



# Accounting and Auditing Update for Nonprofit Organizations

October 13, 2021

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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# CLA Resources (CLAconnect.com)

The screenshot shows the CLAconnect.com website. The browser address bar displays 'claconnect.com/industries/nonprofit#Resources'. The website has a navigation bar with links: Locations, Directory, Contact Us, About Us, Client Login, Industries, Services, Resources, Events, and Careers. The 'Industries' section is active, showing a blue header with the word 'Nonprofits'. Below the header, a paragraph states: 'Professionals who work with nonprofits have to know more than standards and regulations. They have to understand the context surrounding the organization, the motivation of leadership, and the perspective of the people served. CLA has the broad experience needed to help strengthen and guide your organization.' Below this paragraph are links: Resources, Services, Who We Serve, Events, and People. On the left side, there is a sidebar with a search bar, a 'What do you want to see?' section with expandable topics and types, and a 'Would you like the site to remember you?' checkbox. At the bottom, there are three featured articles: 'Innovation in Nonprofit Finance Blog' with a 'Read the Latest' button, 'CLA Speakers Bureau' with a 'Learn More' button, and 'FASB ASU 2018-08 Clarifies Revenue Accounting for Nonprofit Grants and Contracts' with a 'REGULATIONS | ARTICLE' tag.

Nonprofits

Professionals who work with nonprofits have to know more than standards and regulations. They have to understand the context surrounding the organization, the motivation of leadership, and the perspective of the people served. CLA has the broad experience needed to help strengthen and guide your organization.

Resources | Services | Who We Serve | Events | People

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What do you want to see?

Topics +  
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Innovation in Nonprofit Finance Blog  
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REGULATIONS | ARTICLE  
FASB ASU 2018-08 Clarifies Revenue Accounting for Nonprofit Grants and Contracts

The screenshot shows the 'Innovation in Nonprofit Finance Blog' section of the CLAconnect.com website. The browser address bar displays 'blogs.claconnect.com/nonprofitinnovation/'. The page features a large header image with the text 'Innovation in Nonprofit Finance Blog'. Below the header, there is a featured article titled 'Elegant Chart of Accounts: System Design' by Kathy Jastrzebski, dated July 24, 2019. The article description states: 'The most effective framework for designing vital financial reports that drive business decisions is an elegant chart of accounts design.' To the right of the article is a 'Subscribe to Blog' button with an email icon. Below the button, a small text block reads: 'Multiply your mission success and move the sector forward with fresh ideas and insights from the CLA nonprofit team — innovative strategies in accounting, finance, tax, technology, and more.'

Innovation in Nonprofit Finance Blog

Elegant Chart of Accounts: System Design

July 24, 2019 | by Kathy Jastrzebski

The most effective framework for designing vital financial reports that drive business decisions is an elegant chart of accounts design.

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# Learning Objectives

- Identify the latest updates in U.S. GAAP reporting related to nonprofits.
- Identify reporting standards to consider during economically distressed environments and how to account for receipt of federal economic incentive programs.
- Identify federal awards and prepare for a first-time single audit.







# Lease Accounting Changes – Right Around the Corner

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# Effective Dates

- Fiscal years beginning after December 15, **2021**, and interim periods within fiscal years beginning after December 15, **2022**:
  - All other entities
  - **Reflects ASU 2020-05 which delays effective date for certain organizations**
- Early application is permitted for all entities
- Covering high level components today. Please reach out to CLA if you would like to discuss your organization's situation in detail!

# An Overview

## Topic 842 **DOES NOT** apply to:

Leases of  
intangible assets

Leases to  
explore for or  
use minerals,  
oil, natural gas,  
and similar  
nonregenerative  
resources

Leases of  
biological  
assets, including  
timber

Leases of  
inventory

Leases of assets  
under  
construction

# What is a Lease?

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



# Lease Determination

- An identified asset
  - Can be explicitly or implicitly specified
  - Supplier has no practical ability to substitute
  - Supplier receives no economic benefit from substituting
- The right to control the use during the lease term
  - Decision making authority over the use of the asset
  - Ability to obtain substantially all economic benefits from the use of the asset



# Substantive Substitution Rights

- Based upon facts and circumstances at inception of the contract and shall exclude consideration of future events that, at inception, are not considered likely to occur. Examples include:
  - An agreement by a future customer to pay an above-market rate for use of the asset
  - Introduction of new technology that is not substantially developed at contract inception
  - A substantial difference between the customer's use of the asset, or the performance of the asset, and the use or performance considered likely at contract inception
  - A substantial difference between the market price of the asset during the period of use and the market price considered likely at contract inception



# Substantive Substitution Rights

- If asset is located at the customer's premises, substitution costs are generally higher than if located at supplier's premises, and therefore likely to exceed the benefits of substitution
- If the supplier has right or an obligation to substitute the asset only on or after a particular date or occurrence, supplier does not have the practical ability to substitute throughout the period of use



# Substantive Substitution Rights

- The supplier's right or obligation to substitute an asset for repairs and maintenance does not preclude the customer from having the right to use the identified asset
- If the customer can not readily determine whether there is a substantive substitution right, presume that any substitution right is not substantive



# Decision-Making Rights

## Yes

- Right to change type of output produced
- Right to change when the output is produced
- Right to change where the output is produced
- Right to change whether the output is produced and the quantity of that output

## No

- Rights that are limited to operating and maintaining the asset

# Contract Components



- Once it has been identified that a contract contains a lease, an entity must separate the lease components in the contract
- Lease component if **BOTH** criteria are met:
  - Lessee can benefit from the ROU either on its own or together with other readily available resources
  - The ROU is neither highly dependent nor highly interrelated with other right(s) to use underlying assets in the contract
- Consideration in the contract should be allocated to each separate lease component and nonlease component of the contract





# Contract Components – Example 1

- Lease for a bulldozer, truck, and a crane to be used for three years
- Lessor agrees to maintain each piece of equipment throughout the lease term



# Contract Components – Example 1

- Are the leases of the bulldozer, truck, and crane each separate lease components?
  - Lessee can benefit from each piece on its own or together with readily available resources
  - The machines are not highly dependent on or highly related to each other
- Nonlease maintenance service components accounted for separately
  - Not a part of the lease!!



# Contract Components – Example 2

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

# Contract Components – Example 2

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



# Contract Components – Example 3

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





# Contract Components – Example 3

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

# Lease Term – Initial Measurement

- Slightly new definition
  - Noncancelable period for which lessee has right to use the underlying asset, plus periods covered by:
    - Option if lessee reasonably certain to extend
    - Option to terminate if lessee is reasonably certain not to exercise
    - Option to extend (or not terminate) controlled by lessor
- Reasonably certain
  - Must consider all relevant factors that create an economic incentive for the lessee to exercise the option



# Lease Term – Subsequent Measurement

## Lessee

- Reassess only upon the occurrence of a significant event/change in circumstances that is within the control of the lessee
  - Absent a modification

## Lessor

- Not required to reassess
  - Absent a modification

# Lease Term – Other Considerations

- Related party leases must follow contractual provisions
- Beware of potential impact on leasehold improvement amortization

# Balance Sheet Impact

## Finance Lease

- Right-of-Use Asset
- Lease Liability

## Operating Lease

- Right-of-Use Asset
- Lease Liability



# Right-of-Use Asset – Initial Measurement

- Consists of all of the following at commencement date:
  - Initial measurement of the lease liability
  - Any lease payments made to the lessor at or before the commencement date, minus any lease incentives received
  - Any initial direct costs incurred by the lessee

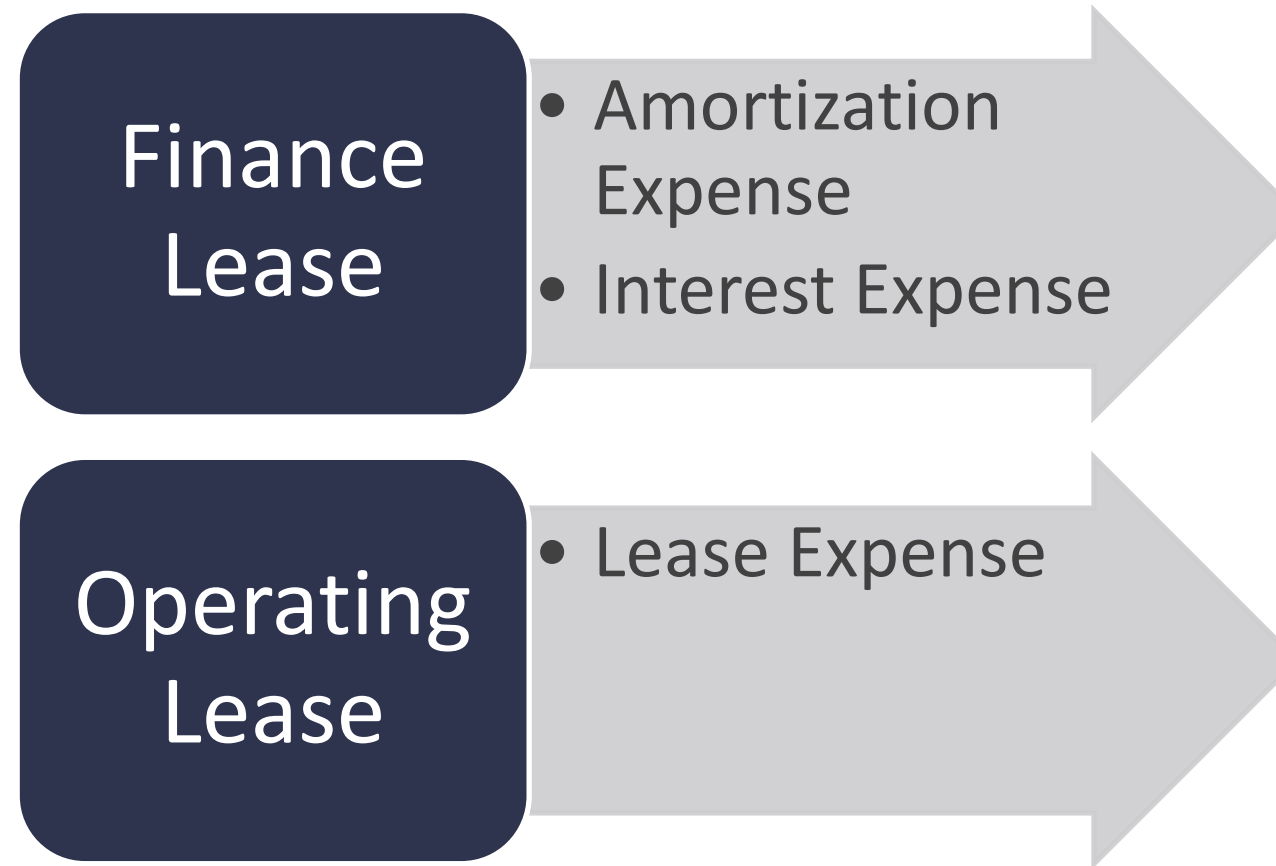


# Lease Liability – Initial Measurement

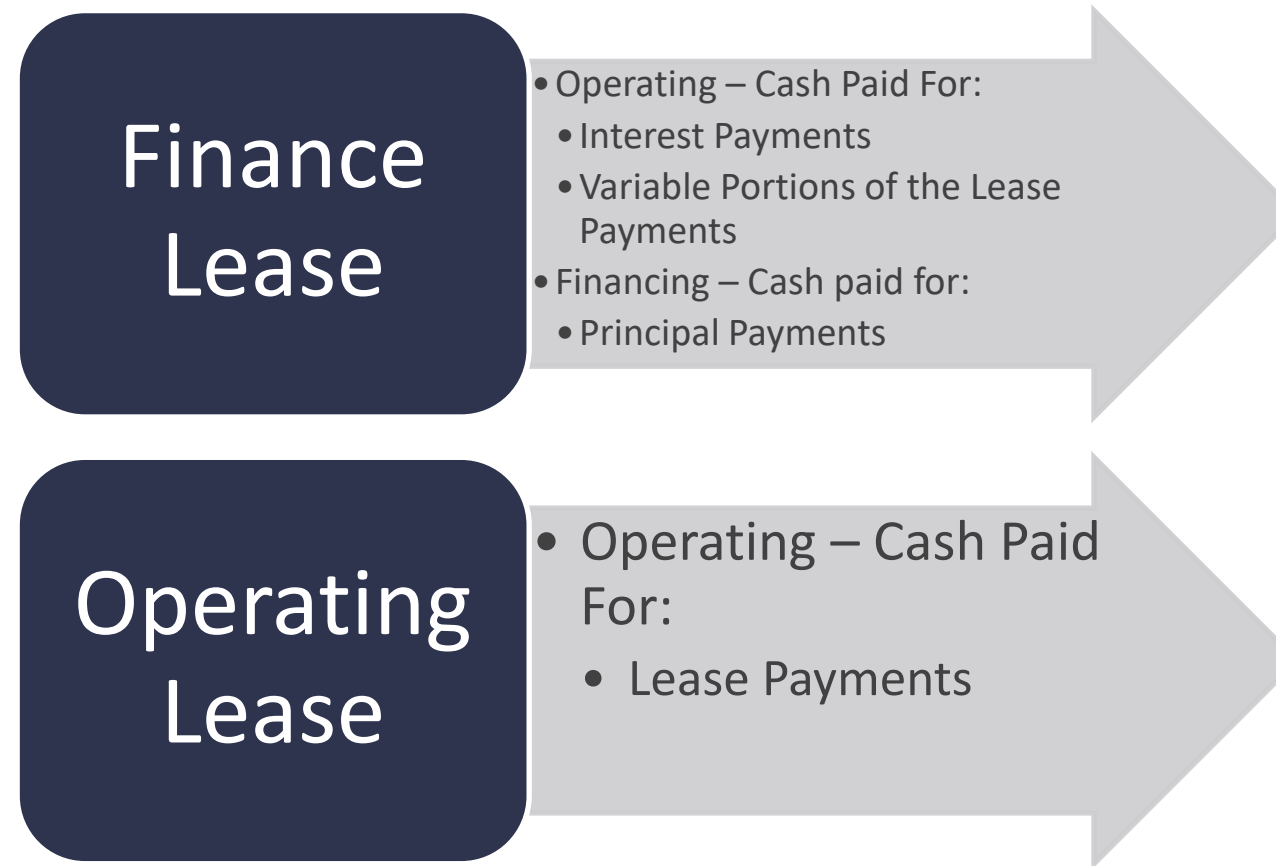
- Present value of the lease payments not yet paid, discounted using the discount rate for the lease at lease commencement
- Other than PBEs (includes all nonprofits) may elect to use the risk-free rates for measurement of all lease liabilities
  - Simpler, but will likely result in recording a larger asset and liability.
  - Can not pick and choose - It is a package
- Real estate taxes and insurance
  - Sometimes included in lease liability measurement



# Income Statement Impact



# Cash Flow Statement Impact



# Example – Operating Lease

3 year lease term

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

7% interest rate

# Example – Operating Lease

Initial Recognition:

Dr. ROU Asset           270  
    Cr. Lease Liab                               270

Year 1 Entry:

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

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

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



# Example – Finance Lease

3 year lease term

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

7% interest rate

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Dr. ROU Asset 270

## Year 1 Entry:

Dr. Interest Exp 19 C

Dr. Amort Exp      90 A

Dr. Lease Liab 81 D

Cr. Cash                      100 B

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



# Transition Methods Available

CY = year of  
adoption  
PY =  
comparative  
period

Original  
Transition  
Method (ASU  
2016-02)

- CY - 842
- PY - 842

Cumulative effect  
adjustment at the  
beginning of the  
earliest period  
presented

Additional  
Transition  
Method (ASU  
2018-11)

- CY - 842
- PY - 840

Cumulative effect  
adjustment at the  
beginning of the  
CY



# Transition – Package of Practical Expedients

- An entity need not reassess:
  - Whether any expired or existing contract are or contain embedded leases
  - Lease classification of any expired or existing leases
  - Initial direct costs for any existing leases
- Applies to leases that commenced **BEFORE** the effective date
- Must apply as a package to all leases
  - Can not pick and choose which leases
  - Can not pick and choose which practical expedients



# Transition – Hindsight Practical Expedient

- Hindsight can also be elected as a practical expedient
  - Determination of lease term
  - Impairment of right-of-use assets
  - Can be used separately or in conjunction with package
  - Must apply consistently to all leases





# Updates to the Reporting of In-Kind Contributions

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# Overview of ASU 2020-07

- Introduces new disclosures, expands existing disclosures
- Requires contributed nonfinancial assets to be presented as a separate line in the Statement of Activities
- Required to be applied retrospectively
- Effective for annual reporting periods beginning after June 15, 2021 and interim periods with annual reporting periods beginning after June 15, 2022.
- Early adoption is permitted
- Link to ASU

[https://www.fasb.org/jsp/FASB/Document\\_C/DocumentPage?cid=1176175227486&acceptedDisclaimer=true](https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176175227486&acceptedDisclaimer=true)



# What is a “Contributed Nonfinancial Asset”?

- Fixed assets
- Materials and supplies
  - Food, clothing, pharmaceuticals and medical supplies
- Intangible assets
- Contributed services
  - strikes existing language for Contributed Services in new guidance



# New Required Disclosures for In-Kinds

- Requires disclosure of contributed nonfinancial assets recognized within the Statement of Activities, disaggregated by category that depicts the type of nonfinancial assets
- Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period.
  - If so, a description of programs or other activities in which those asset were used
- The organization's policy about monetizing vs. utilizing contributed assets
- Description of any donor-imposed restrictions associated with the contributed non-financial assets
- Valuation techniques and inputs used to arrive at a fair value measurement at initial recognition
  - Also, the principal market used to arrive at a fair value measurement if it is a market in which the recipient NFP is prohibited by the donor-imposed restriction from selling or using the asset







# Accounting for Economic Incentive Programs

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# Employee Retention Credit

- Refundable payroll tax credit for compensation paid to employees
  - Limits on amounts; must meet qualifications to receive funding
- Processed through payroll taxes and 941s
  - Claim as refund on 941s or requested as advance using form 7200
- CARES Act – ERCs OR PPP
- Consolidated Appropriations Act – allowed access to both ERC and PPP (retroactive)
  - American Rescue Plan extended window of availability
  - Eligible entities have several years to claim the credit



# Accounting Considerations - ERC

- Employee Retention Credit
  - No GAAP specifically addresses similar funding streams
  - GAAP accounting for government assistance
    - ASC 740 Income taxes
      - Generally recognized through existence of income tax credit; to be claimed on income tax return
      - Would not apply to ERC or FFCRA
    - ASC 958-605 for nonprofits
      - Can analogize to government grants in this instance
      - ERC is not a change to payroll tax law
      - A method to provide funding to organizations



# Accounting Considerations

Nonprofits should evaluate the following:

- Exchange vs. Contribution – generally considered a contribution
- Conditional vs. Unconditional – are there barriers to recognition
  - Payment of qualified expenses
  - Limits on # of employees
  - Gross receipts reduction; required closures, etc.
  - **Recognize when barriers have been met**
- With or Without Restriction

Present as grant revenue or other income – NOT expense offset



# Accounting Considerations

## If requested as refund through 941s

- Payroll Tax Expense – recorded at full tax amount, **gross of credits**
- Grant or Other Income – recorded for amount of tax credit for which conditions have been met
- Account Receivable – 2020 credits outstanding at year end (cash not received as of 12/31/20)

## If requested through advance

- Payroll Tax Expense – recorded at full tax amount, gross of credits
- Grant or Other Income – recorded for amount of tax credit for which conditions have been met
- Over/Under on Advance – If greater cash received than credits claim = liability; If greater credits claimed than cash received - receivable



# Accounting Considerations for Other Incentives

- In kinds and federal support other than cash
  - In kind leases
  - Vaccines and PPE
  - Asset use with a right of return
- Be very careful of “double dipping” between various incentive programs
- PPP not subject to Single audit
  - However, EIDL funds are subject to Single Audit





# Preparing for a First Time Single Audit

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# Preparing for a First Time Single Audit

- When is a single audit required and how to determine if an award is a federal award
- Objectives of a single audit
- Auditee responsibilities vs. management responsibilities
- The SEFA and required elements – considerations for compiling
- Understand how the auditor selects “major programs” and how that impacts your fees for the Single Audit
- Understanding internal controls from a compliance perspective
- Understand the required compliance requirements to be tested during a single audit
- Understand the reporting of results from the Single Audit



# When is a single audit required?

§200.501(b)

# \$750,000

When a non-federal entity  
expends ***\$750,000 or more of***  
federal awards (either direct or  
indirect awards) in their fiscal  
year



# Objectives of a single audit

To determine if the entity has complied with direct and material compliance requirements for each major program

## Single audits:

- ✓ Are used as a report card by federal funding agencies and pass-through entities
- ✓ Are used as a tool for federal agencies to address problems at the grantee level or to make broad changes/improvements to federal programs
- ✓ Provide assurance to users regarding compliance and information about a non-federal entity's internal control over compliance



# Auditee responsibilities

- ✓ Arrange for single audit and ensure it is properly performed and submitted timely (see auditor selection on next slide)
- ✓ Financial statements
- ✓ SEFA
- ✓ Promptly follow up and take corrective action on audit findings
- ✓ Summary schedule of prior audit findings
- ✓ Corrective action plan
- ✓ Required data elements of the DCF
- ✓ Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed



# Auditee responsibilities – auditor selection

§200.509

- ✓ Must follow procurement standards in 200.317 through 200.326
- ✓ Auditee must request a copy of the audit organization's peer review report
- ✓ Restriction on auditor preparing indirect cost proposals

# Auditee responsibilities

§200.303

- ✓ Maintain internal control over federal programs
- ✓ Comply with federal statutes, regulations, and the terms and conditions of the federal awards
- ✓ Evaluate and monitor compliance with statutes, regulations and the terms and conditions of federal awards
- ✓ Take prompt action when noncompliance identified
- ✓ Safeguard protected personally identifiable information

# SEFA

Prepared by management

Reconciles to accounting and other records used in preparing the financial statements or the financial statements themselves

Auditor uses to base the performance of risk assessments and selection of major programs

Completeness and accuracy critical to avoid missed programs

Auditor issues an opinion as to whether the SEFA is fairly stated in all material respects in relation to the financial statements as a whole (referred to as in-relation-to opinion)

- In-relation-to opinion not same as an “audit” opinion

Auditor is responsible for determining whether auditee includes all required SEFA elements

# SEFA – required elements

§200.510

- ✓ List individual federal programs by federal agency
- ✓ For a cluster of programs, provide the cluster name, list individual federal programs within the cluster of awards expended must be shown either by federal award or by federal agency and major subdivision within the federal agency
- ✓ For federal awards received as a subrecipient, the name of the PTE and identifying number assigned by the PTE

# SEFA – required elements (continued)

§200.510

- ✓ Total federal awards expended for each individual federal program and the Assistance Listing number (formerly known as the CFDA number) or other identifying number when the assistance listing number is not available
- ✓ For a cluster of programs also provide the total for the cluster
- ✓ Include the total amount provided to subrecipients from each federal program

# SEFA – required disclosures

§200.510

- ✓ For loan or loan guarantee programs, identify in the notes to the SEFA the balances outstanding at the end of the audit period
- ✓ Notes that describe the significant accounting policies used in preparing the SEFA
- ✓ Note whether or not the auditee elected to use the 10% de minimis cost rate



# Example SEFA

Federal Grantor/pass-through grantor/program or cluster title	Federal CFDA #	Pass-through entity identifying number	Direct federal expenditures less subrecipients	Amounts passed through to subrecipients	Total federal expenditures
U.S. Department of Health and Human Services:					
Research and Development Cluster:					
National Institutes of Health:					
Direct program:					
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	N/A – Direct Award	\$ 342,213	2,840,868	3,183,081
Pass-through The Broad Institute, Inc:					
Human Genome Research	93.172	5136181-5500001225	49,171	—	49,171
Pass-through Vanderbilt University:					
Cardiovascular Diseases Research	93.837	UNIV60733	8,509	—	8,509
Total National Institutes of Health			399,893	2,840,868	3,240,761
Total Research and Development Cluster			399,893	2,840,868	3,240,761
Centers for Disease Control and Prevention:					
Direct program:					
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	N/A – Direct Award	712,570	13,012	725,582
Direct program:					
Partner support for heart disease and stroke prevention	93.814	N/A – Direct Award	407,213	113,221	520,434
Pass-through Health Research, Inc:					
Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke	93.435	5951-01	84,012	—	84,012
Total Center for Disease Control and Prevention			1,203,795	126,233	1,330,028
Total U.S. Department of Health and Human Services			1,603,688	2,967,101	4,570,789
Total Federal Expenditures			\$ 1,603,688	2,967,101	4,570,789

See accompanying notes to Schedule of Expenditures and Federal Awards.



# Important SEFA Considerations

- Ensure that ALL federal awards are captured, including those without grant numbers or that have not included an ALS (formerly CFDA) number in the grant agreement
  - May require follow up with the pass-through agency
- Identify where the Organization is a subrecipient vs. a contractor on awards
- Ensure any in-kind awards are included as well
- Ensure that you have a method for tracking actual expenditures to the underlying accounting records, and **reconcile to SEFA**
  - Avoid “double dipping” of awards between federal programs
  - Beware of double dipping to other economic incentive programs, like ERC and PPP



# Risk assessment and major program determination

Major programs are programs auditor is required to audit

In general, major programs are those that are large, risky, and/or new

Major program determination process is defined in the UG; basically, is a “*prescription*” for assessing the size and risk of programs

- Process is complex, involving some judgment, that historically has resulted in audit quality problems
- Must be done accurately and early in the process; and reviewed again before the end
- Must clearly document program risk assessment

Total federal awards expended	Type A/B threshold
$\geq \$750,000$ and $\leq \$25$ million	\$750,000
$> \$25$ million but $\leq \$100$ million	total federal awards expended times .03
$> \$100$ million but $\leq \$1$ billion	\$3 million
$> \$1$ billion but $\leq \$10$ billion	total federal awards expended times .003
$> \$10$ billion but $\leq \$20$ billion	\$30 million
$> \$20$ billion	total federal awards expended times .0015



# Internal Control – auditee responsibility

§200.303

The **non-federal entity must establish and maintain effective internal control over the federal award** that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

**Internal controls should be in compliance with guidance in:**

- “Standards for Internal Control in the Federal Government” (**Green Book**) issued by the Comptroller General of the United States, or
- the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**).

