2024 Florida Nonprofit Training Academy

June 5, 2024, in Lakeland

June 6, 2024, in Estero

We'll get you there.

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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 7.5 credits total will be given to those in full attendance of today's CPE session from 8:30-4:20pm.
- All presentations will be available at the CLAconnect.com under the **past events** page at the end of the week.

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990 Reporting Update

June 2024

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990 Reporting Update

This session will include a discussion on the public support test and the compliance reporting for Schedule A – *Public Charity Status and Public Support and Schedule G Supplemental Information Regarding Fundraising or Gaming Activities*

*We'*ll cover how the amounts are reported on the forms and the importance of the schedules with respect to your organization's continued status as a public charity. Valuable information and practical tips will be provided to help you navigate the complex world of 990 reporting.

Learning Objectives

- Outline leading practices for completing schedules accurately and efficiently
- Recognize the criteria used to evaluate the public support test
- Recall practical tips for supporting compliance with IRS regulations

Schedule A, Parts II and III

Most Important Schedule in 990

SCHEDULE A (Form 990)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.
Attach to Form 990 or Form 990-EZ.
Go to *www.irs.gov/Form990* for instructions and the latest information.

OMB No. 1545-0047
2023
Open to Public Inspection

Name of the organization | **Employer identification number**

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

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

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E (Form 990).)
3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state:
5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
9 ☐ An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university:
10 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions, subject to certain exceptions; and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
11 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
12 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box on lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.

a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**

b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**

c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**

d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**

e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.

Public Charity Exemptions

Section 170(b)(1)(A)(iv) and (vi)	Section 509(a)(2)
• Also often referred to as 509(a)(1) • Organizations that get majority of revenue from **contributions** from publicly supported organizations, governmental units, or general public • Majority means 33 1/3% or more	• Organizations that get majority of revenue from **program revenue** (technically considers contributions, membership fees, and gross receipts from activities related to its exempt functions subject to certain exceptions) • Majority means 33 1/3% or more • Not more than 33 1/3% of financial support from gross investment income

Key Terms

- Term “related” means amounts reported in Part VIII, col B
- Term “UBI” means amounts reported in Part VIII, col B
- Term “Excluded” means amounts reported in Part VIII, col B

Part VIII **Statement of Revenue**

Check if Schedule O contains a response or note to any line in this Part VIII . . . . ☐

					(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512–514
Contributions, Gifts, Grants, and Other Similar Amounts	1a	Federated campaigns	1a					
	b	Membership dues	1b					
	c	Fundraising events	1c					
	d	Related organizations	1d					
	e	Government grants (contributions)	1e					
	f	All other contributions, gifts, grants, and similar amounts not included above	1f					
	g	Noncash contributions included in lines 1a–1f	1g	$				
	h	**Total.** Add lines 1a–1f						

Part II – Contributions Org – Basics

Schedule A (Form 990) 2023 Page **2**

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc. (see instructions) 12

13 **First 5 years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2023 (line 6, column (f), divided by line 11, column (f)) 14 %

15 Public support percentage from 2022 Schedule A, Part II, line 14 15 %

16a **33 1/3% support test—2023.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here**. The organization qualifies as a publicly supported organization ☐

b **33 1/3% support test—2022.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here**. The organization qualifies as a publicly supported organization ☐

- 5 – year rolling calculation
- Line 6 divided by 11 must be more than 33 1/3%
- Organization must be over that threshold for either the current year or prior year – doesn't have to pass both years (lines 14 – 16)
- Not required to show % until year 6 from inception (line 13)

Part II, Line 1 – Contributions

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") . . .						

Form 990 (2023) Page **9**

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII . . . . ☐

Contributions, Gifts, Grants, and Other Similar Amounts				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512–514
1a	Federated campaigns	1a					
b	Membership dues	1b					
c	Fundraising events	1c					
d	Related organizations	1d					
e	Government grants (contributions)	1e					
f	All other contributions, gifts, grants, and similar amounts not included above	1f					
g	Noncash contributions included in lines 1a–1f	1g	$				
h	**Total.** Add lines 1a–1f						

*Follow 990 reporting for timing of reporting contributions (accrual vs cash basis)

Unusual Grants

1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") . . .

- Excluded even if organization receives or accrues funds over a period of years
- Substantial contributions/bequests from disinterested persons and are:
  - Attracted because of the organization's publicly supported nature
  - Unusual and unexpected because of the amount
  - Large enough to endanger the organization's status as normally meeting the 33 1/3% public support test
- Other factors in Regulations section 1.509(a) – 3(c)(4)

Unusual Grants – Other Factors

- Relationship of contributor to organization?
  - Persons other than those who created organization, previously contributed substantially, or stood in a position of authority, will ordinarily be given more favorable consideration
- Bequest or inter vivos transfer?
  - Bequest will ordinarily be given more favorable consideration
- Cash, readily marketable securities, or assets that further the exempt purposes of the organization, such as the gift of a painting to a museum?
- Prior to receipt of contribution, did organization carry on public solicitation and exempt activities to attract significant amount of public support — except in case of new organization?

Unusual Grants – Other Factors

- Organization reasonably expected to attract significant public support subsequent to contribution?
- Prior to year in which contribution was received, did organization meet public support test without benefit of any unusual grant exclusions?
- Contributor, or any “disqualified person” in relation to contributor — such as a family member, controlled entity, or a substantial contributor to contributor — directly or indirectly exercises control over organization?
- Does organization have a representative governing body?
- Any material restrictions or conditions imposed in connection with contribution?

Part II, Line 3 – Governmental In-Kind Contributions

3 The value of services or facilities furnished by a governmental unit to the organization without charge						

- Don't include value of services or facilities generally furnished to public without charge
- Include fair rental value of office space furnished by a governmental unit to organization without charge, but only if governmental unit doesn't generally furnish similar office space to public without charge
- Report amounts whether organization includes amounts as revenue on its financial statements or elsewhere on Form 990 or 990 – EZ

Part II, Line 8 – *Excluded* Gross Investment

Section B. Total Support						
Calendar year (or fiscal year beginning in)	**(a)** 2019	**(b)** 2020	**(c)** 2021	**(d)** 2022	**(e)** 2023	**(f)** Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						

Other Revenue

					(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512–514
3	Investment income (including dividends, interest, and other similar amounts)							
4	Income from investment of tax-exempt bond proceeds							
5	Royalties							
			(i) Real	(ii) Personal				
6a	Gross rents . . .	**6a**						
b	Less: rental expenses	**6b**						
c	Rental income or (loss)	**6c**						
d	Net rental income or (loss)							
			(i) Securities	(ii) Other				
7a	Gross amount from sales of assets other than inventory	**7a**						
b	Less: cost or other basis and sales expenses .	**7b**						
c	Gain or (loss) . .	**7c**						
d	Net gain or (loss)							
8a	Gross income from fundraising events (not including $ .... of contributions reported on line 1c). See Part IV, line 18 . . .	**8a**						
b	Less: direct expenses	**8b**						
c	Net income or (loss) from fundraising events . . .							
9a	Gross income from gaming activities. See Part IV, line 19 .	**9a**						
b	Less: direct expenses	**9b**						
c	Net income or (loss) from gaming activities							
10a	Gross sales of inventory, less returns and allowances . . .	**10a**						
b	Less: cost of goods sold . . .	**10b**						
c	Net income or (loss) from sales of inventory							

<u>Gross</u> rent related to net amount in column D only

Does not include capital gain or loss on sale

Part II, Line 9 – Net UBI

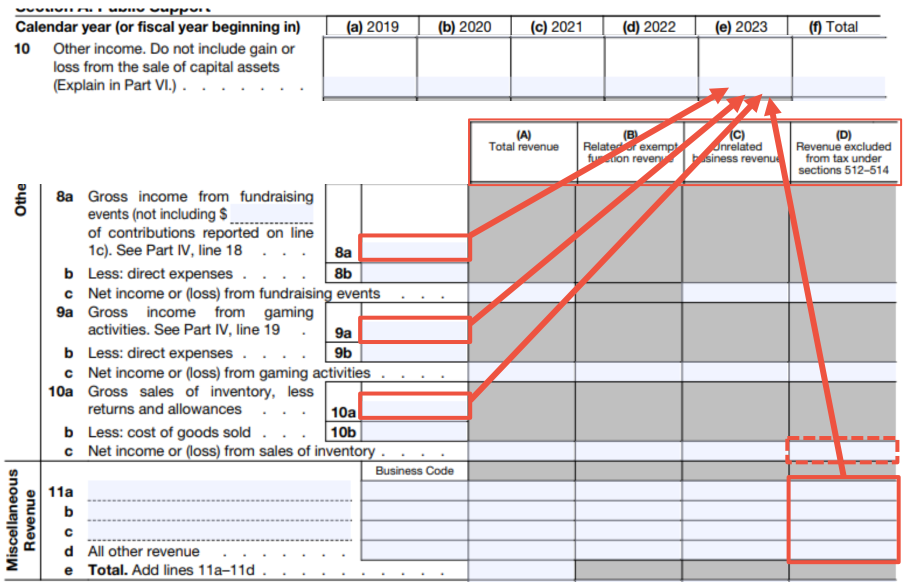
Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
9 Net income from unrelated business activities, whether or not the business is regularly carried on						

Form 990-T

	Part I	**Total Unrelated Business Taxable Income**		
1	Total of unrelated business taxable income computed from all unrelated trades or businesses (see instructions)		1	
2	Reserved		2	
3	Add lines 1 and 2		3	
4	Charitable contributions (see instructions for limitation rules)		4	
5	Total unrelated business taxable income before net operating losses. Subtract line 4 from line 3 . .		5	
6	Deduction for net operating loss. See instructions		6	
7	Total of unrelated business taxable income before specific deduction and section 199A deduction. Subtract line 6 from line 5		7	
8	Specific deduction (generally $1,000, but see instructions for exceptions)		8	
9	**Trusts.** Section 199A deduction. See instructions		9	
10	**Total deductions.** Add lines 8 and 9		10	
11	**Unrelated business taxable income.** Subtract line 10 from line 7. If line 10 is greater than line 7, enter zero		11	

*Organizations with more than one unrelated trade or business may use either its UBTI calculated under section 512(a)(6) or its UBTI calculated in the aggregate. If a net loss, enter "0" on this line.

