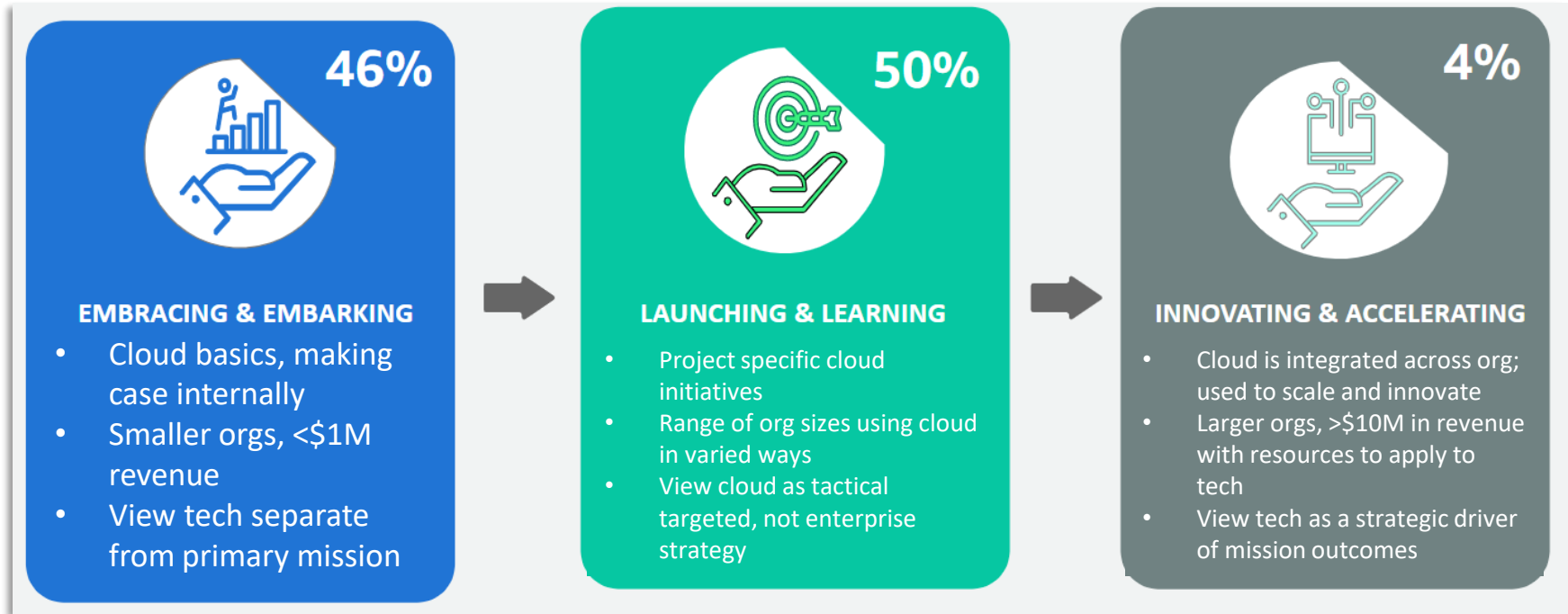
A core  
part of your  
strategy

More talking  
than action

Supports certain  
objectives but  
not core to your  
strategy

Rarely or  
never talk  
about it

# Nonprofit Mindsets



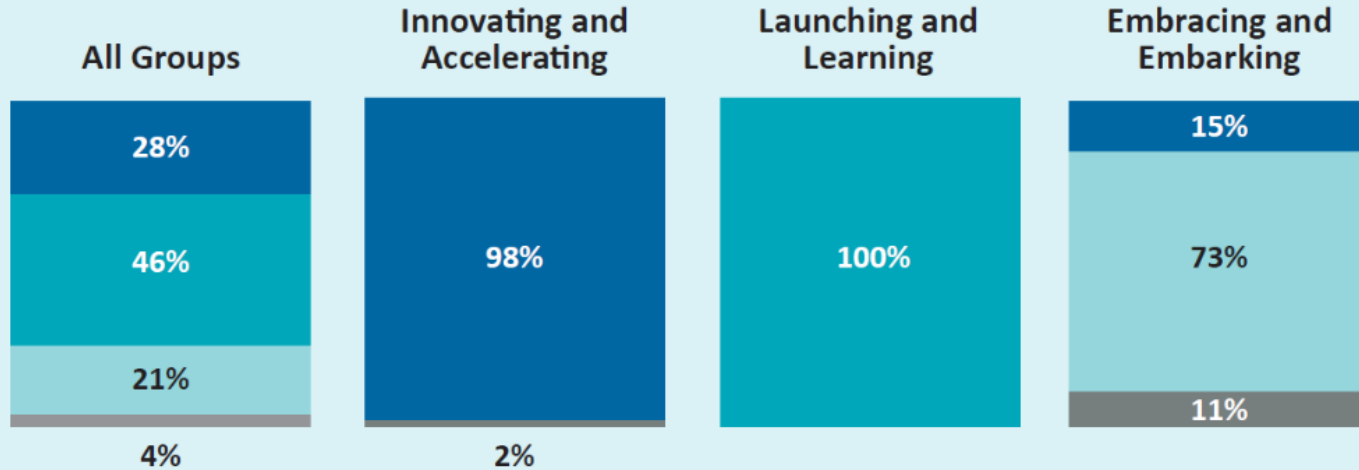
Source: Amazon Web Services, Nonprofit Insights, March 2023.





# Role of Digital Transformation in Achieving Mission

- A core part of our strategy
- Supports certain objectives, but is not core to our strategy
- We talk about it more than do anything about it