Use of “should” in Uniform Guidance indicates a “best practice” and is not a presumptively mandatory requirement



# Internal Control – auditor responsibility

§ 200.514(c)(2)

- ✓ Auditors must perform procedures to obtain an understanding of internal control over federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs.
- ✓ Plan testing of internal control over the relevant compliance requirements for each major program
- ✓ Perform testing of internal control as planned
- ✓ Report on internal control over compliance (covered in Part 4 of series)

# Examples of controls - control activities



DOCUMENTED  
POLICIES



AUTHORIZATION  
AND APPROVAL



MANAGEMENT  
REVIEW



IT SYSTEM  
CONFIGURATION



IT SYSTEM  
ACCESS

**Key  
controls  
often occur  
here!**

# What is the Compliance Supplement?

- Identifies the existing important compliance requirements that the federal government expects to be considered as part of a single audit
- One of the most important pieces of guidance that you use in performing single audits.
- Provides a source of information for auditors to understand federal program objectives, procedures, and compliance requirements
- Includes audit objectives and suggested audit procedures for determining compliance with the noted requirements
- <https://www.whitehouse.gov/omb/office-federal-financial-management>





# 12 Compliance Requirements in Part 2

A- Activities  
Allowed or  
Unallowed

B - Allowable  
Costs/Cost  
Principles

C- Cash  
Management

D - Reserved

E - Eligibility

F - Equipment  
and Real Property  
Management

G - Matching,  
Level of Effort,  
and Earmarking

H - Period of  
Performance

I - Procurement  
and Suspension  
and Debarment

J - Program  
Income

K - Reserved

L - Reporting

M - Subrecipient  
Monitoring

N - Special Tests  
and Provisions

# Determining direct and material compliance requirements

- Do auditors test all compliance requirements?
  - No; only test compliance requirements that are subject to audit and could have a “direct and material effect”
- Should an auditee comply with all applicable compliance requirements?
  - **Yes!**



# What is “direct and material effect?”

Direct and material effect means:

- Noncompliance could result in being denied reimbursement of program expenditures; or
- Entity having to refund federal monies or make other restitution in an amount that would be material to the major program

# Determining direct and material compliance requirements

Which compliance requirements identified as **subject to audit** are **direct and material**?

- Subjective
  - Auditor judgment
  - Experience
  - Accepted risk
  - Industry expectation
- Use information gained from steps taken to obtain an understanding of each major program at the outset
- Qualitative and quantitative factors



# A walk-through of the 12 compliance requirements

## A- Activities Allowed/Unallowed

- Identifies what activities or projects can (or cannot) be funded under a specific program.

## B - Allowable Costs/Cost Principles

- Describes the cost accounting requirements associated with federal awards
- Includes requirements for indirect costs
- Includes requirements for compensation – personal services



# Indirect costs

- Types of rates used by auditees
  - Negotiated rate
  - De minimis rate of 10% of modified total direct costs
- Guidance and requirements for indirect costs and which rates can be used are included in Uniform Guidance subpart E – Cost Principles

# Compensation – personal services

## Requirements for:

- Existence of employees
- Reasonableness of compensation
- Assignment and allocation to federal awards

Time and distribution records must be maintained for all employees whose salary is:

- Paid in whole or in part with federal funds
- Used to meet a match/cost share requirement

Not based on budget estimates alone – needs to be **ACTUAL**

## Full disclosure

- All time worked for the organization and what percentage is federal



# A walk-through of the 12 compliance requirements

## C - Cash Management

- When funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested
- When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement
- Interest earned on advances by local government grantees and subgrantees is required to be submitted to the federal agency
- Program income typically must be spent first





# A walk-through of the 12 compliance requirements

## E – Eligibility

- Specifies the criteria for determining the individuals, groups of individuals, or subrecipients that can participate in the program and the amounts of assistance for which they qualify
- Eligibility of those participating in the program funded by the grant or contract rather than the eligibility of the primary recipient
- Note – who determines eligibility under the grant is important



# A walk-through of the 12 compliance requirements

## F - Equipment and Real Property Management

- Equipment and real property management provides standards for the use and disposition of equipment and real property purchased with federal funds.
- These requirements cover records and inventory management.
- Equipment means tangible personal property, including information technology systems having a useful life of more than one year and a per-unit cost which equals or exceeds the lesser of the capitalization level established by the non-federal entity for financial statement purposes or \$5,000.
- Title vests with the non-federal entity



# A walk-through of the 12 compliance requirements

## G - Matching, Level of Effort, Earmarking

- Matching is amount (or percentage) of grantee contributions or matching funds provided.
- Matching, or cost sharing, includes requirements to provide contributions (usually non-federal) of a specified amount or percentage to match federal awards.
- Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).



# A walk-through of the 12 compliance requirements

## G - Matching, Level of Effort, Earmarking

- Level of effort is specified service or expenditure levels maintained from period to period.
- Level of effort may include provisions for funds to supplement and not supplant non-federal funding of services.
- Earmarking is minimum or maximum limits for specified purposes.
- Earmarking may relate to amounts or types of participants covered.



# A walk-through of the 12 compliance requirements

## H – Period of Performance

- Total estimated time interval between the start of an initial federal award and the planned end date, which may include one or more funded portions, or budget periods
- Only costs incurred during the specified period may be charged to the grant award
- Sometimes pre-award costs are approved
- Can sometimes be “carried over”



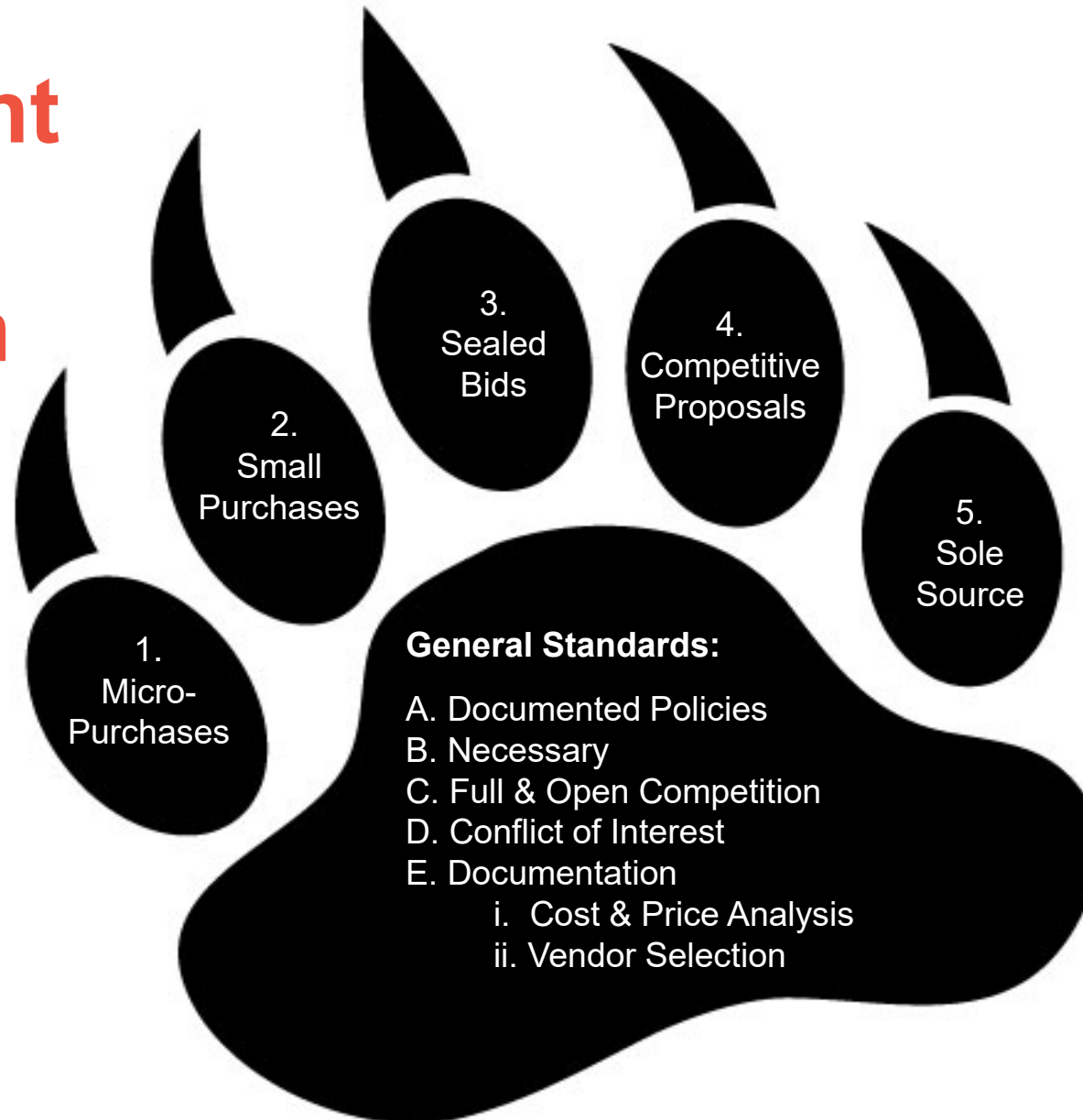
# A walk-through of the 12 compliance requirements

## I - Procurement, Suspension & Debarment

- Procurement – States must use the same policies and procedures they use for procurements from their non-federal funds
- Procurement – Non-federal entities other than states, including those operating federal programs as subrecipients of States, must follow the procurement standards set at 2 CFR 200.318 through 20.327
- Suspension & Debarment - Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred



# Procurement “Claw” Illustration



# A walk-through of the 12 compliance requirements

## J - Program Income

- Gross income earned by a non-federal entity that is directly generated by a supported activity or earned as a result of the federal award during the period of performance
- Includes, but is not limited to income from:
  - fees for services performed,
  - the use or rental of real or personal property acquired under federal awards,
  - the sale of commodities or items fabricated under federal awards
  - License fees and royalties on patents and copyrights, and
  - payments of principal and interest on loans made with federal awards





# A walk-through of the 12 compliance requirements

## L – Reporting

- Grant recipients are required to use standard financial reporting forms for submitting information to the federal awarding agency
- Many times these reports are required of state agencies who develop their own reports for sub-grantees (local governments)
- Performance or special reports may be required



# A walk-through of the 12 compliance requirements

## M – Subrecipient Monitoring

- Requires recipients to monitor the activities of subrecipients relative to their federal awards.
- An award recipient is responsible for:
  - At the time of the award, identifying to the subrecipient the federal award information and applicable compliance requirements.
  - Evaluating each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward
  - Monitoring the subrecipient's use of federal awards.
  - Ensuring that subrecipients expending \$750,000 or more in federal awards are audited.
  - Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.



# A walk-through of the 12 compliance requirements

## N- Special Tests and Provisions

- Additional requirements set forth by federal agency – see Part 4 of the Supplement
- Found in the statutes, regulations, and the provisions of contracts or grant agreements pertaining to the program
- Not every federal program has special tests and provisions



# What does GAGAS require to be reported?

GAGAS findings generally relate to the audit of the financial statements

- However, single audit-related audit findings could be required to be reported in the GAGAS reporting if material to the financial statements

## Internal Control over Financial Reporting

- Material weaknesses and significant deficiencies
- Material noncompliance with provisions of laws, regulations, contracts, or grant agreements
- Instances of fraud that is material, either quantitatively or qualitatively



# What does the UG require to be reported?

§200.516

- Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse
- Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program
- Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program
- Known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program



# What does the UG require to be reported?

- Known questioned costs that are greater than \$25,000 for a federal program which is not audited as a major program
- Known or likely fraud affecting a federal award, unless otherwise reported in the Schedule of Findings and Questioned Costs (SFQC)
- Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding



# Report submission requirements

§200.512

- The audit must be completed and the Data Collection Form (DCF) and reporting package must be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of:
  - 30 calendar days after receipt of the auditor's report(s),
  - or nine months after the end of the audit period.
- If the due date falls on a Saturday, Sunday, or federal holiday, the reporting package is due the next business day.
- The auditee must electronically submit to the FAC the DCF and the reporting package





# Time for Q & A

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CLAAconnect.com

# *Thank You!*

## Megan Terrell, CPA

Principal - Nonprofit

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817-882-2236



# Elegant Financial Storytelling

## The Art of Reporting

October 13, 2021

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# CLA Resources (CLAconnect.com)

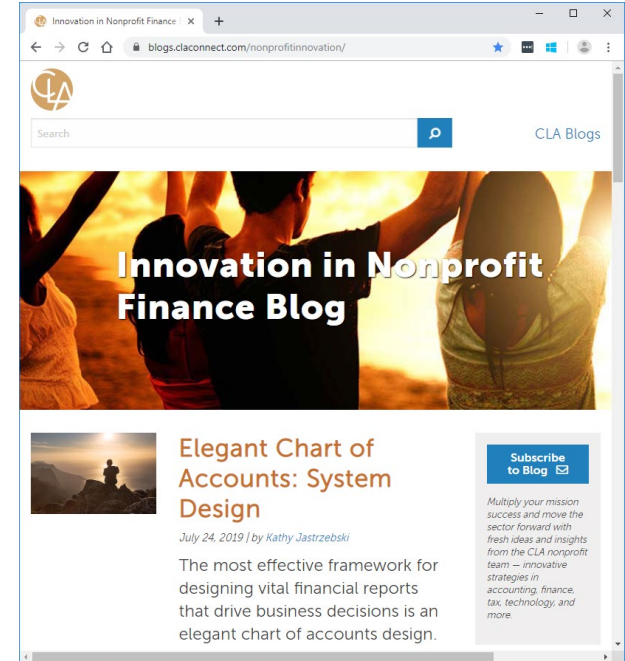


The screenshot shows the CLAconnect.com website. The top navigation bar includes links for Locations, Directory, Contact Us, About Us, and Client Login. The main header features the CLA logo and a search bar. Below the header, the 'Industries' section is highlighted, with sub-links for Services, Resources, Events, and Careers. The 'Nonprofits' section is prominently displayed with a blue background, stating: 'Professionals who work with nonprofits have to know more than standards and regulations. They have to understand the context surrounding the organization, the motivation of leadership, and the perspective of the people served. CLA has the broad experience needed to help strengthen and guide your organization.' Below this text are links for Resources, Services, Who We Serve, Events, and People. On the left sidebar, there is a 'What do you want to see?' section with filters for Topics and Type, and a 'WEALTH ADVISORY OUTSOURCING AUDIT, TAX, AND CONSULTING' section. At the bottom, there are two featured articles: 'Innovation in Nonprofit Finance Blog' and 'CLA Speakers Bureau'.

Nonprofits

Professionals who work with nonprofits have to know more than standards and regulations. They have to understand the context surrounding the organization, the motivation of leadership, and the perspective of the people served. CLA has the broad experience needed to help strengthen and guide your organization.

[Resources](#) | [Services](#) | [Who We Serve](#) | [Events](#) | [People](#)



The screenshot shows the CLA Blogs page. The top navigation bar includes links for Locations, Directory, Contact Us, About Us, and Client Login. The main header features the CLA logo and a search bar. Below the header, the 'Innovation in Nonprofit Finance Blog' is prominently displayed with a large image of people working together. The blog post is titled 'Elegant Chart of Accounts: System Design' and is dated July 24, 2019, by Kathy Jastrzebski. The post content states: 'The most effective framework for designing vital financial reports that drive business decisions is an elegant chart of accounts design.' A 'Subscribe to Blog' button is visible on the right side of the post.

Innovation in Nonprofit Finance Blog

Elegant Chart of Accounts: System Design

July 24, 2019 | by Kathy Jastrzebski

The most effective framework for designing vital financial reports that drive business decisions is an elegant chart of accounts design.

[Subscribe to Blog](#)

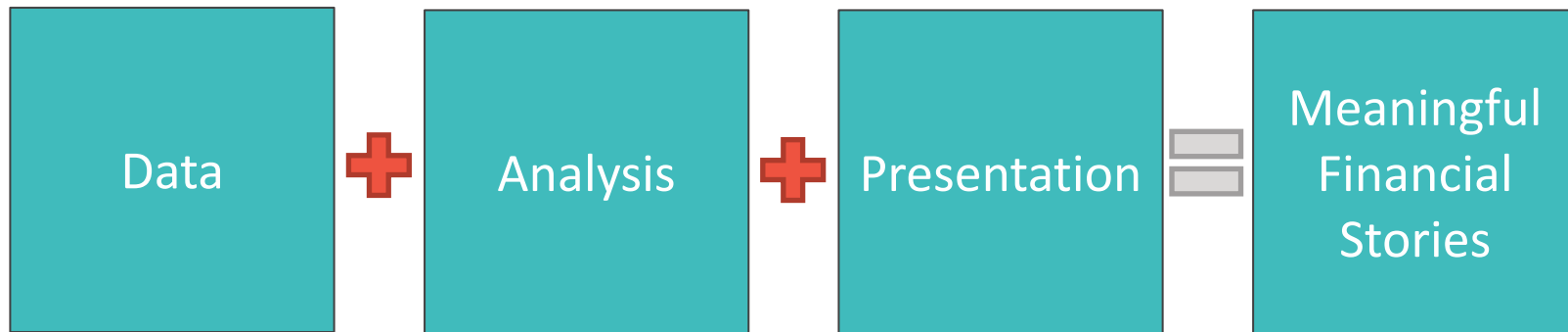


# Learning Objectives

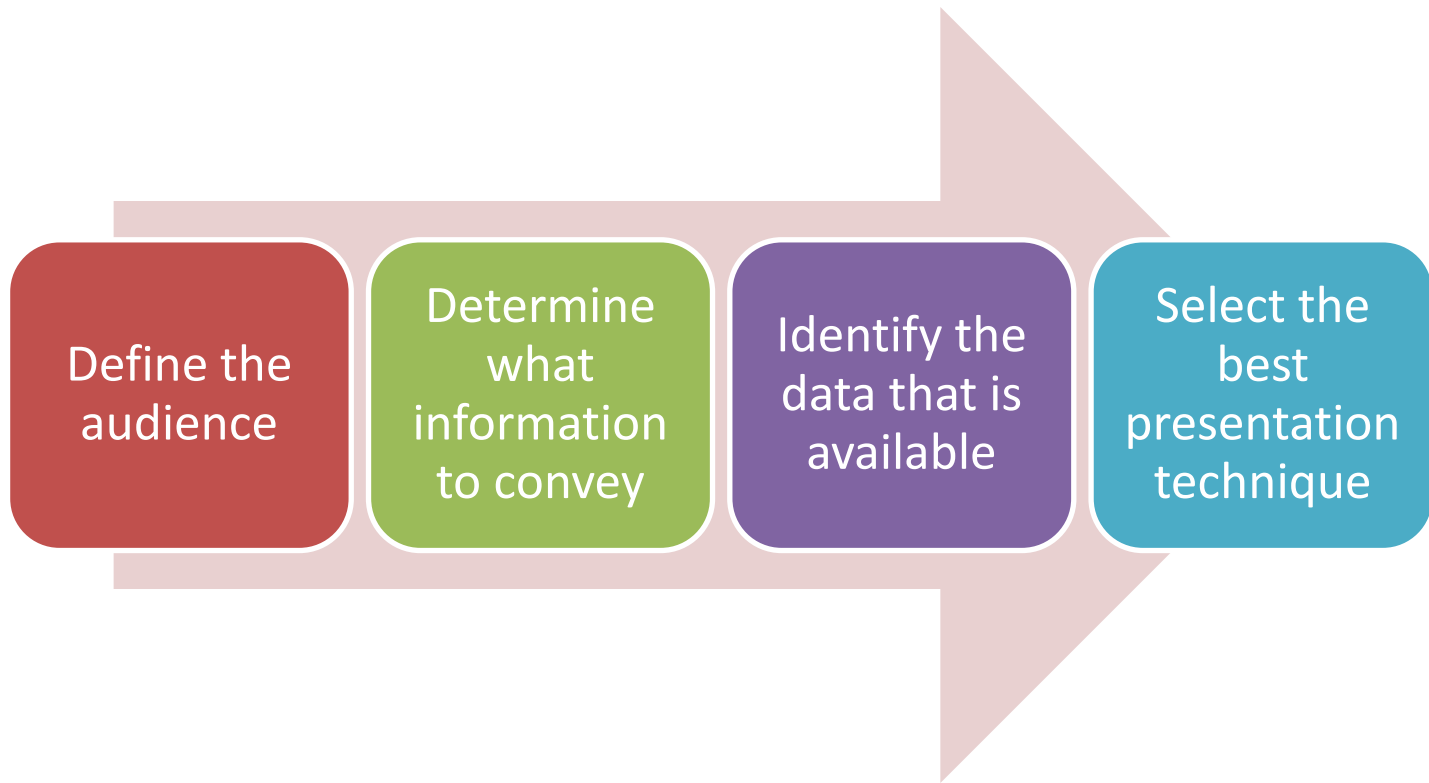
- Identify the concepts of elegant financial system design and true program costs (full-cost accounting)
- Recognize elegant design principles and use them to build out your chart of accounts, cost centers, allocation processes, and reports
- Recognize how to integrate the elegant financial systems model into your processes and systems
- Identify how to apply the principles of elegant financial reporting to communication with funders and your own boards, leadership, and staff



# Accountant as Financial Storyteller

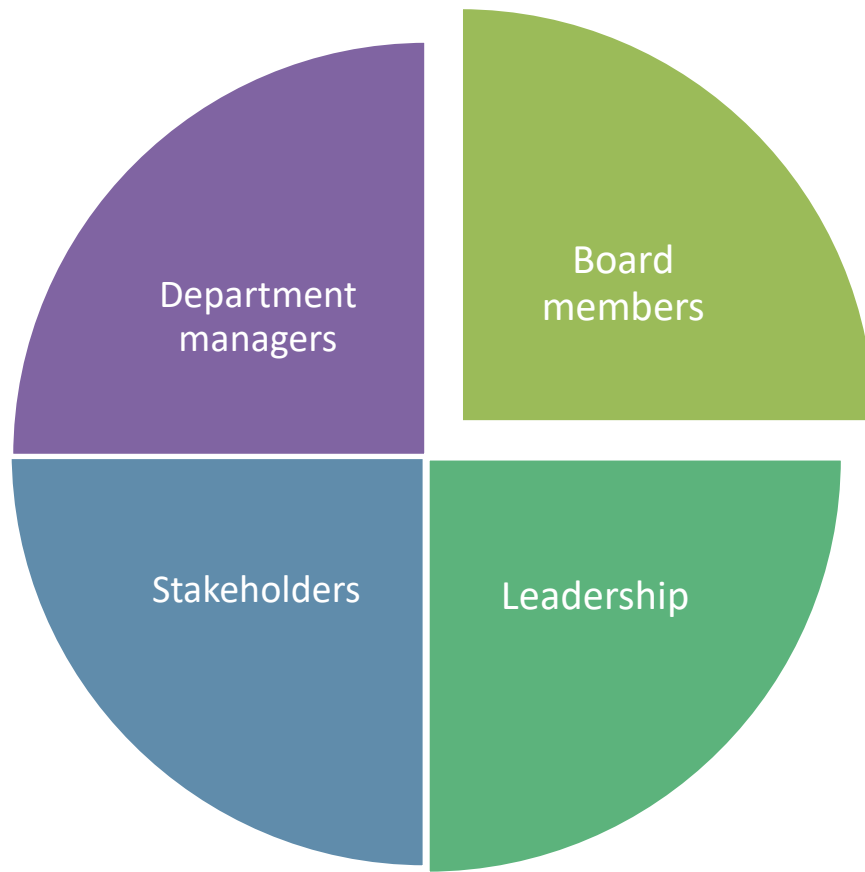


# Keys to Crafting Your Story





# Define the Audience



Identify the data that is available  
Determine what information is important



Measures Results



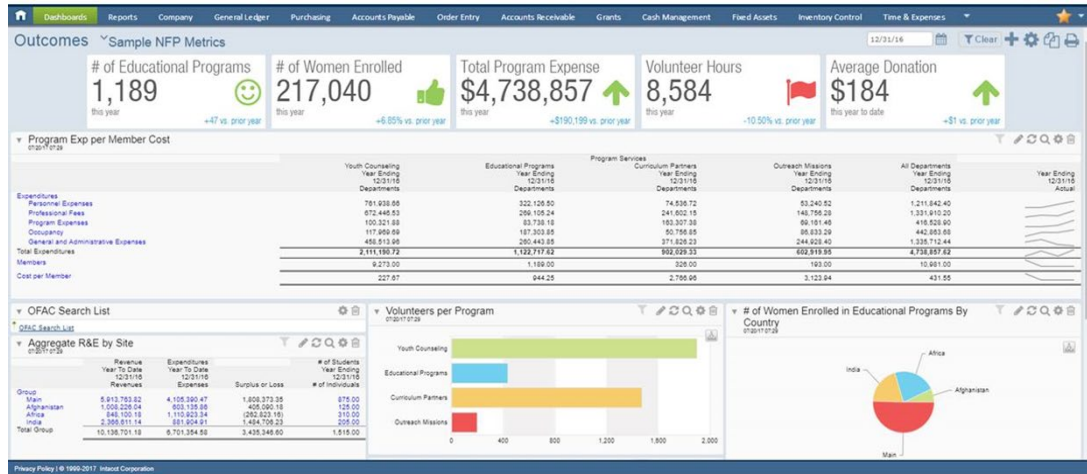
Evaluates or  
Predicts



Focuses Attention



# Select the best presentation technique





# How you tell your story matters

The power of visualization

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# Statement of Functional Expenses

By Function

Salaries and benefits  
Grants to other organizations  
Supplies and travel  
Services and professional fees  
Office and occupancy  
Depreciation  
Interest

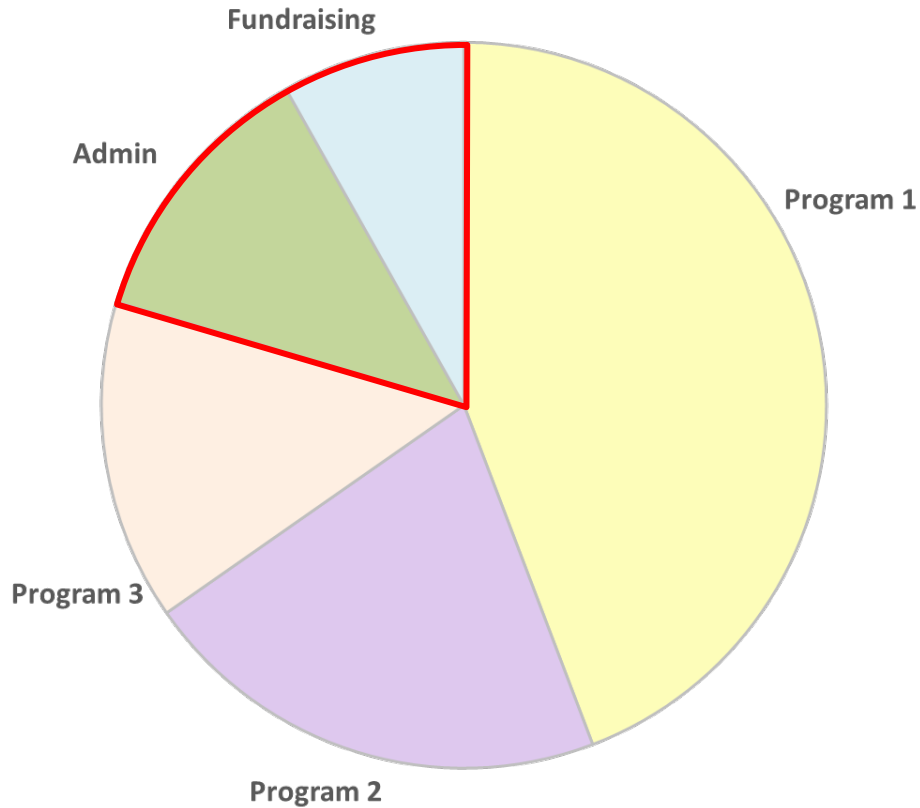
Total Expenses

By Nature

Program Activities				Supporting Services			Total Expenses
A	B	C	Programs Subtotal	Management and General	Fundraising	Supporting Subtotal	
\$ 7,400	\$ 3,900	\$ 1,725	\$ 13,025	\$ 1,130	\$ 960	\$ 2,090	\$ 15,115
2,075	750	1,925	4,750	-	-	-	4,750
890	1,013	499	2,402	213	540	753	3,155
160	1,490	600	2,250	200	390	590	2,840
1,160	600	450	2,210	218	100	318	2,528
1,440	800	570	2,810	250	140	390	3,200
171	96	68	335	27	20	47	382
<u>\$ 13,296</u>	<u>\$ 8,649</u>	<u>\$ 5,837</u>	<u>\$ 27,782</u>	<u>\$ 2,038</u>	<u>\$ 2,150</u>	<u>\$ 4,188</u>	<u>\$ 31,970</u>



# Functional Expenses are Often Shown Like This



Important organizational infrastructure seen as taking a slice out of the pie – as diminishing our “real” work. Allocating them across programs can correct this perception.



