



We'll get you there.

CLA National Association Conference

September 22, 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



Welcome

We'll get you there.



Today's Agenda

Time	Session Title	Presenters
8:40 – 9:30	Associations & Cybersecurity Resilience	Mark Eich, <i>CLA</i>
9:30 – 10:30	Staffing Strategies & Workforce Planning in a Challenging Market	Ben Aase, <i>CLA</i> Julie Dyer, <i>Friends of the Earth</i> Angela Schnepf, <i>LeadingAge Illinois</i>
10:30 – 10:45	Break	
10:45 – 11:45	What's on the Horizon: Market & Economic Outlook	Chris Dhanraj, <i>CLA</i>
11:35 – 12:15	Lunch	
12:15 – 1:30	Emotional Intelligence: The Difference Maker	Denny Faroute, <i>The Faroute Group</i>



Time	Session Title	Presenters
1:30 – 2:45	A&A / Tax Updates	Tanya Hale, <i>CLA</i> Sarah Hintz, <i>CLA</i>
2:45 – 3:00	Break	
3:00 – 4:00	Making Lemonade: Innovative Ideas During Unprecedented Times	Kelsey Vatsaas, <i>CLA</i> Stephanie Mercado, <i>National Association for Healthcare Quality</i> Bob Moore, <i>American College of Osteopathic Family Physicians</i> Robbie Thompson, <i>Professional Liability Underwriting Society</i>
4:00 – 4:20	Wrap Up & Takeaways	Melissa Struck, <i>CLA</i>
4:20 – 5:00	Reception	





We'll get you there.

Associations & Cybersecurity Resilience

CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. 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.

Learning Objectives

Describe

- Describe how to assess your organization's cyber resiliency

List

- List the components of cyber resiliency

Summarize

- Summarize leading practices for preventing & withstanding cyber attacks





The Current Threat Landscape

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Cyber Attack Trends

Organized Crime

- Wholesale theft of personal information

Ransomware

- Holding your data hostage

Payment Fraud

- “Corporate Account Take-Over” - aka CATO
- Use of credentials to commit online banking and credit card fraud

Credential “Harvesting”





User Awareness Email Spear Phishing

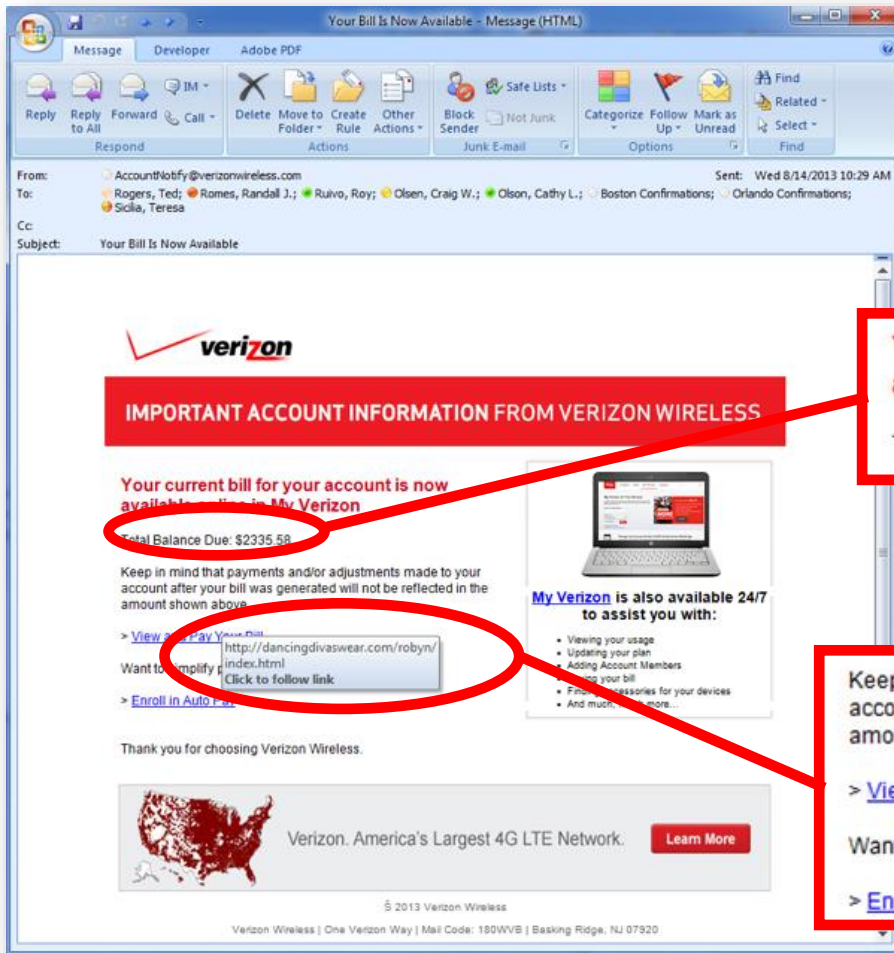
The Root Cause For More Than 91% of Breaches

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Spear Phishing



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.

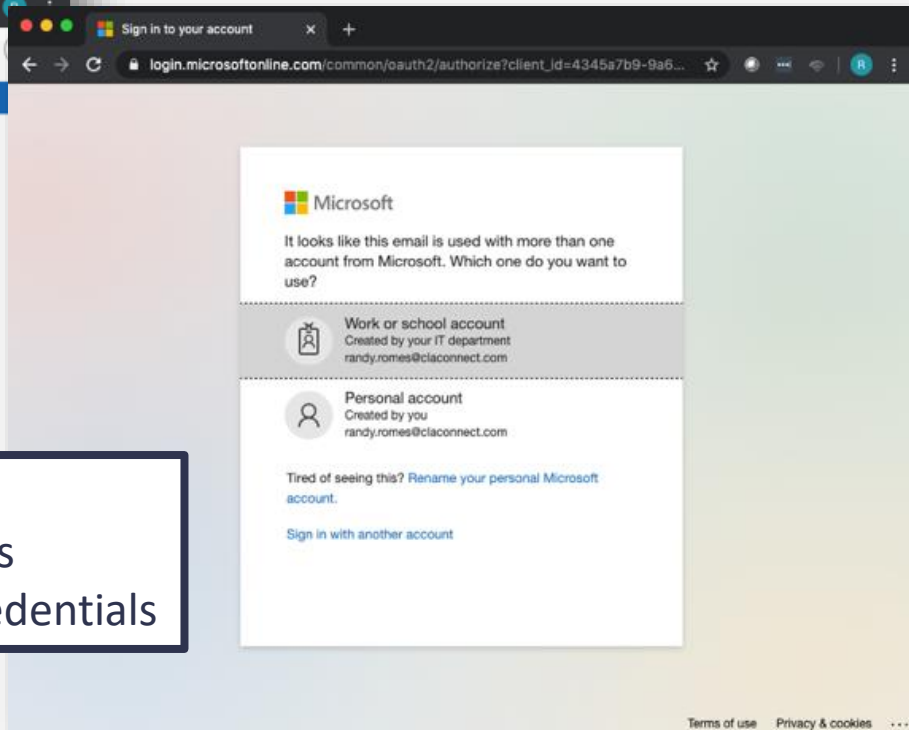
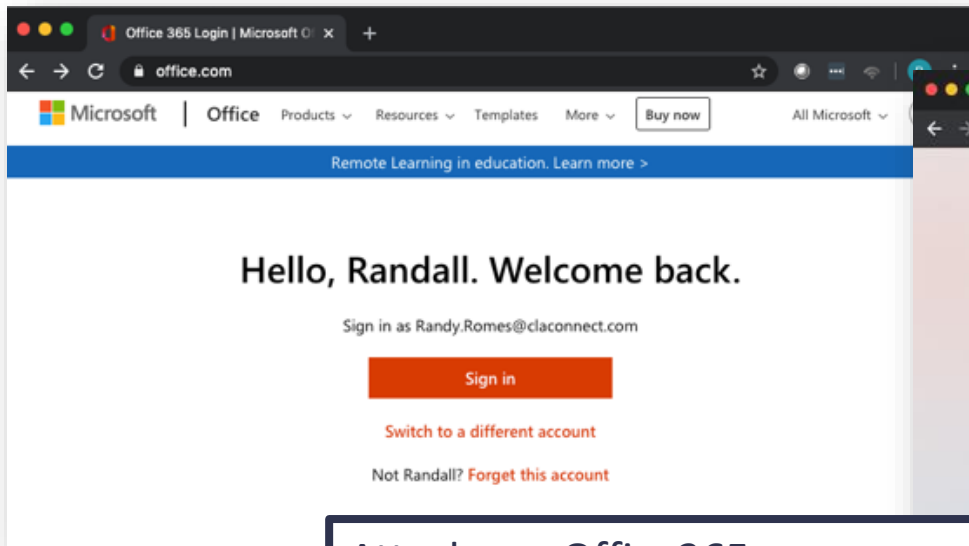
> [View and Pay Your Bill](#)

Want to simplify p

> [Enroll in Auto Pay](#)



Credential Harvesting and Password Guessing



Attacks on Office365

- Password guessing attacks
- Phishing that harvests credentials

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

Fw: Commission Payment



o Dwayne Pearse <dwayne@vendor.com>

To: o Brian Johnson



Download All

Preview All

This message is high priority.

EXTERNAL

We have an update in receiving payments, Via ACH. Kindly advice how we effect this change immediately.

Dwayne Pearse

dwayne@vendor.com

549-555-2232

From: Dwayne Pearse <dwayne@vendor.com>

Sent: Thursday, December 12, 2019 2:15 PM

To: William Bergson <william@vendor.com>; Barb Rogers <barbara@vendor.com>

Subject: FW: Commission Payment

From: Brian Johnson <bjohnson@company.com>

Date: Thursday, December 12, 2019 at 2:14 PM

To: Dwayne <dwayne@vendor.com>, William Bergson <william@vendor.com>

Subject: Commission Payment

Good afternoon,

Attached is the backup for commissions paid from the company.

Brian Johnson

Accounts Payable Supervisor

bjohnson@company.com





Harden Internal Systems

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



Default passwords | Default configurations |
Excessive services running | Legacy systems in place
| Security patches | Etc.

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

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

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

Standards-Based IT
and Cyber
Operations

CIS Benchmarks

Checklists and how-to guides for just about everything!

- Operating Systems
- Server Software
- Network Devices
- Cloud Implementations
- Etc.

The screenshot shows the CIS Benchmarks website. At the top, there's a navigation bar with the CIS Benchmarks logo and a search bar. Below the navigation bar, there's a hero section with a video player and a text block: "With our global community of cybersecurity experts, we've developed CIS Benchmarks: more than 100 configuration guidelines across 25+ vendor product families to safeguard systems against today's evolving cyber threats. Join a Community".

Below the hero section, there are three main sections: "Overview of CIS Benchmarks and CIS-CAT Demo", "Register for the Webinar" (with dates: Thu, Nov 4, at 1:30pm EDT and Tue, Nov 16, at 11:00am EDT), and "CIS Benchmarks FAQ". A green button "Access all Benchmarks" is on the right.

The main content area is a filterable list of benchmarks. A red box highlights the filter tabs: "Operating Systems", "Server Software", "Cloud Providers", "Mobile Devices", "Network Devices", "Desktop Software", and "Multi Function Print Dev...". Below the tabs, it says "Currently showing ALL Technologies. Use the buttons above to filter the list."

The list of benchmarks includes:

- Cloud Providers**: Alibaba Cloud (Expand to see related content ↓, Download CIS Benchmark →)
- Operating Systems**: Aliyun Linux (Expand to see related content ↓, Download CIS Benchmark →, Build Kit also available)
- Operating Systems**: Amazon Linux (Expand to see related content ↓, Download CIS Benchmark →, CIS Hardened Image and Build Kit also available)
- Cloud Providers**: Amazon Web Services (Expand to see related content ↓, Download CIS Benchmark →)
- Server Software**: Apache Cassandra (Expand to see related content ↓, Download CIS Benchmark →)

Red arrows point from the list items to the categories in the filter tabs: from "Aliyun Linux" to "Operating Systems", from "Amazon Linux" to "Operating Systems", from "Amazon Web Services" to "Cloud Providers", and from "Apache Cassandra" to "Server Software".



Resources – Hardening Checklists

Hardening checklists from vendors

- CIS offers vendor-neutral hardening resources

<http://www.cisecurity.org/>

- Microsoft Security Checklists

<https://docs.microsoft.com/en-us/search/?terms=security%20checklist>

<https://docs.microsoft.com/en-us/search/?terms=hardening%20checklist>

Most of these will be from the “BIG” software and hardware providers





Secure Cloud Systems

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

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!

The screenshot shows the Microsoft Ignite website with the article 'Top 10 ways to secure Microsoft 365 for business plans'. The article is dated 10/05/2021 and takes 14 minutes to read. It provides guidance for small or medium-sized organizations to increase security. A table lists 10 tasks recommended by Microsoft, with checkmarks indicating completion for Microsoft 365 Business Standard and Premium plans.

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		✓



Secure
Log-in

Multi-Factor Authentication Solutions

Something you...

- *Know*
- *Are*
- *Have*





Secure Password Use

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Passwords

Old Rules (NIST – 2005?)

- Length (8+ characters)
- Complexity (Aa4@)
- Forced expiration (every_____)

New Guidance (NIST – 2018?)