- We rarely or never talk about it

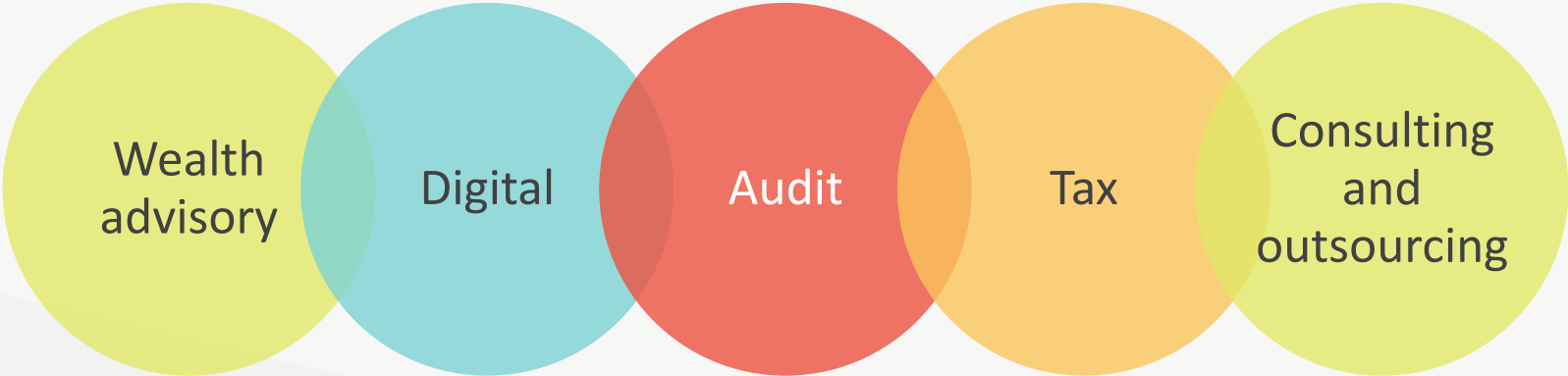



Source: Amazon Web Services, Nonprofit Insights, March 2023.





# Helping You is Our Passion.





CLA Digital  
uses data, automation, and  
software to meet our clients  
where they are and help  
them make data driven  
decisions

# How CLA Digital Helps Our Clients



## Data Analytics

Every nonprofit relies on data insights to make their best decisions.



## Automation Development

Adding automation to key processes allows nonprofits to scale efficiently.