# Two-Step Approach to Allocating Organization Expenses

- Step 1: *Allocate shared direct costs*  
Do this step first because shared direct costs are also allocated to administrative and development functions
- Step 2: *Allocate administrative and fundraising categories*  
The expenses aggregated in the administrative and development categories are shared across programs



# Setting Up Your System for Two-Step Process

## Nonprofit Organization

## Statement of Functional Expense

Year Ended December 31, 20XX

	Program Services					Supporting Services			To Be Allocated	TOTAL
	Program 1	Program 2	Program 3	General Program	Total	Management & General	Fundraising	total	Total	
<b>EXPENSES</b>										
Payroll, Taxes, Benefits										\$ -
Contracted Services										-
Program materials and supplies										-
Occupancy										-
Equipment and Technology										-
Travel & Meetings										-
Marketing and Communications										-
Other Operating Expenses										-
Depreciation Expense										-
ADMIN ALLOCATION										-
FUNDRAISING ALLOCATION										-
<b>TOTAL EXPENSES</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Step 1**

**Step 2**



# Step 1: Allocations and True Program Costs – To Be Allocated

## Nonprofit Organization

Statement of Functional Expense

Year Ended December 31, 20XX

	Program Services					Supporting Services			To Be Allocated	TOTAL
	Program 1	Program 2	Program 3	General Program	Total	Management & General	Fundraising	Total	Total	
<b>EXPENSES</b>										
Payroll, Taxes, Benefits	\$ 264,195	\$ 330,243	\$ 594,438	\$ 132,097	\$ 1,320,973	\$ 232,290	\$ 65,845	\$ 298,135	\$ -	\$ 1,619,108
Contracted Services	13,020	16,275	29,295	6,510	65,101	37,848	22,390	60,238	15,000	140,339
Program materials and supplies	78,234	97,793	176,027	39,117	391,172	-	-	-	-	391,172
Occupancy	-	-	-	-	-	-	-	-	286,346	286,346
Equipment and Technology	900	740	1,331	-	2,971	-	3,200	3,200	85,599	91,770
Travel & Meetings	14,294	17,868	32,162	7,147	71,471	4,800	200	5,000	-	76,471
Marketing and Communications	4,962	6,203	11,165	2,481	24,812	-	1,088	1,088	-	25,900
Other Operating Expenses	6,211	8,487	17,888	3,050	35,636	9,036	1,122	10,158	122,489	168,283
Depreciation Expense	-	-	-	-	-	-	-	-	22,400	22,400
ADMIN ALLOCATION	-	-	-	-	-	-	-	-	-	-
FUNDRAISING ALLOCATION	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 381,817</b>	<b>\$ 477,609</b>	<b>\$ 862,308</b>	<b>\$ 190,403</b>	<b>\$ 1,912,136</b>	<b>\$ 283,974</b>	<b>\$ 93,845</b>	<b>\$ 377,819</b>	<b>\$ 531,834</b>	<b>\$ 2,821,789</b>



# Step 1: Allocations and True Program Costs – To Be Allocated

## Nonprofit Organization

Statement of Functional Expense

Year Ended December 31, 20XX

	Program Services					Supporting Services			To Be Allocated	TOTAL
	Program 1	Program 2	Program 3	General Program	Total	Management & General	Fundraising	Total		
<b>EXPENSES</b>										
Payroll, Taxes, Benefits	\$ 264,195	\$ 330,243	\$ 594,438	\$ 132,097	\$ 1,320,973	\$ 232,290	\$ 65,845	\$ 298,135		\$ 1,619,108
Contracted Services	15,468	19,335	34,803	7,734	77,339	40,000	23,000	63,000	-	140,339
Program materials and supplies	78,234	97,793	176,027	39,117	391,172	-	-	-		391,172
Occupancy	46,724	58,405	105,129	23,362	233,620	41,081	11,645	52,726	-	286,346
Equipment and Technology	14,867	18,199	32,758	6,984	72,808	12,281	6,681	18,962	-	91,770
Travel & Meetings	14,294	17,868	32,162	7,147	71,471	4,800	200	5,000		76,471
Marketing and Communications	4,962	6,203	11,165	2,481	24,812	-	1,088	1,088		25,900
Other Operating Expenses	26,198	33,471	62,859	13,043	135,570	26,609	6,103	32,712	-	168,283
Depreciation Expense	3,655	4,569	8,224	1,828	18,275	3,214	911	4,125	-	22,400
ADMIN ALLOCATION	-	-	-	-				-		-
FUNDRAISING ALLOCATION	-	-	-	-				-		-
<b>TOTAL EXPENSES</b>	<b>\$ 468,598</b>	<b>\$ 586,085</b>	<b>\$ 1,057,565</b>	<b>\$ 233,793</b>	<b>\$ 2,346,041</b>	<b>\$ 360,275</b>	<b>\$ 115,473</b>	<b>\$ 475,748</b>	<b>\$ -</b>	<b>\$ 2,821,789</b>



## Step 2: Allocations and True Program Costs – Supporting Services

### Nonprofit Organization

Statement of Functional Expense

Year Ended December 31, 20XX

	Program Services					Supporting Services			To Be Allocated	TOTAL
	Program 1	Program 2	Program 3	General Program	Total	Management & General	Fundraising	Total		
<b>EXPENSES</b>										
Payroll, Taxes, Benefits	\$ 264,195	\$ 330,243	\$ 594,438	\$ 132,097	\$ 1,320,973	\$ 232,290	\$ 65,845	\$ 298,135		\$ 1,619,108
Contracted Services	15,468	19,335	34,803	7,734	77,339	40,000	23,000	63,000	-	140,339
Program materials and supplies	78,234	97,793	176,027	39,117	391,172	-	-	-	-	391,172
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Marketing and Communications	4,962	6,203	11,165	2,481	24,812	-	1,088	1,088	-	25,900
Other Operating Expenses	26,198	33,471	62,859	13,043	135,570	26,609	6,103	32,712	-	168,283
Depreciation Expense	3,655	4,569	8,224	1,828	18,275	3,214	911	4,125	-	22,400
ADMIN ALLOCATION	-	-	-	-	-	-	-	-	-	-
FUNDRAISING ALLOCATION	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 468,598</b>	<b>\$ 586,085</b>	<b>\$ 1,057,565</b>	<b>\$ 233,793</b>	<b>\$ 2,346,041</b>	<b>\$ 360,275</b>	<b>\$ 115,473</b>	<b>\$ 475,748</b>	<b>\$ -</b>	<b>\$ 2,821,789</b>



# Step 2: Allocations and True Program Costs – Supporting Services

## Nonprofit Organization

Statement of Functional Expense

Year Ended December 31, 20XX

	Program Services					Supporting Services			To Be Allocated	TOTAL
	Program 1	Program 2	Program 3	General Program	Total	Management & General	Fundraising	Total		
<b>EXPENSES</b>										
Payroll, Taxes, Benefits	\$ 264,195	\$ 330,243	\$ 594,438	\$ 132,097	\$ 1,320,973	\$ 232,290	\$ 65,845	\$ 298,135		\$ 1,619,108
Contracted Services	15,468	19,335	34,803	7,734	77,339	40,000	23,000	63,000	-	140,339
Program materials and supplies	78,234	97,793	176,027	39,117	391,172	-	-	-		391,172
Occupancy	46,724	58,405	105,129	23,362	233,620	41,081	11,645	52,726	-	286,346
Equipment and Technology	14,867	18,199	32,758	6,984	72,808	12,281	6,681	18,962	-	91,770
Travel & Meetings	14,294	17,868	32,162	7,147	71,471	4,800	200	5,000		76,471
Marketing and Communications	4,962	6,203	11,165	2,481	24,812	-	1,088	1,088		25,900
Other Operating Expenses	26,198	33,471	62,859	13,043	135,570	26,609	6,103	32,712	-	168,282
Depreciation Expense	3,655	4,569	8,224	1,828	18,275	3,214	911	4,125	-	22,400
ADMIN ALLOCATION	68,452	86,466	154,918	32,425	342,261	(360,275)	18,014	(342,261)		-
FUNDRAISING ALLOCATION	24,371	22,393	74,537	12,186	133,487	-	(133,487)	(133,487)		-
<b>TOTAL EXPENSES</b>	<b>\$ 561,421</b>	<b>\$ 694,944</b>	<b>\$ 1,287,020</b>	<b>\$ 278,404</b>	<b>\$ 2,821,789</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,821,789</b>



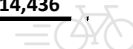
# Allocations & True Program Costs = Full-Cost Accounting

**Nonprofit Organization**  
Statement of Functional Expense  
Year Ended December 31, 20XX

Business Model  
Information

Program  
Sustainability

	Program Services				
	Program 1	Program 2	Program 3	General Program	Total
<b>SUPPORT AND REVENUE</b>					
Support (Contributions)	\$ 408,350	\$ 375,200	\$ 1,248,900	\$ 204,175	\$ 2,236,625
Revenue (Earned)	241,310	301,637	235,998	120,655	899,600
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$ 649,660</b>	<b>\$ 676,837</b>	<b>\$ 1,484,898</b>	<b>\$ 324,830</b>	<b>\$ 3,136,225</b>
<b>EXPENSES</b>					
Payroll, Taxes, Benefits	\$ 264,195	\$ 330,243	\$ 594,438	\$ 132,097	\$ 1,320,973
Contracted Services	15,468	19,335	34,803	7,734	77,339
Program materials and supplies	78,234	97,793	176,027	39,117	391,172
Occupancy	46,724	58,405	105,129	23,362	233,620
Equipment and Technology	14,867	18,199	32,758	6,984	72,808
Travel & Meetings	14,294	17,868	32,162	7,147	71,471
Marketing and Communications	4,962	6,203	11,165	2,481	24,812
Other Operating Expenses	26,198	33,471	62,859	13,043	135,570
Depreciation Expense	3,655	4,569	8,224	1,828	18,275
<b>TOTAL DIRECT EXPENSES</b>	<b>\$ 468,598</b>	<b>\$ 586,085</b>	<b>\$ 1,057,565</b>	<b>\$ 233,793</b>	<b>\$ 2,346,041</b>
ADMIN ALLOCATION	68,452	86,466	154,918	32,425	342,261
FUNDRAISING ALLOCATION	24,371	22,393	74,537	12,186	133,487
<b>TOTAL EXPENSES</b>	<b>\$ 561,421</b>	<b>\$ 694,944</b>	<b>\$ 1,287,020</b>	<b>\$ 278,404</b>	<b>\$ 2,821,789</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 88,239</b>	<b>\$ (18,107)</b>	<b>\$ 197,878</b>	<b>\$ 46,426</b>	<b>\$ 314,436</b>



# Allocations and True Program Costs – Audit Ready Innovation

## Nonprofit Organization

Statement of Functional Expense

Year Ended December 31, 20XX

	Program Services					Supporting Services			To Be Allocated	TOTAL
	Program 1	Program 2	Program 3	General Program	Total	Management & General	Fundraising	Total		
<b>EXPENSES</b>										
Payroll, Taxes, Benefits	\$ 264,195	\$ 330,243	\$ 594,438	\$ 132,097	\$ 1,320,973	\$ 232,290	\$ 65,845	\$ 298,135		\$ 1,619,108
Contracted Services	15,468	19,335	34,803	7,734	77,339	40,000	23,000	63,000	-	140,339
Program materials and supplies	78,234	97,793	176,027	39,117	391,172	-	-	-	-	391,172
Occupancy	46,724	58,405	105,129	23,362	233,620	41,081	11,645	52,726	-	286,346
Equipment and Technology	14,867	18,199	32,758	6,984	72,808	12,281	6,681	18,962	-	91,770
Travel & Meetings	14,294	17,868	32,162	7,147	71,471	4,800	200	5,000	-	76,471
Marketing and Communications	4,962	6,203	11,165	2,481	24,812	-	1,088	1,088	-	25,900
Other Operating Expenses	26,198	33,471	62,859	13,043	135,570	26,609	6,103	32,712	-	168,282
Depreciation Expense	3,655	4,569	8,224	1,828	18,275	3,214	911	4,125	-	22,400
<b>TOTAL DIRECT EXPENSES</b>	<b>\$ 468,598</b>	<b>\$ 586,085</b>	<b>\$ 1,057,565</b>	<b>\$ 233,793</b>	<b>\$ 2,346,041</b>	<b>\$ 360,275</b>	<b>\$ 115,473</b>	<b>\$ 475,748</b>	<b>\$ -</b>	<b>\$ 2,821,789</b>
ADMIN ALLOCATION	68,452	86,466	154,918	32,425	342,261	(360,275)	18,014	(342,261)		-
FUNDRAISING ALLOCATION	24,371	22,393	74,537	12,186	133,487	-	(133,487)	(133,487)		-
<b>TOTAL EXPENSES</b>	<b>\$ 561,421</b>	<b>\$ 694,944</b>	<b>\$ 1,287,020</b>	<b>\$ 278,404</b>	<b>\$ 2,821,789</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,821,789</b>

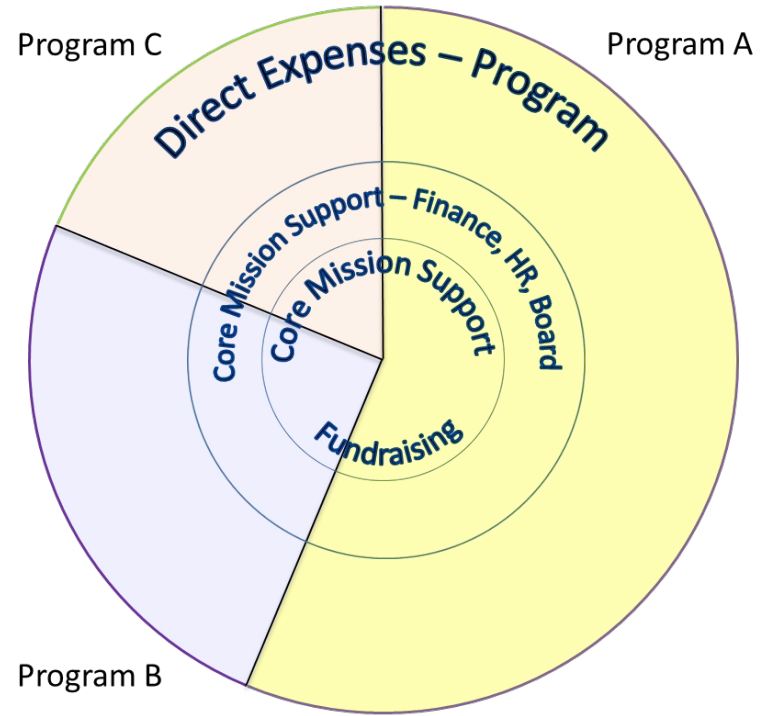
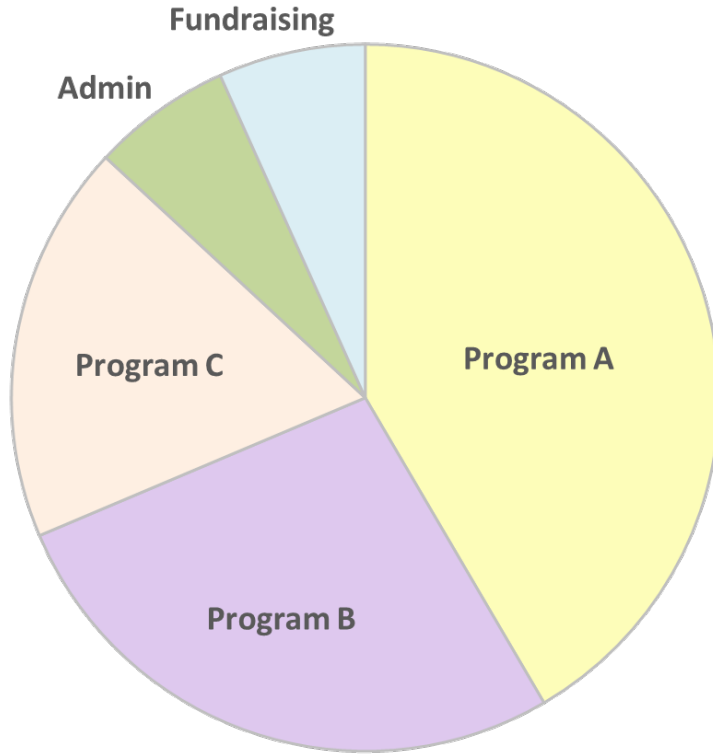


# Allocations added to the Statement of Functional Expenses

	Program Activities				Supporting Services			Total Expenses
	A	B	C	Programs Subtotal	Management and General	Fundraising	Supporting Subtotal	
Salaries and benefits	\$ 7,400	\$ 3,900	\$ 1,725	\$ 13,025	\$ 1,130	\$ 960	\$ 2,090	\$ 15,115
Grants to other organizations	2,075	750	1,925	4,750	-	-	-	4,750
Supplies and travel	890	1,013	499	2,402	213	540	753	3,155
Services and professional fees	160	1,490	600	2,250	200	390	590	2,840
Office and occupancy	1,160	600	450	2,210	218	100	318	2,528
Depreciation	1,440	800	570	2,810	250	140	390	3,200
Interest	171	96	68	335	27	20	47	382
Total Direct Expenses	13,296	8,649	5,837	27,782	2,038	2,150	4,188	31,970
Allocation of Management & General	1,079	568	251	1,898	(2,038)	140	(1,898)	-
Allocation of Fundraising	1,124	633	533	2,290	-	(2,290)	(2,290)	-
Total Expenses after Allocation	\$ 15,499	\$ 9,850	\$ 6,621	\$ 31,970	\$ -	\$ -	\$ -	\$ 31,970

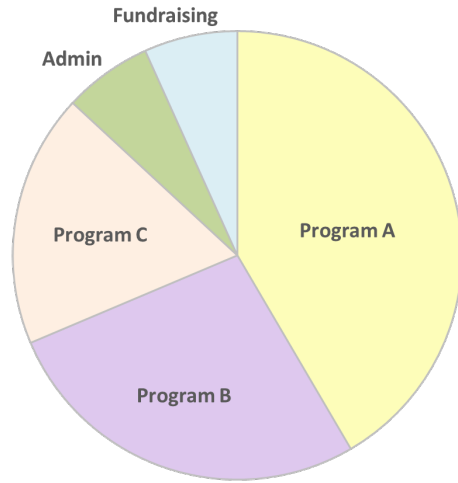


# Same Data – Different Narrative



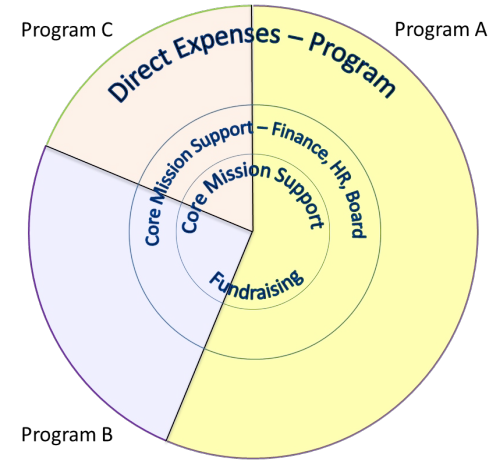


# Same Data – Different Narrative



## Leads the Witness to Conceptual Errors

- Supporting services seen as diminishment of program activities
- Functional expense ratio mistakenly interpreted as measure of efficiency



## Reorients Data to Correct Perception

- Supporting services seen as core to organization and central to programs
- Programs seen holistically, carrying a proportionate share of core costs





# How much of your story you tell matters, too

WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING

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

# Elegance in Reporting

We strive to create reports:

- As **simple** as possible, while still being complete
- As **informative** as possible, without being too dense
- As **sophisticated** as possible, without being complicated



Statement of Activities  
November 20XX

	Total
<b>Income</b>	
40000 Earned Revenue	
40010 Contract Rev-State/Local Gov't	\$ 1,005,901.40
40020 Loan Interest Revenue	5,764.16
40035 Technical Assistance Revenue	215.00
<b>Total 40000 Earned Revenue</b>	<b>1,011,880.56</b>
41000 Contributions & Fundraising	
41005 Grants - Foundations	73,820.00
41006 Grants/ Found-Temp Restricted	65,000.00
41010 Donations - Individuals	1,700.28
<b>Total 41000 Contributions &amp; Fundraising</b>	<b>140,520.28</b>
49000 Other Revenues	
49010 Interest Revenue	40.19
49020 Rental Income	6,900.00
<b>Total 49000 Other Revenues</b>	<b>6,940.19</b>
<b>Total Income</b>	<b>\$ 1,159,341.03</b>
<b>Expenses</b>	
50000 Personnel Expenses	
50005 Salary & Wage Expense	\$ 87,730.76
50020 Payroll Tax Expense	6,877.74
50100 Benefits	
50010 Life & Disability Insurance	701.36
50015 Medical & Dental Expense	17,062.74
50030 SEP Contributions	329.23
50035 Work Comp Insurance	87.88
50040 Other Benefits	1,212.48
<b>Total 50100 Benefits</b>	<b>19,393.69</b>
<b>Total 50000 Personnel Expenses</b>	<b>94,062.19</b>
52000 Professional Services	
52005 Accounting & Audit Expenses	14,420.44
52010 Consultant - Business	8,693.75
52015 Consultant - Comm Organizer	60,544.25
52025 Consultant - General	6,289.63
52030 Consultant - Trainer	7,600.00
52035 Contracted Computer Support	2,533.19
52045 Payroll Processing Expense	632.64
<b>Total 52000 Professional Services</b>	<b>100,713.90</b>
60000 Program Expenses	
60006 Auto Expense - Insurance	92.69
60010 Conference Expenses	5,000.00
60035 Other Program Expenses	2,000.00
60096 CHAP Grant	661,683.64
60097 SBRG Grants	234,014.05
60098 Rebuild & Heal	90,100.00
60099 COVID Grants	5,000.00
60100 OTCOW Grant Fund Expenses	2,000.00
<b>Total 60000 Program Expenses</b>	<b>999,890.38</b>
80000 Operating Expenses	
80010 Bank Service Charges	171.70
80035 Communications	1,021.54
80050 Miscellaneous Expense	386.00
<b>Total 80000 Operating Expenses</b>	<b>1,579.24</b>
80100 Equipment Expenses	
80115 Equipment Rental	156.42
<b>Total 80100 Equipment Expenses</b>	<b>156.42</b>
80200 Insurance Expenses	
80205 D&O Insurance	122.34
80210 General Liability Insurance	104.65
80211 General Building Insurance	3,708.16
<b>Total 80200 Insurance Expenses</b>	<b>3,935.15</b>
91000 Occupancy Expenses	
91005 Maintenance & Repair - Facility	193.84
91010 Rent Expense - Office	3,260.00
91020 Utility Expenses	6,538.19
<b>Total 91000 Occupancy Expenses</b>	<b>9,992.03</b>
90000 Other Expenses	
90005 Bad Debt Expense	2,000.00
90010 Interest Expense	3,026.78
90015 Depreciation Expense	1,640.96
<b>Total 90000 Other Expenses</b>	<b>7,776.74</b>
<b>Total Expenses</b>	<b>\$ 1,218,056.05</b>
<b>Net Income</b>	<b>\$ (58,715.02)</b>

A typical association  
statement of activities

is often exactly this useful



# Elegance through Roll Ups

You can learn a lot about your business model by:

- Totaling the three largest income line items
- Totaling the three largest expense line items

*Roll up* your accounts into groupings that capture and prominently display **more influential items**.