Part II, Line 10 – Other Income



Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						

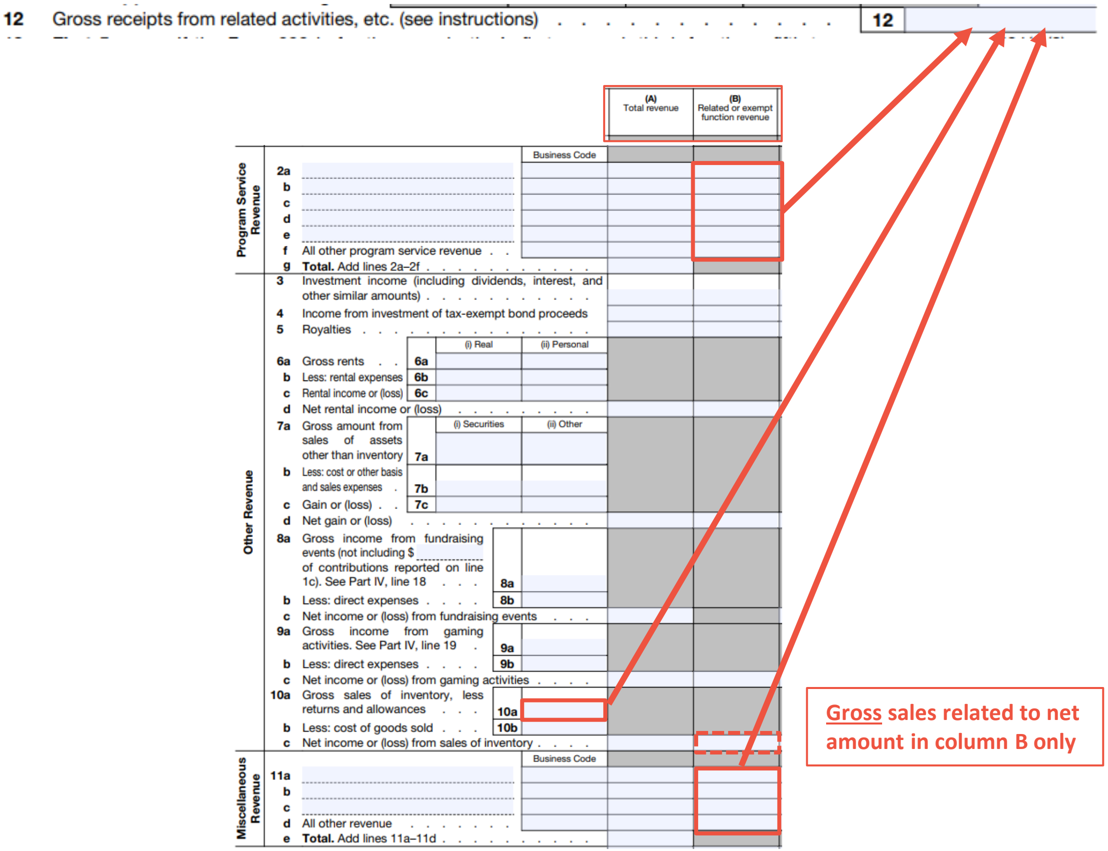
Othe			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512–514
8a	Gross income from fundraising events (not including $ ______ of contributions reported on line 1c). See Part IV, line 18 . . .	8a				
b	Less: direct expenses	8b				
c	Net income or (loss) from fundraising events . . .					
9a	Gross income from gaming activities. See Part IV, line 19 .	9a				
b	Less: direct expenses	9b				
c	Net income or (loss) from gaming activities					
10a	Gross sales of inventory, less returns and allowances . . .	10a				
b	Less: cost of goods sold . . .	10b				
c	Net income or (loss) from sales of inventory					

Miscellaneous Revenue		Business Code				
11a						
b						
c						
d	All other revenue					
e	**Total.** Add lines 11a–11d					

Gross sales related to net amount in column D only

- ***Gross receipts*** from admissions, sales of merchandise, performance of services, or furnishing of facilities in any activity which is not an unrelated trade or business AND not deemed to be related to mission
- Fundraising and gaming not deemed related and often not UBI either
- Sales of inventory and Miscellaneous might be related, UBI, OR excluded

Part II, Line 12 – Related Activities



12 Gross receipts from related activities, etc. (see instructions) 12

				Business Code	(A) Total revenue	(B) Related or exempt function revenue
Program Service Revenue	2a					
	b					
	c					
	d					
	e					
	f	All other program service revenue . .				
	g	**Total.** Add lines 2a–2f				
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)				
	4	Income from investment of tax-exempt bond proceeds				
	5	Royalties				
				(i) Real	(ii) Personal	
	6a	Gross rents . .	6a			
	b	Less: rental expenses	6b			
	c	Rental income or (loss)	6c			
	d	Net rental income or (loss)				
				(i) Securities	(ii) Other	
	7a	Gross amount from sales of assets other than inventory	7a			
	b	Less: cost or other basis and sales expenses .	7b			
	c	Gain or (loss) . .	7c			
	d	Net gain or (loss)				
	8a	Gross income from fundraising events (not including $ .... of contributions reported on line 1c). See Part IV, line 18 . . .	8a			
	b	Less: direct expenses	8b			
	c	Net income or (loss) from fundraising events . . .				
	9a	Gross income from gaming activities. See Part IV, line 19 .	9a			
	b	Less: direct expenses	9b			
	c	Net income or (loss) from gaming activities				
	10a	Gross sales of inventory, less returns and allowances . . .	10a			
	b	Less: cost of goods sold . . .	10b			
	c	Net income or (loss) from sales of inventory				
				Business Code		
Miscellaneous Revenue	11a					
	b					
	c					
	d	All other revenue				
	e	**Total.** Add lines 11a–11d				

Gross sales related to net amount in column B only

Part II, Line 12 – Related Activities

- **Gross receipts** from admissions, sales of merchandise, performance of services, or furnishing of facilities in any activity which is not an unrelated trade or business AND not excluded
- Program revenue in Line 2 might be related or UBI
- Rental income – related should be in Part VIII line 2 and investment should be in line 6
- Sales of inventory might be related, UBI, OR excluded
- Miscellaneous might be related, UBI, OR excluded

Part II, Line 5 – 2% Limitation

5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						

- Limitation applies to all contributors except unusual grants, governmental, churches, and publicly supported
- **Publicly supported means other 170(b)(1)(A)(vi) or completing Part II**
  - **It does NOT include 509(a)(2), 509(a)(3) supporting, private foundations, or non – 501(c)(3) exempt organizations like 501(c)(4) or (6)**

Part II, Line 17 – 10% Facts & Circumstances

17a 10%-facts-and-circumstances test—2023. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the facts-and-circumstances test, check this box and **stop here**. Explain in Part VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization . . . . ☐

b 10%-facts-and-circumstances test—2022. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the facts-and-circumstances test, check this box and **stop here**. Explain in Part VI how the organization meets the facts-and-circumstances test. The organization qualifies as a publicly supported organization . . . . ☐

- Between 10% and 33 1/3%
- “Band-aid ” – shouldn’t be recurring for years
- Must provide an explanation in Part VI detailing how it meets requirements

Part III – Program Revenue Org - Basics

Schedule A (Form 990) 2023 Page **3**

Part III **Support Schedule for Organizations Described in Section 509(a)(2)**
(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 **Public support.** (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included on line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.)						
13 **Total support.** (Add lines 9, 10c, 11, and 12.)						

14 **First 5 years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2023 (line 8, column (f), divided by line 13, column (f)) 15 %
16 Public support percentage from 2022 Schedule A, Part III, line 15 16 %

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2023** (line 10c, column (f), divided by line 13, column (f)) 17 %
18 Investment income percentage from **2022** Schedule A, Part III, line 17 18 %
19a **33⅓% support tests—2023.** If the organization did not check the box on line 14, and line 15 is more than 33⅓%, and line 17 is not more than 33⅓%, check this box and **stop here.** The organization qualifies as a publicly supported organization ☐
b **33⅓% support tests—2022.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33⅓%, and line 18 is not more than 33⅓%, check this box and **stop here.** The organization qualifies as a publicly supported organization ☐
20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ☐

- 5-year rolling calculation
- Column F Line 8 divided by 13 must be more than 33 1/3%
- Organization must be over that threshold for either the current year or prior year – doesn't have to pass both years (lines 15-16)
- Not required to show % until year 6 from inception (line 13)

Part III, Line 1 - Contributions

Section A. Public Support

Calendar year (or fiscal year beginning in)	**(a)** 2019	**(b)** 2020	**(c)** 2021	**(d)** 2022	**(e)** 2023	**(f)** Total
1 Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.")						

Form 990 (2023) Page **9**

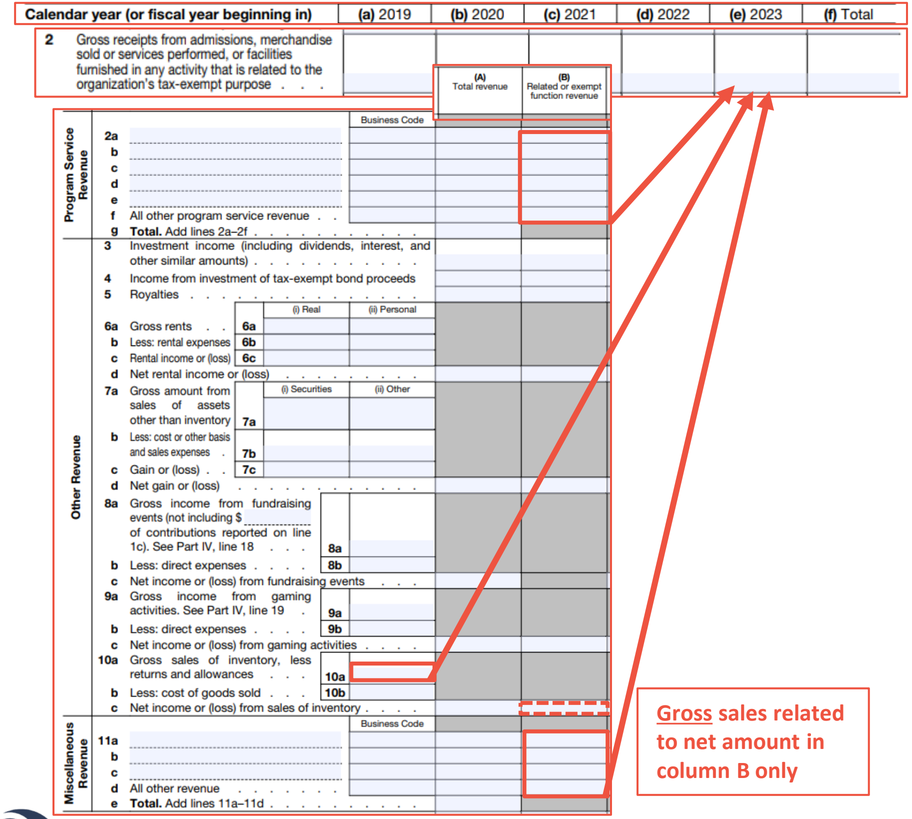
Part VIII **Statement of Revenue**

Check if Schedule O contains a response or note to any line in this Part VIII . . . . ☐

Contributions, Gifts, Grants, and Other Similar Amounts			**(A)** Total revenue	**(B)** Related or exempt function revenue	**(C)** Unrelated business revenue	**(D)** Revenue excluded from tax under sections 512–514
1a Federated campaigns	**1a**					
b Membership dues	**1b**					
c Fundraising events	**1c**					
d Related organizations	**1d**					
e Government grants (contributions)	**1e**					
f All other contributions, gifts, grants, and similar amounts not included above	**1f**					
g Noncash contributions included in lines 1a–1f	**1g**	$				
h **Total.** Add lines 1a–1f						

*Unusual grants and timing based on accrual vs cash already discussed for Part II but also applies to Part III

Part III, Line 2 – Related Activities



Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						

		Business Code	(A) Total revenue	(B) Related or exempt function revenue
Program Service Revenue	2a			
	b			
	c			
	d			
	e			
	f All other program service revenue			
	g **Total.** Add lines 2a–2f			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			
	4 Income from investment of tax-exempt bond proceeds			
	5 Royalties			
		(i) Real / (ii) Personal		
	6a Gross rents — 6a			
	b Less: rental expenses — 6b			
	c Rental income or (loss) — 6c			
	d Net rental income or (loss)			
		(i) Securities / (ii) Other		
	7a Gross amount from sales of assets other than inventory — 7a			
	b Less: cost or other basis and sales expenses — 7b			
	c Gain or (loss) — 7c			
	d Net gain or (loss)			
	8a Gross income from fundraising events (not including $ ______ of contributions reported on line 1c). See Part IV, line 18 — 8a			
	b Less: direct expenses — 8b			
	c Net income or (loss) from fundraising events			
	9a Gross income from gaming activities. See Part IV, line 19 — 9a			
	b Less: direct expenses — 9b			
	c Net income or (loss) from gaming activities			
	10a Gross sales of inventory, less returns and allowances — 10a			
	b Less: cost of goods sold — 10b			
	c Net income or (loss) from sales of inventory			
Miscellaneous Revenue	11a	Business Code		
	b			
	c			
	d All other revenue			
	e **Total.** Add lines 11a–11d			

Gross sales related to net amount in column B only

- **Gross receipts** from admissions, sales of merchandise, performance of services, or furnishing of facilities in any activity which is not an unrelated trade or business AND not excluded
- Program revenue in Line 2 might be related or UBI
- Rental income – related should be in Part VIII line 2 and investment should be in line 6
- Sales of inventory might be related, UBI, OR excluded
- Miscellaneous might be related, UBI, OR excluded

Part III, Line 3 – Non-UBI Activities

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
3 Gross receipts from activities that are not an unrelated trade or business under section 513						

- **Gross receipts** from admissions, sales of merchandise, performance of services, or furnishing of facilities in any activity which is not an unrelated trade or business AND not program reported in line 2
- Rental income – related should be in Part VIII line 2 and investment should be in line 6
- Sales of inventory might be related, UBI, OR excluded
- Miscellaneous might be related, UBI, OR excluded

Part III, Line 7a – Disqualified Person Payments

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
7a Amounts included on lines 1, 2, and 3 received from disqualified persons .						