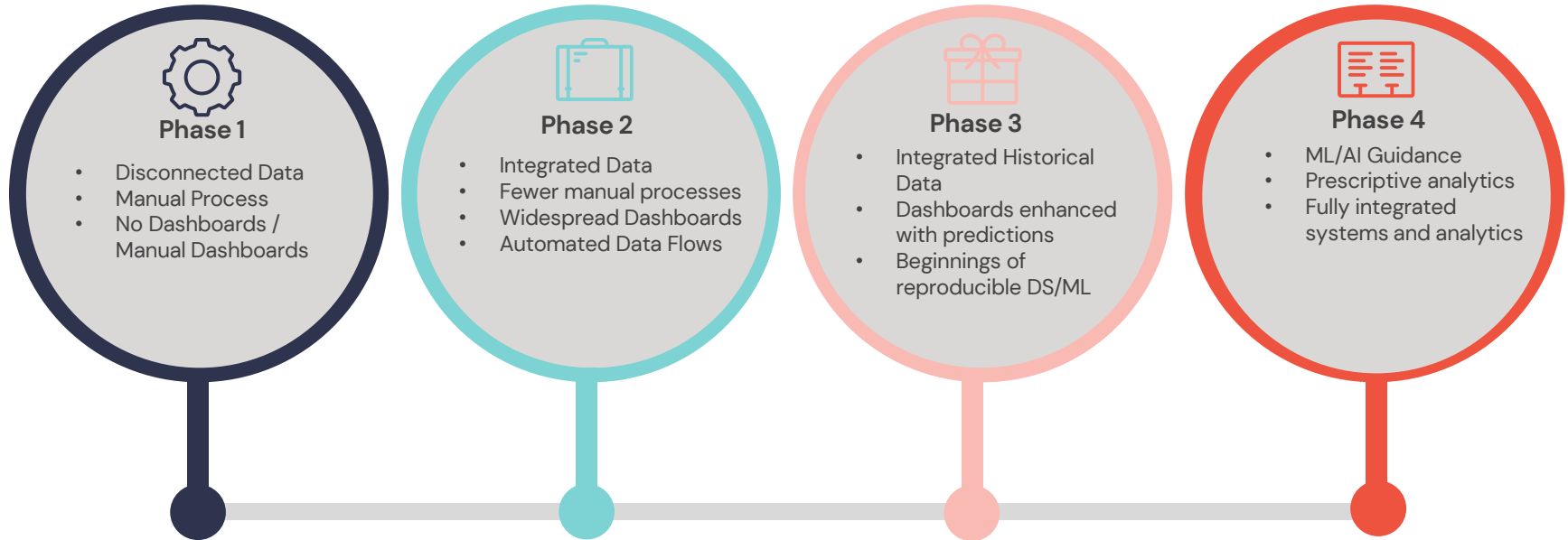
## Software Integration

Sage Intacct, Microsoft Suite,  
Acumatica



# The Digital Transformation Journey

*We meet you where you are*



# 5 Common Pain Points



**Lack of  
real-time  
data**



**Systems  
not talking  
to each  
other**



**Disruption  
to legacy  
systems**



**Evolving  
industry  
structure &  
realignment**



**Recruiting  
&  
Retention**

## How can digital transformation help?

Advanced analytics tools

Self-service reporting tools

Key performance indicator (KPI) development

Data warehouses and data lakes

Pain #1  
Lack of  
real-time  
data

## How does this benefit nonprofits?

Find data from previously overlooked sources

Break down data silos to enrich the pool of information

Locate insights faster and more effectively

Real-time data access, build reports, and inquiries

One-off and Recurring

Give decision-makers real-time perspective

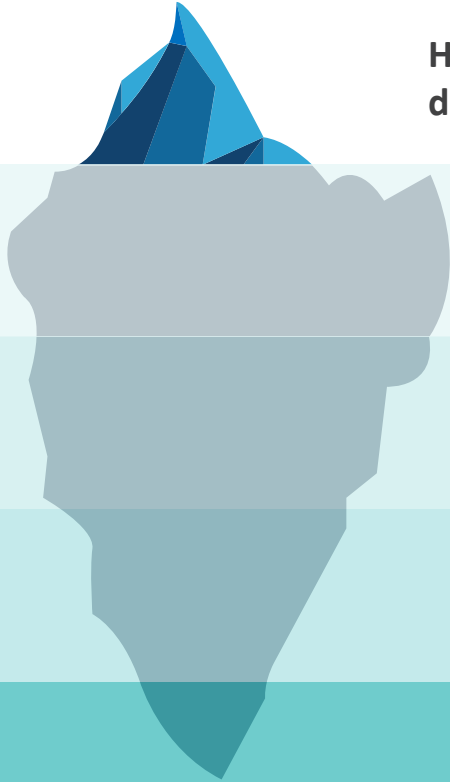


# Example: Lack of Real-Time Data

Affordable Housing  
Developer



# The Issue



## How to get your board useful, timely, and automated data to drive effective decisions?

### **The World is Changing**

Best in breed software, mountains of data, how to take advantage?  
Many board members come from private sector – expect the data.