*Declutter* your chart of accounts and your reports by limiting the display of **less influential items**.



# Statement of Activities

November 20XX

A more meaningful  
statement of activities

## Income

Earned Revenue	\$	1,011,881
Contributions & Fundraising		140,520
Other Revenues		6,940
Total Income	\$	1,159,341

## Expenses

Personnel Expenses	\$	94,002
Professional Services		100,714
Program Expenses		999,890
Operating Expenses		1,589
Equipment Expenses		156
Insurance Expenses		3,935
Occupancy Expenses		9,992
Other Expenses		7,777
Total Expenses	\$	1,218,056
Change in Net Assets	\$	(58,715)

98% of Total Expenses



# Elegance through Communication

Clear communication includes:

- Numbers
- Narratives
- Well-designed legends and keys

*Anticipate* questions to make your meeting time more efficient.

*Guide* your audience to the information that is most important.



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# ABC COMPANY

## Financial Summary – April 2021

### Statement of Financial Position:

- Operating Cash was \$1,138,607 at the end of April and was \$185,769 as of April 2020. There is approximately \$7,925,238 in cash on hand. Much of the cash is designated for COVID resources such as the MRF grant, the R&H Collaborative, Greater Twin Cities United Way grant, and the COVID-19 Housing Assistance Program, which are all 100% pass-through.
- CLA worked with Mara and the lending team to review the inter-entity loans. The inter-entity loans were moved out of the loan fund and into the program and operations fund. While these funds will still be tracked and payments made as applicable, the thought process was that these loans will no longer continue to bring down our loan portfolio as a whole. Program and Operations now shows an inter-fund liability of \$647,280 that is due to the loan fund which results in a positive cash balance for the Program and Operations column.
- Accounts Receivable was at \$486,495 at the end of April. Approximately 24% of the outstanding receivables relates to government grants that have been billed but not yet received while the remaining 76% relates to Foundation grants that have been pledged but not yet received. A significant part of the 76% Foundation grants outstanding is \$295,500 of receivables with donor restriction that are year two of a two-year grant received from Northwest Area Foundation, Pohlad Family Foundation, the St. Paul & Minnesota Foundation, and Mortenson Family Foundation.
- PPP loan of \$105,500 was received in April 2020. With the latest COVID-19 bill that was passed during December of 2020, the forgiveness application was simplified for loans under \$150k. CLA has inquired into the forgiveness with the Community Reinvestment Fund.
- The net asset balance of Program & Operations without Donor Restrictions shows a positive balance of \$211,118 as of April 2021. The Loan Fund without Donor Restriction has a positive balance of \$1,666,266.



#### Statement of Activities:

- The overall YTD GAIN is \$89,273. This is the combination of the \$21,242 decrease in net assets without donor restrictions, combined with an increase in net assets with donor restrictions of \$110,516. The increase of net assets with donor restrictions reflects the \$450,000 restricted gift from Wells Fargo in April 2021 less release of restrictions on grant funds received in prior fiscal years.
  - The Without Donor Restriction column is the best measure of ABC's general operations. There is a negative change in net assets without restriction because the general operations expenditures exceeded without donor restricted grants received during the fiscal year.
- Overall revenue YTD is ahead compared to prior year by \$12,554,318 and ahead of budget by \$11,969,532, which includes \$10,160,204 in pass-through grant funding. Management is reviewing all contracts in place to determine how best to maximize each of them and possibly putting them on pause while we work to rebuild the community with the small business grants.
- Overall expenses are \$12,478,292 more than the prior year at this time and are \$12,012,008 over budget. This over budget amount is primarily driven by the \$10,160,204 pass-through grant expense. Professional services will continue to be over budget due to the impact of the COVID Housing Assistance Program which required more CLA time and 46 contractors to run the program.



#### Related Entities:

- Since the sale of Entity 1 there are no operations that are occurring. We are still awaiting payment from the sale to customer. We are working with the customer to determine specific timing. Our receivable outstanding is \$690,125 from customer.
- Our property at Entity 3 was doing well but has suffered recently due to COVID. We have an YTD net gain of \$10,886. The sale of this building has stalled with Sunrise Banks. Ramiro is looking into other banks to move forward with the sale. We have been able to make our mortgage payments and we are working on building up our cash flow; however, long term the operations do not make this property profitable with the amount of debt associated with it. As an organization, we would be better off if we sold this.
- Entity 4 is also losing money. We have approx. \$194k of outstanding debt which is related to kitchen equipment. We do not own this property. The operations of the kitchen is not sustainable for the amount of debt we have outstanding.
- Entity 2 has a net operating gain of \$5,283 YTD through April. We had a lot of turnover/movement amongst our tenants at the beginning of 2020 and 2021. We are starting to recover from all of those changes; however, again our operations cannot support the amount of debt we have outstanding on this property.



# ABC Company

## April 2021 Financial Dashboard

### TOTAL OPERATING REVENUE

#### Total Revenue this Month Less Grants

\$572,466  
Same Month Revenue Last Year  
\$128,200

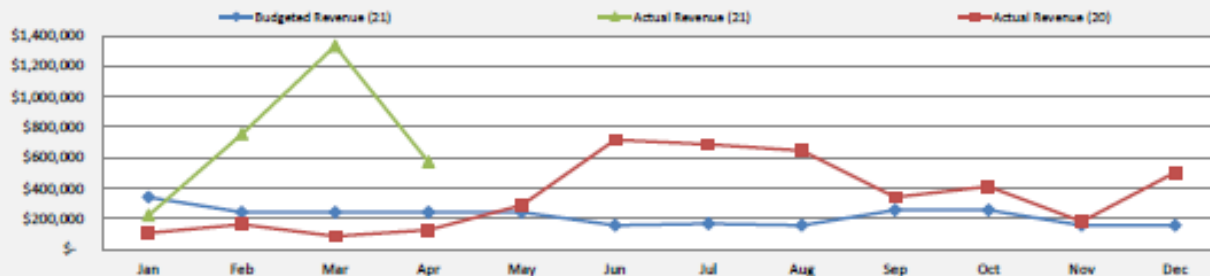
#### Total Revenue YTD

\$2,881,717  
YTD Revenue Last Year  
\$487,603

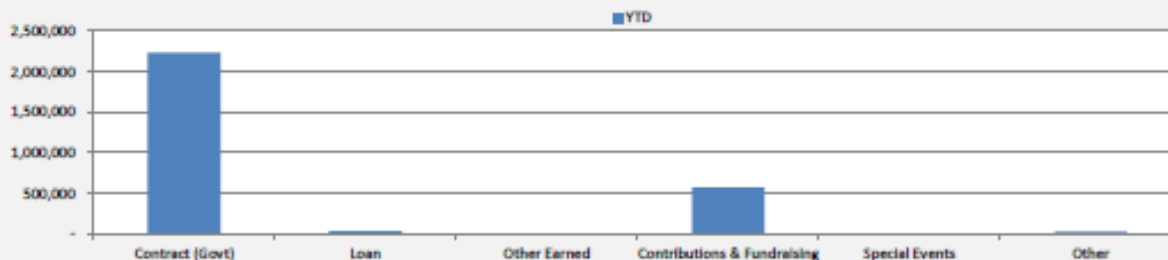
#### Full Year Revenue Budget

\$2,636,956  
Full Year Revenue Actual Last Year  
\$4,271,468

### Total Revenue by Month



### Revenue by Source - 2021 Year to Date



**TOTAL OPERATING EXPENSE****Total Expense this Month Less Grants**

\$282,536

Same Month Expense Last Year

\$114,177

**Total Expense YTD**

\$2,792,443

YTD Expense Last Year

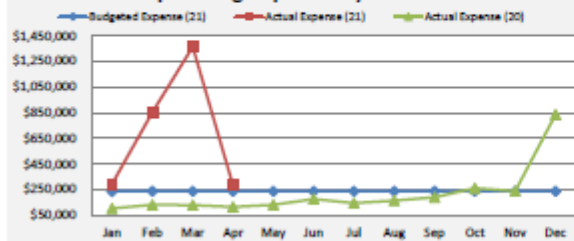
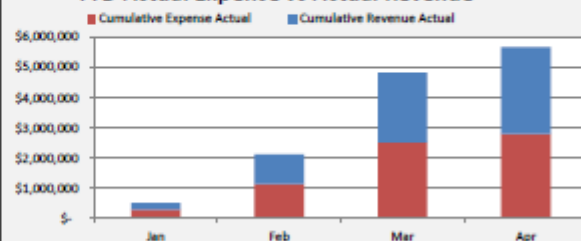
\$474,356

**Full Year Expense Budget**

\$2,825,092

Full Year Expense Actual Last Year

\$2,607,686

**Total Operating Expense by Month****YTD Actual Expense vs Actual Revenue****FINANCIAL POSITION****Operating Cash at End of Month**

\$1,138,607

**Operating Cash at Same Time Last Year**

\$185,769

**Operating Cash at Beginning of Year**

\$1,604,532

**AR at End of Month**

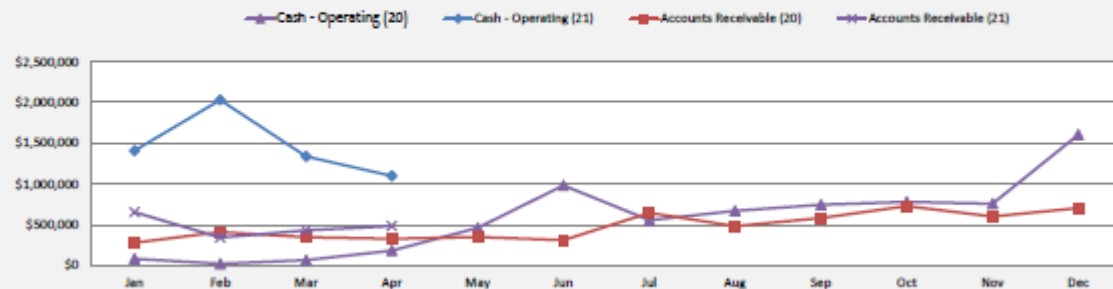
\$486,495

**AR at Same Time Last Year**

\$329,199

**AR at Beginning of Year**

\$707,231



No assurance is provided on these financial statements and supplemental information. See selected information.



As of Apr 30, 2021

As of Apr 30, 2020

	Without Donor Restriction				With Donor Restriction				TOTAL	Without Donor Restriction				With Donor Restriction				TOTAL
	Program & Operations	Passthrough Grants	Loan Fund	Total	Program & Operations	Loan Fund	Total	Program & Operations		Loan Fund	Total	Program & Operations	Loan Fund	Total				
ASSETS																		
Current Assets																		
Checking & Savings																		
Checking	241,369	4,704,001	636,829	5,582,198	260,409		260,409	5,842,607		(316,122)	486,891	170,769	15,000		15,000	185,769		
Checking - Loan Funds		17,000	513,716	530,716		902,538	902,538	1,433,254			356,306	356,306		63,122		63,122		
Checking - Building	100			100														
DEED Checking - Loan Funds			251,663	251,663				251,663			126,116	126,116				126,116		
Checking - Loan Loss Reserve			90,814	90,814				90,814			90,814	90,814				90,814		
US Bank - R&H Collab	131,300			131,300	175,500		175,500	306,800			2,998	2,998				2,998		
Total Checkings & Savings	372,769	4,721,001	1,493,022	6,586,791	435,909	902,538	1,338,447	7,923,238		(316,122)	1,063,125	747,003	15,000	63,122		78,122		
Total Accounts Receivable	190,955	-	-	190,955	295,500	-	295,500	486,495		149,199	-	149,199	180,000	-		180,000		
Loans Receivable - Current Portion			507,105	507,105				507,105			742,835	742,835				742,835		
Loan Interest Receivable	17,027			17,027				17,027										
Other Current Assets																		
Allowance for Bad Debt	(14,400)			(14,400)				(14,400)										
Total Prepaid Expenses	36,442		-	36,442	-	-	-	36,442		15,789	-	15,789	-	-	-	15,789		
Security Deposits	-			-				-		-	-	-				-		
Due from Entity 1	141,940			141,940				141,940		141,720		141,720				141,720		
Due from Entity 2	117,294			117,294				117,294		96,533		96,533				96,533		
Due from Entity 3			5,014	5,014				5,014										
Total Other Current Assets	286,239	-	-	286,239				286,239		254,072	-	254,072				254,072		
Total Current Assets	867,080	4,721,001	2,000,127	7,588,207	731,409	902,538	1,633,947	9,222,154		87,149	1,806,960	1,893,109	195,000	63,122	258,122	2,151,231		
Noncurrent Assets																		
Total Fixed Assets (net)	610,398		-	610,398		-	-	610,398		20,368	-	20,368	-	-	-	20,368		
Grants Receivable - Long-Term Portion																		
Security Deposit Receivable	845			845				845		-	-	-				-		
Investment in LLCs																		
Investment in Entity 1	20,200			20,200				20,200		20,200		20,200				20,200		
Investment in Entity 3	27,239			27,239				27,239		27,957		27,957				27,957		
Investment in Entity 4	5,671			5,671				5,671		5,671		5,671				5,671		
Investment in Entity 2	4,047			4,047				4,047		4,047		4,047				4,047		
Total Investment in LLCs (net)	57,137	-	-	57,137	-	-	-	57,137		57,875	-	57,875				57,875		
Loans receivable - long-term portion (net)																		
Total Loans Receivable - Long-Term (net)	647,280		2,965,628	3,612,908		-	-	3,612,908		-	2,186,664	2,186,664		-	-	2,186,664		
Total Noncurrent Assets	1,315,681	-	2,965,628	4,281,309		-	-	4,281,309		78,244	2,186,664	2,264,908				2,264,908		
TOTAL ASSETS	2,182,761	4,721,001	4,965,755	11,869,516	731,409	902,538	1,633,947	13,503,463		165,393	3,992,624	4,158,017	195,000	63,122	258,122	4,416,139		
LIABILITIES AND NET ASSETS																		
Liabilities																		
Current Liabilities																		
Total Accounts Payable	305,043	79,399	-	384,442	-	-	-	384,442		93,018	-	93,018				93,018		
Total Credit Cards	5,758			5,758				5,758		3,649		3,649				3,649		
Other Current Liabilities																		
Total Pass-through Liabilities	4,210			4,210		-	-	4,210		1,005		1,005				1,005		
Total Accrued Expenses	142,353			142,353				142,353		128,086		128,086				128,086		
Deferred Revenue	-	4,641,602		4,641,602				4,641,602		200,000		200,000				200,000		
Security Deposits - Rentals										700		700				700		
PPP Loan	105,500			105,500				105,500		105,500		105,500				105,500		
Current Portion of LT Notes Payable	-		323,704	323,704				323,704			1,019,682	1,019,682				1,019,682		
Total Other Current Liabilities	252,063	4,641,602	323,704	5,217,369		-	-	5,217,369		435,290	1,019,682	1,454,972				1,454,972		
Total Current Liabilities	562,864	4,721,001	323,704	5,607,569		-	-	5,607,569		531,928	1,019,682	1,551,610				1,551,610		
Noncurrent Liabilities																		
Total Long Term Liabilities	1,408,780		2,975,785	4,384,565		-	-	4,384,565			1,082,261	1,082,261		-	-	1,082,261		
Total Liabilities	1,971,643	4,721,001	3,299,489	9,992,134		-	-	9,992,134		531,958	2,111,943	2,643,901				2,643,901		
Net Assets																		
Net Assets without Donor Restrictions	302,622		1,596,003	1,898,625				1,898,625		(504,811)	1,814,084	1,309,273				1,309,273		
Net Assets with Donor Restrictions					1,000,631	522,800	1,523,431	1,523,431					320,000	128,719		448,719		
Change in Net Assets	(91,504)	[0]	70,262	(21,242)	(289,222)	379,738	110,516	89,273		138,247	66,597	204,844	(125,000)	(66,597)		(151,997)		
Total Net Assets	211,118	[0]	1,666,266	1,877,383	731,409	902,538	1,633,947	3,513,330		(366,564)	1,880,681	1,514,117	195,000	63,122	258,122	1,772,239		
TOTAL LIABILITIES AND NET ASSETS	2,182,761	4,721,001	4,965,755	11,869,517	731,409	902,538	1,633,947	13,503,463		165,393	3,992,624	4,158,017	195,000	63,122	258,122	4,416,139		

No assurance is provided on these financial statements and supplemental information. See selected information.



Create Opportunities

	For the Four Months Ended April 30, 2021							For the Four Months Ended April 30, 2020						
	Without Donor Restriction				With Donor Restriction			Without Donor Restriction			With Donor Restriction			
	Program & Operations	Passthrough Grants	Loan Fund	Total	Program & Operations	Loan Fund	TOTAL	Program & Operations	Loan Fund	Total	Program & Operations	Loan Fund	Total	TOTAL
<b>Income</b>														
Earned Revenue														
Contract Revenue - Federal Gov't	58,269			58,269	-	-	58,269	98,959		98,959	-		-	98,959
Contract Revenue - State/Local Gov't	2,169,401	9,974,454		12,143,855	-	-	12,143,855	179,567		179,567	-		-	179,567
Loan Closing Revenue	270			270	-	-	270	-		-	-		-	-
Loan Interest Revenue	38,344		-	38,344	-	-	38,344	32,953		32,953	-		-	32,953
Program Service Revenue	1,373			1,373	-	-	1,373	200		200	-		-	200
Technical Assistance Revenue	-			-	-	-	-	-		-	-		-	-
Training Revenue - Indiv	1,570			1,570	-	-	1,570	1,015		1,015	-		-	1,015
Total Earned Revenue	2,269,226	9,974,454	-	12,243,680	-	-	12,243,680	312,695	-	312,695	-	-	-	312,695
Contributions & Fundraising														
Grants - Foundations	165,609			165,609	143,250	450,000	593,250	90,000		90,000	80,000		80,000	170,000
Donations - Individuals	4,835			4,835	-	-	4,835	1,000		1,000	-		-	1,000
LSF Donations	-			-	-	-	-	2,500		2,500	-		-	2,500
Membership Dues	-			-	-	-	-	300		300	-		-	300
Scholarships	-			-	-	-	-	-		-	-		-	-
Revenue released from restriction	226,722	185,750	70,262	482,734	(412,472)	(70,262)	(482,734)	205,000	66,597	271,597	(205,000)	(66,597)	(271,597)	-
Total Contributions & Fundraising	397,246	185,750	70,262	653,258	(269,222)	379,738	110,516	298,800	66,597	365,397	(125,000)	(66,597)	(191,597)	173,800
Total Special Event Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Revenues	34,467			34,467	-	-	34,467	1,108		1,108	-		-	1,108
Total Income	2,700,939	10,160,204	70,262	12,931,405	(269,222)	379,738	110,516	612,603	66,597	679,200	(125,000)	(66,597)	(191,597)	487,603
<b>Expenses</b>														
Total Personnel Expenses	444,181			444,181			444,181	227,558		227,558				227,558
Total Professional Services	2,213,224			2,213,224			2,213,224	186,266		186,266				186,266
Total Program Expenses	8,916			8,916			8,916	2,778		2,778				2,778
Total Direct Support to Community	18,388	10,160,204		10,178,592			10,178,592	-		-				-
Total Travel Expenses	527			527			527	4,335		4,335				4,335
Total Meeting & Training Expenses	673			673			673	1,061		1,061				1,061
Total Management Expenses	34,879			34,879			34,879	17,263		17,263				17,263
Total Equipment Expenses	626			626			626	1,798		1,798				1,798
Total Insurance Expenses	10,569			10,569			10,569	851		851				851
Total Occupancy Expenses	30,774			30,774			30,774	16,164		16,164				16,164
Total Other Expenses	29,687		-	29,687	-	-	-	16,282	-	16,282	-	-	-	16,282
Total Expenses	2,792,443	10,160,204	-	12,952,648	-	-	12,952,648	474,356	-	474,356	-	-	-	474,356
<b>Other Income/Expense</b>														
Equity in Investment Income	-			-			-	-		-	-		-	-
Bad Debt - Equity Investments	-		-	-			-	-		-	-		-	-
Change in Net Assets	(91,504)	(0)	70,262	(21,242)	(269,222)	379,738	110,516	138,247	66,597	204,844	(125,000)	(66,597)	(191,597)	13,247

No assurance is provided on these financial statements and supplemental information. See selected information.



ABC Company  
Statement of Activities  
For the Month Ended April 30, 2021 and Year Ending December 31, 2021

	Actual April 2021	Budget April 2021	Variance	YTD Actual Jan - Apr, 2021	YTD Budget Jan - Apr, 2021	Variance	Prior Year YTD Jan - Apr, 2020	Variance	Annual Budget Jan - Dec 2021
<b>Income</b>									
Earned Revenue									
Contract Revenue - Federal Gov't	11,085	27,316	(16,231)	58,269	109,264	(50,995)	98,959	(40,691)	327,787
Contract Revenue - State/Local Gov't	80,290	8,098	72,192	12,143,855	32,392	12,111,463	179,567	11,964,388	97,169
Loan Closing Revenue	270	417	(147)	270	1,668	(1,398)	-	270	5,000
Loan Interest Revenue	8,065	8,334	(269)	38,344	33,336	5,008	32,953	5,390	100,000
Program Service Revenue	1,000	375	625	1,373	1,500	(127)	200	1,173	4,500
Technical Assistance Revenue	-	-	-	-	-	-	-	-	4,500
Training Revenue - Indiv	1,450	125	1,325	1,570	500	1,070	1,015	555	1,500
<b>Total Earned Revenue</b>	<b>102,161</b>	<b>44,665</b>	<b>57,496</b>	<b>12,243,680</b>	<b>178,660</b>	<b>12,065,020</b>	<b>312,695</b>	<b>11,930,985</b>	<b>540,456</b>
Contributions & Fundraising									
Grants - Foundations	562,500	52,667	509,833	758,939	210,668	548,271	170,000	588,939	632,000
Donations - Individuals	1,265	1,250	15	4,835	5,000	(165)	1,000	3,835	15,000
LSF Donations	-	2,917	(2,917)	-	11,668	(11,668)	2,500	(2,500)	35,000
Membership Dues	-	42	(42)	-	168	(168)	300	(300)	500
Revenue released from restriction	-	140,032	(140,032)	-	658,625	(658,625)	-	-	1,380,200
<b>Total Contributions &amp; Fundraising</b>	<b>563,765</b>	<b>196,908</b>	<b>366,857</b>	<b>763,774</b>	<b>886,129</b>	<b>(122,355)</b>	<b>173,800</b>	<b>589,974</b>	<b>2,062,700</b>
Total Special Event Revenues	-	-	-	-	-	-	-	-	11,000
Total Other Revenues	8,220	1,900	6,320	34,467	7,600	26,867	1,108	33,359	22,800
<b>Total Income</b>	<b>674,146</b>	<b>243,473</b>	<b>430,673</b>	<b>13,041,921</b>	<b>1,072,389</b>	<b>11,969,532</b>	<b>487,603</b>	<b>12,554,318</b>	<b>2,636,956</b>
<b>Expenses</b>									
Total Personnel Expenses	122,469	110,542	11,927	444,181	441,580	2,601	227,558	216,623	1,327,952
Total Professional Services	121,202	35,469	85,733	2,213,224	141,876	2,071,348	186,266	2,026,957	425,625
Total Program Expenses	5,006	2,924	2,082	8,916	11,696	(2,780)	2,778	6,138	35,084
Total Direct Support to Community	101,680	62,083	39,597	10,178,592	248,332	9,930,260	-	10,178,592	745,000
Total Travel Expenses	35	2,579	(2,544)	527	10,316	(9,789)	4,335	(3,807)	30,939
Total Meeting & Training Expenses	54	584	(530)	673	2,336	(1,663)	1,061	(388)	7,000
Total Management Expenses	8,582	3,279	5,303	34,679	13,116	21,563	17,263	17,616	39,334
Total Equipment Expenses	-	292	(292)	626	1,168	(542)	1,798	(1,172)	3,500
Total Insurance Expenses	2,631	226	2,405	10,569	904	9,665	851	9,718	2,717
Total Occupancy Expenses	8,287	10,802	(2,515)	30,774	43,208	(12,434)	16,164	14,610	129,620
Total Other Expenses	14,269	6,527	7,742	29,687	26,108	3,579	16,282	13,406	78,321
<b>Total Expenses</b>	<b>384,216</b>	<b>235,307</b>	<b>148,909</b>	<b>12,952,648</b>	<b>940,640</b>	<b>12,012,008</b>	<b>474,356</b>	<b>12,478,292</b>	<b>2,825,092</b>
<b>Other Income/Expense</b>									
Equity in Investment Income	-	-	-	-	-	-	-	-	-
Bad Debt - Equity Investments	-	-	-	-	-	-	-	-	-
<b>Change in Net Assets</b>	<b>289,930</b>	<b>8,166</b>	<b>281,764</b>	<b>89,273</b>	<b>131,749</b>	<b>(42,476)</b>	<b>13,247</b>	<b>76,027</b>	<b>(188,136)</b>

No assurance is provided on these financial statements and supplemental information. See selected information.