- Looooooooong passwords
- No expiration
- Especially important for administrative accounts (CIS 4)

Password Audit	Total
Number of passwords audited	855
Passwords cracked	794
Passwords that were all letters	63
Passwords that were all numbers	5
Passwords that were an English word	20
Passwords that were a word with numbers appended to it	200
Passwords that were the same as the username	6
Passwords that do not meet Windows complexity	584



Password Strategies

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

Password21 <----- **Unforgivable!**

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

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

Wallet Painting lamp <-- **GOOD**

The Packers always beat the Bears! ← BEST

- Especially important for administrative accounts (CIS 4)



Password Strategies: Limit Domain Admins

- Remove *LOCAL ADMIN*
- Admins have two accounts:
 - One a true admin
 - One a non-privileged user
- Don't use the default *ADMIN* account
 - Honeytrap?

Password Strategies: Password Tools Are Needed!

Chrome File Edit View History Bookmarks Profiles Tab Window Help

FGFOA 2022 Annual Conferenc... x +

cognitoforms.com/FloridaLeagueOfCities1/FGFOA2022AnnualConferenceSpeakerConfi...

Job Title

Email *

Address

Address Line 1

Address Line 2

City

Biography

Upload or drag files here. PDF, DOC or DOCX

Upload or drag files here. JPG or PNG

Social Media Links (not required)

LastPass

LOG IN OR CREATE AN ACCOUNT

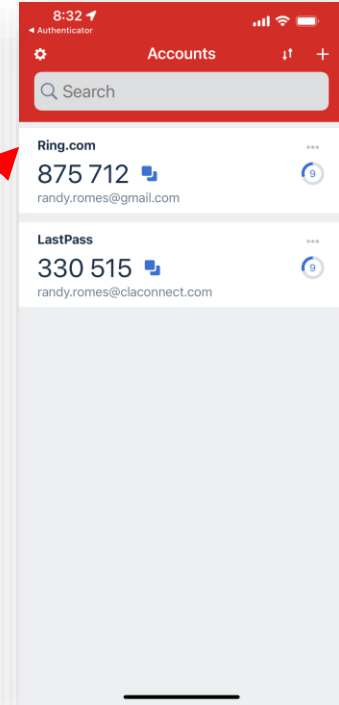
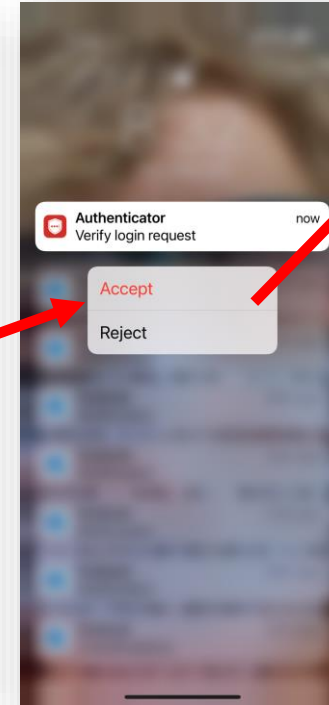
Email address
randy.romes@ciaconnect.com

Master Password

LOG IN

FORGOT PASSWORD?

Advanced options





Network Segmentation

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Network Segmentation – Limit Your Exposure!

- Segment key sensitive data
- Airgap your back-up media
 - Key protection for ransomware attacks





Monitoring / Incident Response

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

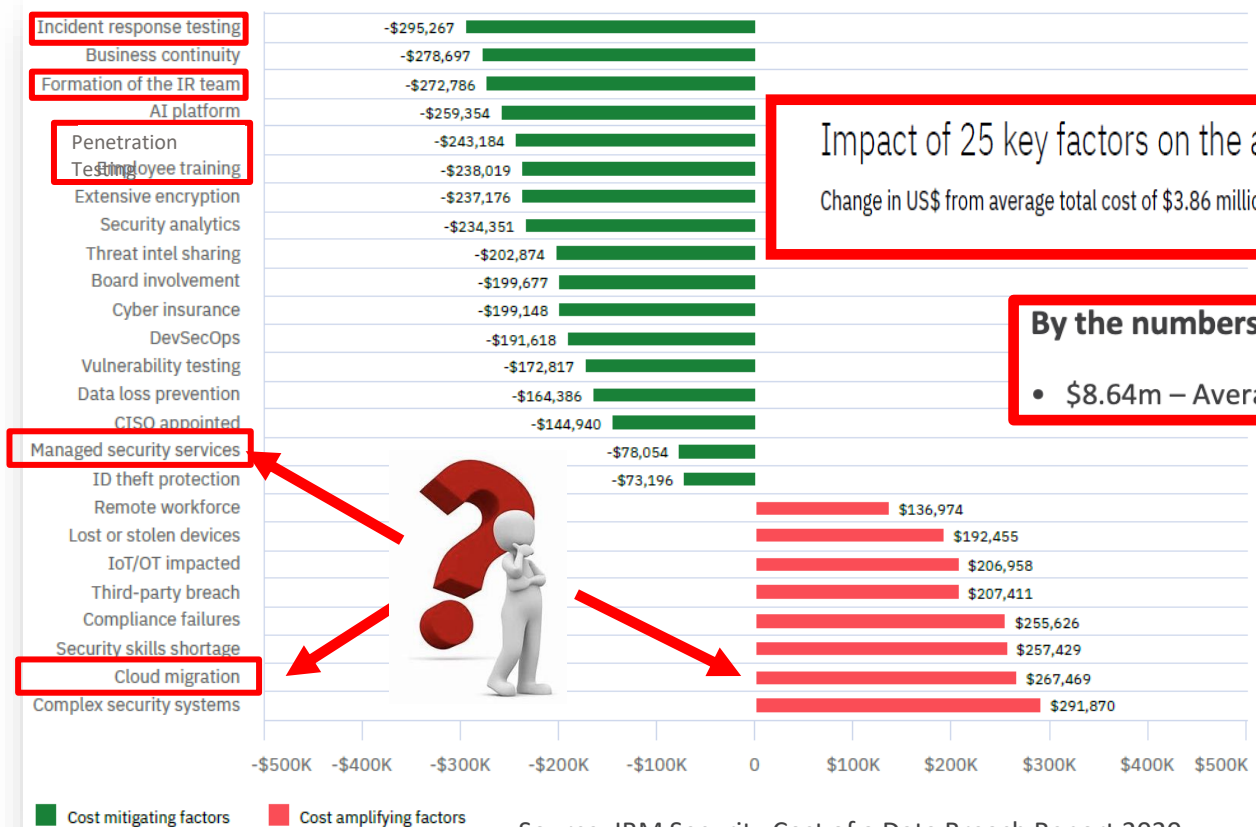
©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



Monitor Your Systems

- Active intrusion monitoring
- Log / Monitor / Archive
- Pre-establish key relationship:
 - Incident response professional
 - Cyber attorney
 - Cyber insurance adjuster

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





Testing Regimen

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**We do not expect
firefighters to
learn how to fight a fire
when we call them!**

We should **NOT** expect our IT
staff to
handle incidents without
training or proper tools.

PRACTICE!





Boy Scouts Motto: Be Prepared...

Prepare

Operate

Test

➤ Practice and Test

- External Penetration Testing
- Internal Penetration Testing
- Audit your operations controls (against a framework)
- Review Office 365 (O365) security (periodically)
- Schedule IR Tabletop and Disaster Recovery exercises
- Test new systems and after significant change

PROVE IT!!





Create Opportunities

Mark Eich, CPA, CISA, GCSL

Principal – Cybersecurity

612.756.2960

Mark.Eich@claconnect.com

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



Staffing Strategies & Workforce Planning in a Challenging Market

We'll get you there.





Let's Take a Break...

We'll get you there.





We'll get you there.

Economic and Industry Market Outlook

Seek Diversification in Alternatives

September 7, 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

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. ©2022 CliftonLarsonAllen LLP

Disclosures

CliftonLarsonAllen Wealth Advisors, LLC (“CLA Wealth Advisors”) is an SEC-registered investment advisor that offers a wide array of private wealth advisory services. For more information about CLA Wealth Advisors’ business practices, fees, and services, please refer to our Form CRS and the ADV Part 2A (the “Disclosure Brochure”). Your investment professional must provide you with a copy of Form CRS and the Disclosure Brochure before or at the time when you enter into a legal agreement with us.

Performance can not be guaranteed and any references to past specific performance should not be interpreted as a promise to achieve results. Investing involves various degrees of risk. You may lose money, including the principal of your investment. This presentation is intended for your consideration of the services discussed. The content is purely educational and any product mentioned herein are meant to be examples of how these funds may work and not as a solicitation which can only be done via prospectus and a recommendation after a review of individualized circumstances.

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





Comprehensive Insights

Top-down macro analysis

Economic data
Interest rates
Earnings
Valuations
Investment cash flows

Industry data
Interviews with industry and service line leaders

Bottom-up industry and service insights

Learning Objectives

Identify key themes in macroeconomic data

Recognize how industries, along with private and public companies, are responding to the economic and market environment

Describe ESG and what it means for investment portfolios

Identify four key market themes for 2022 and beyond





CLA Legislative Update

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

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.
©2022 CliftonLarsonAllen LLP

Major Tax Changes Avoided in 117th Congress

Individual
income tax
rates

Capital gains
rates

1031 exchanges

Carried interest

SALT cap
extension or
repeal

3.8% net investment
income tax on active
business income

Changes to
estate and gift
tax rules



Inflation Reduction Act

Tax Implications

- New 15% minimum tax on corps (with “book” income over \$1 billion)
- 1% excise tax on publicly traded companies on stock buybacks
- Excess business loss limitations extended through 2028
- Increase in research credit against payroll tax for start-up small businesses
- IRS funding for enforcement activities
- Tax breaks for clean vehicles
- 30% credit for certain energy-efficient remodeling costs, subject to a \$1,200 annual limit (as opposed to \$500 lifetime cap)
- 30% clean energy credit – previously called “REEP” – for more expensive residential energy items
- Changes to the energy efficient commercial building deduction (Section 179D)
- New energy efficient home credit is increased and extended (Section 45L)

Directly
impacts
Real
Estate





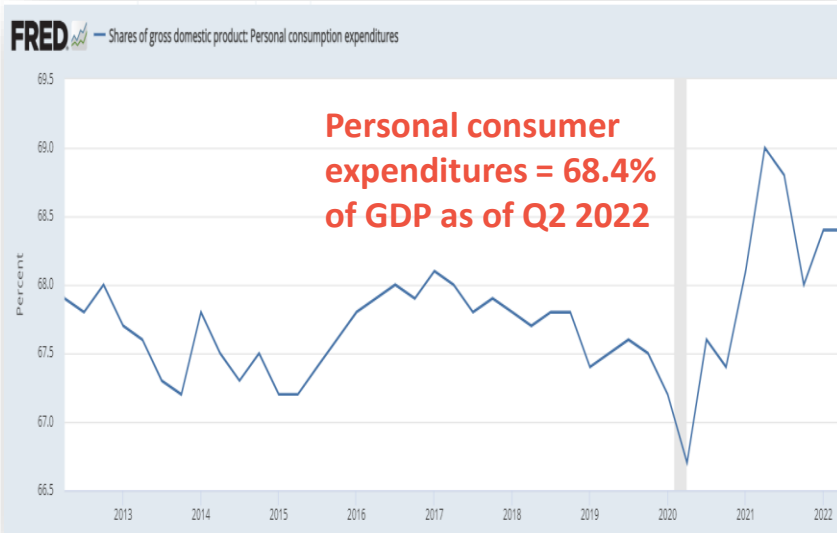
CLA Economic and Market Outlook Updated September 2022

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

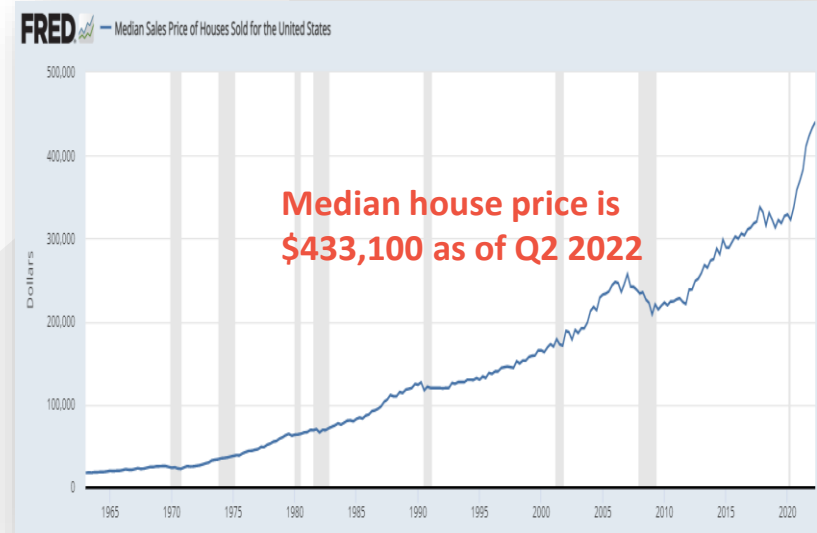
CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.
©2022 CliftonLarsonAllen LLP