### **Do More With Less**

Short staffed, budget constrained, need “good enough” solution  
Competition for resources and talent makes digital capability a cost of entry

### **Everything is Manual**

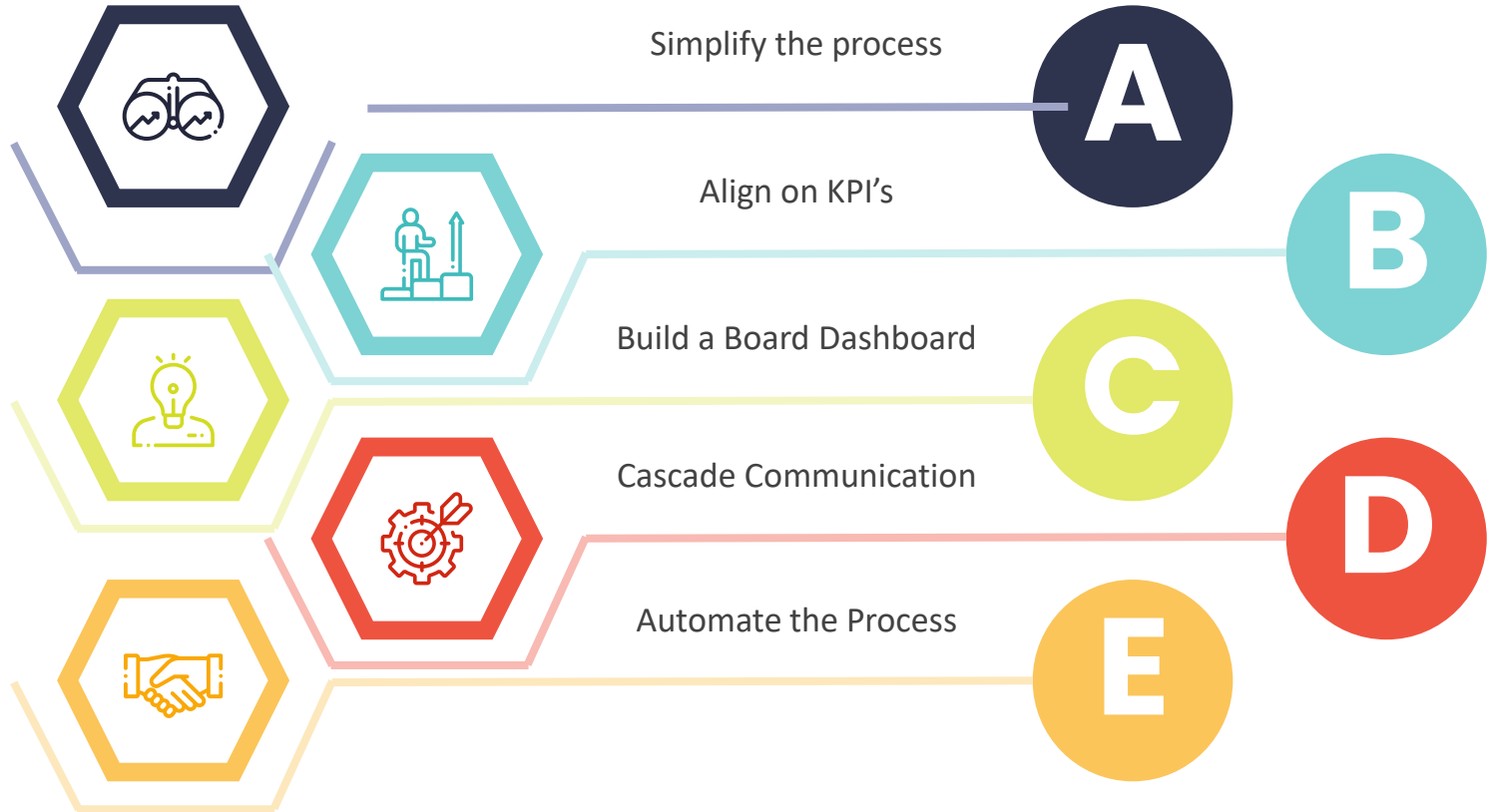
Multiple disparate systems, murky process, creates “reinventing the wheel” for every board meeting  
Seemingly endless cycle of governance exhausts staff