Proposed Budget July 20X0 to June 20X1						
		Programs	Admin	Fundraising	Total	
<b>SUPPORT AND REVENUE</b>						
a	Contributed Support	325,500	-	-	325,500	a
b	Contributions Released from Restrictions	591,982	-	-	591,982	b
c	Revenue - Program Services	429,785	-	-	429,785	c
d	Revenue - Client Fees	826,995	-	-	826,995	d
e	Revenue - Investments	11,858	-	-	11,858	e
f	<b>TOTAL SUPPORT AND REVENUE</b>	2,186,120	-	-	2,186,120	f
<b>EXPENSES</b>						
g	Personnel Expenses	994,789	232,290	15,845	1,242,925	g
h	Contracted Services	37,339	40,000	23,000	100,339	h
i	Occupancy	231,366	51,705	3,275	286,346	i
j	Equipment and Technology Exp	52,796	32,467	2,005	87,267	j
k	Travel Expenses	71,471	4,800	200	76,471	k
l	Meeting Expenses	54,450	9,300	300	64,050	l
m	Marketing and Communication Exp	24,812	-	1,088	25,900	m
n	Other Operating Expenses	99,952	26,609	1,722	128,283	n
o	Administrative Allocation	390,814	(397,171)	6,357	-	o
p	Fundraising Allocation	53,792		(53,792)	-	p
q	<b>TOTAL EXPENSES</b>	2,011,580	-	-	2,011,580	q
r	<b>Change in Net Assets</b>	174,540	-	-	174,540	r



## Key Assumptions used in Budget

---

Revenue projections have been refined, with additions to general support grants and increased releases from restriction, but less income projected from program services

Revisions to expenses reflect lower personnel costs due to staff changes and account for the timing of new hires, along with increased contractors in specific program budgets

While the overall change in dollar amounts of both revenue and expenses are relatively minor, program leaders did carefully align budgets with program plans

## Line Item Narrative

---

- a The program grants here are general support funds from foundation, corporate, and individual donors
- b These grant funds are released as the purpose or time restriction is satisfied
- c Earned revenue here includes contracts with government agencies
- d Earned revenue here includes client fees paid for services
- e Earned revenue here includes interest on investments and reserve accounts
- f Total Support and Revenue is roughly \$225,000 more than last year, mostly due to the MNOP grant
- g Personnel expenses include the salaries of 18 full-time and 24 part-time staff, plus their benefits
- h Costs include audit, legal, strategic planning, and other consultants
- i Occupancy costs include rent and leasehold improvements to the space
- j New technology and a new CRM are capitalized. Expense shown here is primarily depreciation
- k Cost of out-of-state travel to professional conferences as well as local transportation to client locations
- l These expenses are primarily related to the delivery of services to clients outside the Metro area
- m These are direct expenses related to video, web, and print design and production.
- n Includes general operations expenses such as copying, supplies, subscriptions, telecommunications
- o Administrative expenses are associated with board governance, finance and accounting, HR activities
- p Fundraising expenses are allocated across programs to establish true program costs
- q This figure is higher than the previous year by only \$25,000
- r Program and operations are budgeted at a surplus, which supports the expansion of reserves





Draw your audience  
to the information  
you want them to see

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# Elegance through Charts

Sometimes it takes a spreadsheet

- Decide how much detail to share
- Decide who sees what view of the data
- Help each audience to fulfill its highest purpose

*Focus* discussion by highlighting certain data

*Visualize* key information needed for decision making or of concern.



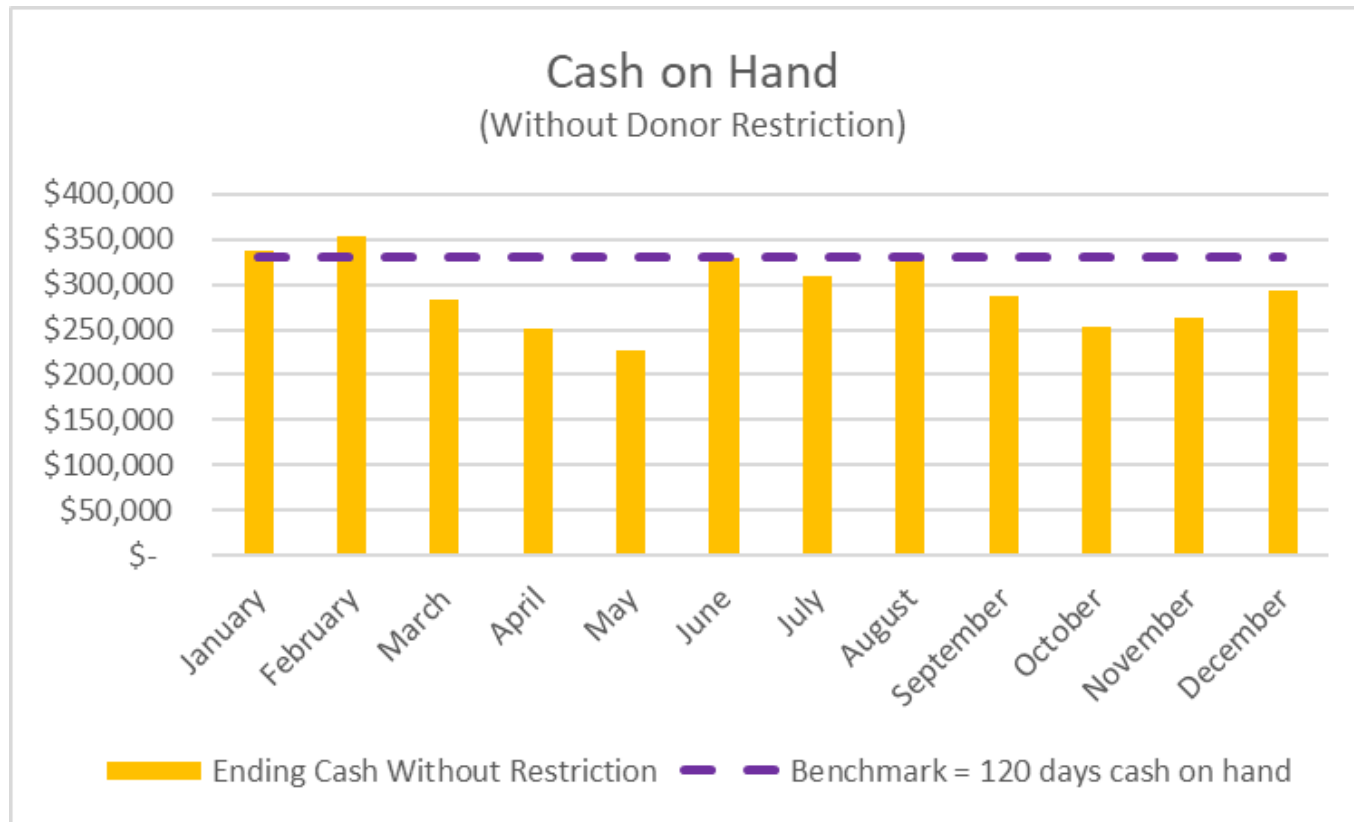
# XYZ Nonprofit Organization

## Cash Flow Projection - Rolling Twelve Months

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL
<b>Beginning Cash Without Restriction</b>	<b>357,963</b>	<b>337,801</b>	<b>353,734</b>	<b>283,540</b>	<b>250,706</b>	<b>226,839</b>	<b>329,822</b>	<b>308,305</b>	<b>329,938</b>	<b>287,921</b>	<b>252,269</b>	<b>262,602</b>	<b>357,963</b>
<b>Contributed Support</b>													
Grants - confirmed	15,000	0	0	10,000	0	60,000	0	0	0	0	5,000	35,000	125,000
Grants - pledged and expected	0	0	5,000	0	10,000	25,000	0	25,000	0	0	0	0	65,000
Individual contributions (no restrictions)	2,365	2,100	2,000	1,900	1,800	1,500	1,500	1,500	3,500	0	15,000	1,000	34,165
Special events (include expenses below)	0	0	0	0	0	0	0	10,000	0	0	35,000	0	45,000
Amounts released from restriction	26,500	75,000	16,000	17,000	23,000	75,000	35,000	42,000	10,000	50,000	20,000	50,000	439,500
<b>Earned Revenue</b>													
Fees for service	16,640	17,500	18,000	18,000	20,000	20,000	20,000	22,000	22,000	22,000	24,000	24,000	244,140
Accounts receivable collected	5,000	3,500	1,000										9,500
Other earned income	50	0	0	25	0	0	0	0	0	0	0	0	75
<b>Cash Received from Other Sources</b>													
Loan/Line of credit proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	250	0	0	0	0	0	0	0	0	0	250
<b>Total Cash Basis Support &amp; Revenue</b>	<b>65,555</b>	<b>98,100</b>	<b>42,250</b>	<b>46,925</b>	<b>54,800</b>	<b>181,500</b>	<b>56,500</b>	<b>100,500</b>	<b>35,500</b>	<b>72,000</b>	<b>99,000</b>	<b>110,000</b>	<b>962,630</b>
<b>Cash Expenditures for Operations</b>													
Salaries and Wages	50,385	50,385	75,577	50,385	50,385	50,385	50,385	50,385	50,385	75,577	50,385	50,385	655,004
Payroll Taxes and Benefits	13,085	13,085	17,028	13,085	13,085	13,085	13,085	13,085	13,085	17,028	13,085	13,085	164,906
Other Staff Expenses	2,000	1,000	2,500	200	200	200	200	200	200	200	200	200	7,300
Contracted Services	8,500	8,500	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	16,000	6,000	87,000
Equipment & Technology	1,500	1,500	2,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,500
Occupancy	700	850	1,700	700	850	700	700	850	700	700	850	700	10,000
Travel	3,700	1,200	1,000	1,000	1,000	1,000	500	1,200	0	1,000	1,000	1,000	13,600
Office Operations	3,458	3,258	4,250	4,500	3,258	3,258	3,258	3,258	3,258	3,258	3,258	3,258	41,530
<b>Other Cash Expenditures</b>													
Mortgage Payments (principal and interest)	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	1,789	21,468
Other Loan Payments	600	600	600	600	600	600	600	600	600	600	600	600	7,200
<b>Total Cash Expenditures</b>	<b>85,717</b>	<b>82,167</b>	<b>112,444</b>	<b>79,759</b>	<b>78,667</b>	<b>78,517</b>	<b>78,017</b>	<b>78,867</b>	<b>77,517</b>	<b>107,652</b>	<b>88,667</b>	<b>78,517</b>	<b>1,026,508</b>
<b>Net change in cash for period</b>	<b>(20,162)</b>	<b>15,933</b>	<b>(70,194)</b>	<b>(32,834)</b>	<b>(23,867)</b>	<b>102,983</b>	<b>(21,517)</b>	<b>21,633</b>	<b>(42,017)</b>	<b>(35,652)</b>	<b>10,333</b>	<b>31,483</b>	<b>(63,878)</b>
<b>Ending Cash Without Restriction</b>	<b>\$ 337,801</b>	<b>\$ 353,734</b>	<b>\$ 283,540</b>	<b>\$ 250,706</b>	<b>\$ 226,839</b>	<b>\$ 329,822</b>	<b>\$ 308,305</b>	<b>\$ 329,938</b>	<b>\$ 287,921</b>	<b>\$ 252,269</b>	<b>\$ 262,602</b>	<b>\$ 294,085</b>	<b>294,085</b>

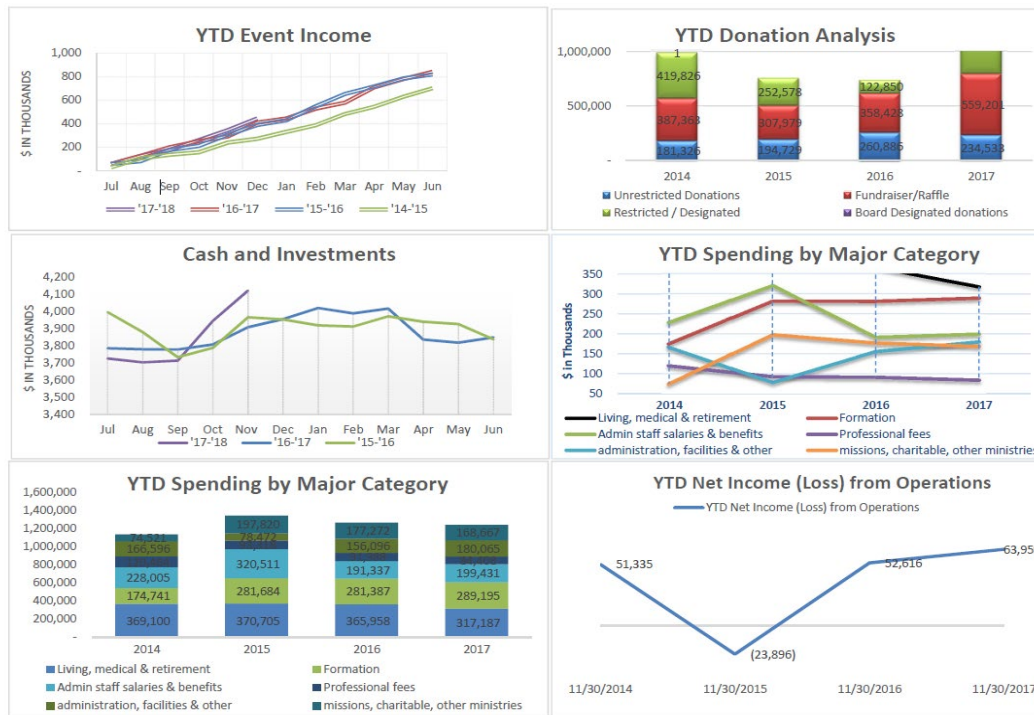


# Same Data – Different Emphasis



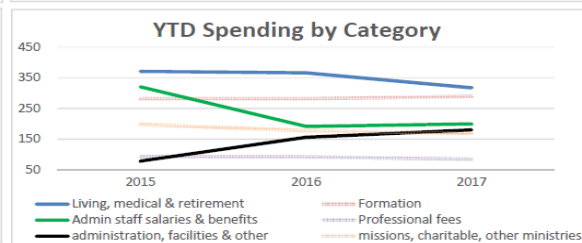
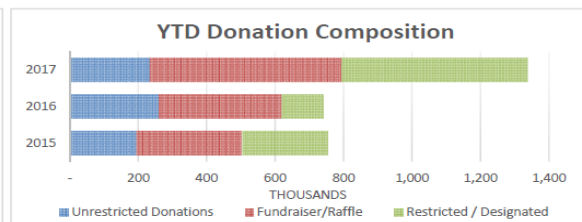
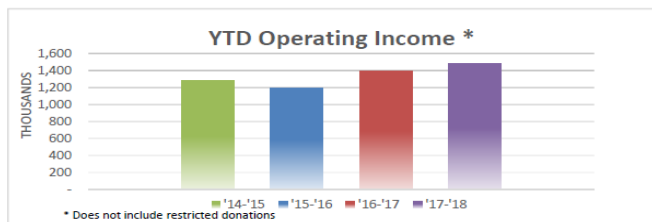
# Excel Dashboard (Before)

Example Religious Org  
Dashboard  
November 30, 2017



# Excel Dashboard (After)

Example Religious Org  
Dashboard  
December 31, 2017



**Condensed Expense Analysis**

	PY	CY	Budget	Variance
Living, medical & retirement	400,000	310,000	300,000	(10,000)
Formation	281,000	287,000	349,000	62,000
Admin staff salaries & benefits	191,000	199,000	216,000	17,000
Professional fees	92,000	80,000	113,000	33,000
Administration, facilities & other	156,000	175,000	210,312	35,312
Missions, charitable, other ministries	41,214	45,000	63,482	18,482
Fundraiser/Raffle expenses	103,000	179,000	128,000	(51,000)
<b>Total</b>	<b>1,264,214</b>	<b>1,275,000</b>	<b>1,379,794</b>	<b>104,794</b>

**Condensed Income Analysis**

	PY	CY	Budget	Variance
Restricted Contributions	123,000	545,000	60,000	485,000
Fundraiser/Raffle Contributions	358,000	559,000	508,000	51,000
Unrestricted Contributions	261,000	235,000	407,000	(172,000)
Parish Income	409,000	445,000	386,000	59,000
Corporate Grants	177,000	160,000	178,000	(18,000)
Other	70,000	82,000	57,000	25,000
<b>Total</b>	<b>1,398,000</b>	<b>2,026,000</b>	<b>1,596,000</b>	<b>430,000</b>





# What you share shapes the conversation

Work with your audience to learn what is needed

Be intentional about what you report to whom

Elevate each audience to its highest and best purpose

Be creative in how you display your data

Invest in the tools you need to be effective





# Time for Q & A

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# *Thank You!*

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# Cybersecurity Effects and Failures

*Preparedness, and Managing the Unsuspected Breach*

**Texas State and Local Government Training Academy**

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# Today's Discussion

- Learning Objectives
- Current Cybersecurity Landscape
- Case Analysis
- Cyber Security Preparedness
- Closing Remarks



# Learning Objectives

- Identify current trends and key risks regarding cybersecurity
- Discuss recent cybersecurity events and case studies
- Determine types of “attacks”
- Identify reasonable and simple measures to mitigate cybersecurity risks







# Current Cybersecurity Landscape

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# Cybersecurity Landscape in 2021

- As a result of the pandemic, we have seen both traditional, and more commonly, nontraditional forms of hacking targeting all Industry sectors.
- Hackers (both individuals and nation state) recognize many industries including Governments, as the banking targets of the 90's and healthcare targets of the past decade.
- The remote working transition will continue to test the resiliency of company's cyber security strategy and has created risks/exposures that may not have been fully vetted.
- Companies must be proactive in educating their employees on the fundamentals of managing and protecting their data and embed security awareness within their daily policies.



# Headlines – Front Page

- Colonial Pipeline – ransomware attack affecting a week long pipeline shutdown to infrastructure. \$4 million ransom paid, but much recovered with help of FBI.
- US Cellular – social engineering targeted to employees is believed to be the source. 276 reported customers impacted, but allegedly 4.9 million account records potentially exposed.
- IBM reported in 2020 hackers backed by foreign governments targeted companies that maintain the cold chain necessary to ship and store mRNA vaccines by posing as executives of Haier Medical and solicited usernames and passwords.
- Reportedly 800-1500 companies breached in July 2021... with \$70 million ransom request via BitCoin.
- Federal Government Breach
  - [https://en.wikipedia.org/wiki/2020\\_United\\_States\\_federal\\_government\\_data\\_breach](https://en.wikipedia.org/wiki/2020_United_States_federal_government_data_breach)



# What about these headlines?

- Oldsmar, FL – Water Treatment facility hit with ransomware... believed to have been through social engineering and/or stolen credentials.
- California DMV – attack affected driver records and data for allegedly from a third party vendor.
- Tyler Munis – breach of network, with disruption to cloud customers, and notifications and details on client actions, including account and access changes.
- California State Controllers Office – phishing attack that reportedly opened limited access to PII in unclaimed property records. Full extent still being investigated.
- How many governments affected by SolarWinds? While we focus on the SolarWinds headline – do we fully understand the scope and number of government (and other) entities impacted and at risk?
- 22 Texas Municipalities – coordinated simultaneous attack (July 2021)– resulting in \$2.5 million ransom payments.



# What Do We Know?

- It is reported in several articles, as well as published studies, that as much as 70% of ALL ransomware attacks in the United States target state and local governments.
- Most studies put government agencies as a top 2 or 3 target of cyberattacks, and one of the largest growing sectors of breaches and attacks.
- Of attacks on governments, 69% or more are reported to be a result of social engineering and phishing (consistent with ic3.gov stats). GCN, Verizon, Gartner, and more publish studies consistent with these statistics.
- Cybercrime is increasing at an alarming rate. Many studies report different metrics and rates of growth. Almost all are consistent in showing significant growth. One we researched reported as much as 600% growth during the pandemic. (most within a 20%-80% range)



# Cybersecurity – What we learned in 2020

- As companies continued to digitize and connect, they created an ecosystem that requires a security architecture adequate to protect beyond its physical buildings.
- Management needs to be aware of its supply chain and vendors (Vendor Risk Management). A proactive Vendor Risk Management strategy is critical to minimizing the disruption of a companies supply chain.
- A robust Data Management Resiliency Strategy is a key imperative – Know your “Crown Jewels”, where they reside and review the design and architecture of your cyber security framework.
- Continue to educate and inform your board of directors and senior executives. They will be an important advocate in funding your cybersecurity strategy.
- Awareness of employee home network and device risks must be considered in the strategies.



# A recent 2020 research on the Cost of a Data Breach conducted by Ponemon Institute and sponsored and published IBM Security noted:

## By the numbers:

- \$8.64m – Average cost of a data breach in the United States
- 80% - Share of breaches that included records containing Customer Personally Identifiable Information (PII), at an average cost of \$150 per record
- \$2.64m – Average global total cost of a breach for organizations under 500 employees; \$5.52m at enterprises over 25K employees

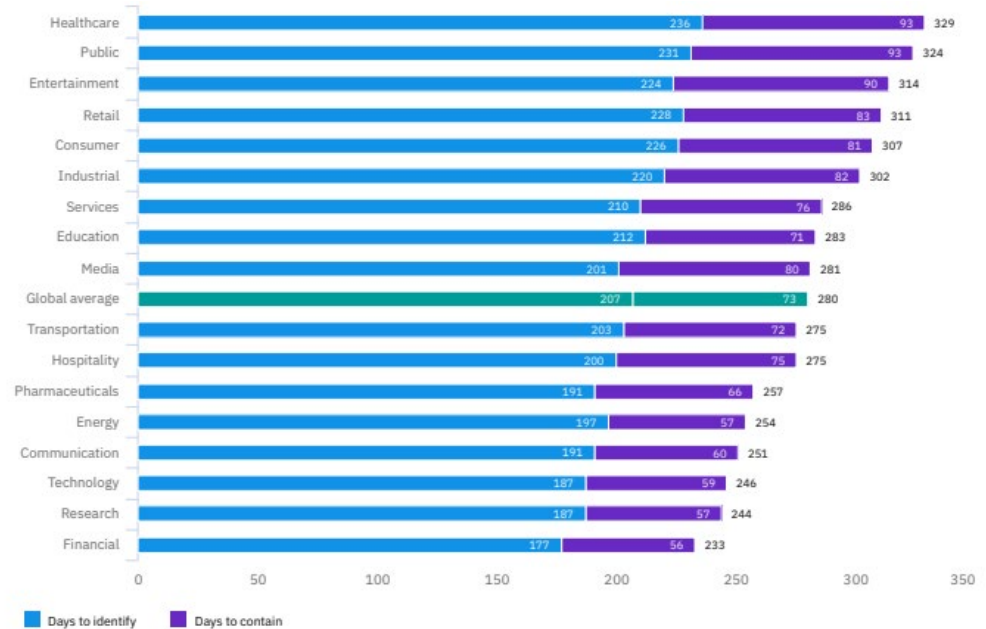
## Separately:

- Reported costs to the cities of Atlanta and Baltimore individually are as much as \$5-9 million due to recovering and dealing with prior ransomware events.



# Average Days to Identify and Contain a Data Breach by Industry

- Global average is 280 days
  - 207 days to identify a breach
  - 73 days to contain the attack
- Government (Public)
  - Hard to see – but second highest on table
  - 233 days to identify
  - 324 days to contain



Source: IBM Security Cost of a Data Breach Report 2020





# Behind the statistics

- Hackers can do a lot in and to your network in 207 days (Global Average)
  - Learn everything about your business
  - Find you crown jewels and take them
  - Disable backups and security systems
  - Create numerous back doors
- Labeling ransomware as the top threat creates a false narrative
  - Ransomware is usually coupled with other acts and just the most visible part of the attack
  - Ransomware is a version of malware. The vector/delivery is the same/similar.
  - These days, ransomware coupled with data exfiltration
  - Resuming operations is just the first step
  - Legal and business ramifications of a data breach can persist



# Texas Governor Abbott signed into law HB 3746

- Passed 6/14/2021 - Effective on 9/1/2021
  - Already 28 entries as of 10/12/2021!
- Amendment to the state's data breach notification statute
- Big change is requirement for the Texas Attorney General to publish a public record on its website of data breaches affecting state residents
- Any breach involving at least 250 residents
- <https://oagtx.force.com/datasecuritybreachreport/apex/DataSecurityReportsPage>





# Case Analysis

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# Case Study

- Company experiences ransomware outage
  - Most systems encrypted
  - Operations has been shut down
  - Client had an IR plan and attempted to implement. Primary contact of CIO changed but identified to correct lead IT person
  - System backups exist, IT has been trying to restore for last 3 days
  - Company did not have cyber insurance coverage
  - CEO is responding to vendor and client inquires on why the company was not responding to emails and rumors of an incident
  - Board was notified of breach and instructed CEO to bring in outside assistance



# Case Study

- CLA's cyber response team is brought in to assist
  - Examined all key systems
    - Identified which systems were encrypted and when
    - Collected logs from all available devices
  - Forensics examination was performed
    - Determined that the ransomware variant was Sodinokibi- which is known to exfiltrate data
    - Logs showed CFO's account logged in to remote access server from Vietnam, Germany and Philippines
    - Logs only go back 2 months and evidence the threat actor was in the network appears as far back as then
    - Company did not maintain systems to monitor for data going out of the network



# Case Study

- Restoring operations
  - After working with company's IT, we were able to isolate all infected systems
  - Built new servers and systems
  - Restored data from backup to the newly built systems
- Fallout
  - One of the compromised systems contained protected data covered under state reporting regulations
  - Because the ransomware group is known to exfiltrate data and company did not have anything monitoring outbound data, all clients with protected information in the system needed to be notified of the potential compromise
  - Risk of litigation from clients





# Cyber Preparedness

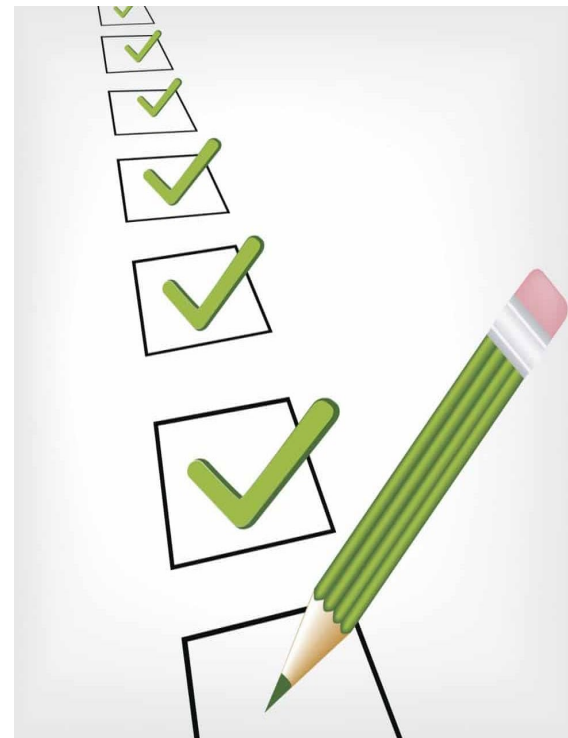
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# Preparedness and Risk Assessment

What can organizations do to prepare themselves for a potential cyber attack?