Economic Data Shows the Reopening is Real



Source: St. Louis Fed

Consumer spending is robust



Source: St. Louis Fed

Housing prices hit new highs



Economic Data Shows the Reopening is Real



Source: St. Louis Fed

Higher inflation → Higher rates



Source: St. Louis Fed

Unemployment at pre-COVID levels

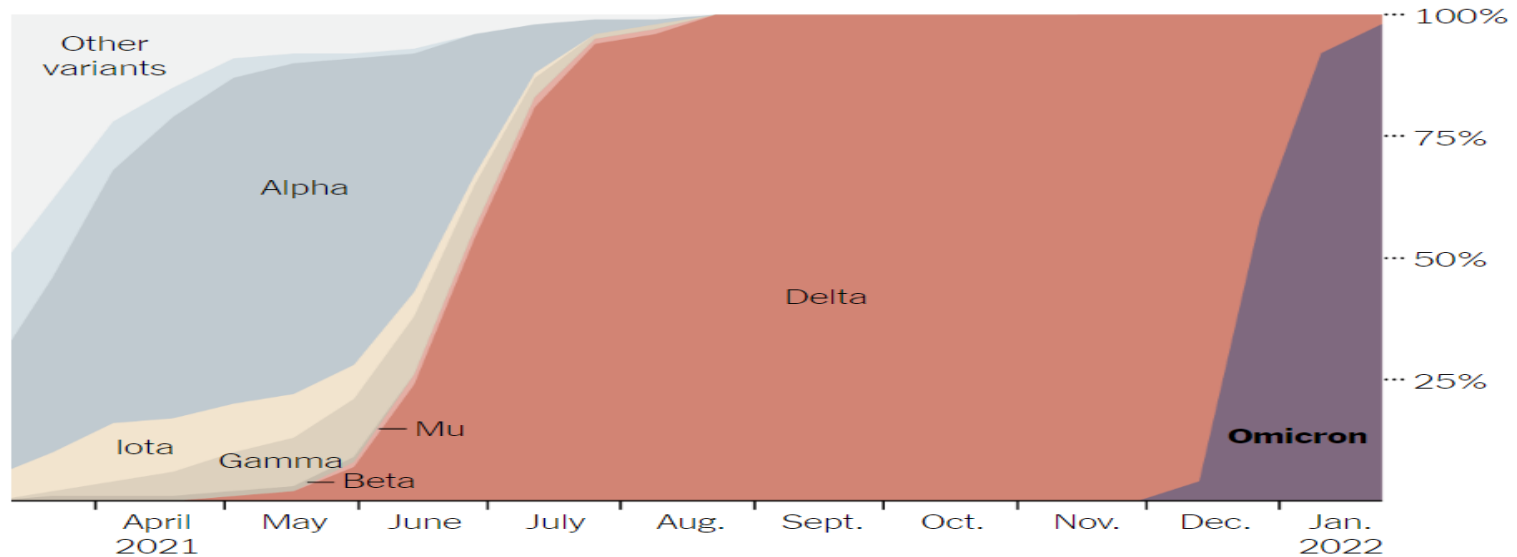




COVID Continues to be a Challenge

Waves of Variants in the United States

Omicron has pushed aside Delta as the dominant variant in the United States. (For other countries, see [CoVariants](#).)

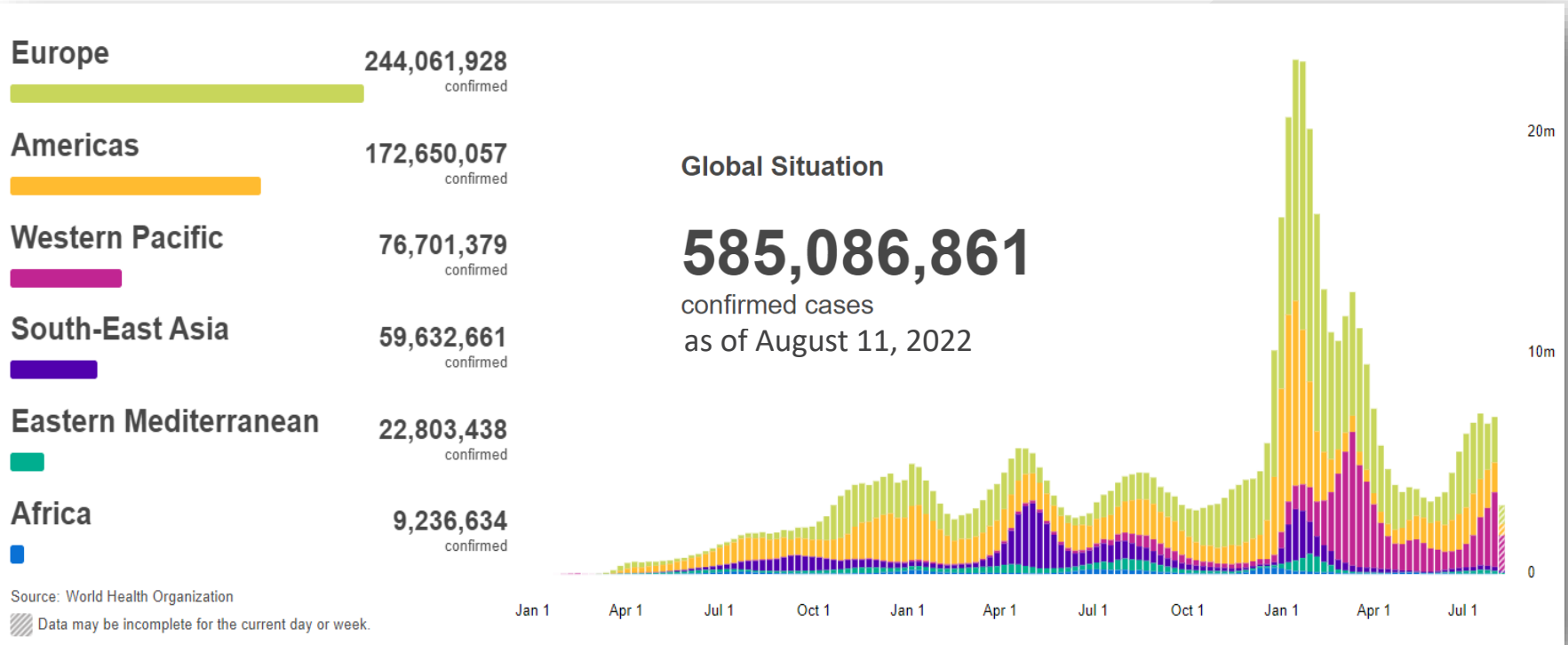


Expect New COVID-19 Variants in the United States

Source: [Tracking Omicron and Other Coronavirus Variants - The New York Times \(nytimes.com\)](#)



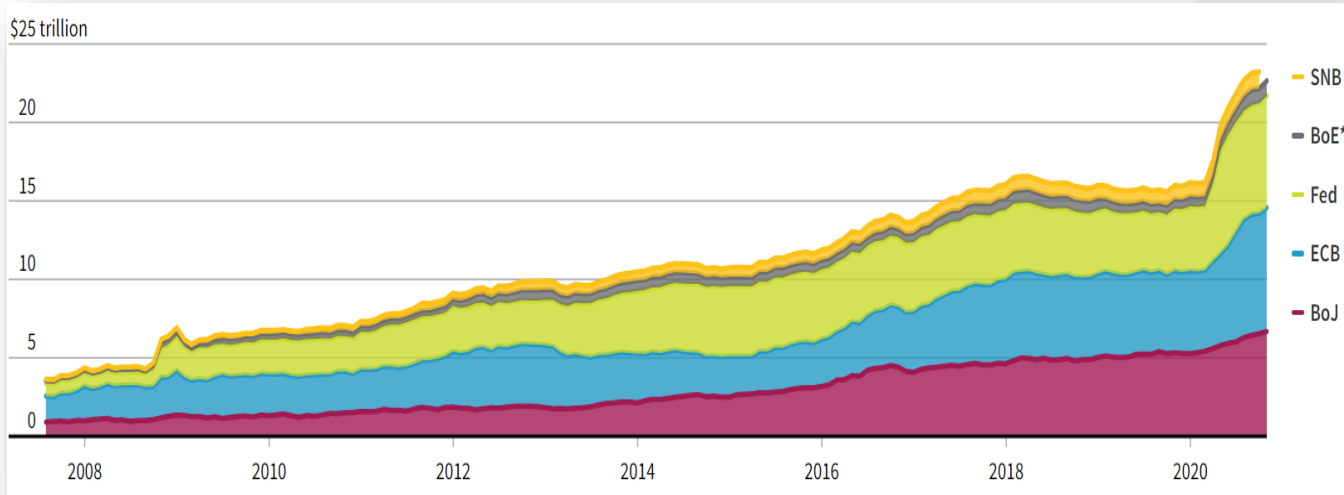
COVID Continues to Be a Challenge



Number of COVID-19 Cases Globally

[Source: WHO Coronavirus \(COVID-19\) Dashboard](#) | [WHO Coronavirus \(COVID-19\) Dashboard With Vaccination Data](#)

Global Central Bank Stimulus is still a Tailwind



Central bank balance sheets

Assets for the European Central Bank, Bank of Japan, Federal Reserve, Swiss National Bank, and Bank of England

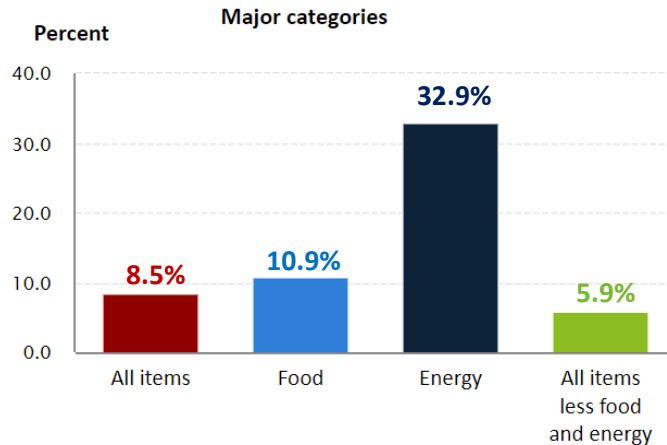
Source: Thomson Reuters



Inflation is Likely to Remain Front and Center

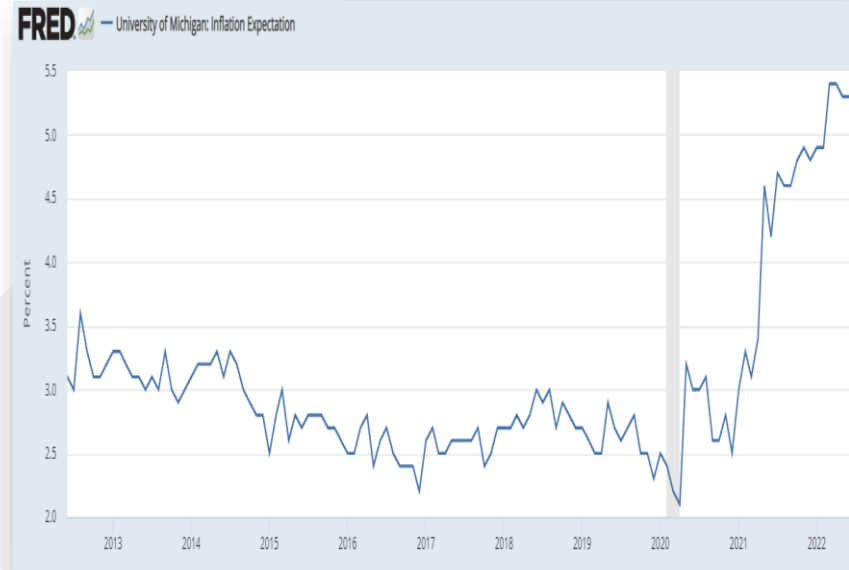


12-month percentage change, Consumer Price Index, selected categories, July 2022, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.

Higher prices driven by energy ...



Source: St. Louis Fed

... Driving future inflation expectations

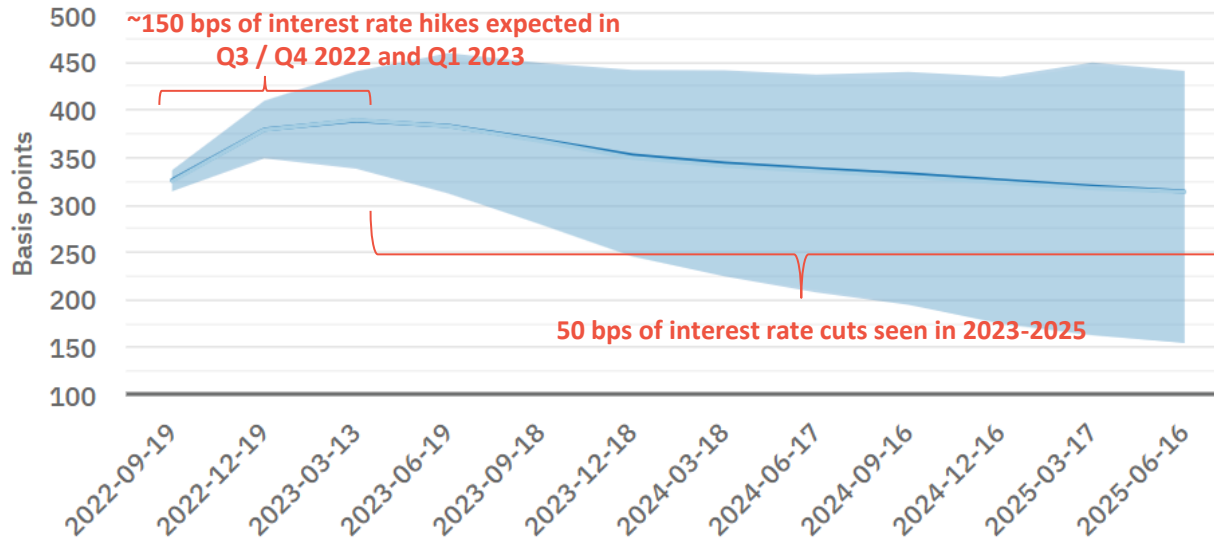




Expect Interest Rates Hikes in 2022 but Cuts Starting in 2023

The Expected Future Path of the Three-Month Average Fed Funds Rate

Current target range: 225 - 250 basis points



Source: Market Probability Tracker - Federal Reserve Bank of Atlanta (atlantafed.org)