### **Lack of Clarity About What Data Matters**

Translating the vision of your strategic plan into simple, measurable, and consistent KPI’s.

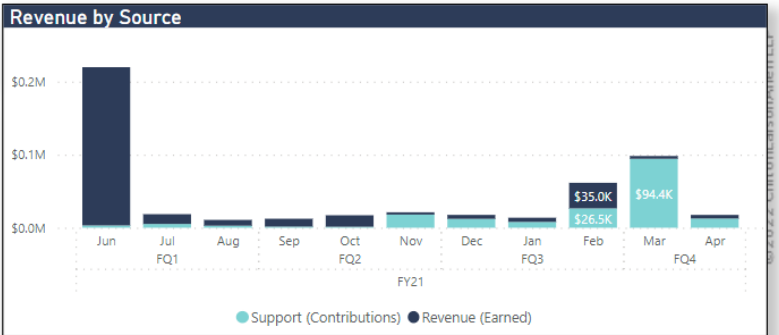
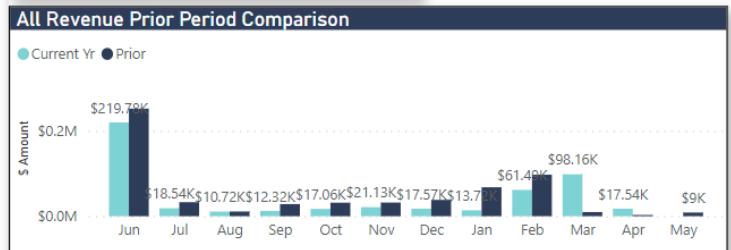


# What to Do About It?



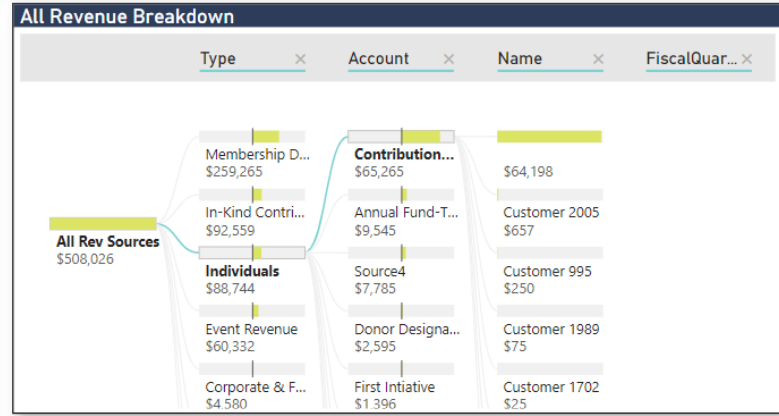
# Example – Dashboard

Fiscal Year: FY21
Fiscal Quarter: All
Fiscal Month: All
All Sources
Contributions
Earned Revenue



### Revenue by Source for the period 06/2020-04/2021

Source	CY	PY	% Inc/(Dec)	Budget	Budget Var
<b>Revenue (Earned)</b>	<b>\$322,133.89</b>	<b>\$455,759</b>	<b>-29%</b>	<b>\$559,750.00</b>	<b>-42%</b>
Active Dues and Fees				\$152,250.00	-100%
Before Event RSVP Tickets	\$22,867.04	\$34,372	-33%	\$134,950.00	-83%
Individual Tickets-Gala		\$63,460	-100%	\$81,000.00	-100%
Sustainer Dues	\$74,355.00	\$75,110	-1%	\$75,850.00	-2%
Associate Location1	\$18,560.00	\$30,305	-39%	\$30,450.00	-39%
Silent Auction Income	\$10,350.00	\$14,911	-31%	\$25,000.00	-59%
Assoc. Location2 Dues	\$7,320.00	\$21,025	-65%	\$21,025.00	-65%
Ticket Raffle	\$10,900.00	\$3,480	213%	\$18,000.00	-39%
Location2-Course Fees	\$3,600.00	\$11,025	-67%	\$10,875.00	-67%
Location1 Assoc. Course Fees	\$2,675.00	\$7,475	-64%	\$7,875.00	-66%
<b>Total</b>	<b>\$508,026.29</b>	<b>\$612,174</b>	<b>-17%</b>	<b>\$707,520.00</b>	<b>-28%</b>