- What standards will we follow? NIST, ISO, CMMC
- Is there an IT Risk Assessment and Threat/Vulnerability Analysis?
- Incident Response Plan??
- Action Plans to Harden and Implement Controls/Tools
- Training and Communication





# Awareness

What is the importance of user education and testing?

- We are conducting this awareness through this session.
- Remember stats? 70% through phishing – that's us!
- Phishing, testing, and awareness are critical. We all are the front line – and stats show we are failing.



# Simple Fixes???

Are we willing to take additional steps as an organization?

- No local administrator rights
- Personal email and web filtering restrictions
- Privileged user account separations/logging
- Restrict USB drives
- Prevent zip file attachments

*IT can implement quickly and for little cost.  
Are we willing to adjust and adapt?*



# Incident Response Preparedness

- Unfortunately, data breach can still occur despite implementing all the best security precautions
- When that occurs, organizations need to ensure they are ready to respond to a data breach.

Have a plan, practice the plan, prove the plan



# Have a Plan

- Develop an incident response plan
  - Include the appropriate procedures
  - Ensure points of contact are included
  - Keep the plan update to date
- Establish relationships with key incident responders
  - Breach Counsel
  - Forensic provider
  - Public relations



# Incident Response Preparedness- Cost Savings

Impact of 25 key factors on the average total cost of a data breach

Change in US\$ from average total cost of \$3.86 million



Source: IBM Security Cost of a Data Breach Report 2020





# Questions



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Thank you!

**Phil Del Bello** CPA, CISA, CCFSP, CHQP  
Phillip.DelBello@CLAconnect.com



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# Developing Adaptive Employees

Bob Pavao and Jennifer Marecki-CLA Talent Solutions

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# Learning Objectives

At the end of this session, you will:

- Describe how managers can foster adaptability in their workers to prepare them to respond successfully to changes in the workplace.
- Identify challenges in creating Adaptable Employees
- Identify the tools needed to create an environment for an Adaptive Workforce
- Recognize how to create and manage a flexible workforce



# What is Adaptability?

Adaptability is the ability of an individual, team or organization to adjust or change itself to best meet the needs of the situation or environment. So that if change occurs, an adaptable person or team will adjust and find how to best perform in the new situation themselves, as opposed to having to be retrained. Adaptable staff, particularly frontline staff can make all the difference to changing customer needs.



# Why is adaptability important to our business

- Adaptable employees allow business to grow and change.
- We don't know what tomorrow brings, we just know what the job is.



# What does Adaptability within your office look like now?

- Set the example
- Have a clear common objective
- Encourage diversity and inclusion
- Embrace innovation and change
- Collaborate, with team members, IT, Leadership, Vendors, etc
- Not afraid to Experiment
- Teach new skills



# Skills for Adaptable Workers

- Transferable Skills
  - Abilities to be used in a variety of situations
    - Initiating
    - Problem-solving
    - Collaborating
    - Risk-taking and experimenting
  - Essential for developing adaptive workers
- Self-Management Skills
  - Offer guidance
  - Share open and honest feedback
  - Suggest stress-reduction techniques
  - Know when to seek help



# How to be an Adaptive Manager

- Reimagine what the word “Productivity” means
- What do we mean by “effectiveness” and “efficiency”
- Should we say “No”?



# The Psychology of Adaptation

- Fixed Mindset vs. Growth Mindset
- Safe-Keeping Selves vs. Risk Taking Selves
- Externally motivated vs. Internally motivated





# Adaptive Workforce has three key characteristics

- Flexible
- Less Hierarchical
- Composable (quickly assemble and dissemble)



## 4 Ways to Boost Your Adaptability Skills

- Change your thought process. Let go of the “Well, that’s the way we’ve always done it “ mentality
- Force yourself to take risks. Little progress is made without risk
- Encourage others to be open minded. One of the best ways you can develop an open mind is to encourage others to do the same
- Embrace learning



# How can we help our people.....

- Develop a “Support team”
- Change how meetings run (LIKE TODAY)
- Set new goals. Then work to accomplish them together.
- Encourage your team in researching new technologies or trends in your industry. Have brainstorming sessions
- Delegate and challenge employees to produce new ways to do things
- SUGGEST CHANGES.....



# Creating Flexible Workplaces: How to get started

- Understand the work people do, and where they are most engaged doing it
  - The success of remote work really depends on the personality traits of the employees and the environments they are in
- Look at the science of work behavior
  - In designing an adaptive workplace, organizational analysis can help leaders, managers and workers understand how they work together, identify potential issues and lead to actions that ensure well-being and productive engagement of the workforce.
- Listen to your workforce
- Adapt organizational processes to meet hybrid work needs



# Keys for Maximizing a Flexible Workforce

- Set Clear Expectations
- Establish Your Communication and Collaboration Platforms
- Maintain Productivity



# Immediate Steps to Transform to an Adaptive Workplace

WHAT NEXT??????



# Pros and Cons of Transforming to a Virtual Company-Permanently

- Pro-Save Operating Capital
- Pro-Save on Liability Insurance
- Pro-Afford a Bigger Staff
- Pro-Wider Talent Pool
- Con-Technology Control
- Con-Marketing Challenges
- Con-Lack of Camaraderie
- Pro-So Many Ways to Stay Connected



# Building Culture Virtually

- Pay attention to employees' emotional, personal and working experience needs-both formally and informally
- Plan culture-building communications and events to support organization-wide values and mission building by discussing shared experiences among workers.
- Use collaborative technology tools to continue to find ways to share, modify and implement ideas





# Presenter Bio's

Bob Pavao, MBA

781-402-6333

[Robert.Pavao@claconnect.com](mailto:Robert.Pavao@claconnect.com)



Bob is a Professional Search Advisor with a progressive track record in matching exceptional talent with the top organizations across the country.

Bob began his career in the financial services industry and has substantial knowledge in both banking and lending. He brings this knowledge and passion to his clients with CLA.

Bob partners with financial institutions with assets ranging from \$200M to \$2B. With his undisputable skills in Full Life Cycle Recruiting with Banking & Lending institutions, his focus is to improve organizational operations and function in a servant- leader capacity.





Jennifer Marecki  
Director, HR Advisory  
[Jennifer.Marecki@CLAconnect.com](mailto:Jennifer.Marecki@CLAconnect.com)  
(860) 808-8492

Jenn recently joined the CLA Human Resources Advisory team, works with clients of all sizes across all industries. With a strong generalist background, Jenn brings 20 years of HR experience to CLA. Jenn has held such roles as Employment Manager, HR Business Partner, Outsourced Talent Leader, Benefits Broker, and most recently, Sr. HR Consultant. This experience allows Jenn to see and understand Human Resources from both sides of the desk.

Over the last 20+ years, Jenn has worked as a consultant. During this time, Jenn successfully started and ran her own firm focused on small to mid-sized businesses. At CLA, Jenn is the lead on dozens of projects focused on leadership development, organizational development and talent management. Jenn brings clients a perspective on how to successfully outsource Human Resources, as well as a knowledge of the technological advances including HR Information Systems, performance management solutions and integrated payroll platforms.





# 2021 Texas Nonprofit and Government Auditing Conference

Embezzlement at a Nonprofit School

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# Learning Objectives

- Recall the various methods trusted employees do to embezzle funds from a non-profit



# Fraud Triangle



- Discovery of the embezzlement:
  - Often by accident: co-worker aware of circumstances.
  - “See something, say something.”
  - Fraud, like fish, rot from the head.



- What is the primary reason your organization does not have a fraud awareness training program for its employees?

○ Lack of Expertise	9%
○ Lack of Budget	12%
○ Lack of perceived ROI	12%
○ Competing Time Demands	18%
○ Not part of org culture	37%
○ Other	16%





- Observing employees with new vehicles or homes.
- Observing employees taking exotic vacations.
- Ostentatious purchases such as jewelry, RVs, etc.
- Employees complaining about salary.
- Refusal to delegate duties



- Failure to abide by or install new systems.
- Observance of additional bank accounts or credit cards.
- Fraudsters open accounts at existing banks, often misspelling the account name or making a slight variance to the name.



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### MEMORANDUM OF TELECON

Date: April 24, 2015

Time: 3:30 PM to 3:55 PM

Parties: [REDACTED], Administrative Assistant [REDACTED]  
Martin G. Laffer, CPA

In re: INVESTIGATION OF [REDACTED]

On this date the undersigned spoke to [REDACTED], Administrative Assistant at [REDACTED]. In response to questions, Mrs. [REDACTED] stated the following:

She became employed at [REDACTED] on January 1, 2012 as the administrative assistant to [REDACTED], Director of [REDACTED]. Sometime towards the latter part of 2014, [REDACTED] implemented a new computer system, which included an accounting system for [REDACTED].

On November 13, 2014, she and [REDACTED] began receiving requests to set a date for training on the new system. [REDACTED] stalled the training, ignoring [REDACTED] accounting department's request to implement the new accounting system. Approximately December 12, 2014, [REDACTED] had a training session at [REDACTED]. [REDACTED] participated for approximately 45 minutes, but feigned being ill, and left the session early.

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CERTIFIED PUBLIC ACCOUNTANTS

Memo of Telcon  
In re: INVESTIGATION OF [REDACTED]  
May 4, 2015  
Page 2

The accounting manager sent an email to both [REDACTED] requesting them to input the names of the pre-school students into the new accounting system's roster. There were 7 names in the system, and [REDACTED] was going to enter the names of the remaining students. However, [REDACTED] instructed [REDACTED] to not enter the names, as she, [REDACTED] would do so.

At some point later, [REDACTED] saw the list of names and realized the roster provided to [REDACTED] corporate office reflected only 59 students, when in truth and fact; there were 63 students at that time. [REDACTED] was able to identify the students missing from the official roster. One of the missing students was [REDACTED] whom [REDACTED] knew to be [REDACTED]. [REDACTED] mentioned the discrepancy to her husband, [REDACTED], a Regional Project Manager of [REDACTED]. Mrs. [REDACTED] provided her husband with both the official roster, and the daily sign-in sheet, reflecting 63 names.

In discussing this issue with her husband [REDACTED] mentioned that [REDACTED] never let her collect or deposit student tuition, or to review the monthly bank statement [REDACTED] told her that there should be no bank statement coming to [REDACTED] as all finances are handled by [REDACTED] corporate office. Further [REDACTED] mentioned that she had a debit card to use for school purchases such as food for the students, supplies, etc. Again, [REDACTED] told her that no other facility had such a procedure. [REDACTED] knew that tuition checks were made payable to [REDACTED]. [REDACTED] located an old bank statement in [REDACTED] desk and gave it to [REDACTED]. According to Mrs. [REDACTED] her husband contacted Wells Fargo Bank, which is the same bank used by [REDACTED] and was able to obtain the bank account records.



Memo of Telcon  
In re: INVESTIGATION OF [REDACTED]  
May 4, 2015  
Page 3

When [REDACTED] accounting department trainer came out to teach [REDACTED] the new accounting system, [REDACTED] was extremely nervous and left the facility to go home, leaving in the middle of the training session.

Approximately December 16, 2014, after the training session, when [REDACTED] absented herself, [REDACTED] acting president, and [REDACTED] HR director, announced a visit to the campus. [REDACTED] was told the [REDACTED] executives were to hand out bonus checks to some of the teachers. [REDACTED] walked off campus, never to return. Despite a number of cell phone messages, she never answered any calls, and has not returned to the campus.

[REDACTED] is now aware that [REDACTED] [REDACTED] niece never paid tuition, and three other student's tuition payments went to the WFB unauthorized [REDACTED] account. [REDACTED] knows that [REDACTED] remains in contact with several of the teachers and several parents.

This memorandum was prepared from contemporaneous notes.

4-25-15  
Date

  
Martin G. Laffer



[REDACTED]  
 Petty Cash Account - (Wells Fargo-Account [REDACTED])  
 Unauthorized Charges  
 2012

<u>Date</u>	<u>Vendor</u>	<u>User</u>	<u>Type</u>	<u>Unauthorized</u>	<u>Other</u>	<u>PC Reimb.</u>	<u>Refund</u>	<u>Trans. Total</u>	<u>Vendor Category</u>
12/10/12	Foot Locker	RH 3346	Debit/ Pin	-73.34				-73.34	Clothing/ Accessories
12/12/12	QVC	RH 3346	Check Card	-116.83				-116.83	Clothing/ Accessories
12/13/12	Macy's	RH 3346	Debit/ Pin	-161.49				-161.49	Clothing/ Accessories
12/17/12	Costco Gas	RH 3346	Debit/ Pin	-53.75				-53.75	Gas/ Auto
12/17/12	Ikea	RH 3346	Debit/ Pin	-325.16				-325.16	Household
12/17/12	Ikea	RH 3346	Debit/ Pin	-138.00				-138	Household
12/20/12	So Relax	RH 3346	Check Card	-63.00				-63	Health/ Fitness
12/20/12	Sport Chalet	RH 3346	Debit/ Pin	-68.31				-68.31	Sports Equipment
12/24/12	Ikea	RH 3346	Debit/ Pin	-86.98				-86.98	Household
12/24/12	JC Penny	RH 3346	Debit/ Pin	-67.42				-67.42	Clothing/ Accessories
12/24/12	Loehmanns	RH 3346	Debit/ Pin	-227.06				-227.06	Clothing/ Accessories
12/28/12	ATM	RH 3346	ATM Withdrawal	-40.00				-40	Cash Withdrawal
Totals				-21,755.78	0.00	0.00	773.98	-20,981.80	



[REDACTED]  
 Petty Cash Account - (Wells Fargo-Account [REDACTED])  
 Unauthorized Charges  
 2013

<u>Date</u>	<u>Vendor</u>	<u>User</u>	<u>Type</u>	<u>Unauthorized</u>	<u>Other</u>	<u>PC Reimb.</u>	<u>Refund</u>	<u>Trans. Total</u>	<u>Vendor Category</u>
12/9/13	Costco Gas	RH 3346	Debit/ Pin	-53.26				-53.26	Gas/ Auto
12/9/13	Fantastic Sam's	RH 3346	Check Card	-150.17				-150.17	Beauty Treatment
12/9/13	Icing Jewelry	RH 3346	Debit/ Pin	-17.52				-17.52	Clothing/ Accessories
12/9/13	Macy's	RH 3346	Debit/ Pin	-46.46				-46.46	Clothing/ Accessories
12/10/13	Baymont Inn & Suites	RH 3346	Check Card	-86.98				-86.98	Hotel/ Travel
12/10/13	Fanzz	RH 3346	Debit/ Pin	-76.65				-76.65	Clothing/ Accessories
12/12/13	Sephora	RH 3346	Debit/ Pin	-120.45				-120.45	Beauty Treatment
12/12/13	So Relax	RH 3346	Check Card	-63.00				-63.00	Health/ Fitness
12/16/13	ATM	RH 3346	ATM Withdrawal	-300.00				-300.00	Cash Withdrawal
12/18/13	Euro-Pro Sales	RH 3346	Return				76.25	76.25	Household
12/20/13	QVC	RH 3346	Check Card	-103.91				-103.91	Clothing/ Accessories
			Totals	<u>-16,514.15</u>	<u>0.00</u>	<u>0.00</u>	<u>523.96</u>	<u>-15,990.19</u>	



# Petty Cash Account Deposit Summary

2008 - 2014

Accounting Year	Total Annual Deposits	Deposit Source	
		Legitimate	Stolen
2008	6,976	6,604	372
2009	26,657	14,902	11,754
2010	50,236	15,619	34,617
2011	45,765	12,055	33,710
2012	47,962	16,894	31,068
2013	43,452	15,694	27,758
2014	55,423	14,304	41,119
	<b>276,471</b>	<b>96,072</b>	<b>180,400</b>





Student Fees Diverted  
2008 - 2014

<u>Year</u>	<u>Fees Collected</u>
2008	\$ -
2009	11,175.00
2010	32,454.05
2011	33,383.00
2012	29,818.60
2013	27,068.87
2014	40,072.00
	<u>\$ 173,971.52</u>





# Martin G. Laffer, CPA

Principal, SAS – Fraud Investigation  
[marty.laffer@claconnect.com](mailto:marty.laffer@claconnect.com)  
310-288-4266



## Experience

Marty Laffer is a principal in the Century City office of CLA. Since 1982 Mr. Laffer has focused his practice in financial litigation and tax controversy, with an emphasis on white-collar criminal defense and accounting malpractice. Marty has testified as an expert witness in U. S. District Court, Superior Court, U. S. Tax Court, U. S. Bankruptcy Court and in administrative and ADR proceedings. In addition, Mr. Laffer was a special forensic mediator for the Los Angeles Superior Court for 10 years.

Mr. Laffer is a former special agent and group manager of the Internal Revenue Service, Criminal Investigation Division. His practice in the area of tax controversy includes criminal defense, civil examinations and collection enforcement. Mr. Laffer was appointed to the California Board of Accountancy's enforcement program from 1982 to 1999, as an investigator, member of the Enforcement Program Advisory Committee, vice-chair and chair.

## Education

Pace University, New York City, 1969 BBA accounting and data processing

California State University, Northridge, 1977 MSBA





# GASB Update

Bhakti Patel, CPA, Principal

October 13, 2021

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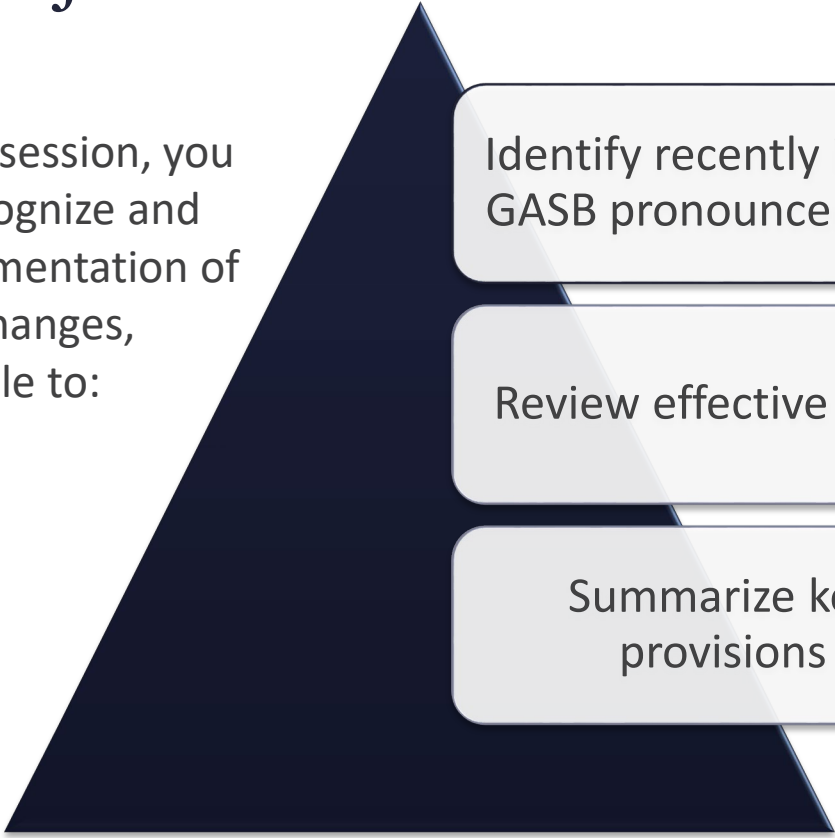
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# Learning Objectives

By the end of this session, you will be able to recognize and prepare for implementation of new accounting changes, including being able to:



Identify recently issued GASB pronouncements

Review effective dates

Summarize key provisions





# GASB 95 - Postponement of the Effective Dates of Certain Authoritative Guidance

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# New Effective Dates

<b>GASB</b>	<b>Updated Effective Date</b>	<b>For Years Ending:</b>
83, <i>Certain Asset Retirement Obligations</i>	Reporting period beginning after June 15, 2019	June 30, 2020 December 31, 2020
84, <i>Fiduciary Activities</i>	Reporting periods beginning after December 15, 2019	June 30, 2021 December 31, 2020
87, <i>Leases</i>	Fiscal years beginning after June 15, 2021	June 30, 2022 December 31, 2022
88, <i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	Reporting periods beginning after June 15, 2019	June 30, 2020 December 31, 2020





# New Effective Dates - Continued

<b>GASB</b>	<b>Updated Effective Date</b>	<b>For Years Ending:</b>
89, <i>Accounting for Interest Costs Incurred before the End of a Construction Period</i>	Reporting period beginning after December 15, 2020	June 30, 2022 December 31, 2021
90, <i>Majority Equity Interests</i>	Reporting periods beginning after December 15, 2019	June 30, 2021 December 31, 2020
91, <i>Conduit Debt Obligations</i>	Fiscal years beginning after December 15, 2021	June 30, 2023 December 31, 2022
92, <i>Omnibus 2020</i>	Reporting periods beginning after June 15, 2021	June 30, 2022 December 31, 2022



# New Effective Dates - Continued

<b>GASB</b>	<b>Updated Effective Date</b>	<b>For Years Ending:</b>
93, <i>Replacement of Interbank Offered Rates</i>	Reporting period beginning after June 15, 2021	June 30, 2022 December 31, 2022
Implementation Guide 2017-3, <i>Accounting and Financial Reporting for OPEB</i>	First reporting period in which the measurement date of the net OPEB liability is on or after June 15, 2019, and for actuarial valuations as of December 15, 2018 or later	June 30, 2020 December 31, 2020
Implementation Guide 2018-1, <i>Implementation Guidance Update – 2018</i>	Reporting periods beginning after June 15, 2019	June 30, 2020 December 31, 2020





# New Effective Dates - Continued

GASB	Updated Effective Date	For Years Endings:
Implementation Guide 2019-1, <i>Implementation Guidance Update – 2019</i>	Reporting periods beginning after June 15, 2020	June 30, 2021 December 31, 2021
Implementation Guide 2019-2, <i>Fiduciary Activities</i>	Reporting periods beginning after December 15, 2019	June 30, 2021 December 31, 2020
Implementation Guide 2019-3, <i>Leases</i>	Fiscal years beginning after June 15, 2021	June 30, 2022 December 31, 2022
Implementation Guide No. 2020-1, Implementation Guidance Update—2020	Various	Various



# New Effective Dates - Continued

GASB	Updated Effective Date	For Years Endings:
Implementation Guide No. 2020-1, Implementation Guidance Update—2021	Various	Various
GASB Technical Bulletin 2020-1	June 2020	All

GASB will not issue a 2022 Implementation Guide Update but likely will issue a 2023 update.



# GASB Implementation Planner

[https://www.claconnect.com/resources/tools/2018/-/media/files/tools/gasb-implementation-planner-for-slg\\_final.pdf](https://www.claconnect.com/resources/tools/2018/-/media/files/tools/gasb-implementation-planner-for-slg_final.pdf)

Just search for “GASB  
Implementation Planner” on  
www.claconnect.com

FISCAL YEAR-END	2020	2021	2022	2023	2024
January 30		83, 84, 88, and 90	89	87, 91, 92, and 93	94 and 96
February 28		83, 84, 88, and 90	89	87, 91, 92, and 93	94 and 96
March 31		83, 84, 88, and 90	89	87, 91, 92, and 93	94 and 96
April 30		83, 84, 88, and 90	89	87, 91, 92, and 93	94 and 96
May 31		83, 84, 88, and 90	89	87, 91, 92, and 93	94 and 96
June 30	83 and 88	84 and 90	87, 89, 92, and 93	91, 94, and 96	
July 31	83 and 88	84 and 90	87, 89, 92, and 93	91, 94, and 96	
August 31	83 and 88	84 and 90	87, 89, 92, and 93	91, 94, and 96	
September 30	83 and 88	84 and 90	87, 89, 92, and 93	91, 94, and 96	
October 31	83 and 88	84 and 90	87, 89, 92, and 93	91, 94, and 96	
November 30	83 and 88	84 and 90	87, 89, 92, and 93	91, 94, and 96	
December 31	83, 84, 88, and 90	89	87, 91, 92, and 93	94 and 96	





# GASB 87 Deeper Dive

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# Implementation Timeline

- Fiscal years beginning after 6/15/21 and all reporting periods thereafter
- Apply requirements using the facts and circumstances that exist at the beginning of the period of implementation
- If applied to earlier periods, use the facts and circumstances that existed at the beginning of the earliest period restated



# 5 Biggest Changes

- Operating leases are removed from lease classification; all leases are financings of the right-to-use an underlying asset
- Lease payments are capital financing outflows (instead of operating outflows), and lease expense will be interest on the liability and right-to-use asset amortization (instead of operating rent expense)
- Lessors will mirror lessees and recognize a lease receivable and corresponding deferred inflow of resources, while continuing to report the asset underlying the lease (distinctions of Sales-type, Direct-financing and Operating leases are removed)
- Lessor lease revenue recognized from amortizing the deferred inflow of resources
- Increased financial statement disclosures



# Financial Statement Impact (Lessee)– Financing & Short-Term Lease

## Financing Lease

## Short-Term Lease

Similar to former Operating Lease treatment under GASB 13

Statement of Net Position	Statement of Activities	Statement of Cash Flows
<ul style="list-style-type: none"> <li>Intangible Right-to-Use Asset (subject to GASB 42 impairment guidance)</li> <li>Lease Liability</li> </ul>	<ul style="list-style-type: none"> <li>Amortization expense</li> <li>Interest expense</li> <li>Payments first allocated to accrued interest liability and then to lease liability</li> </ul>	<ul style="list-style-type: none"> <li>Interest &amp; Lease Principal = Capital &amp; Related Financing</li> </ul>
<p>N/A</p> <p>(unless payments are made in advance or subsequent to the reporting period)</p>	<ul style="list-style-type: none"> <li>Lease expense</li> <li>Based on payment provisions of the contract</li> <li>Not straight-lined for rent holiday</li> </ul>	<ul style="list-style-type: none"> <li>Operating</li> </ul>







# What steps do I need to take?

## 1. Identifying the lease population

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# Creating an Inventory of Potential Leases

- Remember that a contract could be a lease even if the word lease never appears in the contract!
- Is lease origination and accounting centralized or decentralized?
  - Different departments may need to provide input – procurement, legal, etc.
- Compare draft lease schedule to prior year capital lease and operating lease disclosure information for consistency
- Review the accounts payable subledger or a listing of disbursements by vendor to identify any apparent recurring payments
- Review general ledger detail for expenditure accounts where lease payments were recorded prior to GASB 87 implementation
- Review governance minutes and approved budgets



# What do I include in my lease population?

- Once a listing of potential leases has been accumulated, what do I include and exclude?