Supply Chain Stress is Starting to Ease



Global shipping rates still elevated but off highs

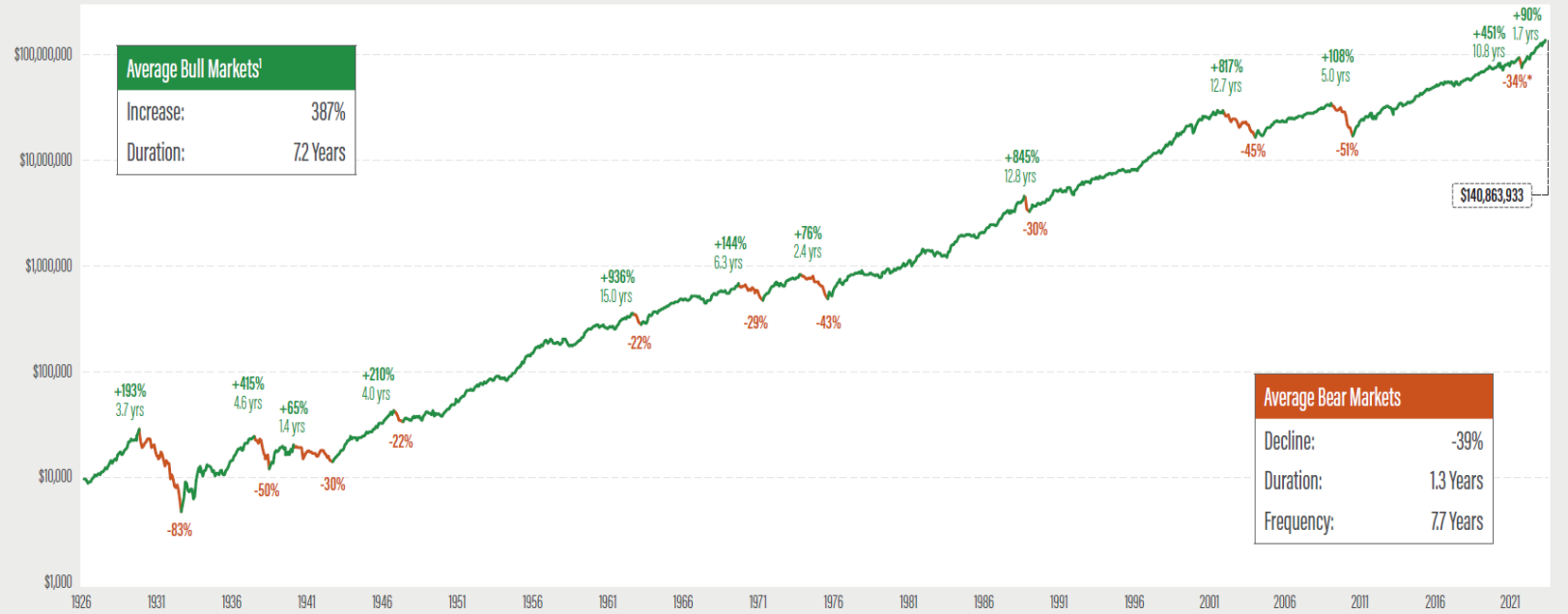
Source: [Freight Rate Index / Freightos Baltic Container Index](#)



Bull & Bear Cycles – An Historical Perspective

The Law of Market Cycles

S&P 500[®] Index Total Return Through Market Cycles Since 1926



Source: FactSet, S&P Dow Jones Indices as of December 31, 2021. The index is unmanaged, is not available for investment and does not incur expenses. Daily performance is not available from 1926.
 Past performance is no guarantee of future results.
¹ Average does not include current bull market.

* This chart uses monthly returns although this most recent bear market uses daily performance for consistency with the rest of the brochure.





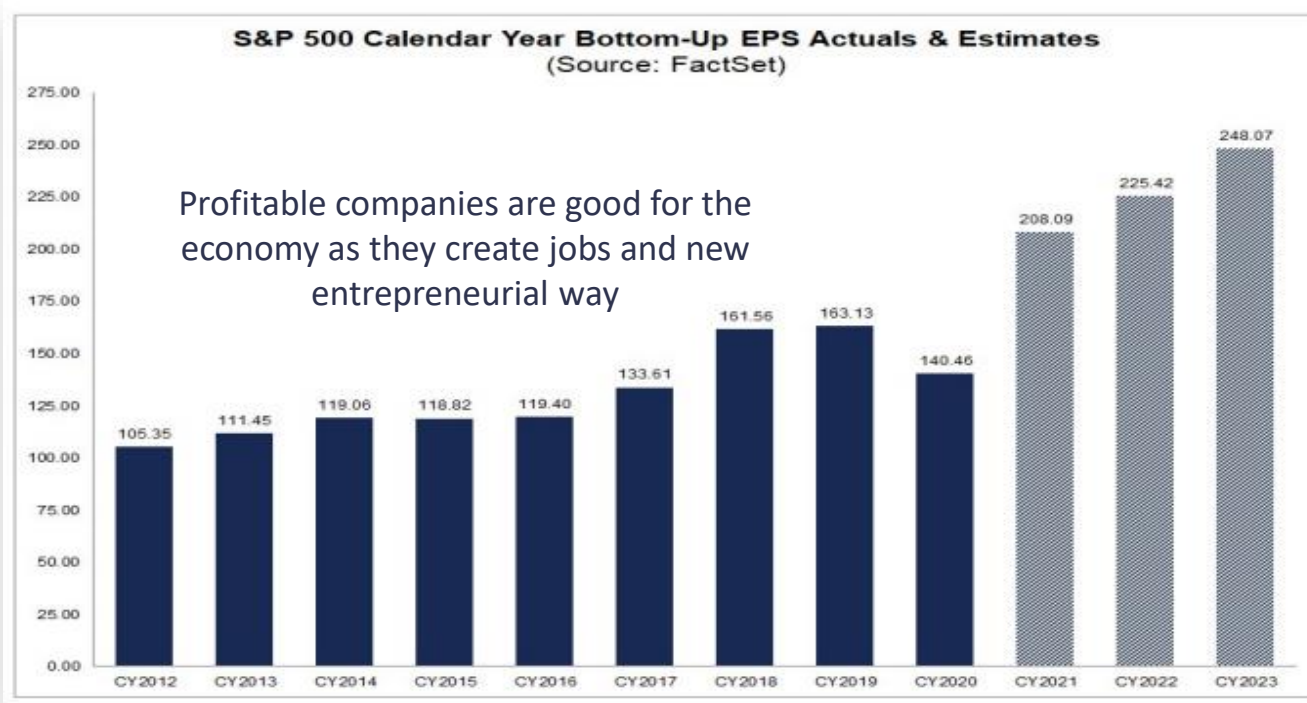
Outlook for Public and Private Companies

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

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.
©2022 CliftonLarsonAllen LLP

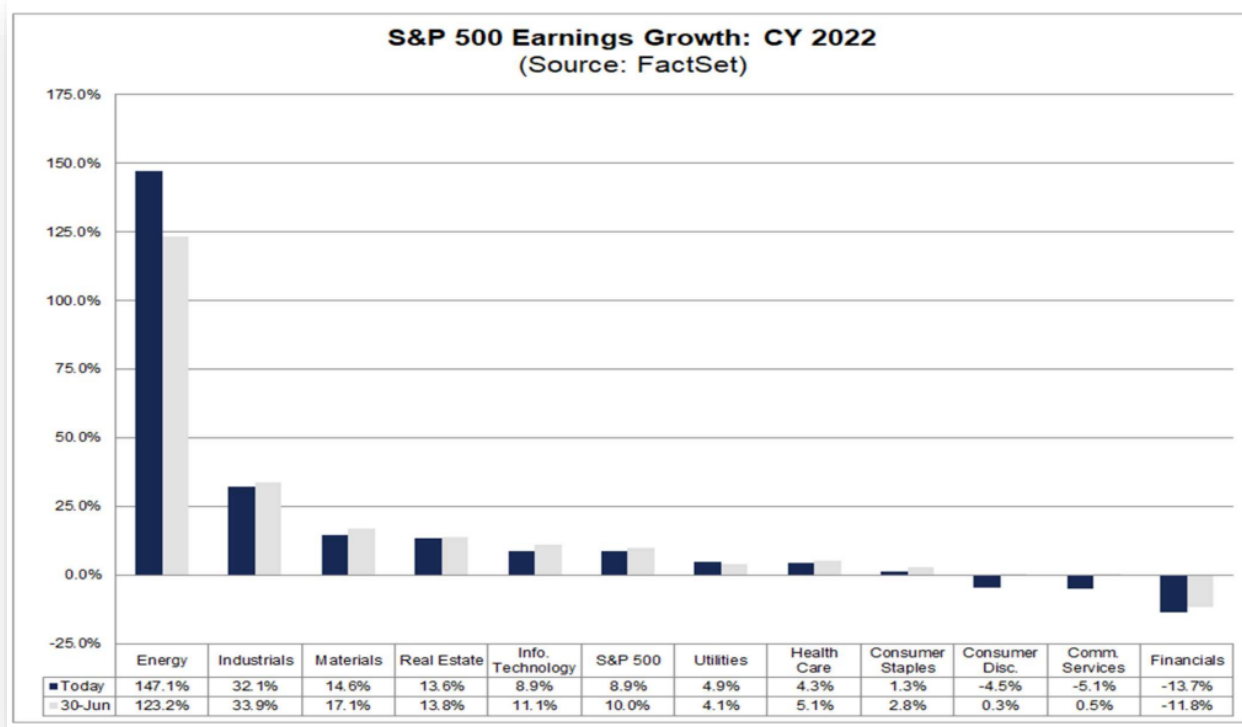
2022 May Surpass the Record Profitability in '21



Source: [Earnings Insight Template 2016.docx \(factset.com\)](#)



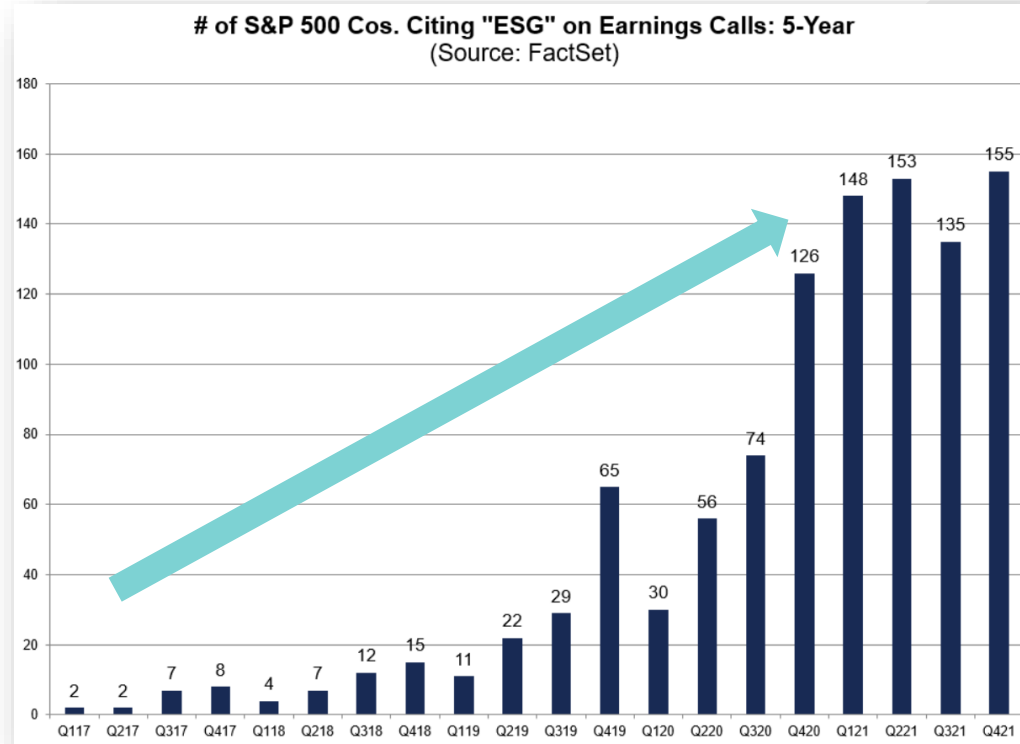
Industry Differentiation Will Become More Stark



Source: [FactSet Earnings Insight August 5, 2022](#)



Companies Are Preparing Their Response to ESG



Source: [Earnings Insight Template 2016.docx \(factset.com\)](#)