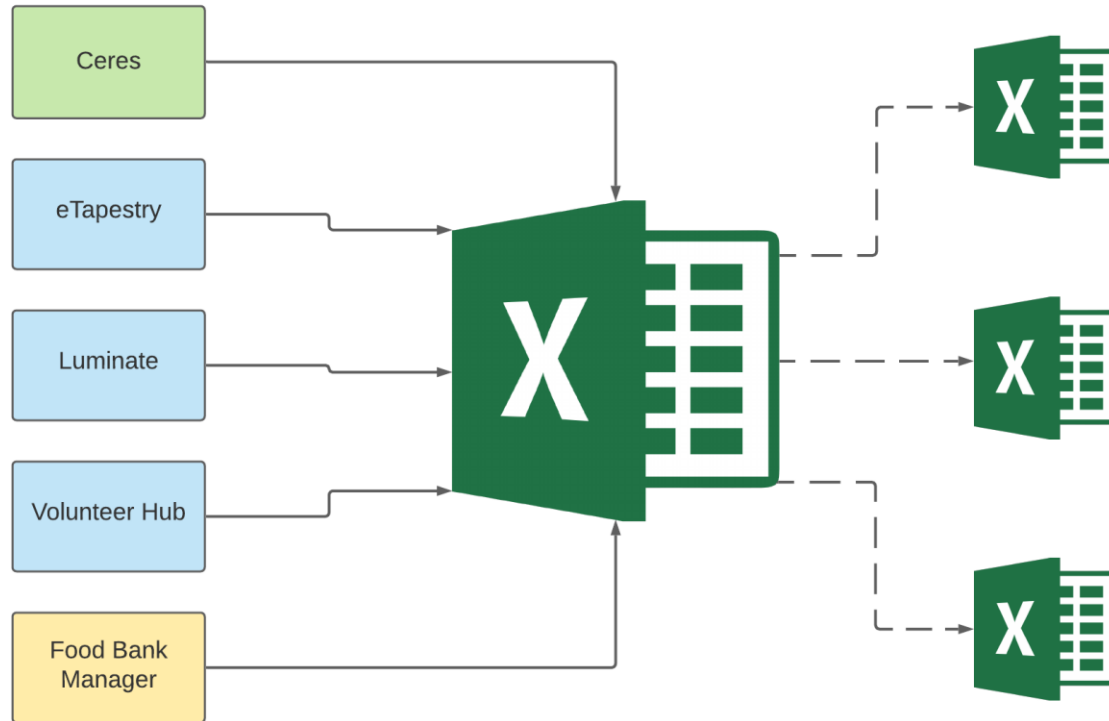




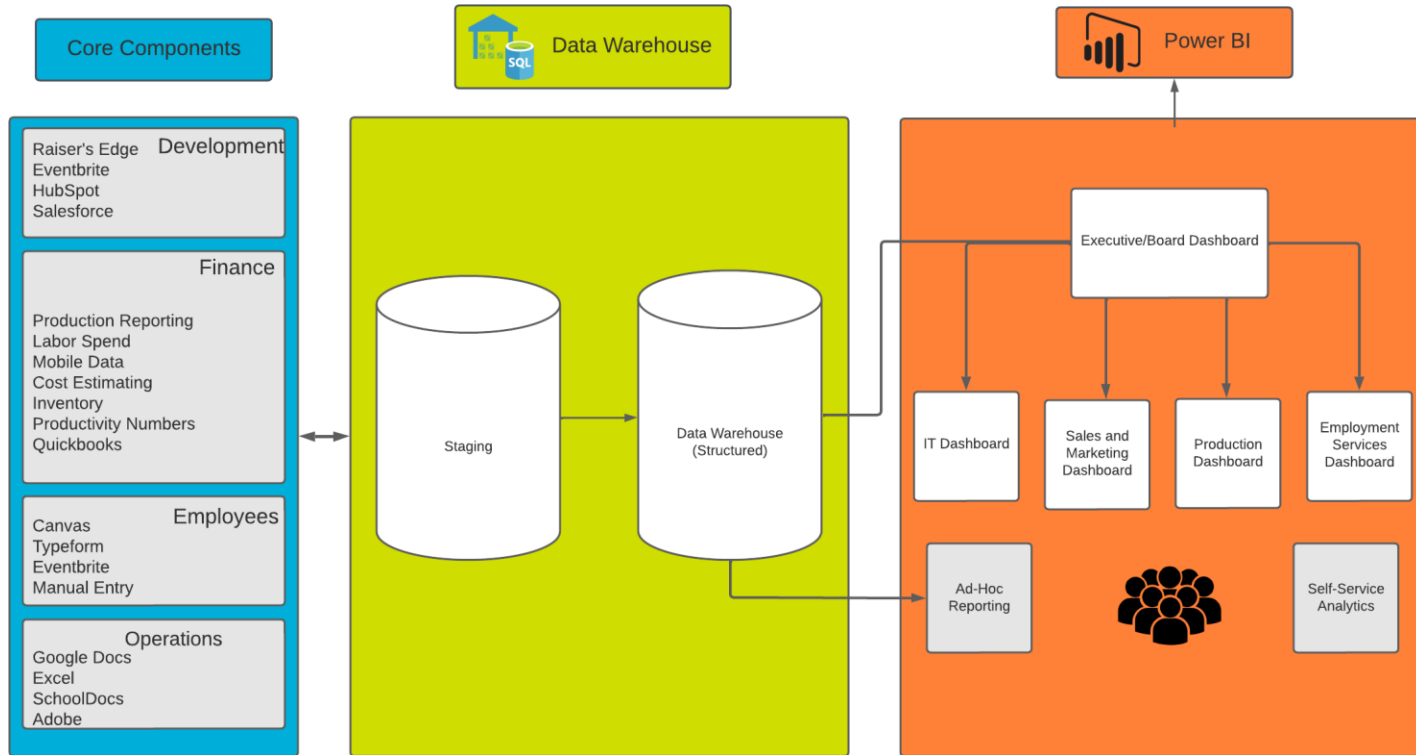
# Where to go from here?

Board reporting as the catalyst to become a data driven organization

## Sample Current State



# Sample Future State



# 5 Common Pain Points



Lack of  
real-time  
data



Systems  
not talking  
to each  
other



Disruption  
to legacy  
systems



Evolving  
industry  
structure &  
realignment



Recruiting  
&  
Retention

## How can digital transformation help?

Application integration technologies

Data warehouses to collect & integrate data from multiple sources

Pain #2  
Systems that don't talk to each other

## How does this benefit nonprofits?

Secure links between data sources and business systems

Faster and less error prone information exchange

Complete data sets

Real-time data access, build reports, and inquiries

More informed decision making

Reduced exposure to cyberattacks and compliance breaches



Example:  
Systems that  
don't talk  
to each other  
Food Bank







Bringing  
it all  
together



# Stay Connected

Sign up for our Nonprofit blog:  
[\*Innovation in Nonprofit Finance\*](#)

CLA Digital Blogs and Articles:  
[\*CLA Digital Insights\*](#)

Sign up to receive other  
Nonprofit content:  
[\*Contact Us\*](#)

CLA Digital Events:  
[\*CLA Digital Events\*](#)





# Questions?

# Thank you for attending!

Benjamin Aase  
Principal  
220 South Sixth Street  
Suite 300  
Minneapolis, MN 55402-1436  
[ben.aase@CLAconnect.com](mailto:ben.aase@CLAconnect.com)



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

©2023 CliftonLarsonAllen LLP. CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://www.claglobal.com/disclaimer).  
Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



# Closing Remarks and Q & A

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



Thank you for attending  
the sessions today!

CLA exists to  
create opportunities —  
for our clients, our people,  
and our communities.