- 100% of <u>any</u> payments on lines 1, 2, or 3 from **disqualified persons** (contributions, dues, or program fee)
  1. Substantial contributor, which is any person who gave aggregate amount of more than $5,000, if that amount is more than 2% of the total contributions foundation or organization received from its inception through end of year in which that person's contributions were received
  2. Foundation manager, defined as **officer, director, or trustee** of organization or any individual having powers or responsibilities similar to those of officers, directors, or trustees
  3. Owner of more than 20% of voting power of corporation, profits interest of partnership, or beneficial interest of trust or unincorporated enterprise that is substantial contributor to organization
  4. **Family member of individual in first three categories**
     1. For this purpose, "family member" includes only individual's spouse, ancestors, children, grandchildren, and great-grandchildren, and spouses of children, grandchildren, and great-grandchildren
  5. Corporation, partnership, trust, or estate in which persons described in (1) through (4) above own more than 35% of voting power, profits interest, or beneficial interest
- Doesn't include an organization described in section 509(a)(1)

Part III, Line 7b – Excess Payments

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of $5,000 or 1% of the amount on line 13 for the year						

- Gross receipts included on lines 2 and 3 from related activities received from person or governmental unit, other than from disqualified person, that exceed greater of $5,000 or 1% of amount on line 13 for applicable year
- May want to consider sub-payments if concerns about passing Part III's test (e.g., governmental units, hospital units, patients, etc.)

Part III, Line 10a – *Excluded* Gross Investment

Section B. Total Support						
Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties, and income from similar sources						

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512–514
3 Investment income (including dividends, interest, and other similar amounts)						
4 Income from investment of tax-exempt bond proceeds						
5 Royalties						
	(i) Real	(ii) Personal				
6a Gross rents . . 6a						
b Less: rental expenses 6b						
c Rental income or (loss) 6c						
d Net rental income or (loss)						
	(i) Securities	(ii) Other				
7a Gross amount from sales of assets other than inventory 7a						
b Less: cost or other basis and sales expenses . 7b						
c Gain or (loss) . . 7c						
d Net gain or (loss)						
8a Gross income from fundraising events (not including $ .... of contributions reported on line 1c). See Part IV, line 18 . . . 8a						
b Less: direct expenses 8b						
c Net income or (loss) from fundraising events . . .						
9a Gross income from gaming activities. See Part IV, line 19 . 9a						
b Less: direct expenses 9b						
c Net income or (loss) from gaming activities						
10a Gross sales of inventory, less returns and allowances . . . 10a						
b Less: cost of goods sold . . . 10b						
c Net income or (loss) from sales of inventory						

Other Revenue

<u>Gross</u> rent related to net amount in column D only

Does not include capital gain or loss on sale

Part III, Line 10b – Net UBI less tax

Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						

Form 990-T

Part I **Total Unrelated Business Taxable Income**

1	Total of unrelated business taxable income computed from all unrelated trades or businesses (see instructions)	**1**	
2	Reserved	**2**	
3	Add lines 1 and 2	**3**	
4	Charitable contributions (see instructions for limitation rules)	**4**	
5	Total unrelated business taxable income before net operating losses. Subtract line 4 from line 3 . .	**5**	
6	Deduction for net operating loss. See instructions	**6**	
7	Total of unrelated business taxable income before specific deduction and section 199A deduction. Subtract line 6 from line 5	**7**	
8	Specific deduction (generally $1,000, but see instructions for exceptions)	**8**	
9	**Trusts.** Section 199A deduction. See instructions	**9**	
10	**Total deductions.** Add lines 8 and 9	**10**	
11	**Unrelated business taxable income.** Subtract line 10 from line 7. If line 10 is greater than line 7, enter zero	**11**	

Part II **Tax Computation**

1	**Organizations taxable as corporations.** Multiply Part I, line 11, by 21% (0.21)	**1**	
2	**Trusts taxable at trust rates.** See instructions for tax computation. Income tax on the amount on Part I, line 11, from: ☐ Tax rate schedule or ☐ Schedule D (Form 1041)	**2**	

*Organizations with more than one unrelated trade or business may use either its UBTI calculated under section 512(a)(6) or its UBTI calculated in the aggregate

Part III, Line 11 – Net UBI

Section A. Public Support

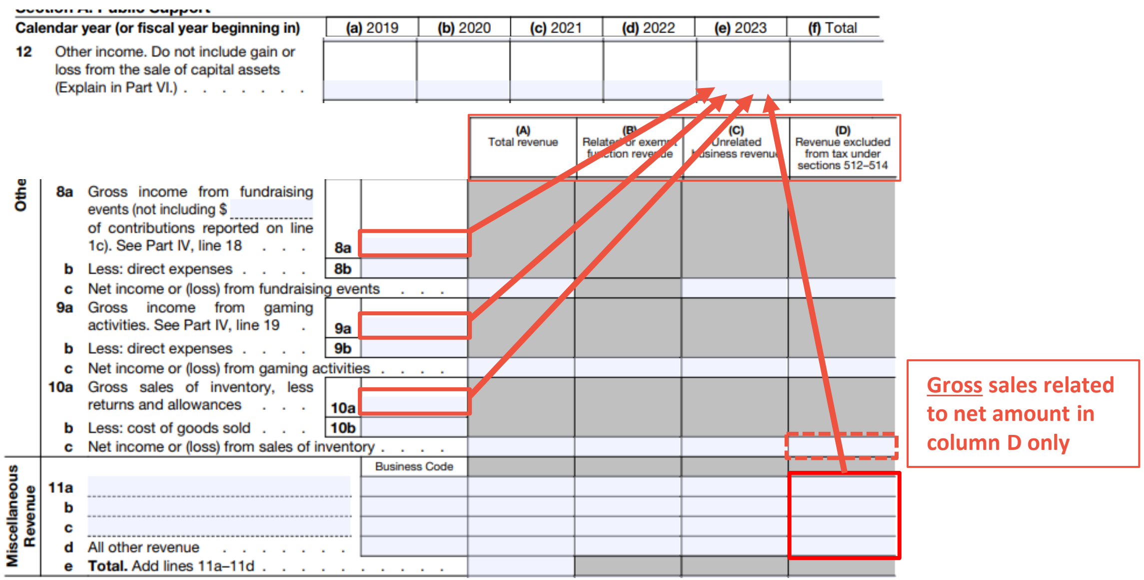
Calendar year (or fiscal year beginning in)	(a) 2019	(b) 2020	(c) 2021	(d) 2022	(e) 2023	(f) Total
11 Net income from unrelated business activities not included on line 10b, whether or not the business is regularly carried on						

Form 990-T

	Part I **Total Unrelated Business Taxable Income**		
1	Total of unrelated business taxable income computed from all unrelated trades or businesses (see instructions)	1	
2	Reserved	2	
3	Add lines 1 and 2	3	
4	Charitable contributions (see instructions for limitation rules)	4	
5	Total unrelated business taxable income before net operating losses. Subtract line 4 from line 3 . .	5	
6	Deduction for net operating loss. See instructions	6	
7	Total of unrelated business taxable income before specific deduction and section 199A deduction. Subtract line 6 from line 5	7	
8	Specific deduction (generally $1,000, but see instructions for exceptions)	8	
9	**Trusts.** Section 199A deduction. See instructions	9	
10	**Total deductions.** Add lines 8 and 9	10	
11	**Unrelated business taxable income.** Subtract line 10 from line 7. If line 10 is greater than line 7, enter zero	11	

*Organizations with more than one unrelated trade or business may use either its UBTI calculated under section 512(a)(6) or its UBTI calculated in the aggregate. If a net loss, enter “0” on this line.

Part III, Line 12 – Other Income



- **Gross receipts** from admissions, sales of merchandise, performance of services, or furnishing of facilities in any activity which is not an unrelated trade or business AND not deemed to be related to mission
- Fundraising and gaming not deemed related and often not UBI either
- Sales of inventory might be related, UBI, OR excluded
- Miscellaneous might be related, UBI, OR excluded

Important Takeaways

Amounts reported on Parts II and III of Schedule A should agree to amounts reported on Part VIII of Form 990

Consistent monitoring of your organizations public support test will identify any potential issues early

Schedule G, Part II

Schedule G

- Required when there is more than $15,000 of expense for professional fundraising services
  - 990 Part IV, question 17 is yes
- Required when gross income and contributions from fundraising events are more than $15,000
  - 990 Part IV, question 18 is yes
- Required when gross income from gaming activities is more than $15,000
  - 990 Part IV, question 19 is yes

Key Terms: Fundraising Events

- **Fundraising events** and activities are those endeavors with a primary purpose of raising funds for the organization by selling goods or services for more than their direct cost thereby having a contribution component
- Event refers to the fact that the fundraiser involves some event or activity, rather than being purely a solicitation of funds
- Examples include but are not limited to auctions, carnivals, concerts, dinners, sporting events

Key Terms

- **Gross receipts** include total amounts the organization received from all sources without subtracting any costs or expenses related to the event or activity
  - Examples: ticket/admission, contributions, auction proceeds, and other sales of goods or services
- **Contributions** included in gross receipts are the total amounts received where there is no adequate consideration or exchange transaction
- **Gross income** from the event is total gross receipts less contributions included in gross receipts

Key Terms

- **Direct benefit** is the cost or other basis (often estimated fair market value) in an exchange transaction that event attendees receive
  - Examples: value of auction items and other cash/non-cash prizes, food/beverage, entertainment, value of a round of golf
- **Direct expenses** include direct benefit expenses as well as other expenses incurred by the organization to host the event that are not a direct benefit to event attendees
  - Examples: printing/postage, decorations, cleaning

Reporting Income from Fundraising Events

- Reported on page 9 of Form 990 in Part VIII - Statement of Revenue and on Schedule G – Supplemental Information Regarding Fundraising or Gaming Activities, Part II – Fundraising Events
- Income from a fundraising event or activity can generate both event revenue (exchange transactions) reported on line 8a of Form 990, Part VIII as well as contribution revenue (non-exchange transactions) reported on line 1c (at the top)

Income from Fundraising Events

- It's important to capture the contribution amount that exceeds the FMV of the benefit received and report it separately on line 1c of page 9, Part VIII of Form 990
- The IRS reporting requirements will often result in reporting a loss from fundraising events due to the classification of the two components of gross receipts and the total direct expenses (including direct benefit costs) which will exceed the exchange type revenue

Event Example

- Local Museum, a Section 501(c)(3) organization, held a dinner and auction during the year
  - 250 tickets sold for $300 each = $75,000
  - FMV of each ticket was $75
  - Direct expenses of $21,000 were incurred
  - FMV of auction items donated was $16,000
  - Auction proceeds were $20,000

Event Example

- Gross receipts = $95,000
  - $75,000 ticket sales
  - $16,000 FMV of donated auction goods
  - $4,000 additional proceeds from auction (assume attendees had a charitable intent for the excess paid over FMV)
- Contribution = $76,250
  - $56,250 ticket price paid over FMV
    - $300 - $75 FMV of regular ticket = $225 multiplied by 250 tickets sold
  - $16,000 FMV of donated auction goods
  - $4,000 additional proceeds from auction

990 Reporting

Part VIII **Statement of Revenue**
Check if Schedule O contains a response or note to any line in this Part VIII . . . .