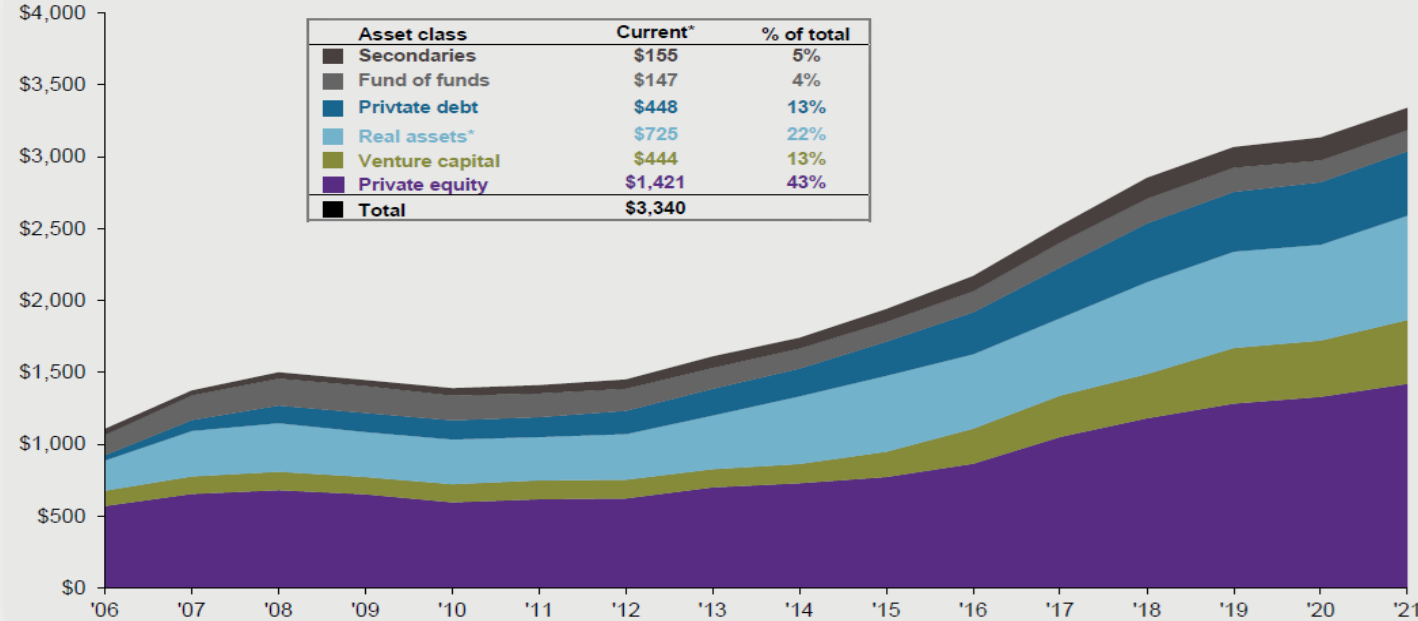
*ESG is "Environmental Social and Governance"



Private Companies — Leading Indicators

Dry powder by asset class

Cumulative dry powder, USD billions



Source: Pitchbook, J.P. Morgan Asset Management. *Dry powder data is as of March 31, 2021. Percentages may not sum to 100 due to rounding.

*Real assets dry powder includes real estate & infrastructure.

Data is based on availability as of November 30, 2021.

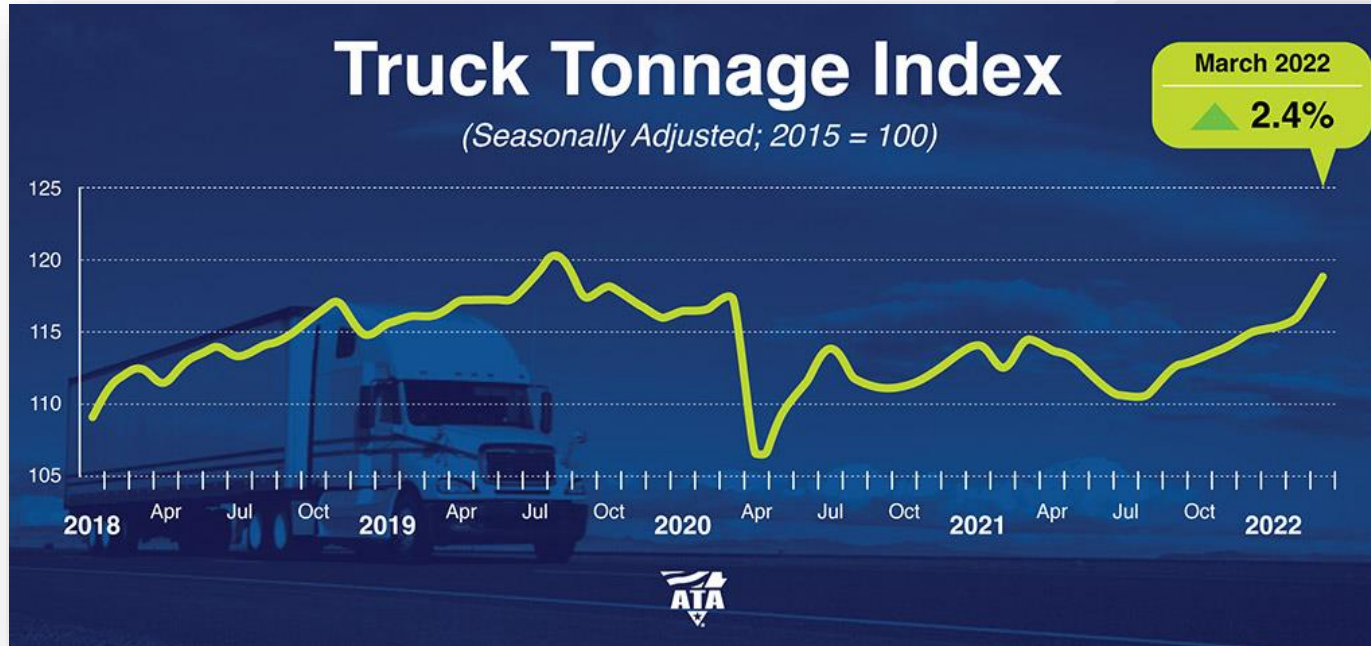
Investors are eager to put cash to work

Companies Staying Private Longer



Source: BlackRock

Industry Insights: Pick-Up Seen in For-Hire Trucking Tonnage

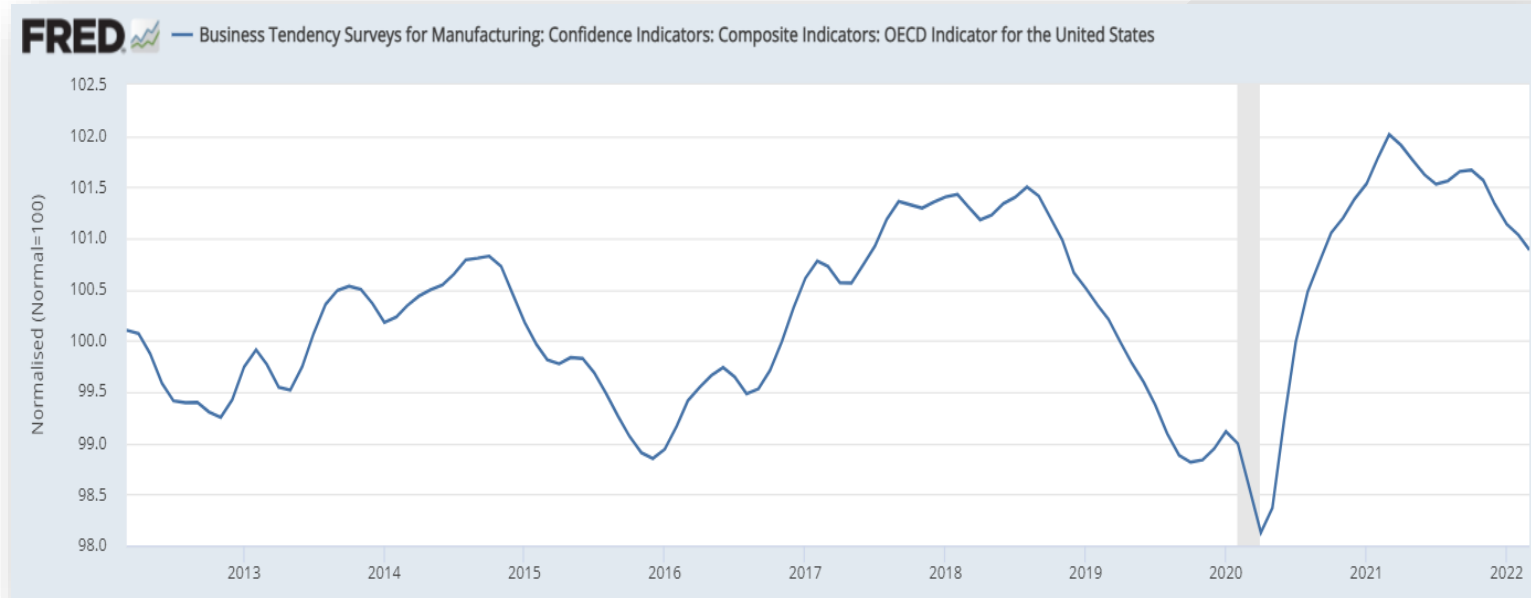


[Source: American Trucking Association](#)





Manufacturers Remain Confident But Cautious



Source: St. Louis Fed





Private Company Outlook & Industry Insights

Challenges

Supply chain concerns to continue for another 12-18 months

- › **Transportation and logistics**

Higher interest rates and taxes will be headwinds to select industries — however, companies doing active risk mitigation

- › **Manufacturing and distribution, agribusiness**

Labor remains difficult to source though mitigated in the long-term by investments in automation and higher worker pay

- › **Construction**

Opportunities

Record profitability is expected to continue given pricing power in unregulated industries

- › **Health care, construction**

Companies are looking to technology (AI / machine learning / logistics) to improve bottom-line efficiency

- › **Higher ed, agribusiness**

We expect more M&A activity driven by private equity roll-ups and vertical integration

- › **Financial institutions, telecom**

ESG awareness ramping up

- › **Retail, construction, agribusiness**

At CLA, we have a depth of **industry experience** informing our economic views





Select Industry Insights

Susan Sabo
Managing Principal of Financial Institutions

"The rate of consolidation will continue to be high across banks below \$1bln in assets and credit unions with less than a \$100M assets."

Allyson Baumeister
Managing Principal of Manufacturing and Distribution

"Many business owners feel good about the first six months of 2022 year — but there is more uncertainty around pent up demand and inventory as we get into the latter half."

Brandon Knight
Managing Principal of Transportation and Logistics

"Given equipment and driver shortages, clients are expecting billing rate increases. Additionally, companies are using technology to improve efficiency and focus on more regional and profitable routes."

Robbie Walker
Managing Principal of Agribusiness

"Many of our clients who sell into grocery stores or distribution centers saw record profitability during COVID, and some used this as an opportunity to sell or expand their operations."





Real Estate Spotlight: Industry Insights

Megatrends

- Rising interest rates
- Untenable cap rates
- Greater focus on subsectors beyond residential real estate
- Investors continue to embrace the tax benefits of real estate investments
- Great relocation and migration trends
- Regulatory focus on ESG/climate disclosure
- Focus on a dedicated real estate allocation to investment portfolios

Risks

- Record high prices / rents
- Skilled labor shortage
- Exhaustion of rental assistance and mortgage forbearance programs
- Continued lack of affordable housing
- Remote workforce issues
- Reduction in business travel
- Continued proposals to repeal / adjust Section 1031 exchange rules, treatment of carried interest

Opportunities

- Key sectors in focus:
 - Logistics and industrial
 - Life sciences
 - Rentals: multi-family and single family
 - Affordable housing
 - Student housing
 - Self storage
- Use of PropTech to more efficiently manage properties
- Increased deal flow for select real estate opportunities
- New ways for investors to gain exposure across public and private markets via internal funds



Four Market Themes for 2022 and Beyond



**Prepare your
portfolio for higher
interest rates and
taxes**



**Dig deeper for
bottom-line growth**



**Seek diversification
in alternatives**

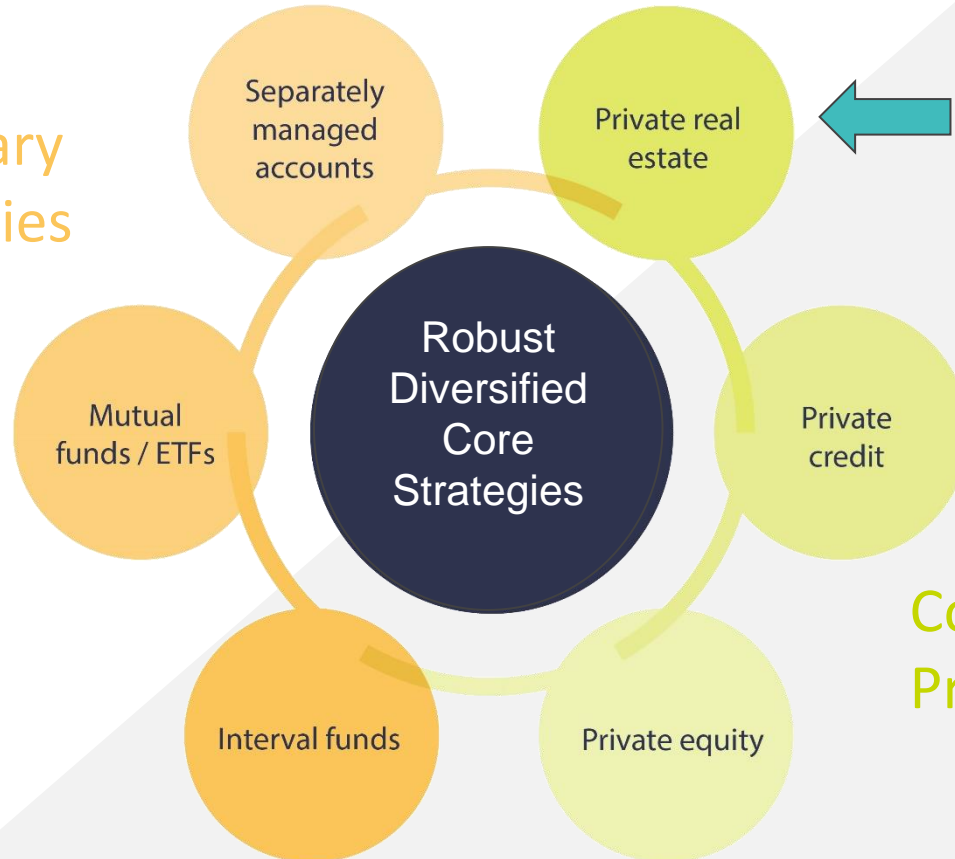


**Invest sustainably
with ESG**



How We Construct Portfolios at CLA

Complementary
Public Strategies



Real Estate is an
important part of a
**CLA Total Return
Portfolio**

Complementary
Private Strategies



Contact CLA to discuss how we can serve you and help you achieve your goals



Clayton Bland

Chief Wealth Advisory Officer
clayton.bland@CLAconnect.com
425-250-6034



Chris Dhanraj

Managing Principal - Investments
chris.dhanraj@CLAconnect.com
203-644-0709



Carey Heyman

Managing Principal of Industry
carey.heyman@CLAconnect.com
310-288-4220



Melissa Labant

Principal
melissa.labant@CLAconnect.com
571-227-9526



CLAconnect.com



CPAs | CONSULTANTS | WEALTH ADVISORS

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.
©2022 CliftonLarsonAllen LLP



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.