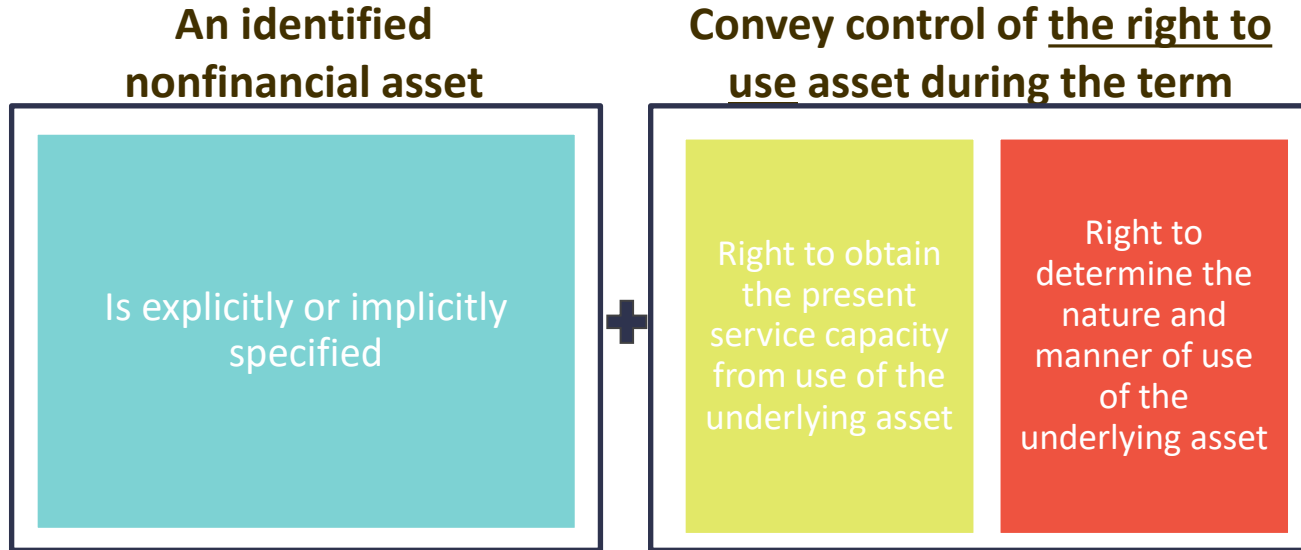
# What do I include in my lease population?

- Determine which contracts meet the definition of a lease under GASB 87
- Review lease contracts for multiple components, such as multiple asset components and service components
- Identify any contracts that can be excluded
  - Software licensing contracts
  - Service concession arrangements
  - Contracts relating to biological assets, intangible assets, licensing contracts, inventory, or supply contracts
  - Contracts financed with outstanding conduit debt



# Definition of a Lease

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

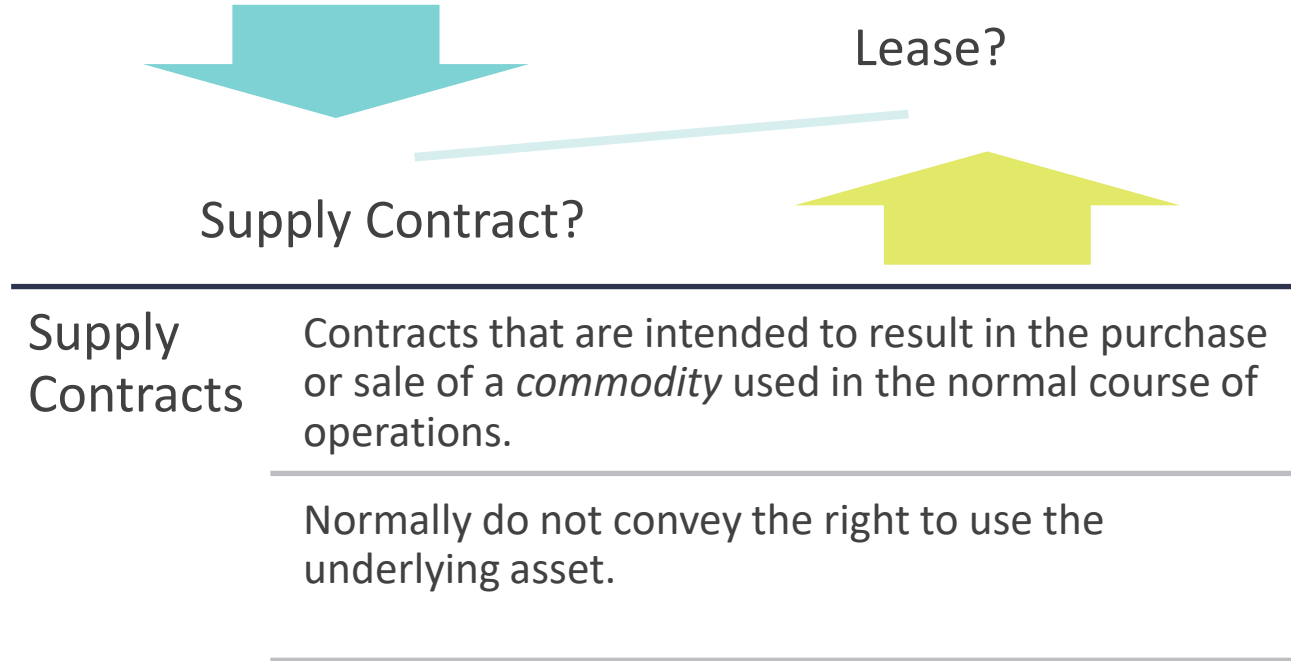


# Categories of Leases

- Three categories of leases:
- Short-Term Leases
  - Maximum lease term is 12 months or less, including options to extend, regardless of probability of being exercised
  - Recognize expense (lessee) and revenue (lessor) based on contract provisions, as due
  - NOT INCLUDED IN LEASE SCHEDULE
- Contracts that Transfer Ownership
  - Term typically longer than 12 months
  - Recognize a sale of the underlying asset (gain or loss)
  - NOT INCLUDED IN LEASE SCHEDULE
- Long-term Leases – FOCUS OF THIS PRESENTATION
  - Longer than 12 months



# Supply Contract vs. Lease



**But wait....BEWARE OF THE EMBEDDED LEASE!!**



# Example: Supply Contract

- To obtain access to additional power during the warmest months of the year, Entity A enters into a contract with a Company B for electricity from March through October for three years
- Entity A makes fixed payments to obtain exclusive rights to the present service capacity and to determine the nature and manner of use of the turbine used to generate the electricity
- In addition, the government makes variable payments that are based on actual usage and output
- Does this contract include a lease?



# Answer: Supply Contract

Yes!

While the Board stated that GASB 87 does not apply to supply contracts, this contract conveys control of the right to use the underlying asset (implicit asset = turbine) as specified in the contract for a period of time in addition to the right to the output generated by the underlying asset

The portion of the contract that requires fixed payments pertains to the full control of the asset (assumed to be a turbine) and meets the definition of a lease





# Other Examples of Embedded Leases in Service Contracts

- Cafeteria?
- Soda fountains?
- Water coolers?
- Coffee machines?



# Separating Lease and Non-lease Components

Separate lease components from non-lease components (e.g., copy machine plus toner cartridges)



Services are non-lease components (e.g., maintenance, CAM, utilities)



Allocate the contract price based on 'reasonable' individual component prices



Maximize the use of observable information in estimates, if individual prices are not available or unreasonable



**Only** if estimating individual prices is **not practical**, may multiple component contracts be accounted for as a single lease unit

GASB: 'inconvenient' does not fall under 'not practical'!





# What steps do I need to take?

2. Making sure the lease schedule is accurate

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# Key Calculation Information to Document

- Lease commencement date (date of ownership of leased asset)
- Understanding of underlying asset (type, estimated useful life, etc)
- General description of lease (for footnote disclosure)
- Lease term
- Payment information – frequency/timing of payments, variable payments
- Interest rate (either included in lease or entity's estimated borrowing rate)



# Lease Term

- The lease term is the period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable:

Keep in mind, these have to be reasonably certain (of being/not being) exercised, based on all relevant factors...

---

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

---

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

---

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

---

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



# Calculation of Lease Asset and Liability

Included in calculation of present value for lease asset and lease liability:

- Variable Payment that is “fixed in substance”
  - Example: Copier lease with a minimum of 1,000 pages at \$0.05 per copy are included in the payment each month would be included as “fixed in substance” payment of \$50 each month
- Variable Payment based on an index or rate (like CPI)
  - Future lease payments are assumed to increase as if the index rate remains the same as the current rate through the entire lease term
- Fixed Payments

Excluded in calculation of present value for lease asset and lease liability:

- Variable Payment based on performance
  - Required to disclose the terms of the variable payment in the footnotes
    - Example: Copier lease with an additional payment per copy used



# Software/Third Party Calc vs Excel

- Many out there - Visual Lease, Lease Query, Lease Accelerator
- Excel - PV() formula
- Key Considerations
  - Number of leased assets
  - Number of users
  - What does the output look like? Journal entry/disclosure reports?
  - Will we have direct access? Cloud-based? Security?
  - Is there a SOC report available?
  - How are remeasurements and terminations handled?





# GASB 89

*Accounting for Interest Cost Incurred before the end of a Construction Period*

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# GASB 89

## Economic resources measurement focus

- Interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred.
- Such interest cost should not be capitalized as part of the historical cost of a capital asset.

## Current financial resources measurement focus

- Interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles

## Construction-in-progress

- Interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized



# Implementation Tips

Interest cost  
incurred  
before end  
of  
construction  
period now  
expensed;  
not  
capitalized.

- Many have chosen to early implement.
- Removes burden of calculating capitalized interest.
- Applied prospectively.
- Will cause noticeable fluctuations in interest expense in year of implementation compared to prior year.





# GASB Statements No 92 - 94

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# GASB Statement No. 92

## GASB No. 92, Omnibus

- Addresses issue identified during implementation of other GASBs
- Intra-entity transfers between government and pension component units
- Applicability of certain No. 84 requirements
- Measurement of liabilities related to AROs in acquisition
- Reporting clarification for public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Derivative instrument terminology
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature



# GASB Statements No. 93 and 94

## GASB Statement No. 93, Replacement of Interbank Offered Rates

- LIBOR ceasing current form end of 2021
- Provides exception for hedge accounting terminations with LIBOR is replaced as the reference rate
- Identifies new benchmark rates for the evaluation of the effectiveness of interest rate swap (Secured Overnight Financing Rate and Effective Federal Funds Rate)

## GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

- Defines PPPs and APAs.
- Carries forward requirements for SCAs and Leases.
- Provides guidance for transferred rights or receipt of such rights.



# GASB Technical Bulletin 2020-1

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# GASB Technical Bulletin 2020-1

- Addresses issues arising from the CARES Act
- Topics addressed:

CRF Resources	Loss of Revenue	Amendments to CARES Act	Paycheck Protection Act	Business-Type Activities	Extraordinary/ Special items
<ul style="list-style-type: none"><li>• Whether resources received are subject to eligibility requirements or purpose restrictions</li><li>• How resources should be accounted for</li></ul>	<ul style="list-style-type: none"><li>• Whether revenue loss should be considered an eligibility requirement for purposes of revenue recognition</li></ul>	<ul style="list-style-type: none"><li>• Basis of recognition for amendments to the CARES Act after the statement of net position date but before the issuance of the financial statements</li></ul>	<ul style="list-style-type: none"><li>• How to account for forgivable loans</li></ul>	<ul style="list-style-type: none"><li>• Classification of resources provided under the CARES Act as non-operating vs operating revenues</li></ul>	<ul style="list-style-type: none"><li>• Whether CARES Act outflows meet the definition of extraordinary or special items</li></ul>



# Conclusion







# Questions?

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# Single Audit Update

October 13, 2021

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Identify key changes in the 2021 Compliance Supplement

Summarize key provisions of COVID-related single audit programs that may impact state and local governments





# Key Changes in the 2021 Compliance Supplement

Bhakti Patel

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# OMB Memorandum M-21-20



FAQS HERE: [M-21-20-FAQS.PDF](#)



6 MONTH  
EXTENSION



HIGHER RISK  
DISCUSSION

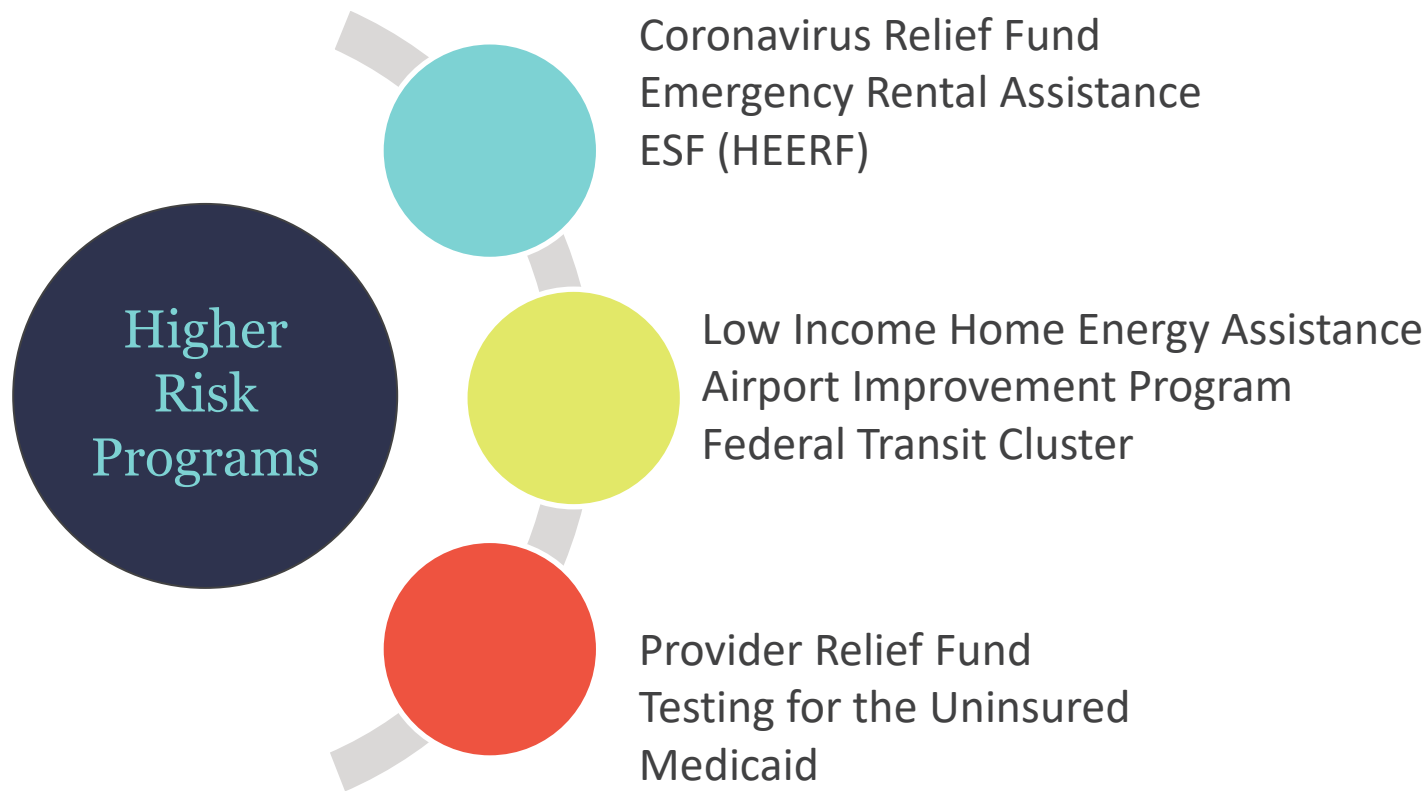
# 6-month single audit extension at a glance

## ATTACHMENT – SNAPSHOT OF IMPACT OF 6-MONTH EXTENSION PROVIDED BY OMB MEMO 21-20 FOR AUDITS NOT SUBMITTED AT 3/19/21

Fiscal Year End	Normal Due Date*	Extended Due Date*
June 30, 2020	March 31, 2021	September 30, 2021
July 31, 2020	April 30, 2021	October 31, 2021
August 31, 2020	May 31, 2021	November 30, 2021
September 30, 2020	June 30, 2021	December 31, 2021
October 31, 2020	July 31, 2021	January 31, 2022
November 30, 2020	August 31, 2021	February 28, 2022
December 31, 2020	September 30, 2021	March 31, 2022
January 31, 2021	October 31, 2021	April 30, 2022
February 28, 2021	November 30, 2021	May 31, 2022
March 31, 2021	December 31, 2021	June 30, 2022
April 30, 2021	January 31, 2022	July 31, 2022
May 31, 2021	February 28, 2022	August 31, 2022
June 30, 2021	March 31, 2022	September 30, 2022







# Largest new federal programs to date

- Assistance Listing number (AL#) is the new name for CFDA number
- Funding will greatly impact programs audited as major programs!

Coronavirus State and  
Local Fiscal Recovery  
Fund (\$350B)

AL#: 21.027

Provider Relief Fund  
(\$175B)

AL#: 93.498

Educational  
Stabilization Fund  
(\$278B)

AL#: 84.425

Coronavirus Relief  
Fund (\$150B)

AL#: 21.019

# FFATA Reminders

1

What is it?

2

When are recipients required to prepare a FFATA report?

3

When are auditors required to test?

# SEFA Presentation for COVID-19

## Separately identify COVID-19 expenditures on the SEFA

- Both new and existing programs
  - COVID-19 – Coronavirus Relief Fund – 21.019 - \$1,000,000
  - COVID-19 – Temporary Assistance for Needy Families – 93.558 - \$1,000,000
  - Temporary Assistance for Needy Families – 93.558 - \$3,000,000



# Data Collection Form Presentation for COVID-19

	a	b	c	d	e	f	g	h
Row Number (auto-generated)	CFDA #		Additional Award Identification <sup>1</sup>	Federal Program Name	Amount Expended  (\$)	Cluster Name	Federal Program Total <sup>4</sup> (auto-generated)  (\$)	Cluster Total <sup>5</sup> (auto-generated)  (\$)
	Federal Awarding Agency Prefix <sup>1</sup>	CFDA Three-Digit Extension <sup>2</sup>						
1	93	558		TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$3,000,000.00		\$4,000,000.00	
2	93	558	COVID-19	COVID-19 - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	\$1,000,000.00		\$4,000,000.00	
Total Federal Awards Expended =					\$4,000,000.00			





# Coronavirus Relief Fund and Emergency Rental Assistance Funding

Roy Cobb

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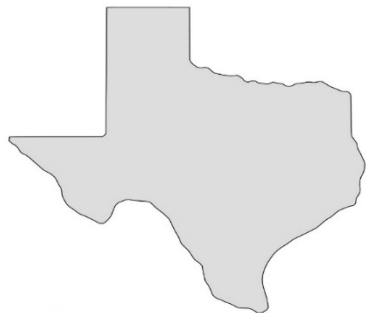
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# Coronavirus Relief Fund (AL# 21.019)

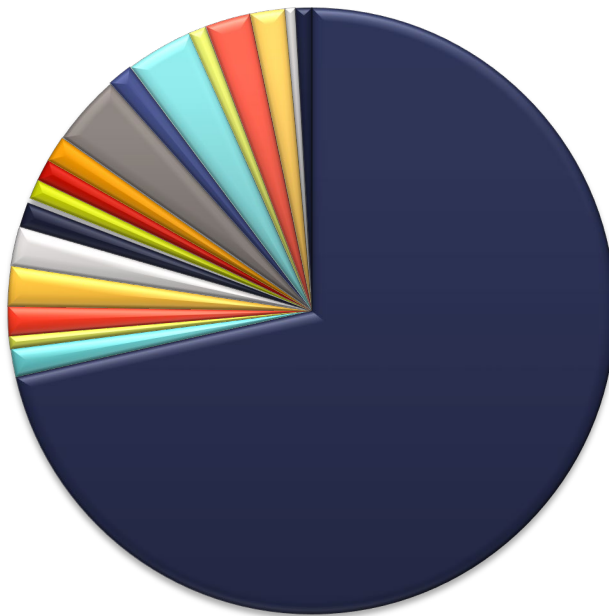
- \$150 billion in total allocated amongst all 50 states
  - Administered by U.S. Department of Treasury
  - \$3 billion reserved for territories and DC
  - \$8 billion reserved for tribes
- Amounts were paid based on 2019 population data
- Each state received a minimum of \$1.25 billion
- Each state and local government over a population of 500,000
- Texas was allocated \$11.243 billion



# Texas Allocation of Coronavirus Relief Fund (CFDA 21.019)



Total Allocation to Texas



State of Texas	\$8,038,314,291
City of Austin	\$170,811,897
Bexar County	\$79,626,415
Collin County	\$171,453,156
Dallas County	\$239,952,373
City of Dallas	\$234,443,128
Denton County	\$147,733,722
El Paso County	\$27,484,280
City of El Paso	\$118,956,279
Fort Bend County	\$134,262,394
City of Fort Worth	\$158,715,568
Harris County	\$425,942,656
Hidalgo County	\$151,582,673
City of Houston	\$404,868,873
Montgomery County	\$104,983,285
City of San Antonio	\$269,983,717
Tarrant County	\$209,816,857
Travis County	\$61,147,507
Williamson County	\$93,382,340

Source: <https://home.treasury.gov/system/files/136/Payments-to-States-and-Units-of-Local-Government.pdf>



Create Opportunities



# CRF Subrecipient vs. Contractor vs. Beneficiary

If I receive funds from my local government, am I subject to a single audit?

What if I received funds to grant out to other businesses, am I subject to a single audit?

What is a “beneficiary” and how do I know what entities qualify?



# CRF Subrecipient vs. Contractor vs. Beneficiary (Continued)

## Unique Qualities of the CRF program:

Organizations can be recipients, subrecipients, contractors or beneficiaries

Subrecipient and contractor –  
defined within the Uniform  
Guidance

Beneficiary – not defined within  
the Uniform Guidance



# CRF Subrecipient vs. Contractor vs. Beneficiary (Continued)

---

## Subrecipient

Determines who is eligible to receive what Federal assistance;

---

Has its performance measured in relation to whether objectives of a Federal program were met;

---

Has responsibility for programmatic decision-making;

---

Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and

---

In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity

---

# CRF Subrecipient vs. Contractor vs. Beneficiary (Continued)

---

## Contractor

Provides the goods and services within normal business operations;

---

Provides similar goods or services to many different purchasers;

---

Normally operates in a competitive environment;

---

Provides goods or services that are ancillary to the operation of the Federal program; and

---

Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons

---

# CRF Subrecipient vs. Contractor vs. Beneficiary (Continued)

---

**Beneficiary**     Individual, household or entity that receives assistances or services (benefit) under the federal program

---

Generally qualifies for benefits by meeting program criteria

---

Program criteria may be defined by federal program or grantor

---

# CRF Subrecipient vs. Contractor vs. Beneficiary

Are funds being received based on meeting program criteria?

Does the entity exercise any decision making or discretion over how to run the program?

Am I providing goods or services that I would similarly provide under other contracts?

Is the entity contributing to the implementation of a project or program?

Do I have to verify performance of set objectives/goals before payment is made?



# CRF Other Considerations

- Eligible costs can now be incurred through December 31, 2021
- Although FFATA Reporting is listed as applicable in the compliance supplement, Treasury FAQs published on March 2, 2021 state that it's not applicable
- Uniform Guidance cost principles do not apply to CRF
  - Auditors instead use Treasury's guidance for this program as the criteria when testing the allowability of costs requirement



# Emergency Rental Assistance Program (AL# 21.023)

- Makes funding available to assist households that are unable to pay rent or utilities.
- Two separate programs have been established:
  - ERA1 provides up to \$25 billion under the Consolidated Appropriations Act, 2021, which was enacted on December 27, 2020. Treasury must make direct payments to the eligible grantees no later than 30 days after December 27, 2020
  - ERA2 provides up to \$21.55 billion under the American Rescue Plan Act of 2021, which was enacted on March 11, 2021. Treasury shall pay all eligible grantees at least 40% of each grantee's total allocations within 60 days after March 11, 2021 pursuant to section 3201(c)
- The funds are provided directly to states, U.S. territories, local governments, and (in the case of ERA1) Indian tribes or Tribally Designated Housing Entities, as applicable
- Grantees use the funds to provide assistance to eligible households through existing or newly created rental assistance programs









# ERA Allocations and Payments

## ERA1

### Information for States, Territories, and Local Governments:


- [Data and Methodology for State, Local Government, and Territory Allocations](#) 
- [Listing of eligible units of local government](#) 
- [Payments to States and Eligible Units of Local Government](#) 

### Information for Tribes:

- [Data and Methodology for Tribal Communities](#) 
- [Payments to Tribes and Tribally Designated Housing Entities \(TDHE\)](#) 

## ERA2

### Information for States, Territories, and Local Governments:

- [State, Local Government, and Territory Allocations](#) 

<https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/emergency-rental-assistance-program>



# ERA Types of Assistance

## Financial Assistance

### ERA1 and ERA2

At least 90 percent of awarded funds must be used for direct financial assistance, including rent, rental arrears, utilities and home energy costs, utilities and home energy costs arrears, and other expenses related to housing.