Contributions, Gifts, Grants, and Other Similar Amounts				(A) Total revenue	(B) Related or exempt function revenue
1a	Federated campaigns	1a			
b	Membership dues	1b			
c	Fundraising events	1c	76,250		
d	Related organizations	1d			
e	Government grants (contributions)	1e			
f	All other contributions, gifts, grants, and similar amounts not included above	1f			
g	Noncash contributions included in lines 1a–1f	1g	$ 16,000		
h	**Total.** Add lines 1a–1f			76,250	
			Business Code		

Note: If amount on line 1g is greater than $25,000, Schedule M will also be required

Schedule G (Form 990) 2023

Part II **Fundraising Events.** Complete if the organization answered "Yes" on Form 990, Part IV, lin than $15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 a gross receipts greater than $5,000.

Revenue		(a) Event #1 Gala (event type)	(b) Event #2 (event type)	(c) Other events (total number)
1	Gross receipts	95,000		
2	Less: Contributions . .	76,250	990 Part VIII Line 1c	
3	Gross income (line 1 minus line 2)	18,750		

990 Reporting

Schedule G (Form 990) 2023 — Page 2

Part II **Fundraising Events.** Complete if the organization answered "Yes" on Form 990, Part IV, line 18, or reported more than $15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than $5,000.

		(a) Event #1 Gala (event type)	(b) Event #2 (event type)	(c) Other events (total number)	(d) Total events (add col. (a) through col. (c))
Revenue	1 Gross receipts	95,000			95,000
	2 Less: Contributions	76,250			76,250
	3 Gross income (line 1 minus line 2)	18,750			18,750
Direct Expenses	4 Cash prizes				
	5 Noncash prizes				
	6 Rent/facility costs	5,200			5,200
	7 Food and beverages	8,800			8,800
	8 Entertainment	2,500			2,500
	9 Other direct expenses	3,500			4,500
	10 Direct expense summary. Add lines 4 through 9 in column (d)				21,000
	11 Net income summary. Subtract line 10 from line 3, column (d)				(2,250)

990 Part VIII Line 8a

990 Part VIII Line 8b

990 Part VIII Line 8c

The resulting net loss is not the sole indicator of an events success. Management and Boards must consider the contributions included as part of the overall analysis.

8a Gross income from fundraising events (not including $ 76,250 of contributions reported on line 1c). See Part IV, line 18	8a	18,750	
b Less: direct expenses	8b	21,000	
c Net income or (loss) from fundraising events			(2,250)

Other Fundraising Items

- Disclose deductible portion of tickets to donors if FMV of ticket is $75 or more
- If an event substantially furthers the organization's exempt purpose, is it a fundraising event or program service?

Important Takeaways

- Documentation is CRITICAL to prepare Schedule G
  - Plan to collect relevant data prior to the event
    - FMV of benefits received by attendees
    - FMV of auction items donated
    - Auction proceeds
    - Number of tickets sold
    - Number of attendees
    - Direct expenses
- Thoughtful identification of contribution revenue included in fundraising can have an important impact on public support test

Questions?

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Strengthen and Streamline Your Month-End Close

Automation, internal controls, and value-added analysis

June 2024

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Learning Objectives

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

1. Recognize the importance of the month-end close process
2. Identify common challenges and recommended practices for improvement
3. Identify ways to introduce or enhance technology in the process

Agenda

1. Month-end close: what to reconcile when and use of estimates
2. Technology options to consider
   - Accounts payable and credit cards
   - System integration
   - Report access
3. What to do with the “extra time” — value-added analysis

Month-End Close

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

Month-End Close

Month-End Close: Raise of Hands

On *what day* are your financials closed each month?

1. 5 days after month end
2. 10 days after month end
3. 15 days after month end
4. We are lucky to close at all the following month

Month-End Close

How often do you reconcile balance sheet accounts?

1. Monthly
2. Quarterly
3. Yearly
4. Depends

Month-End Close

Why reconcile balance sheet accounts monthly?

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

Month-End Close: Use of Estimates

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

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

Small Group Discussion

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

Technology and Automation

Technology and Automation

1. A/P and payroll
2. System integration
3. Report access

1. A/P and Credit Cards

#1 thing we hear holding up month-end close in nonprofits?

Accounts payable
(coding, approvals)

Credit cards
(receipts, coding, approvals)

Particularly important (and cumbersome) with cost reimbursement grants

How can you add automation and remove this month-end delay?

- Online bill pay platforms
- Expense management platforms
- Accountability mechanisms

2. System Integration

Small Group Discussion

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

2. System Integration

Time-saving system integrations we like

Bill pay
(integrates to book journal entries)

Month-end close software
(integrates to pull balances; house reconciliations)

Payroll with allocations
(some full integrations; others better upload/download)

Bank feeds

Fundraising systems
(similar to payroll; sometimes full integrations are great; other times an efficient upload/download makes more sense)

Financial report generation
(makes your reports look amazing)

3. Report Access

By granting more people in your organization read-only access to (appropriate) financial information, you can empower them to:

- Review financial information throughout the month and spot errors/coding changes mid-month vs. at month-end

- Allow budget owners to see budget v. actual (particularly on the expense side)
- Gain a better understanding of the financials of the organization

Value-Added Analysis

What to do with all that extra time?

Raise of Hands …

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

	1	2	3
Review results and bring questions/observations to the team to discuss	✓	✓	✓
Financials produced are standard packet (SOA, SOFP)	✓	✓	✓
Analysis of key highlights at a summary and/or line-item level		✓	✓
Dashboard or graphic representation of the financials		✓	✓
Updated forecast showing where the organization is likely to end the year			✓
Interactive tools to allow budget owners and/or governance to analyze performance to-date			✓

Questions?

Thank You!

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Sound Financial Practices – Cash Flow Analysis

June 2024

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Learning Objectives

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

- Explain the importance of cash flow when managing a business
- Identify key nonprofit cash reports and how they are used
- Recognize the reports needed to monitor the business at all organizational levels
- Discuss how to read, understand, and ask good questions about key nonprofit financial reports

Agenda

What is a statement of cash flows?

How to create and use a cash flow projection

Think, pair, share

Other statements - statement of activities and statement of financial position

Insights from your cash flow projection

Q&A

Key Nonprofit Financial Reports

Statement of Cash Flows

Cash Flow Projection

Sections of the Statement of Cash Flows

1) Operating

2) Investing

3) Financing

The Basics

Operating

- Think about this as cash that comes in and out from running the organization day to day

Investing

- Any cash that is USED to increase long-term assets on the balance sheet, such as buying equipment

Financing

- Any cash that is BROUGHT IN that isn't daily operations, such as securing a loan

Statement of Cash Flows	
Cash Flows from Operations	
Cash received from contracts	50,000.00
Cash received from contributions	250,000.00
Cash paid to employees	(275,000.00)
Net Cash from Operations	25,000.00
Cash Flows from Investing	
Equipment purchases	(5,500.00)
Net Cash from Investing	(5,500.00)
Cash Flows from Financing	
Credit Card Payments	(4,000.00)
Loan Payments	(7,500.00)
Net Cash from Financing	(11,500.00)
Increase (Decrease) in Cash	8,000.00
Cash at Beginning of Year	2,500.00
Cash at End of Year	10,500.00

Cash Flow Projection

Given the projected cash revenues and expenses, what is the organization's ability to cover cash operating costs?

This is typically one of the only non-accrual reports.

Takes beginning cash balance, adds expected cash in, and subtracts expected cash out over 6-12 months

The statement should fit on one page

It should have sufficient detail to understand financial condition, but not so much detail that it is challenging to discern trends and yellow/red flags.

Key Questions

- Are there months that the cash balance is projected to be below zero?
  - If so, what can be done to increase cash flow and/or decrease or delay expense?
- Are there large cash balances at the end of a given month?
  - If this happens over extended periods of time, should this cash be invested or otherwise protected?
- Do the projections seem realistic given what has been observed on the Statement of Activities?
  - The statement should be an accurate reflection of the cash position.

Simple Cash Flow Projection

	Budget Jan - Feb 2022	Actuals Jan - Feb 2022	+/-	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Checking Acct at Beg of the Year	**$189,909**	**$189,909**		**$51,284**	**$48,845**	**$66,536**	**$77,896**	**$213,332**	**$232,799**	**$211,559**	**$213,820**	**$109,739**	**$160,925**
Cash Expenses													
Total Compensation	$229,614	$229,964	($350)	$90,315	$90,315	$90,315	$90,315	$90,315	$90,315	$90,315	$90,315	$90,315	$90,315
Professional Consulting	$12,850	$9,003	$3,847	$5,425	$7,425	$5,425	$5,425	$7,425	$5,425	$5,425	$7,425	$5,425	$5,425
Communications	$19,663	$12,485	$7,178	$1,525	$18,138	$0	$0	$13,751	$0	$0	$13,751	$0	$0
Misc Program Expenses	$44,525	$33,444	$11,081	$2,550	$11,975	$5,050	$17,050	$24,475	$17,550	$17,550	$11,975	$2,550	$2,550
Events	$5,500	$0	$5,500	$15,000	$6,000	$5,000	$0	$0	$0	$0	$0	$0	$0
Donor Cultivation & Meetings	$300	$62	$238	$150	$150	$650	$150	$150	$150	$150	$275	$275	$275
General & Administrative	$27,953	$22,045	$5,908	$12,174	$11,007	$11,400	$8,650	$9,617	$8,000	$9,000	$9,615	$8,450	$8,750
Total Cash Expenses	**$340,405**	**$307,003**	$33,402	**$127,139**	**$145,010**	**$117,840**	**$121,590**	**$145,733**	**$121,440**	**$122,440**	**$133,356**	**$107,015**	**$107,315**
Average Cash Burn Rate	$170,203	$153,502											
Transfers (to)/from MMA Account	$100,000	$100,000	$0	$30,000	$0	$0	-$100,000	$0	$0	$0	$0	$0	$0
Cash Receipts:													
Foundations	$60,000	$58,000	($2,000)	$50,000	$92,500	$65,000	$350,000	$165,000	$100,000	$120,000	$25,000	$145,000	$100,000
Individuals, Business, Family Foundations	$350	$1,336	$986	$2,175	$60,175	$14,175	$6,000	$175	$175	$4,175	$4,250	$13,175	$5,175
Event Sponsors	$10,000	$9,000	($1,000)	$41,500	$10,000	$0	$0	$0	$0	$0	$0	$0	$3,500
Other	$0	$0	$0	$1,000	$0	$50,000	$1,000	$0	$0	$500	$0	$0	$0
Interest Income - checking account	$50	$42	($8)	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25
Total Cash Receipts	**$70,400**	**$68,378**	($2,022)	**$94,700**	**$162,700**	**$129,200**	**$357,025**	**$165,200**	**$100,200**	**$124,700**	**$29,275**	**$158,200**	**$108,700**
Checking Acct Balance at Month End	**$19,904**	**$51,284**	**$31,380**	**$48,845**	**$66,536**	**$77,896**	**$213,332**	**$232,799**	**$211,559**	**$213,820**	**$109,739**	**$160,925**	**$162,310**
Atlantic Trust Investment Acct at Month End (FMV)	$1,055,788	$1,081,710	$25,922	$1,058,733	$1,060,206	$1,061,678	$1,063,151	$1,064,623	$1,066,096	$1,067,568	$1,069,041	$1,070,513	$1,071,986
Money Market Acct	$223,381	$223,500	$119	$193,500	$193,578	$193,655	$293,733	$293,810	$293,888	$293,965	$294,043	$294,120	$294,198
CDARs Account	$100,668	$100,663	($5)	$100,698	$100,713	$50,728	$50,743	$50,758	$50,773	$50,788	$50,803	$50,818	$50,833
TOTAL ALL ACCOUNTS	**$1,399,741**	**$1,457,157**	**$57,416**	**$1,401,776**	**$1,421,032**	**$1,383,957**	**$1,620,958**	**$1,641,990**	**$1,622,315**	**$1,626,141**	**$1,523,625**	**$1,576,376**	**$1,579,326**
Total Checking & Money Mkt Accounts	$243,285	$274,784	$31,499	$242,345	$260,113	$271,551	$507,064	$526,609	$505,447	$507,785	$403,782	$455,045	$456,508

Think, Pair, Share

Take 60 seconds to think to yourself

- Do you currently do a cash flow projection? How often?
- What is your board's involvement?
- What advice do you have for others?
- What questions do you have?