Lunch

We'll get you there.





Emotional Intelligence: The Difference Maker

We'll get you there.





2022 Audit and Tax Update for Nonprofit Associations

We'll get you there.





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

Identify hot topics in tax, accounting and auditing.

2

Recognize updates and changes to leases, reference rates, employee retention credits and gifts in kind.

3

Recognize tax implications of nexus related to multistate and foreign hiring, state and local taxes, unrelated business income, and more.





Nonprofit Tax, Assurance, & Accounting Update - What Keeps You Up at Night?

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Ongoing Compliance

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

2021-22 Priority Guidance Plan

Group Exemptions

- Guidance revising Rev. Proc. 80-27 regarding group exemption letters. Notice 2020-26 was published on May 18, 2020.

LLC

- Guidance on circumstances under which an LLC can qualify for recognition under §501(c)(2).

Supporting Organizations

- Final regulations on §509(a)(3) supporting organizations. Proposed regulations were published on February 10, 2016.

UBI

- Regulations under §512 regarding the allocation of expenses in computing unrelated business taxable income and addressing how changes made to §172 net operating losses by section

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



How many of you have
an employee /
independent contractor
checklist that you
review when processing
payments for services?



Income classification and processing

Type of income

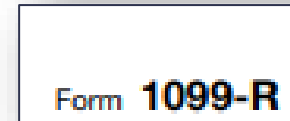
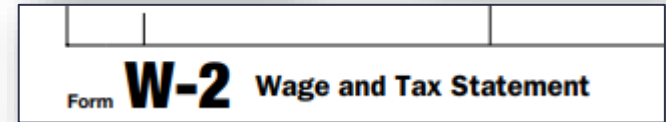
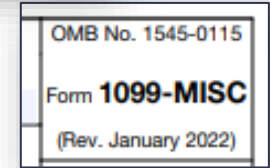
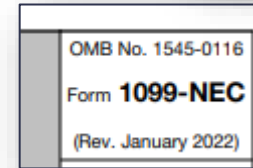
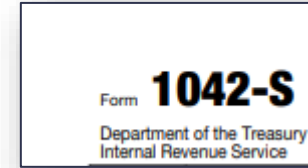
- “Stipends”
- Employee pay outside of standard job duties
- Separation agreements
- Rent or Royalties
- Vendor payments
- Retirement plan distributions
- Health care reporting

Type of Payee

- Employee
- Independent Contractor / Vendor

Tax Status and income source

- US Citizen / Resident Alien or Nonresident Alien
 - *US Source or Foreign source makes a difference for nonresident alien payees



Are taxable benefits being properly recorded / taxed?

Gift cards | Apparel : Membership dues |
Companion travel | Personal use of vehicles |
Education benefits

Employer can be held liable for taxes,
penalties and interest if withholding is not
administered correctly.

Accountable plan for expense
reimbursements - *expenses **must** have a
business connection or purpose*



State & Foreign Compliance Considerations



Payroll



Sales and use tax



Business registration



Charitable
solicitation
registration

Nexus

Foreign Activities

Nexus

- Research abroad
- Foreign employees including contractors
- Import / export into/out of a foreign country

Requirements

- Visa requirements for staff traveling / working abroad
- General business compliance with foreign laws
- Foreign employer compliance, registrations, & filings
- Professional Employment Organization (PEO) / Employer of Record



Excise Tax on Compensation

An "Applicable Tax-Exempt Organization"

(ATEO) is subject to a 21% excise tax on:

- Remuneration over \$1 million paid to a covered employee **OR**
- Excess parachute payments paid to a covered employee
- Remuneration for purposes of the excise tax is defined as:
 - Generally Federal taxable wages (box 1) of applicable calendar year or calendar year ending within fiscal year.
 - Includes any portion of a 457(f) that vested during the applicable year

ATEO includes related 501(c)(3) organizations

• Excludes state colleges or universities without an IRS determination letter

• Does not include amounts paid to licensed medical

Excess Parachute Payments



Compensatory payment to a covered employee if:

Payment is contingent on an employee separation from employment with the employer **and**

Aggregate present value of the payment exceeds three times the base amount, which is the average annual compensation over the preceding 5-years



Notice 2019-9

Payment is deemed to be a parachute payment only if the payment is contingent on involuntary separation from service.



Unrelated Business Income Tax and Tax Reform

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

How many of your
orgs currently file a
990-T / have UBI?

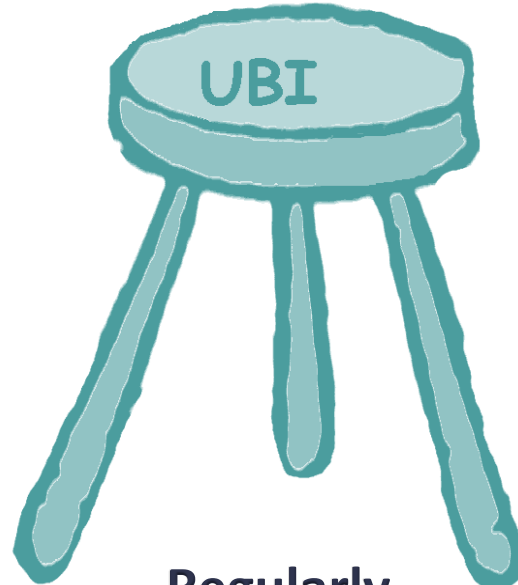


Do you review new revenue streams to determine if they are subject to unrelated business income tax, or have some other system in place to identify UBI?



UBI Defined – IRC § 512(a)(1)

**Trade or
Business**



**Not Substantially
Related To
Exempt Purpose**

**Regularly
Carried On**

Potential Sources of Unrelated Business Income

Alternative
investments
(Partnerships and
S-Corp interests)

Advertising
(qualified
sponsorship
payments are not
UBI)

Rental income
from personal
property or mixed
leases

Inventory sales

Debt financed
income

Exploitation of
exempt functions

Public use of
facilities (fitness
centers, cafeteria,
childcare, etc.)

Royalties

Software
development and
licensing



UBI: “Siloing Rules”

Prior to January 1, 2018, Exempt Organizations were able to aggregate their UBI activity (whether profitable or not) in the determination of their Unrelated Business Income (UBI).

- Final Regulations issued November 19, 2020.
- Effective for tax years beginning after December 31, 2017: losses of one unrelated activity cannot offset gains of another.

Organizations with more than one unrelated trade or business may generally rely on a *“reasonable, good-faith interpretation of IRC Sections 511 – 514”* when identifying different trades or businesses for purposes of the silo rules under IRC Sec 512(a)(6).

- IRS has identified North American Industry Classification System (NAICS) as a “reasonable, good-faith interpretation”:

NAICS – Initially six-digit NAICS codes, final regulations updated to two-digit NAICS



UBTI: “Siloing Rules” – Partnership Activity

- Aggregate all partnership investment activities that meet the definition of a **“Qualified Partnership Interests”** (QPI):
 - Includes debt-financed property as an investment
 - QPI rule is intended as an administrative convenience
 - If not a QPI then each partnership interest is treated as a single trade or business or “silo”
- **“Qualified Partnership Interests”** – If partnership meets either the de minimis or participation tests, activity can be aggregated.
 - **De minimis:** own (average beginning/ending) no more than 2% of profits interest and capital interest
 - **Participation (previously control):** directly holds no more than 20% of the capital interest and does not have control or influence over the partnership



Related State & Foreign Filings

Federal unrelated business income may be taxable in the state where the income is generated

- Allocation versus apportionment
- Alternative investments can generate multiple state filings
- May have different filing deadlines than Federal return
- Most states do not have a minimum filing threshold
- Once you start to file in a state, then what?

Foreign Filings

- Penalties for non-filing



Current CLA Client Audit Areas



Unrelated business income | Employee / Independent Contractor |

W-2 / 1099 matching | Lobbying vs. political activities | Employee retention credit

| Excess compensation excise tax | Taxation of fringe benefits | Foundation status

| Confirmation of operations meeting the mission | Internal controls |

Loans with disqualified individuals



Supporting Organizations

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

Supporting Organizations Section 509(a)(3)



...Carryout its exempt purposes by supporting another Exempt Organization; it can avoid classification as a private foundation, and is subject to a more restrictive regulatory regime.



A supporting org generally warrants public charity status because it has a relationship with its supported organization sufficient to ensure that the supported organization is effectively supervising or paying particular attention to the operations of the supporting organization.



Supporting Organization (SO) Types

Type I

Type II

Type III

FISO Functionally
integrated or non-
functionally integrated

All supporting orgs must pass an organizational test, an operational test, a control test, and a relationship test.

The relationship test determines classification of SO.





Group Exemptions

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

Group Exemptions

IRS allows an organization with multiple similar chapters or subsidiaries to obtain tax exempt status under a group exemption

Original guidance in Revenue Procedure 80-27:

- National parent organization with local chapters.
- Administrative convenience, no separate applications for each subordinate
- Annual update letter required notifying IRS of changes to group
- Group return OR individual returns for all subordinates
 - Parent and group return OR parent and all subordinates
 - “Group” has separate EIN



Group Exemptions

Notice 2020-36 contains proposed Revenue Procedure which would modify and supersede Revenue Procedure 80-27

- **Changes include:**
 - If status is revoked under a group, org has to apply on their own
 - IRS can revoke group exemption if more than half of subordinates have had their exemption revoked
 - Minimum of 5 subordinate orgs
 - Subordinates must be affiliated, supervised or controlled by parent
 - Subordinates must be described in same 501(c) paragraph and have similar purpose as parent





How Do We Know What To Pay Attention To?!?

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

Many Different Compliance Concerns



Where Do I Start?



Identify & train staff that have the potential to generate UBI

Education outside of finance
(development / fundraising,
marketing, operations, etc.)



Do a risk assessment

- Heat map
- Compliance Questionnaire



Find a place to start

- Top two concerns
- Risks with potential significant financial impact
- Risks with potential significant reputational impact



Upcoming Standards and Other Current Accounting Topics

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

Has your organization
filed for the
employee retention
credit?





Refundable payroll tax
credit for compensation
paid to employees

Processed
through 941-X



Consolidated
Appropriations Act

Provide guidance and

access to ERCS

Employee Retention Credits



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 full-time employee



Who is Eligible for the ERC?

Fully or partially suspended operations due to orders from governmental authority limiting commerce, travel, or group meetings due to COVID-19; or

Experienced a significant decline in gross receipts during the calendar

2020

2021

50% reduction in gross receipts for calendar quarter

Only 20% gross receipt reduction in quarter required



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

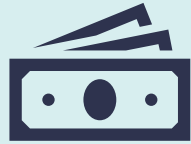
Nonprofits should evaluate the following:

- When is a 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?



ERC Updates



Average 6-9
months to get
refund



Audits have
started



Reconciliation
of ERC revenue
to 990 revenue





Accounting Standards – Effective Now and in the Future

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

How many leases does your organization have?