## Housing Stability Services

ERA1 – Up to 10% – May be used to provide eligible households with case management and other services related to the COVID-19 outbreak, as defined by the Secretary, intended to help keep households stably housed.

ERA2 – Up to 10% – These services do not have to be related to the COVID-19 outbreak.

## Administrative costs

ERA1 – Not more than 10% – Must be allocated by the grantee to either the provision of financial assistance or the provision of housing stability services.

ERA2 – Not more than 15% – Must be allocated by the grantee accordingly for the provision of financial assistance, housing stability services, and other affordable rental housing and eviction prevention activities.



# ERA Other Considerations

- Eligibility Requirements – ERA 1
  - To be eligible, a household must be obligated to pay rent on a residential dwelling and the grantee must determine that:
    - One or more individuals within the household has qualified for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship due, directly or indirectly, to the COVID-19 outbreak
    - One or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability
    - The household has a household income at or below 80% of area median income



# ERA Other Considerations (continued)

- Eligibility Requirements – ERA 2
  - To be eligible, a household must be obligated to pay rent on a residential dwelling and the grantee must determine that:
    - One or more individuals within the household has qualified for unemployment benefits or experienced a reduction in household income, incurred significant costs, or experienced other financial hardship during or due, directly or indirectly, to the coronavirus pandemic
    - One or more individuals within the household can demonstrate a risk of experiencing homelessness or housing instability
    - The household is a low-income family (as such term is defined in section 3(b) of the United States Housing Act of 1937 (42 USC 1437 a(b))



# ERA Other Considerations (continued)

- Eligibility Requirements – ERA 1 and ERA 2
  - While there are some differences in eligibility between ERA1 and ERA2, the eligibility requirements are very similar, and Treasury is seeking to implement ERA2 consistently with ERA1, to the extent possible, to reduce administrative burdens for grantees
  - Each of the eligibility requirements have specific documentation requirements that can be found in the FAQs at [https://home.treasury.gov/system/files/136/ERA\\_FAQs\\_6-24-21.pdf](https://home.treasury.gov/system/files/136/ERA_FAQs_6-24-21.pdf)
  - Grantees must require all applications for assistance to include an attestation from the applicant that all information included is correct and complete



# ERA Other Considerations (Continued)

- Payment – landlord versus tenant
  - ERA1
    - Grantees must make reasonable efforts to obtain the cooperation of landlords and utility providers to accept payments from the ERA program.
    - Outreach will be considered complete if
      - (i) a request for participation is sent in writing, by mail, to the landlord or utility provider, and the addressee does not respond to the request within seven calendar days after mailing;
      - (ii) the grantee has made at least three attempts by phone, text, or e-mail over a five calendar-day period to request the landlord or utility provider's participation; or
      - (iii) a landlord confirms in writing that the landlord does not wish to participate
    - The final outreach attempt or notice to the landlord must be documented
    - The cost of contacting landlords would be an eligible administrative cost



# ERA Other Considerations (Continued)

- Payment – landlord versus tenant (Continued)
  - ERA2
    - Does not require grantees to seek the cooperation of the landlord or utility provider before providing assistance directly to the tenant
    - However, if an ERA2 grantee chooses to seek the cooperation of landlords or utility providers before providing assistance directly to tenants, Treasury strongly encourages the grantee to apply the same ERA1 requirements



# ERA Other Considerations (Continued)

- All cases
  - Grantees must document their policies and procedures for determining a household's eligibility to include policies and procedures for determining the prioritization of households in compliance with the statute and maintain records of their determinations
  - Grantees must also have controls in place to ensure compliance with their policies and procedures and prevent fraud
  - Grantees must specify in their policies and procedures under what circumstances they will accept written attestations from the applicant without further documentation to determine any aspect of eligibility or the amount of assistance, and in such cases, grantees must have in place reasonable validation or fraud-prevention procedures to prevent abuse







# Coronavirus State Fiscal Recovery Funds

Bhakti Patel

WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING

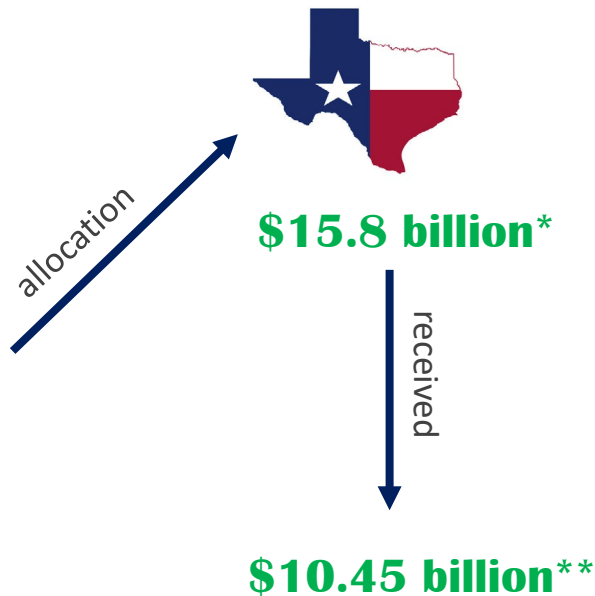
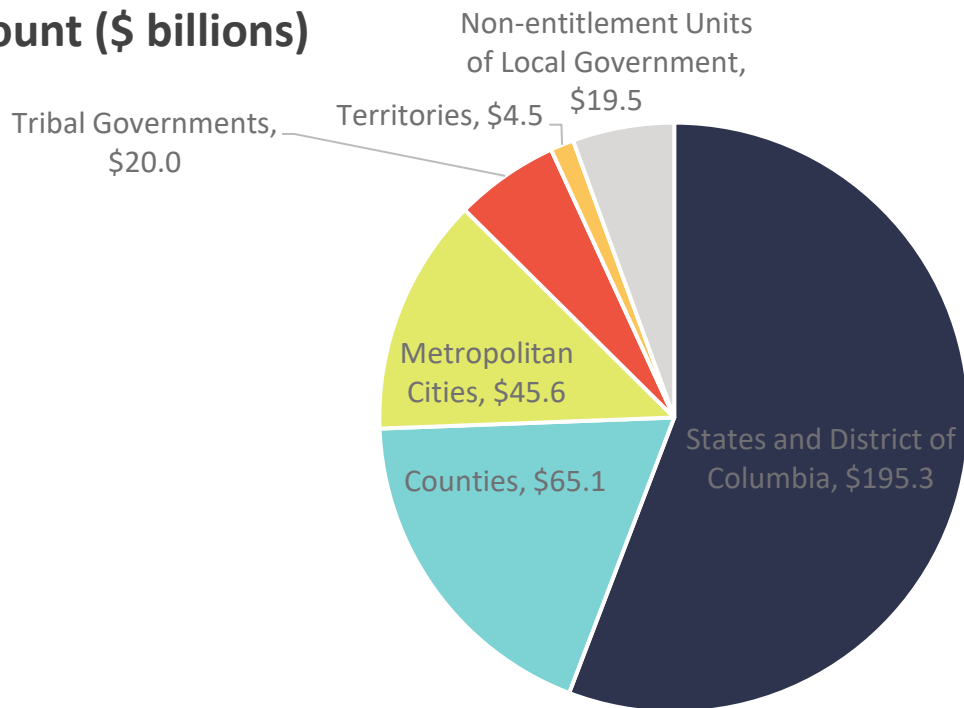
Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor

# Purpose and Objective

- AL # 21.027
- Part of the American Rescue Plan
- Enacted into law on March 11, 2021
- \$350 billion for eligible state, local, territorial, and Tribal governments
- Funds are to respond to the COVID-19 emergency and bring back jobs

# Funding: How the \$350 billion was allocated

## Amount (\$ billions)



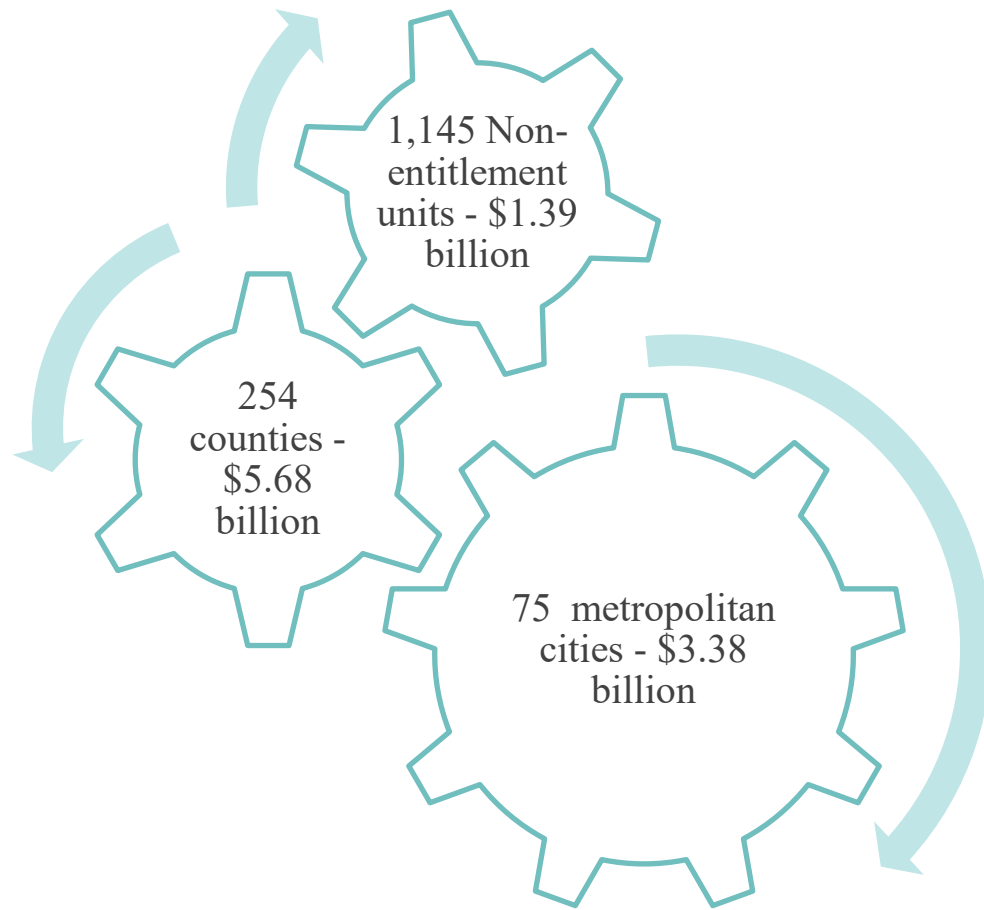
\*Per U.S. Treasury website

\*\*Per TDEM website

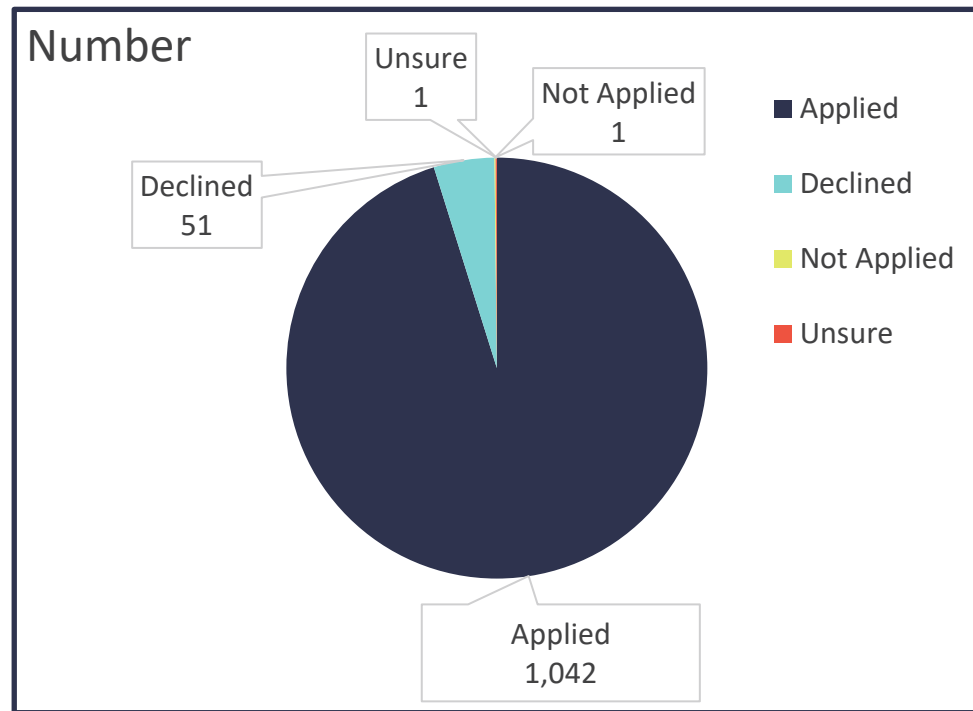
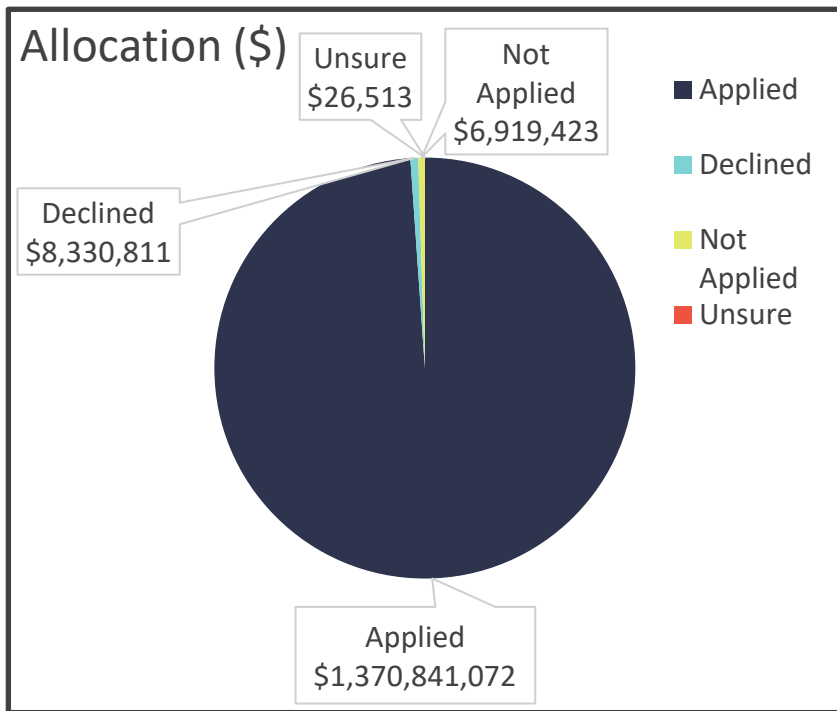
# Texas Allocation

Non-entitlement units receive funding through the Texas Division of Emergency Management (TDEM)

Others received direct funding from U.S. Treasury



# Texas Allocation – NEU Allocation\*



\*Per TDEM website 10/4/21



# Texas Allocation

- Funds paid in two tranches, each for 50% of a recipient's allocation.
- Non-entitlement Units:
  - First 50% processed once all documentation received by TDEM. Second 50% approximately one year later
  - TDEM must distribute all funds within 30 days of receipt of funding from Treasury. If distributions cannot be made within this time period, the ARPA provides for extensions not to exceed 30 days per request
- Treasury will make a payment for both the State and Local Funds at the same time. The second tranche will be paid no sooner than 12 months after the first tranche

# Interim Final Rule

- Provides detailed guidance on:
  - Implementation of the CSLFRF, its eligible uses, and more.
  - Definitions/Descriptions
    - e.g. eligible employers, essential work, eligible workers, premium pay, general revenue, government services etc.
- Formula for calculating reduction in revenue
- Framework for determining:
  - Whether a project “responds to” a “negative economic impact” caused by the COVID-19 public health emergency
  - Eligibility of water/ sewer/ broadband infrastructure projects
- Until Treasury adopts a final rule and the final rule becomes effective, the Interim Final Rule is, and will remain, binding and effective

# Eligible Expenditures

To respond to the COVID-19 public health emergency or its negative economic impacts.

To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to such eligible workers of the recipient, or by providing grants to eligible employers that have eligible workers who performed essential work.

For the provision of government services, to the extent of the reduction in revenue of such recipient due to the COVID-19 public health emergency, relative to revenues collected in the most recent full fiscal year of the recipient prior to the emergency.

To make necessary investments in water, sewer, or broadband infrastructure.



# Restrictions on Uses of Funds

Depositing funds into a pension fund

Offsetting a reduction in net tax revenue caused by the recipient's change in law, regulation, or administrative interpretation  
(States/Territories only)

Generally, using funds as non-Federal match for other Federal Programs

Generally, using funds directly to service debt, satisfy a judgment or settlement, or contribute to a "rainy day" fund

# Eligible Costs Timeframe

- Covered period
  - March 3, 2021 – December 31, 2024 (unless otherwise noted)
- Costs incurred and expended
  - Incurred by December 31, 2024
  - Expended by December 31, 2026
- Incurred is the same as “Financial Obligation” per 2 CFR 200.1
- Any funds not obligated or expended by the timelines above must be returned to Treasury, including any unobligated or unexpended funds that have been provided to subrecipients and contractors



# Other Eligible Costs/ Timeframe

## Public Health/ Negative Economic Impacts

Provide assistance to households – such as rent, mortgage, or utility assistance – for costs incurred prior to March 3, 2021, provided that the government did not incur the cost of providing such assistance prior to March 3, 2021.

## Premium Pay

Provide premium pay retrospectively for work performed since the start of COVID-19.

Must be “in addition to” wages and remuneration already received

Obligation to provide such pay must not have been incurred by the recipient prior to March 3, 2021.

## Revenue Loss

Calculation of lost revenue begins with the recipient’s revenue in the last full fiscal year prior to COVID-19 and includes the 12-month period ending December 31, 2020

Use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021.

## Investments in Water, Sewer & Broadband

Make necessary investments in water, sewer, and broadband

Cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the SLFRF award funds were incurred after March 3, 2021.

# Compliance and Reporting Guidance

- Reporting
  - Initial interim report
  - Quarterly or annual Project and Expenditure reports which include subaward reporting
  - Annual Recovery Plan reports, as applicable
- Uniform Administrative Requirements

# Reporting

Interim Report	<ul style="list-style-type: none"><li>• Provide initial overview of status and uses of funding</li><li>• One-time report</li></ul>
Project and Expenditure Report	<ul style="list-style-type: none"><li>• Report on projects funded, expenditures, and contracts and subawards over \$50,000, and other information</li></ul>
Recovery Plan Performance Report	<ul style="list-style-type: none"><li>• Provide information on the projects that large recipients are undertaking.</li><li>• Includes key performance indicators and some mandatory indicators identified by Treasury</li></ul>

# Reporting

Recipient	Interim Report	Project and Expenditure Report	Recovery Plan Performance Report
States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	By August 31, 2021, with expenditures by category	By October 31, 2021, and then 30 days after the end of each quarter thereafter <sup>9</sup>	By August 31, 2021, and annually thereafter by July 31 <sup>10</sup>
Metropolitan cities and counties with a population below 250,000 residents which received more than \$5 million in SLFRF funding			Not required
Tribal Governments		By October 31, 2021, and then annually thereafter <sup>11</sup>	
Metropolitan cities and counties with a population below 250,000 residents which received less than \$5 million in SLFRF funding			
NEUs	Not required		

Treasury issued an extension on 9/30/2021 that extends the Oct 31 deadline for these reports as follows:

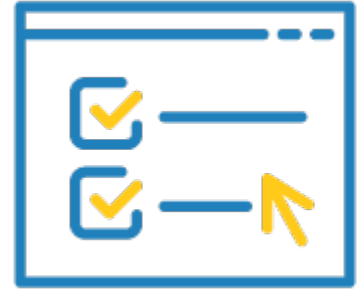
Project and Expenditure Report  
deadline extensions

Jan 31, 2022

April 30, 2022

# Reporting

- Communication from NASACT on Oct. 8, 2021:
- “Non-entitlement units of local government (NEUs) are recipients under the Fund and are required to report their award expenditures on their SEFA and data collection form. The States that distributed award funds to the NEUs must not report the amounts provided to the NEUs on their SEFA.”
- NASACT has asked Treasury to include this information in an FAQ or other official guidance so that there is documentation to reference



# Resources

- Treasury's ARPA Main Website
- TDEM website
- Interim Final Rule
- FAQs (July 19, 2021)
- Non-entitlement Unit of Government Information
- Compliance and Reporting Guidance—including performance report template



# Resources

U.S. DEPARTMENT OF THE TREASURY

ABOUT TREASURYPOLICY ISSUESDATA SERVICESNEWS

SEARCH

We can do this. Find COVID-19 vaccines near you. Visit [Vaccines.gov](https://www.vaccines.gov).

Assistance for Small Businesses

**Assistance for State, Local, and Tribal Governments**

State and Local Fiscal Recovery Fund

Request Funding

Tribal Governments

Non-Entitlement Units

Recipient Compliance and Reporting Responsibilities

Capital Projects Fund

Homeowner Assistance Fund

The American Rescue Plan will deliver \$350 billion for eligible state, local, territorial, and Tribal governments to respond to the COVID-19 emergency and bring back jobs.

The Coronavirus State and Local Fiscal Recovery Funds provide a substantial infusion of resources to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery.

## FUNDING OBJECTIVES

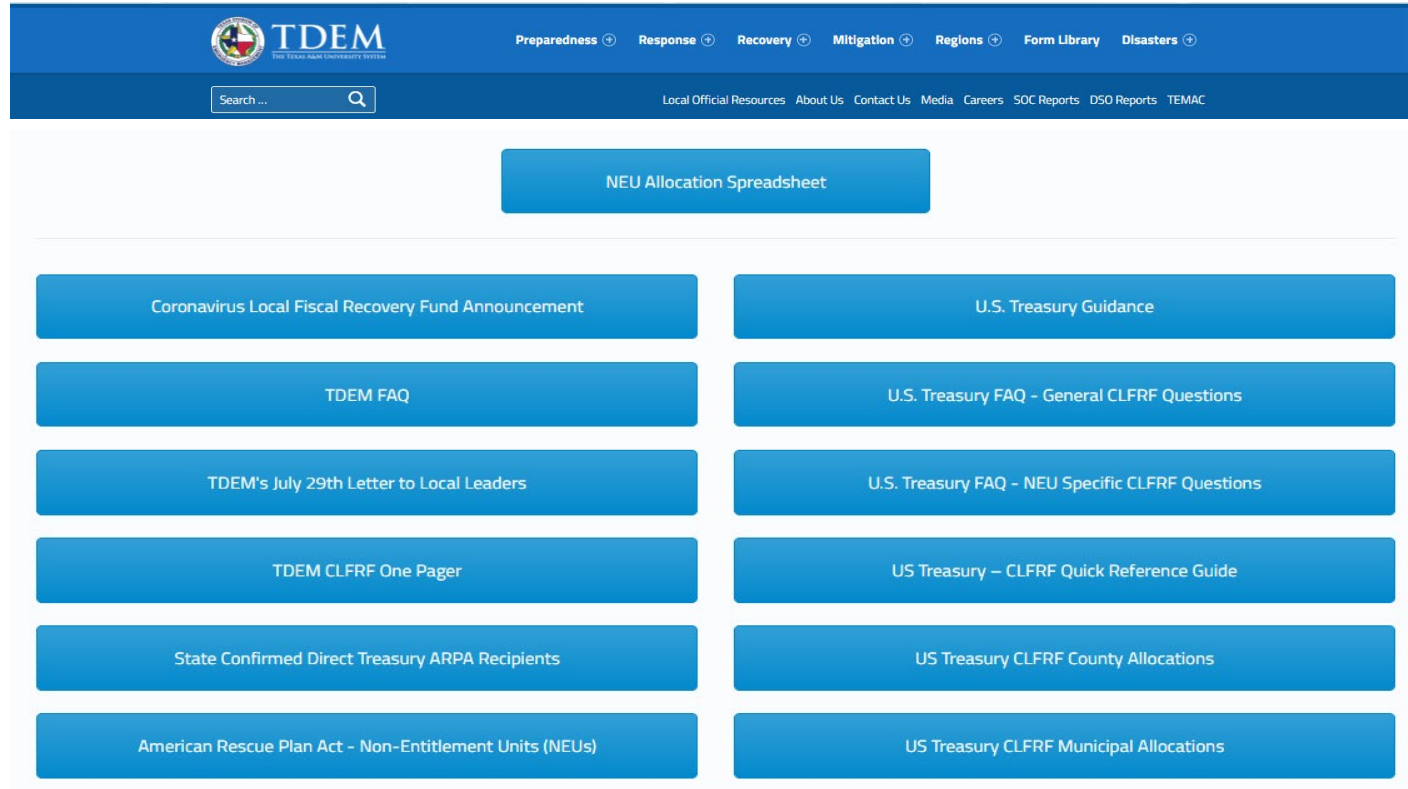
Treasury is launching this much-needed relief to:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control

- [Interim Final Rule](#) PDF
- [Fact Sheet](#) PDF
- [FAQs](#) PDF
- [Quick Reference Guide](#) PDF
- [Press Release](#)
- [Tribal Government Information](#)
- [Non-Entitlement Unit Information](#)
- [Compliance and Reporting Guidance](#)



# Resources



**TDEM**  
THE TEXAS A&M UNIVERSITY SYSTEM

Preparedness Response Recovery Mitigation Regions Form Library Disasters

Search ...

Local Official Resources About Us Contact Us Media Careers SOC Reports DSO Reports TEMAC

**NEU Allocation Spreadsheet**

Coronavirus Local Fiscal Recovery Fund Announcement	U.S. Treasury Guidance
TDEM FAQ	U.S. Treasury FAQ - General CLFRF Questions
TDEM's July 29th Letter to Local Leaders	U.S. Treasury FAQ - NEU Specific CLFRF Questions
TDEM CLFRF One Pager	US Treasury – CLFRF Quick Reference Guide
State Confirmed Direct Treasury ARPA Recipients	US Treasury CLFRF County Allocations
American Rescue Plan Act - Non-Entitlement Units (NEUs)	US Treasury CLFRF Municipal Allocations



# Thank you!



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