Take 4-5 minutes to share with your peers in the breakout

- Nominate one person to share with the group

Report out from each group

- One minute report out from each group

Other Key Nonprofit Financial Reports

Statement of Activities (Income Statement)

Statement of Financial Position (Balance Sheet)

Statement of Activities – Income Statement

How is the organization performing financially compared to where you thought you would be, and where you were historically

Separates money in – revenue; and money out – expense – usually shows comparisons both in dollars and percentages and then shows a bottom-line surplus/deficit (color coding is nice – red=bad)

The statement should fit on one page and have sufficient detail to understand the financial condition, but not so much detail that it's challenging to discern trends and yellow/red flags

Often, this should be accompanied by a narrative sheet to explain key findings – differences from plan don't necessarily equal bad – they do deserve an explanation

Key Questions

- Which items have significant differences from where you thought you'd be or where you were a year ago? Why?
- Are the budgeted projections reasonably accurate?
  - If so, celebrate – if not, why?
  - A budget is meant to be a learning document.
- If there are yellow/red flags on current position – what is the plan to adjust in the balance of the year?
- Which costs are "sunk" and which are "variable"?
- If more detail on any item is needed, it should be documented with a specific action plan for follow up

Sample Statement of Activities

										Variance	%
	May Actual	May Bdgt	Variance	%	YTD Actual	YTD Bdgt	Variance	%	LY Actual	vs. LY	vs. LY
Earned Revenue											
Program Fees	$2,345	$2,500	($155)	-6%	$10,700	$10,000	$700	7%	$7,850	$2,850	36%
Concession Sales	$985	$500	$485	97%	$1,578	$1,250	$328	26%	$954	$624	65%
Other Income	$2,961	$1,000	$1,961	196%	$5,200	$6,000	($800)	-13%	$5,654	($454)	-8%
Total Earned Revenue	$6,291	$4,000	$2,291	57%	$17,478	$17,250	$228	1%	$14,458	$3,020	21%
Contributed Revenue											
Corporate Contributions	$0	$0	$0	0%	$9,850	$10,000	($150)	-2%	$15,000	($5,150)	-34%
Individual Contributions	$25,400	$15,000	$10,400	69%	$125,700	$100,000	$25,700	26%	$110,658	$15,042	14%
Board Contributions	$5,200	$2,500	$2,700	108%	$7,500	$10,000	($2,500)	-25%	$25,000	($17,500)	-70%
Grants - Foundations	$50,000	$50,000	$0	0%	$125,000	$110,000	$15,000	14%	$110,000	$15,000	14%
Grants - Government	$0	$0	$0	0%	$40,000	$40,000	$0	0%	$35,000	$5,000	14%
Special Events	$985	$1,000	($15)	-2%	$985	$1,000	($15)	-2%	$1,200	($215)	-18%
Contributions In-Kind	$0	$0	$0	0%	$0	$0	$0	0%	$0	$0	0%
Total Contributed Income	$81,585	$68,500	$13,085	19%	$309,035	$271,000	$38,035	14%	$296,858	$12,177	4%
TOTAL REVENUE	$87,876	$72,500	$15,376	21%	$326,513	$288,250	$38,263	13%	$311,316	$15,197	5%
Expenses											
Salaries and Benefits	$62,356	$62,500	($144)	0%	$374,765	$375,000	($235)	0%	$322,645	$52,120	16%
Program Costs (excluding salaries)	$1,125	$1,275	($150)	-12%	$4,345	$5,000	($655)	-13%	$3,854	$491	13%
Marketing Costs (excluding salaries)	$489	$500	($11)	-2%	$1,746	$2,000	($254)	-13%	$1,500	$246	16%
Development Costs (excluding salaries)	$1,896	$2,500	($604)	-24%	$4,214	$3,750	$464	12%	$3,875	$339	9%
General & Admin (excluding salaries)	$1,896	$2,000	($104)	-5%	$8,975	$10,000	($1,025)	-10%	$7,898	$1,077	14%
Indirect Costs	$963	$1,000	($37)	-4%	$5,274	$6,000	($726)	-12%	$5,146	$128	2%
Depreciation & Amortization	$439	$450	($11)	-2%	$2,634	$2,700	($66)	-2%	$2,600	$34	1%
Interest Expense	$250	$250	$0	0%	$1,500	$1,500	$0	0%	$525	$975	186%
Total Expenses	$69,414	$70,475	($1,061)	-2%	$403,453	$405,950	($2,497)	-1%	$348,043	$55,410	16%
NET SURPLUS/(DEFICIT)	**$18,462**	**$2,025**	**$16,437**	**812%**	**($76,940)**	**($117,700)**	**$40,760**	**(34.63%)**	**($36,727)**	**($40,213)**	**109.49%**

Statement of Financial Position – Balance Sheet

This is a snapshot of the financial position of the organization at one point in time

Often compared against where the organization was at the same time the previous year, or at the end of the last fiscal year

Separates assets – cash, investments, prepaid expenses, and money owed to the organization (receivables); and liabilities

Money the organization owes (payables), debt, money received for future work. These amounts are typically further separated by short-term and long-term

Provides a breakdown of net assets

Separated into restricted and unrestricted categories

The statement should fit on one page

It should have sufficient detail to understand the financial condition, but not so much detail that it's challenging to discern trends and yellow/red flags

Key Questions

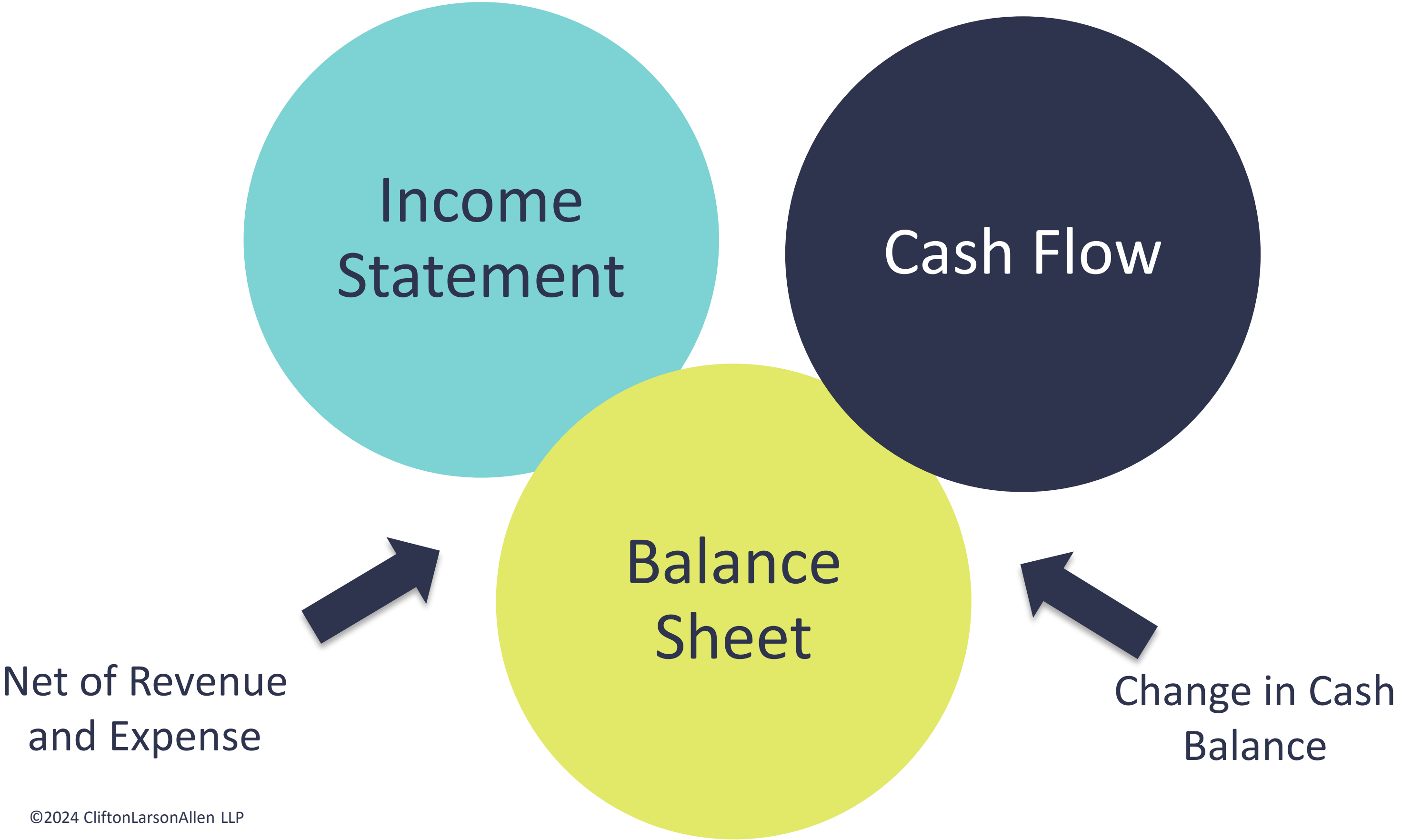
- Are there sufficient liquid assets (cash) to operate?
  - Are funds FDIC secure?
- Which items have significant differences from where you were previously? Why?
- If there are significant receivables, what are the plans to collect?
- If there are significant payables, why?
  - This can be a good cash management technique, and also very problematic.
- How much of your net assets are unrestricted v. restricted?
  - If mostly restricted, does the organization have the funding to fulfill these restrictions, and also operate effectively?
- If there are yellow/red flags on current position – what is the plan to adjust in the balance of the year?
- If more detail on any item is needed, it should be documented with a specific action plan for follow up

Sample Statement of Financial Position

BGC of Anywhere
Statement of Financial Position (Balance Sheet)
as of June 30, 2017
UNAUDITED

	FY 17	FY 16	
Assets			
Current Assets	06/30/17	12/31/16	+/-
Checking account	104,504	116,031	(11,527)
Money Market Account	114,067	198,926	(84,859)
CDARs Account	-	50,332	(50,332)
Investment Portfolio at FMV	1,016,896	998,344	18,552
Pledges & Grants Receivable - Short term	310,752	617,269	(306,517)
Prepaid Expenses & Other Receivables	73,356	86,539	(13,183)
Total Current Assets	1,619,575	2,067,441	(447,866)
Pledges & Grants Receivable- Long term	593,593	593,593	-
Fixed Assets (Net)	41,634	44,564	(2,930)
Total Assets	**2,254,802**	**2,705,598**	(450,796)
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	58,187	64,325	(6,138)
Deferred Revenue	-	3,500	(3,500)
Accrued employee benefits/payroll	23,927	40,383	(16,456)
Total Current Liabilities	82,114	108,208	(26,094)
Net Assets			
Net assets - Unrestricted	785,006	751,621	33,385
Net Assets - Restricted	1,387,682	1,845,769	(458,087)
Total Net Assets	2,172,688	2,597,390	(424,702)
Total Liabilities and Net Assets	**2,254,802**	**2,705,598**	(450,796)

Relationship Between the Statements



Insights from Your Cash Flow

Over time, your cash flow projection provides a close-up analysis of your organization's spending and fundraising habits.

Understanding these habits and general flow of cash allows the organization to create more accurate budgets, and weather the ebbs and flows of economic vibrations and volatility

Allows you to uncover potential risks and opportunities regarding your financial situation.

Questions?