- None
- 1-5
- 6-10
- 10+



Leases (Topic 842)



Effective Date: fiscal years beginning after 12/15/21;
except for public NFP entities which have an effective date
of years beginning after 12/15/19



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



Leases – Getting Ready



Inventory of leases – *What's out there? Know your leases and service contracts. Where are your lease documents?*



Materiality – *How modern is your capitalization policy?*



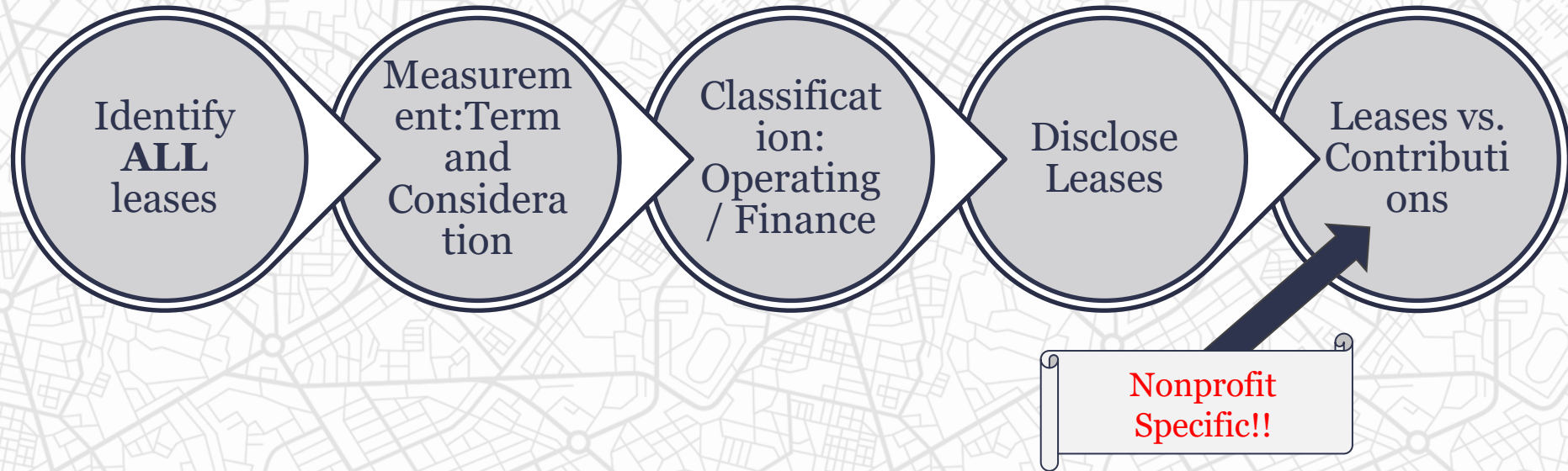
Debt covenants – *To what extent will capitalizing your operating leases affect covenants based on leverage ratios?*



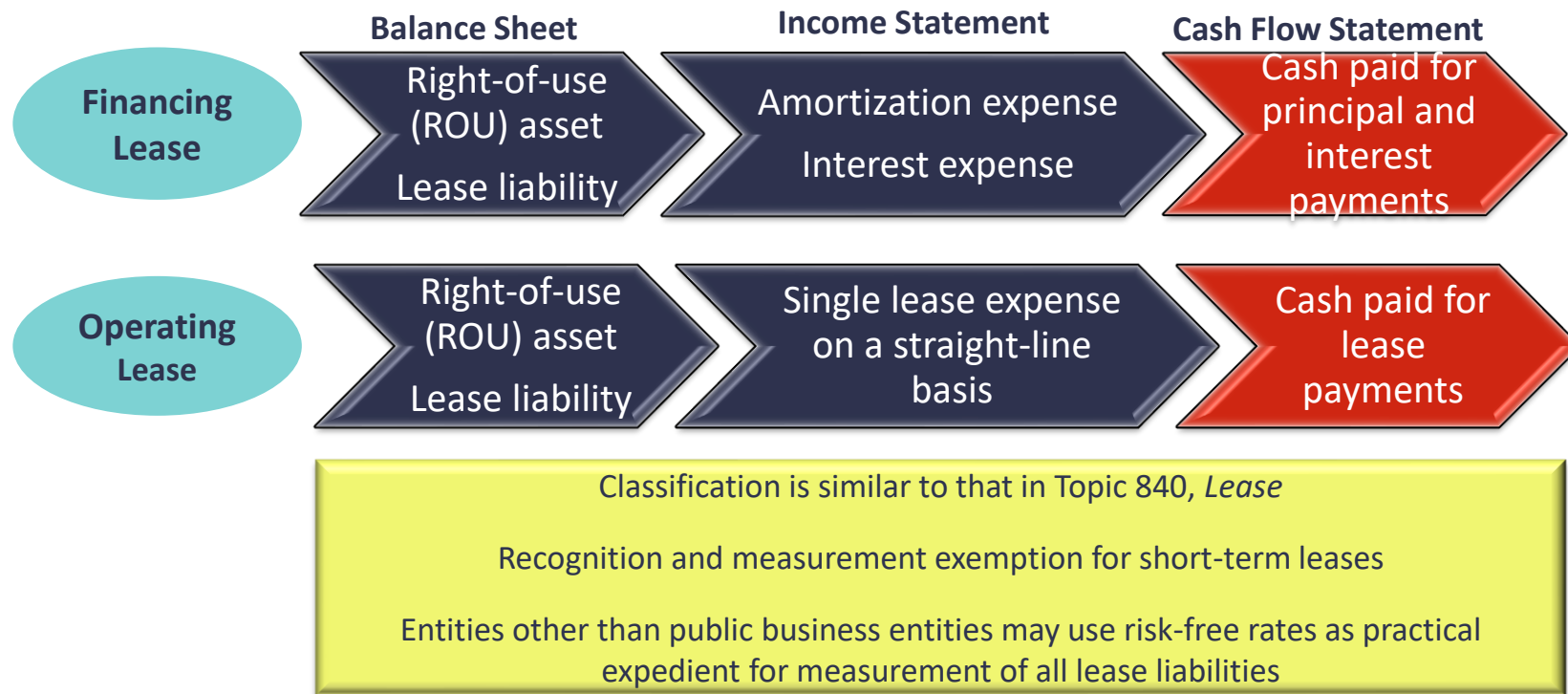
Complex Calculations - *How will you perform the calculations to record? Will this require a software solution? How much time will it take?*



Overview – Road Map



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



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

	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



Lessee Disclosures – Qualitative

Existing	New Requirements
Information about the nature of its leases	Information about leases that have not yet commenced, but that create significant rights and obligations for the lessee
Terms and conditions of sale-leaseback transactions	Disclose if the practical expedient to combine non-lease components with lease components has been elected and to which class of underlying assets
Lease transactions between related parties	Information about significant assumptions and judgments (next slide)

Lease Disclosures – Significant Judgments

Whether a contract
contains a lease

Allocation of
consideration
between lease and
non-lease
components

Determination of
discount rate

Policy election for
short-term lease
exemption



Lessee Disclosures – Quantitative

Existing (Topic 840)	New Requirements (Topic 842)
<ul style="list-style-type: none">• Finance (Capital) lease cost• Operating lease costs• Variable lease costs	Cash paid for amounts included in the measurement of lease liabilities, segregated between operating and financing cash flows
Short-term lease cost, excluding expenses relating to leases with a lease term of one month or less	Supplemental noncash information on lease liabilities arising from obtaining ROU assets
Sublease income, disclosed on a gross basis, separate from the finance or operating lease expense	Weighted-average remaining lease term
Net gain/loss recognized from sale leaseback transactions	Weighted-average discount rate
Maturity analysis of lease liabilities for each of the first five years after the balance sheet date and in total thereafter, including a reconciliation of the undiscounted cash flows to lease liabilities on the balance sheet	

Sample Lease Disclosures – Adoption of New Standard

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of consolidated financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of this guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.



Sample Lease Disclosures – Accounting Policy

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) operating lease assets and operating lease liability, and finance leases are included in ROU financing lease assets and financing lease liability in the consolidated statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.



Sample Lease Disclosures – New Lease Standard

The Organization has early adopted the accounting guidance in Financial Accounting Standards Board Accounting Standards Codification No. 842, *Leases*. The new standard requires lessees to recognize a right-of-use asset and corresponding lease liability for all operating and finance leases with lease terms greater than one year, measured at its present value. The Organization adopted this standard as of January 1, 2019, prior to its effective date. The adoption had no effect on previously reported net assets as the Organization elected to apply the provisions of this standard to the beginning of the period of adoption and also adopted the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Association's ROU assets for existing leases.

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2021 is as follows:

<u>Years Ending December 31,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2022	\$ 467,988	\$ 40,548
2023	480,858	40,548
2024	494,082	37,169
2025	507,669	-
2026	521,629	-
Thereafter	2,804,157	-
Total	5,276,383	118,265
Less: Imputed Interest	(1,453,656)	(8,012)
Total	<u>\$ 3,822,727</u>	<u>\$ 110,253</u>



Sample Lease Disclosures – New Lease Standard (cont.)


The following table provides quantitative information concerning the Organization's leases:

	2021	2020
Lease Cost:		
Finance Lease Cost:		
Amortization of Right of Use Financing Assets	\$ 36,172	\$ 36,172
Operating Lease Cost	294,094	294,094
Total Lease Cost	<u>\$ 330,266</u>	<u>\$ 330,266</u>
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	<u>\$ 380,400</u>	<u>\$ -</u>
Financing Cash Flows from Financing Leases	<u>\$ 34,424</u>	<u>\$ 32,804</u>
Interest Paid for Financing Leases	<u>\$ 6,128</u>	<u>\$ 7,744</u>
Right-of-Use Assets		
Operating	<u>\$ 1,739,331</u>	<u>\$ 1,845,391</u>
Financing	<u>\$ 105,502</u>	<u>\$ 141,674</u>
Right-of-Use Liabilities		
Operating	<u>\$ 3,822,727</u>	<u>\$ 4,015,093</u>
Financing	<u>\$ 110,253</u>	<u>\$ 144,677</u>
Weighted-Average Remaining Lease Term:		
Financing Lease	9 Years	10 Years
Operating Lease	3 Years	4 Years
Weighted-Average Discount Rate:		
Financing Lease	4.75%	4.75%
Operating Lease	4.75%	4.75%



Lease vs. Contribution

Lease definition – contract that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange **for consideration.**



If it's a
contribution, it's
not a lease!

Nonprofit Examples

Free/Donated Rent– 100% contributed, with no consideration exchanged – **NOT A LEASE**

Below Market Rent – Includes partial donation from inherent contribution

Partial donation = Allocate between Lease (consideration) and Contribution (FMV in excess of consideration)	
Lease	Contribution
ROU Asset/ Lease Liability	Promise to Give/Restricted Contribution
Consideration Exchanged	FMV in excess of consideration



Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets ASU 2020-07

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

Does your organization
receive in-kind gifts?



Overview

Why

- Increasing the transparency through enhancements to presentation and disclosures

Who

- Applies to NFPs that receive contributed nonfinancial assets

What

- Present contributed nonfinancial assets as a separate line item in the statement of activities and disclose disaggregated the amount of contributed nonfinancial assets

When

- The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. *Early adoption is permitted.*

What are Non-Financial Assets?



**Use of
Fixed
Assets or
Utilities**



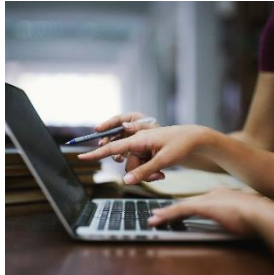
**Intangible
Assets**



**Unconditional
Promises of
Those Assets**

**Fixed
Assets**

Land, building,
equipment



**Materials
&
Supplies**



Services



How Do the Main Provisions Differ from GAAP?

Subtopic 958-605 does not include specific presentation requirements for contributed nonfinancial assets OR specific disclosure requirements for contributed nonfinancial assets other than

The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets.

Implementation Guidance and Illustrations

REVENUE	
Contributions and Grants	\$ 890,283
Contributed Nonfinancial Assets	272,602
Special Event	29,000
Other Income	<u>3,100</u>
Total Revenue	<u>\$ 1,194,985</u>

This format reports information in a single column and most easily accommodates presentation of multiyear comparative information



Implementation Guidance and Illustrations

	Without Donor	With Donor	
	Restriction	Restriction	Total
REVENUE			
Contributions and Grants	\$ 645,283	\$ 245,000	\$ 890,283
Contributed Nonfinancial Assets	241,602	31,000	272,602
Special Event	29,000	-	29,000
Other Income	3,100	-	3,100
Net Assets Released from Restrictions	197,430	(197,430)	-
Total Revenue	<u>\$ 1,116,415</u>	<u>\$ 78,570</u>	<u>\$ 1,194,985</u>

This format reports information in a multicolumn with donor restricted amounts presented



Implementation Guidance and Illustrations

This format reports information related to donor restricted amounts presented in “stacked” presentation

Without Donor Restrictions:	
REVENUE	
Contributions and Grants	\$ 645,283
Contributed Nonfinancial Assets	241,602
Special Event	29,000
Other Income	3,100
Net assets released from restrictions	197,430
Total Revenue without donor restriction	1,116,415
Expenses (detailed not useful in example)	
Without Donor Restrictions:	
REVENUE	
Contributions and Grants	\$ 245,000
Contributed Nonfinancial Assets	31,000
Special Event	-
Other Income	-
Net assets released from restrictions	(197,430)
Total Revenue with donor restriction	78,570



Notes to Financial Statements

958-605-50-1A - A **not-for-profit entity** (NFP) shall disclose in the notes to financial statements a disaggregation of the amount of contributed **nonfinancial assets** recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.

For each category of contributed nonfinancial assets, an NFP also shall disclose the following...



Qualitative Information for Disclosure

Monetized	The NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
Utilized	Disclose a description of the programs or other activities in which those assets were used.
Restrictions	A description of any donor-imposed restrictions.

Valuation	A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement.
Principal Market	The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.



Contributed Service

An entity (NFPs and business entities) that receives contributed services shall describe the programs or activities for which those services were used, including the nature and extent of contributed services received for the period and the amount recognized as revenues for the period.



Disclosure Example of Disaggregation, Contributed Nonfinancial Assets

A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.

Note X - Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the year ending December 31,

						20X1	20X0
Office Equipment and Supplies						\$ 148,752	\$ 262,387
Silent Auction items						19,000	28,000
Rent						95,000	95,000
Legal Services						<u>9,850</u>	<u>6,980</u>
						<u>\$ 272,602</u>	<u>\$ 392,367</u>



Disclosure Example Cont'd

The Organization recognized contributed nonfinancial assets within revenue, including an office equipment and supplies, silent auction items, rent and legal services. Contributed items as noted in the statement of activities were restricted by donors for use at the special event.