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Revenue Recognition and Endowment Accounting

Top Pain Points of Revenue Transactions

June 2024

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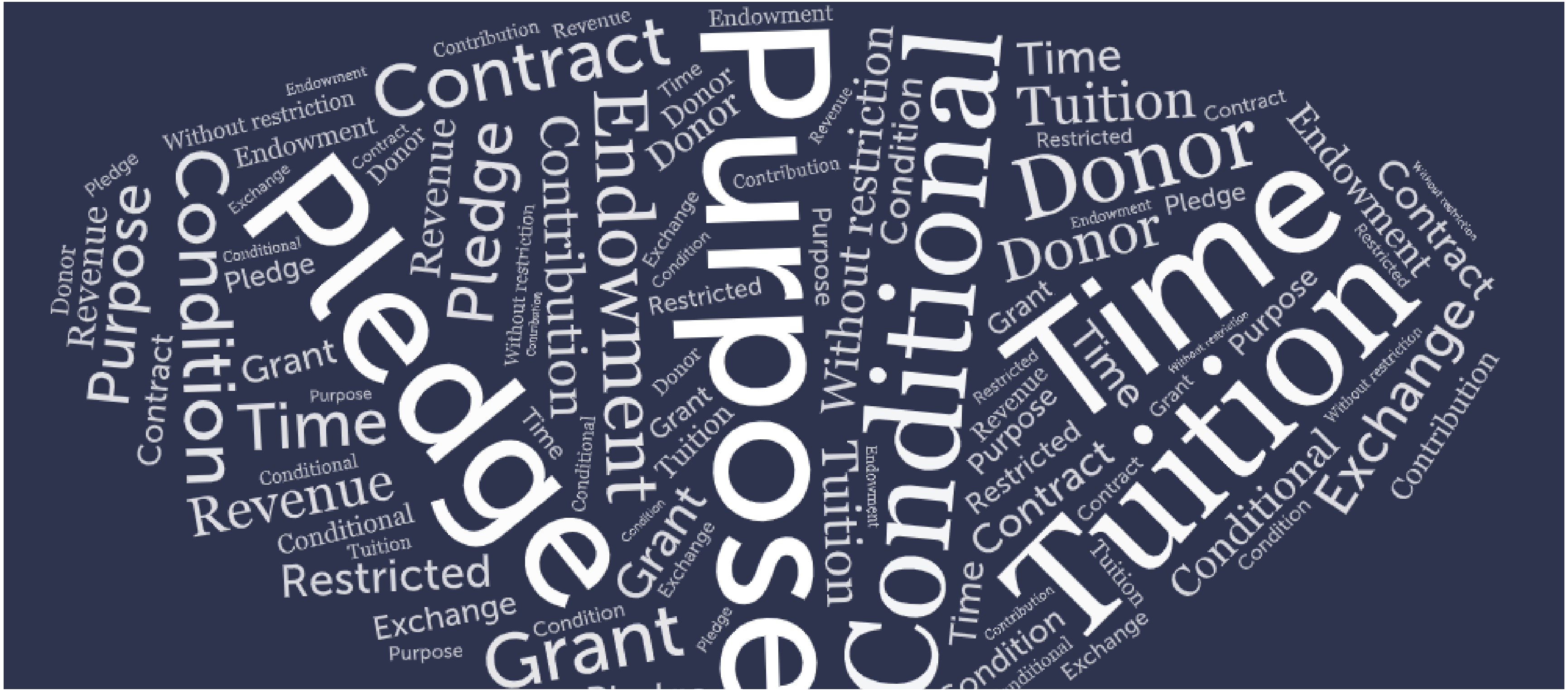
Learning Objectives

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

- Recall how to apply revenue recognition principles and requirements
- Recognize different types of revenue
- Identify endowment accounting and reporting requirements
- Identify different types of endowments and how they should be accounted for
- Recall how to apply endowment accounting principles to nonprofit organizations

So Many Words Come to Mind



Common Types of Revenue

Grants

Exchange vs nonexchange

Cost reimbursement

Contributions

Without restrictions vs unconditional

Restricted vs Conditional

- Time vs purpose
- Promises to give

Program Fees

Fees charged for services, ie tuition, medical services

With Restrictions vs. Without Restrictions

- Contribution – unconditional transfer of an asset to an entity in a voluntary, nonreciprocal transfer
    - Without restrictions – free to use when and for whatever purpose you want
    - With donor restrictions – restrictions imposed by donor that expire with passage of time or fulfillment of purpose
- Record upon the receipt of the contribution at fair market value

Common Mistakes: What to Watch Out For

- Not recording until receive the cash/asset
- Not properly recording as restricted vs without restrictions
- Missing the recording of in-kind/donated items
- Reviewing grant/donor letter for purpose restrictions

Common Mistakes: What to Watch Out For

- Missing conditions that must be met
- Board designation vs donor restrictions
- Not maintaining proper documentation
- Releasing revenue prior to satisfying restriction purpose

How to Deal With Grants

- Can be part contribution and exchange transaction
- Types of grants:
  - Cost reimbursement – reimbursed for allowable costs.
    - Typically will record receivable for the revenue when costs are incurred
    - Sometimes can receive in advance – if there is a condition and a barrier to receiving the funds, must record as deferred revenue
  - Units of Service (Performance Grants) – amount to be paid based on a predetermined amount based on units of services provided; ie per child served/cases opened/hours of work;
    - Record revenue at time of services being rendered

How to Deal With Grants

- Types of grants:
  - Program support/Operating grant – provided to subsidize operations
    - Unless conditional, record at time of receipt of award
    - Without restrictions unless donor designates specific program

Accounting for Endowments

Endowment - is a donation of money or property to a non-profit, with the stipulation that it be invested, and the principal remain intact in perpetuity or for a defined time period.

Income generated from the investment is used to support the NFP’s activities or a specific purpose, so can be with restrictions or without restrictions

Accounting for Endowments

Quasi endowment - aka board-designated endowment, is a portion net assets without restrictions the board has designated to function as an endowment

Quasi endowment does not have a donor-imposed restriction on the principal. The board has decided to treat the funds as if they were endowed. Income is to be used as specified by the board

Conclusion

Learn to recognize the different type of revenue streams that your organization maintains

Record those revenue streams consistently all year

Maintain documentation of the type of revenue/grant documents/pledge forms/endowment agreements

Reach out if you have questions, we are here to help!

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Lunch Noon-12:30 p.m.

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Single Audit Update

Discussion on the Latest Developments and Changes

June 2024

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Learning Objectives

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

1. Recall the latest developments and changes related to the single audit process, including key information in the 2024 Compliance Supplement and specific program updates of relevance to nonprofit organizations

2. Recognize the roles and responsibilities of auditors, auditees, and other stakeholders involved in the single audit process

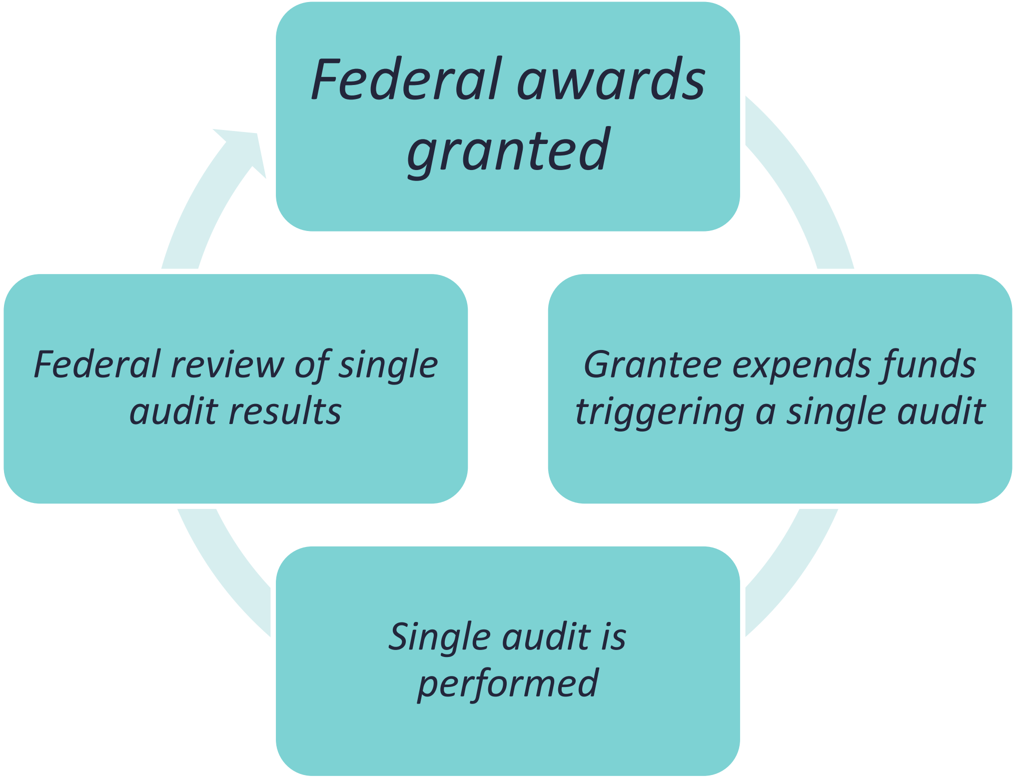
3. Identify recent changes to audit requirements and how they may impact the single audit process

4. Discuss the importance of effective communication and collaboration between auditors and auditees during the single audit process

5. Identify the GAQC/AICPA resources and tools available to auditors and auditees to help them navigate the single audit process

Single Audit

A single audit is performed by an independent external auditor of an organization’s financial statements, and compliance with federal program requirements for programs identified as major for the audit.



Key Responsibilities in a Single Audit

Auditor's Responsibility

- Major program determination
- Obtain supporting evidence from Organization
- Perform audit procedures
- Report findings
- Express an opinion on financial statements and federal program compliance in accordance with the applicable standards and Uniform Guidance

Key Responsibilities in a Single Audit

Auditee's Responsibility

- Maintain and monitor compliance and internal control over compliance with federal statutes, regulations, and terms and conditions of awards
- Schedule of Expenditures of Federal Awards (SEFA)
- Data Collection Form (DCF)
- Summary of Prior Audit Findings & Corrective Action Plan
- Arrange for the single audit and ensure submitted when due
- Provide auditor with supporting documentation as needed to perform audit procedures

Importance of Auditor/Auditee Relationship Throughout Single Audit

- Complexities of single audit
- Planning of timing of single audit
- Each single audit ***will*** differ
- Various key players involved
- Collaboration and communication improves efficiency throughout audit
- Importance of a single audit
  - Significant public interest component
  - Reliance by federal agencies

Quick Knowledge *Check*

What ***is*** the OMB Compliance Supplement?

OMB Compliance Supplement

Extensive guide, issued by the OMB, for non-profit & for-profit entities and their auditors

To understand and comply with grant, contract and federal requirements

Tool to prepare for the audit & build a strong control environment to administer federal grants

2023 Compliance Supplement

- Issued May 2023
- Effective for years beginning after June 30, 2022

Federal Audit Clearinghouse (FAC)

***Out with the old*:**
- US Census Bureau (Census)

***In with the new*:**
- US General Service Administration (GSA)
  - *Effective 10/1/2023*

Other Key Items

Audit Advisories – COVID-19

Appendix IV – Programs with higher risk designation

Part II – Matrix of compliance requirements changes

- New programs
- Decoupled programs
- Removed programs
- Other requirements

Other Key Items

Continued

Infrastructure Investment and Jobs Act (IIJA) Funding

- NOT identified as COVID-19 funding

FEMA Funding

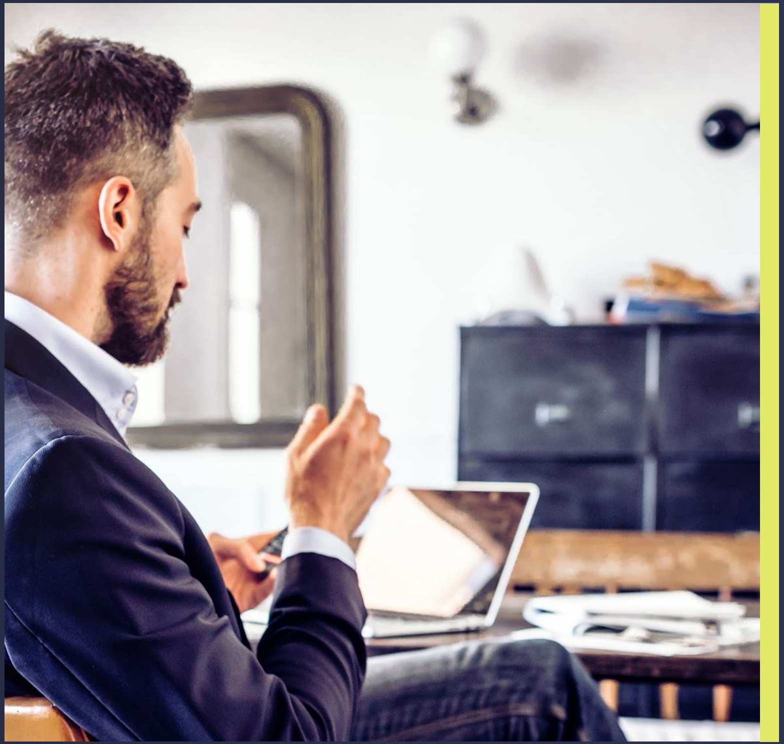
- Reported on the SEFA when project is approved

Build America, Buy America Act

- Verify your Organization's understanding and compliance

2024 Compliance Supplement

- Issued May 2024
- Effective for years beginning after June 30, 2023



2024 Uniform Guidance Changes

Requirements for Single Audits

Upcoming Changes

Threshold updates

- Increasing the single audit threshold - $750,000 to $1,000,000
- Increasing the Type A program threshold - $750,000 to $1,000,000
- Raising the de minimus indirect cost rate percentage - 10% to 15%
- Increasing the capital expenditure threshold - $5,000 to $10,000
- Allowing fixed amount subawards up to $500,000
- Updated definition of modified total direct costs

Upcoming Changes

Procurement updates

- Contracting with “Veteran-Owned Businesses” (§ 200.321)
- “When possible, the recipient or subrecipient should ensure” in lieu of “affirmative steps must be taken” (§ 200.321)
- “Simplified acquisitions” in lieu of “small purchases” (§ 200.320(2))
- Remove restrictions for geographic preference requirements (§ 200.319)
- Prioritize environmentally sustainable products & services (§ 200.323(b))

Upcoming Changes

Other updates

- “OMB Guidance for Federal Financial Assistance”
- Cybersecurity-related internal controls
- Clarification of program income
- Modifications to period of performance
- Requirements for pass-through entities
- Use of recipient and subrecipient in lieu of non-federal entity
- Removal of prior written approval requirements for various costs
- Questioned costs definition

What does this mean for your Organization?

- Increased accessibility of federal funding to smaller entities
- Potential reduction of a single audit burden with the increased threshold
- Reduced recipient burden from removal of prior written approval requirements
- More realistic recovery of indirect costs, which can benefit new/inexperienced entities
- Threshold updates may reduce workload & ease admin burden

Overall, the changes are intended to strengthen and streamline administration of federal financial assistance and to help recipients of federal funding focus more on the people they serve and to deliver results for their communities.

Important Next Steps

What are the next steps that I can take for my Organization?

- Be proactive to become familiar with new changes and how they impact your entity
- Revise policies, procedures, and internal controls
- Train staff so they are aware of changes
- Communicate with key players
- We are happy to help you along the way! *CLA has an experienced team of professionals digging into the new changes and can help you navigate the complexities of federal grants.*

GREAT Act

Grant Reporting Efficiency and Agreements Transparency Act of 2019

GREAT Act

- Requires the OMB and HHS to:
  - Establish government-wide data standards for grant reporting
  - Issue guidance directing federal agencies to apply those standards
  - Require publication of recipient-reported data collected from all agencies on a single public website

GREAT Act

- Purpose and Benefits:
  - Modernize, simplify and improve grantee reporting
  - Improved oversight of federal funding and greater transparency
  - Have grantees spend less time on reporting and more time delivering services that benefit society
- Statutory requirement deadlines

GAQC/AICPA Resources and Tools

AICPA Website

GAQC Single Audit Resources

AICPA Single Audit Resources

CLA

Reach out if you have questions. We are here to help!

Questions?

Thank you.

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Panel Discussion: Ask Your Accountant

June 5 & 6, 2024

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Learning Objectives

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

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

Open Discussion

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

Questions?

- How do you decide what goes in the management letter?
- What is a standard practice in terms of how long it should take to close your books on a monthly basis?
- What reports should I be giving my department heads on a monthly basis?
- How can you tell if revenue is unrelated business income or UBI?

Questions?

- What is the most common software for tracking donors?

- What is the most common management letter comment you see and how can that be avoided?

- Can you please explain Schedule G in the Form 990 ☺?

Thank you!

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20 Minute Break

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When to Know You Need a New Finance System and How to Choose One If You Do

June 2024

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Background

Speaker Introduction

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Digital Growth Director

- CEO MIP Inc.
- President of JMT Consulting Group
- President of Orange Leap
- Senior Nonprofit Executive – Intacct
- VP of Partner Sales – Sage Intacct

Learning Objectives

- Identify how to determine when you have outgrown your financial software
- Identify different solutions to consider in evaluating new software
- Define the critical decision points in choosing a new solution
- Identify the process to determine the return on investment of a new solution

Awareness

Recognize the Trends and Benefits of Financial System Automation and Integration

Automation and optimization

Why a Modern Finance System? Address These Issues

The business experiences	The CFO experiences	The user experiences
Overworked staff who are compensating for technology that is not fully utilized or integrated	Limited visibility to accurately and timely manage cash and budget	Increased usage of spreadsheets with limited functionality
Increased costs and resource requirements associated with maintaining on-premise hardware and software and/or manual paper-based processes	Increased manual effort to access critical financial information and reports	Limited ability to access financial data anywhere, anytime, from any device
Reduced productivity and user satisfaction	Increased exposure to a breakdown in controls	Limited integration between systems, causing manual data re-entry
Lack of real-time access and visibility to financial data	Reduced ability to provide strategic vision while bogged down in manual accounting tasks	
Challenges integrating multiple locations, business units, or currencies due to growth and expansion		

Are You Fully Leveraging the Cloud?

Consider these *6 questions*:

1.	Are we able to **execute all operations remotely**?	Anytime, anywhere access with no VPN connection needed
2.	Is my team still engaged in **manual inefficient or error-prone processes**?	Cloud drives higher ROI through time savings and process efficiencies
3.	Does my financial system need to **integrate** with other applications?	Payroll, fundraising software, billing, AP automation, expense management
4.	Are budget owners and program managers able to **access to budget-to-actual reporting** without the assistance of finance?	Cloud should drive real-time visibility
5.	Does my organization struggle with **lengthy month-end closes**?	Streamline consolidations and closes; eliminate silos of data
6.	Do we need to **closely manage costs of software**?	Cloud vendor amortizes costs allowing you to receive leading infrastructure allowing continuous backups, disaster recovery, and superior security for less

Assess

Identify Major Pain Points and Recognize Where to Enhance

Working smarter — what to expect

Optimization Approach and Methodology

You need a holistic plan to distill your goal for optimization into action. As Dale Carnegie said:

"An hour of planning can save you ten hours of doing."

Discover

- Documentation review
- Interviews and walkthroughs
- Identify systems requirements

*Take the time to understand the root causes of the pain points that you are experience. Also take time to **envision** an ideal state.*

Assess

- Evaluation
- Observations
- Recommendations

Review issues, improvement opportunities, and critical success factors to align best practices and draft a conceptual target state.

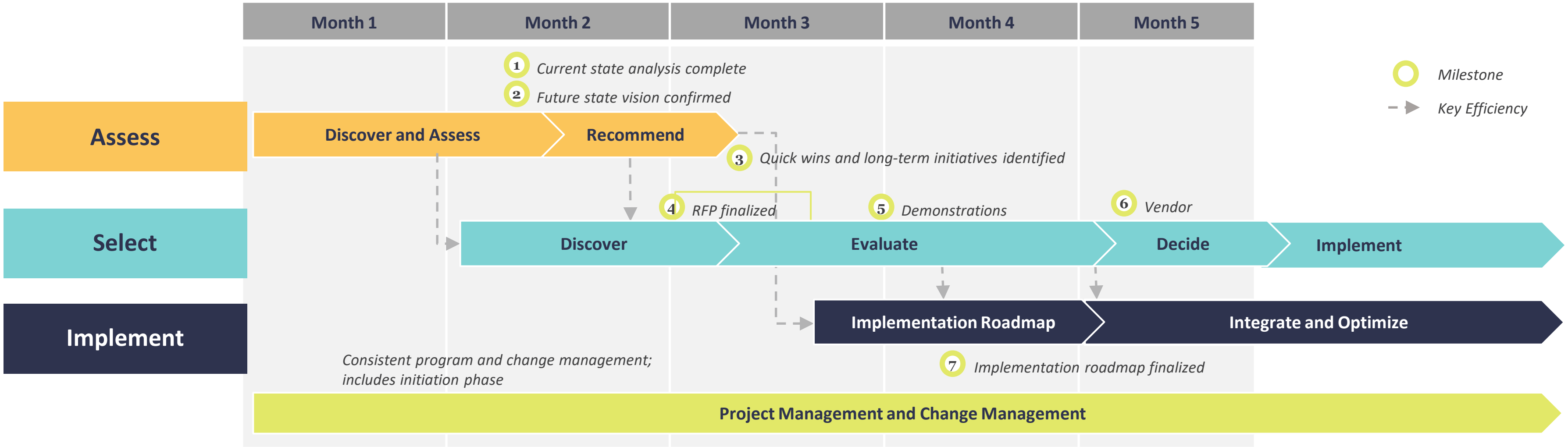
Optimize

- Prioritize
- Implementation roadmap
- System selection and optimization

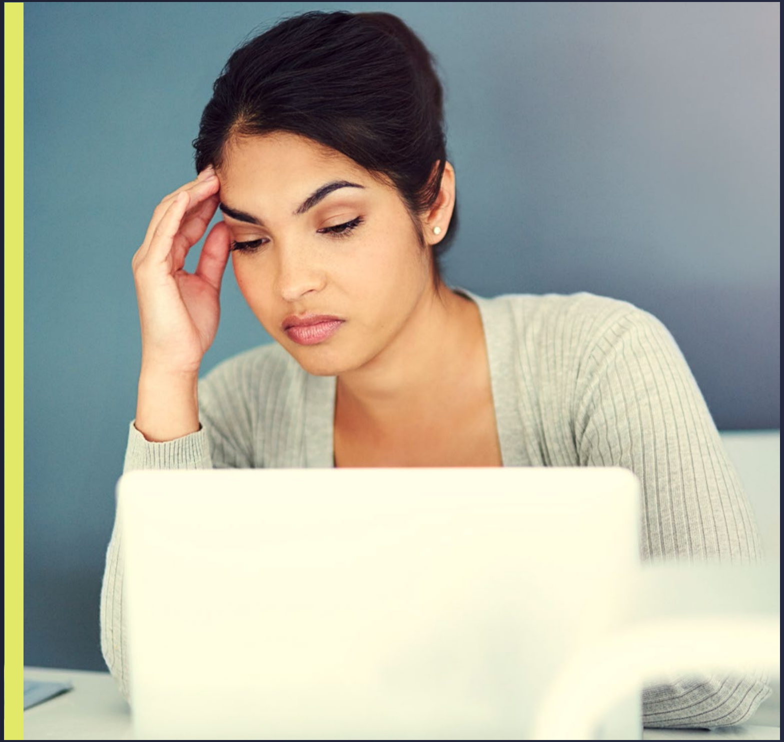
Prioritize opportunities to achieve the future state, create an actionable plan to get there, and determine the "quick wins."

Structure • Process • Systems

CLA's Assessment and Implementation Approach



What Is Driving You Toward Change?



- What is your biggest pain point with your finance and operations today?
- Are you receiving the data you need to run your business when you need it?
- Do you wish you had a real-time dashboard to see daily cash flow or key performance indicators (KPIs)? How about budgeting? Forecasting?
- Is your accounting team always behind due to too many manual processes? or massaging of data? Or waiting on data from other teams?
- Do you have integration issues with other software that impacts accounting?