In valuing office equipment and supplies, and silent auction items the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed rent is for the office space which is used for general and administrative activities. In valuing the contributed office space, which is located in Somewhere USA, the Organization estimated the fair value on the basis of recent comparable sales prices in Somewhere, USA's real estate market.

Contributed services recognized comprise professional services from attorneys advising the Organization on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.





Reference Rate Reform

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

Effective Dates

Public entities

- A public business entity;
- A not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market;
- An employee benefit plan that files financial statements with the U.S. Securities and Exchange Commission (SEC).



Reference Rate Reform



ASU 2020-04: Effective Date: may be applied any time after 3/12/20 but no later than 12/31/22

ASU 2021-01: Effective immediately



Objective: Provides relief in accounting for contract modifications related to transitioning from LIBOR and other reference rates for limited period of time



How to prepare for implementation: Inventory all contracts (receivables, debt, leases, derivatives) that reference discontinued rates; understand and apply optional expedients relative to each type



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





Auditor Reporting Standards

WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen
Wealth Advisors, LLC, an SEC-registered investment advisor

Does your organization include the full set of audited financial statements in another document, such as an annual report?



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



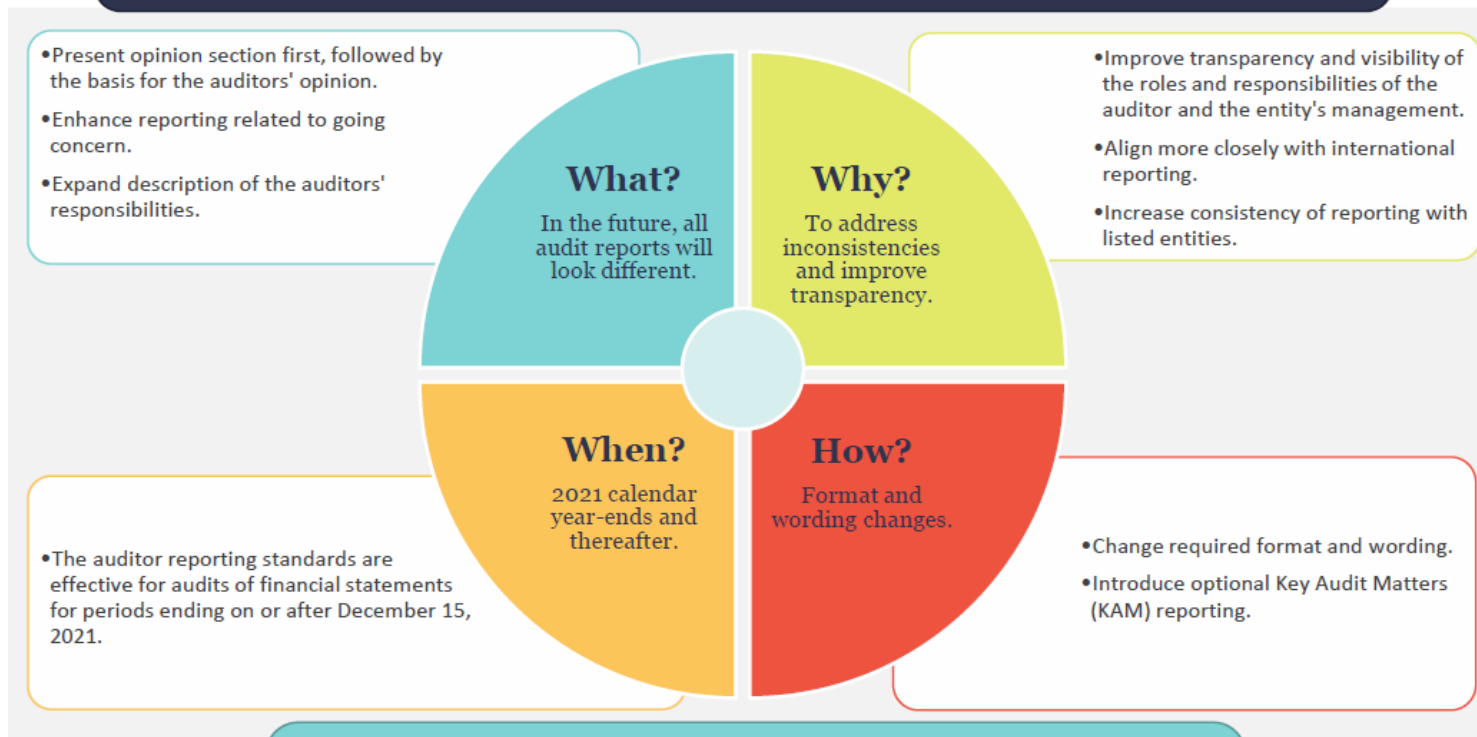
Revised form and content of the auditor's report



Extensive changes to other performance standards



Eight new standards will affect audits of financial statements for periods ending on or after December 15, 2021. These standards are frequently referred to as the auditor reporting standards, but they affect a variety of auditing matters unrelated to the new auditors' report. Our CLA audit methodology has been updated to incorporate the new requirements. This resource is intended to provide a high-level overview of reporting changes and provide an example of the new unmodified opinion.



How will this change affect my audit?

- Reporting and communication with governance will change significantly.
- Additional procedures may be performed for related-party transactions.
- The phrase "significant unusual transactions" was introduced to audit literature which may require further consideration.

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 135

- Significant risks communicated to governance **during planning**
- Increased focus on **disclosures**
 - Assessing risk of material misstatement
 - Brainstorm where disclosures are susceptible to fraud
 - Required to be audited – responsible for information within and outside the general ledger
 - Explicit disclosure misstatement aggregation requirement
 - Ex: omission of reasons for impairment loss, incorrect accounting policy (even if immaterial), inadequate description of sensitivity of rates, omission of capitalization policy, etc.
 - Give same care to presentation as measurement



Performance Standard Changes – SAS 135

- Significant unusual transactions
 - “transactions outside normal course of business, appear unusual due to size, timing, nature”
- Governance communication of significant unusual transactions and potential effects of passed audit adjustments on future financial statements
- Related parties
 - Enhanced requirements to identify related parties and transactions (new inquiries of others within the entity, and governance)

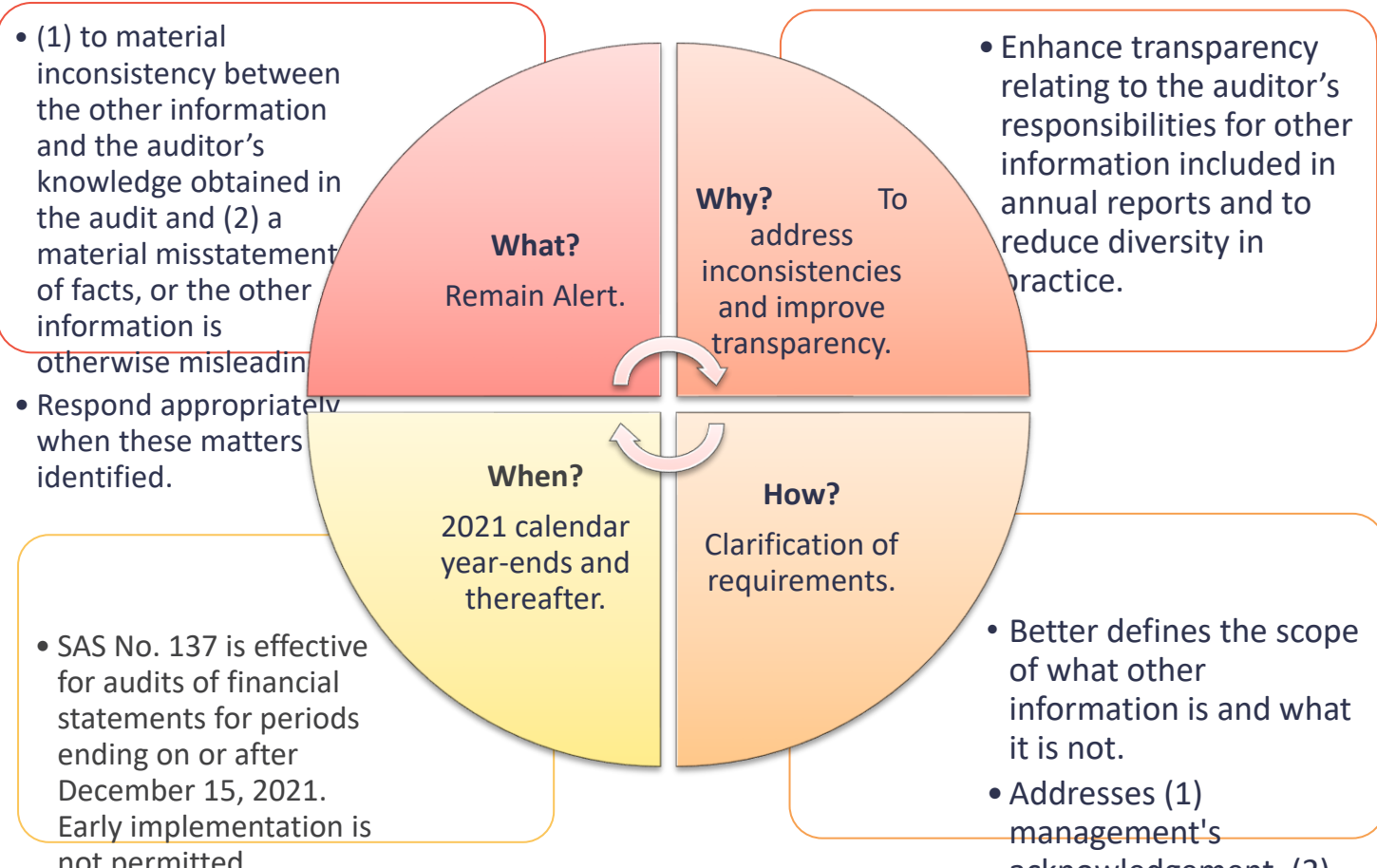


Performance Standards Changes – SAS 137

- Other Information – Annual Report
 - *“contains, accompanies, or incorporates by references the FS and auditor’s report thereon....”*
- Obtain written acknowledgement from management about what documents comprise annual report and their timing of issuing the document



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



SAS No. 137 Annual Reports

What is an Annual Report?

1. A document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and entity's financial results and financial position as set out in the financial statements.

2. An annual report contains, accompanies, or incorporates by reference the financial statements and the auditor's report thereon and usually includes information about the entity's developments, its outlook and risks and uncertainties, a statement by the entity's governing body, and reports covering governance matter.

3. Annual reports include annual reports of governments (CAFR) and organizations for charitable or philanthropic purposes that are available to the public.

What is NOT an annual report?

1. IRS Form 990
2. IRS Form 5500
3. Exempt offering documents
(e.g., Franchise Disclosure Documents [FDDs])
4. Corporate social responsibility reports
5. Sustainability reports
6. Annual statement filed with National Association of Insurance Commissioners
7. Separate industry or regulatory reports, such as used by banking, insurance, or pension industries
8. Diversity and equal opportunity reports
9. Product responsibility reports
10. Labor practices and working conditions reports
11. Human rights reports

SAS No. 137 Annual Reports – Other Information

What could be “Other Information” included in an annual report?

1. Employment data
2. Planned capital expenditures
3. Financial Ratios
4. Names of officers and directors
5. Selected quarterly data
6. Chairman’s statement
7. Corporate governance statement
8. Management’s internal control and risk assessment reports
9. Financial summaries or highlights



Management acknowledgement

Discuss with auditors which documents comprise the annual report and provide the planned timing and issuance of the annual report.



Communicate with governance

Auditors should communicate with those charged with governance the auditor's responsibility with respect to other information, the procedures performed related to the other information, and the results.



Final version of annual report

When possible, provide a copy of the final version of the annual report to the auditors, prior to the date of the auditor's report.



Compare other information to financial statements

Auditors will compare selected amounts or other items in the other information to the financial statements to evaluate their



Material inconsistencies

The auditors will read the other information and consider whether a material inconsistency exists between the other information and the financial statements.



Documents provided after report date

When documents will not be available until after the date of the auditor's report, provide a written representation that the final version of the documents will be provided when available, and prior to the issuance of the annual report, so that the auditor

The background of the image is a repeating pattern of light teal speech bubbles, each containing a dark teal question mark. A dark grey horizontal band is centered across the image, serving as a backdrop for the main text.

Questions?

We're Here For You



Find additional resources and learn about upcoming events at 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](#)



CLA Can Help!

Sign up to receive CLA communications/invitations to complementary events

<https://CLAconnect.com/subscribe>

Watch our calendar for more events like this one

<https://CLAconnect.com/events>

Follow our Nonprofit blog

<https://blogs.claconnect.com/nonprofitinnovation/>

Reach out with questions!

<https://www.claconnect.com/contact-us>



Thank you!

Tanya Hale, CPA

Director, National Assurance Technical Group

Nonprofit

tanya.hale@claconnect.com

Sarah Hintz, CPA

Signing Director

Nonprofit & Higher Education Tax Exempt Tax

sarah.hintz@CLAconnect.com



CLAconnect.com



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Let's Take a Break!

We'll get you there.



CPAs | CONSULTANTS | WEALTH ADVISORS

©2022 CliftonLarsonAllen LLP. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



Making Lemonade: Innovative Ideas During Unprecedented Times

We'll get you there.





Wrap Up & Takeaways

We'll get you there.





Create Opportunities

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