Example Areas of Focus for Optimization

Spend Management

- Approval workflows and audit trails
- Machine learning and text recognition to speed data input
- Elimination of paper receipts — card transactions
- Virtual cards (pre-approval of card purchases and management of digital subscriptions)
- Integration with GL to improve timeliness
- Supplier integration and purchase policies

Month-End Close and Reporting

- Artificial intelligence (AI) anomaly detection to reduce errors and speed month-end review
- Bank feeds
- Allocation automation:
  - Release from restrictions
  - Functional expenses, payroll allocations
  - Shared revenue/expenses for multi-sites
- Real-time visibility and oversight
  - Drill down reporting
  - Interactive graphs and metrics

Where Do I Begin?

"Instead of focusing on solving a problem, start by focusing on different ways to *see* the problem."

- Greg McKeown

- Brainstorm a list of problem areas; where are the gaps in current system functionality?
- Brainstorm a list of "what could be" (future focused)
- Put together a team of stakeholders to develop a list of desired software functionality
- Discuss with senior leadership and establish buy in
- Engage a consultant to assist you assessing the greatest areas of need and developing your functional requirements

Select

Identify the Tools for Requirements Gathering and the System Selection Process

Software selection and integration — a holistic approach

Optimization: Requirements for Success

Systems should:

Exceed your current needs; think ideal state

Work from the *start*; plan for success

Improve operational efficiencies

Reduce manual and routine tasks

Provide *insight* to run your business

Grow with your organization’s needs

Begin with the *end* in mind

Roadmap Planning – *Continual Improvement*

1. Determine area for improvement
2. Define your requirements
3. Understand your options
4. Evaluation process
5. Calculate ROI/ROM

1. Determine Areas for Improvement

- Get executive buy in
- Assemble a project team
- Create a project schedule
- Set clear goals
- Involve end users

You may decide to stay with your current system, but you'll still *learn* a lot from evaluating all your options.

2. Define Your Requirements

- Document the issues with your current system architecture
- Prepare a top-down strategy
  - What do you want to achieve with new integrations?
  - What type of information does management need to make better business decisions?
  - What is the business impact of that?
  - Which processes do you want to automate?
- Document expected improvements and ROI/TCO
- Tap into peers
- Use an objective, outside professional to help

3. Understand Your Options

Functional requirements

Software delivery models

Best-in-class vs. suite

4. Evaluation Process

Ultimately, the process is about finding the *systems*, *software*, and *strategies* that best address your organizational problems at the lowest cost / risk

Check	Online sources for vendor reputation
Create	RFI/RFP based on your requirements
Demo or trial	From short list
Calculate	ROI/TCO
Validate	References

5. Calculate ROI – Nucleus Research Tool

Value from New Financial Application

Business visibility

Deeper insights | **Time to information**

Increase productivity:
- Automate renewals and maintenance
- Manage multiple entities
- Speed invoicing
- Customize workflows
- Improve reporting accuracy / timelines
- Streamline training

Eliminate:
- Hidden costs of force – fitting applications to business needs
- Professional services and support costs

Reduce costs:
- Software license
- Hardware costs (server, networking, etc.)
- IT personnel
- Annual maintenance
- Backup and disaster recovery
- Renewal fees
- Annual maintenance
- Network, security and database upgrade costs

Revenue gains

Faster tracking | **More collections**

Improve management of:
- Deferred revenue
- Revenue recognition
- Overdue ars due to contract non-compliance
- Monthly invoicing
- Financial close processes
- Multi-entry management

Increase revenue by:
- Reduce revenue leakage
- Easily integrate with partner revenue systems
- Improve invoicing effectiveness

Cost savings

Automation savings | **Reduced IT costs**

Enhance management with:
- Real-time visibility to state of business, esp. for consolidated and multiple entities
- Comparisons across operating units
- Ability to push down decisions
- Strategic KPIs

Expand management control:
- Better cash management
- International visibility

Typical Benefits Included in ROI Calculations

Once you have defined all the benefits, quantify what each is worth to the organization giving you a comprehensive understanding of potential ROI

Benefit area	Drivers	Examples
Increased finance team productivity	Automated allocation, deferral, revenue recognition, and performance metrics	1 FTE = $80K annual savings
Reduced financial restatements	Simplified compliance Reduction in pre-audit prep time	Increased donor and grantor confidence Reduction in internal pre-audit cost
Faster closing of the books	Streamlined automated processes	Reduce monthly close time to 3 days = 20% productivity improvement
Real-time reporting and visibility	More consistent financial reporting and operational reporting without the need for Excel	Increase in revenue through improved and proactive decision making, grant and contract renewals, grant renewals, etc.

Software Selection Process

Final vendor *selection*

Review evaluation results

Review TCO and ROI

Request follow-up demonstrations, as needed

Contract *negotiation*

Thoroughly review vendor contracts

Solutions to Consider

1 Sage Intacct	2 Netsuite
3 Business Central	4 Abila/MIP
5 Blackbaud Financial Edge	6 Blackbaud NXT

Next Steps

Determine which digital workflows might provide the *greatest return on investment* for your organization

Work with your finance team and other stakeholders to *evaluate* and *select* your system(s) and vendor(s)

Develop the plan for *rollout*

Thank You!

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We'll get you there.

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IRA — Inflation Reduction Act

Green Energy Tax Credits

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Learning Objectives

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

- Describe the various tax credit opportunities created by the IRA
- Recall how credit refunds and transfers operate under the IRA
- Describe the latest legal and regulatory updates under the IRAs
- Identify how to plan for clean energy investments within your agency or entity
- Recognize grant opportunities for local governments included in the IRA and Infrastructure Law

IRA Snapshot

Creates and modifies a number of renewable energy credits as well as financing programs

Creates new monetization options for tax-exempt and taxable entities

Section 6417 provides an elective pay option (i.e., cash refund) for:

- Tax-exempt organizations
- State and local governments
- Tribal governments
- Rural electric cooperatives

Section 6418 provides a transferability option for for-profit organizations

- Taxpayers can buy and sell credits for cash

IRS portal launched in Dec. 2023

Treasury and IRS have released some guidance, but more to come

Opportunities for SLGs

- New building construction and renovations
- Fleet electrification and charging infrastructure
- HVAC improvements
- Solar panel installations
- Pricing leverage for Section 179D allocations
- Capital project forecasting

Refundable/Transferable 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 (elective pay only)
§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

Specific Credit Opportunities

Section 48 Energy Investment Tax Credit

Tax credit for a percentage of the cost of placing specified energy property into service

Base credit rate is 6%

30% base credit rate if less than 1 MW for certain technologies

ITC applies to:

- Solar
- Wind
- Biogas
- Geothermal
- Energy storage property
- Combined heat and power systems
- Microgrid controllers
- Electrochromic glass
- And several other technologies

Section 45 Production Credit

Per kWh credit for production of electricity from renewable sources

Rates vary depending upon energy source

Prevailing wage and other bonus credits available

Applies to:

- Solar
- Wind
- Municipal solid waste
- Geothermal
- Biomass
- Hydroelectric

Section 30C EV Charger Credit

- 6% of the cost of any single item of qualified property not meeting prevailing wage, up to $100,000.
- 30% of the cost of qualified property if prevailing wage is met, up to $100,000.
- Must be installed in locations that meet the following census tract requirements:
    - The census tract is not an urban area
    - A population census tract where the poverty rate is at least 20%; or
    - Metropolitan and non-metropolitan area census tract where the median family income is does not exceed 80% of the state median family income level

Section 45W Clean Vehicle Credit

Applies to clean commercial vehicles and mobile machinery acquired or leased after 2022 and before 2033

Credit equals the lesser of:

- 15% of the vehicle's basis (30% if fully electric) or
- Incremental cost of the vehicle

Max credit is:

- $7,500 for vehicles less than 14,000 GVWR, and
- $40,000 for all others

Bonus Credits

Prevailing Wage And Apprenticeship (PWA)

- Increases base credit by 5X (from 6% to 30%) – if project meets 1-MW or construction date exceptions, PWA is not needed.
- Requires that all laborers and mechanics employed on an energy construction project are paid at least the prevailing wage rates for the type of work performed in the geographic area of the facility as determined by the Department of Labor in accordance with the Davis-Bacon Act.
- Must maintain strict recordkeeping of each laborer or mechanic’s hourly rates, hours worked, deductions from wages, and actual wages paid, among other records.

Prevailing Wage And Apprenticeship (PWA)

- A taxpayer and its contractors and subcontractors who employ four or more workers on an energy construction project (including repair work) must hire at least one qualified apprentice.
- For construction beginning in 2023, at least 12.5% of the total labor hours on a construction project (including repair work) must be performed by a qualified apprentice from a registered apprenticeship program. This percentage increases to 15% for projects beginning in 2024 or after.
- Good faith exception for apprenticeship requirements if qualified apprentices have been requested from a registered apprenticeship program and either (i) the request was denied for reasons other than the taxpayer, contractor, or subcontractor’s refusal to comply with the program’s standards and requirements, or (ii) the program failed to respond within five business days of receiving a request.

Domestic Content

- Projects are eligible for a bonus credit of 10% (2% if 5X multiplier is not met) if:
  - 100% of any steel or iron that is a component of the facility/project is produced in the United States
  - Applicable percentage of manufactured components of the facility/project are produced in the United States (currently 40%)
- Thresholds are based on cost of the items.

100% of steel and iron produced in the US

At least 40% of manufactured components produced in US

Domestic Content Bonus Cont'd

- Notices 2023-38 and 2024-41 provide guidance on DC.
- Notice 2024-41 provides elective safe harbor for solar, land-based wind, and battery energy storage systems.
  - Uses assigned cost percentages for appliable projects
  - If elected, must use in its entirety for that project
- In practice, DC has been contentious.
  - Manufacturers are reluctant to hand over cost data
  - Safe harbor should simply things to some extent

Energy Communities

- Projects are eligible for an additional bonus credit of 10% (2% if 5X multiplier is not met) if the facility is located in any of the following:
  - A brownfield site
  - An area that:
    - Has (or, at any time during the period beginning after December 31, 2009, had) 0.17% or greater direct employment or 25% or greater local tax revenues related to the extraction, processing, transport, or storage of coal, oil, or natural gas, or
    - Has an unemployment rate above the national average for the previous year, or
    - Has a census tract or a census tract that is adjoining a census tract in which a coal mine has closed after 1999 or a coal-fired electric generating unit was retired after 2009

Low-Income Communities

- Applies only to solar and wind projects that are less than 5-MW.
- New allocation round recently opened.

Project built in a low-income community as defined by the New Markets Tax Credit or on Indian Land can receive an increased tax credit of 10%.

Project associated with a low-income residential building project, or a low-income economic benefit project, can receive an increased tax credit of 20%.

Credit Monetization

Claiming Direct Payments

Pre-filing registration

- Must be completed prior to filing the tax return where a direct pay election is made
- IRS is advising a minimum of 120 days to process registration
- Must provide certain information about organization, the credits you intend to claim, and details regarding the property giving rise to the credit
- A registration number will be issued that will be required when making the election on tax return
- IRS will issue a separate registration number for each applicable credit property

Making the election on a tax return

- Must be filed on Form 990-T by due date along with:
  - Form 3800 (General Business Credit)
  - Applicable credit form and registration info from above
- State and local governments that do not file a tax return will need to file a Form 990-T for this limited purpose
- Final regulations allow SLGs to elect a calendar or fiscal year for 990-T purposes

Section 179D Deduction Allocations

Section 179D Energy Efficient Building Deduction

How it works

- Per square foot deduction for the construction or renovation of energy efficient buildings
- Sliding scale up to $5.36 per sq. ft. if prevailing wage/apprenticeship requirements are met
- Based on ASHRAE energy efficiency standards
- Buildings must be modeled and certified by third-party engineer

Opportunity for SLGs

- Deduction can be allocated by SLGs to designers of building systems (often this will be the architect)
- Allocation process is simple (standard letter template)
- Could mean indirect benefit to through pricing negotiations
- Plan for it during bid and proposal phase of projects

Closing Remarks and Q&A

Thank you for attending!

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