




Impact on Your Organization: Accounting & Tax Update

NOT-FOR-PROFIT BREAKOUT



Objective & Agenda

To provide information about recent accounting pronouncements and a tax update to allow organizations to plan for changes in accounting and tax regulation.

1 RECENT
ACCOUNTING
PRONOUNCEMENTS

2 TAX UPDATE

3 Q&A

ASU
2016-02
LEASES



ASU
2016-02
LEASES

TOPIC 842

A lease contract conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration



Lessee Accounting OVERVIEW

	BALANCE SHEET	INCOME STATEMENT	CASH FLOW STATEMENT
FINANCE	<ul style="list-style-type: none">• Right-of-use asset• Lease liability	<ul style="list-style-type: none">• Amortization expense• Interest expense	Cash paid for principal and interest payments
OPERATING	<ul style="list-style-type: none">• Right-of-use asset• Lease liability	Single lease expense on a straight-line basis	Cash paid for lease payments

Leases

EFFECTIVE DATE

PUBLIC ENTITIES

Fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (CY 2019; FY 2019-2020)

ALL OTHER ORGANIZATIONS

Fiscal year beginning after December 15, 2019 and interim periods beginning after December 15, 2020 (CY 2020; FY 2020-2021)

EARLY APPLICATION

Permitted for all organizations

** “Public Entities” refers to the following: (1) public business entities, (2) a not-for-profit entity that has issues, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and (3) an employee benefit plan that files or furnishes statements with or to the SEC*

Financing Leases

TYPE 1



Operating Leases

TYPE 2





ASU
2016-14
NOT-FOR-PROFIT
ENTITIES



Overview

KEY CHANGES

- Net assets classes
- Expense reporting
- Investment return
- Statement of cash flows
- Liquidity and availability

**EFFECTIVE FOR ANNUAL FINANCIAL STATEMENTS
ISSUED FOR FISCAL YEARS BEGINNING AFTER
DECEMBER 15, 2017.**

**SHOULD BE PRESENTED RETROSPECTIVELY IN THE
YEAR THE UPDATE IS FIRST APPLIED.**

Net Asset Classes

DONOR RESTRICTIONS



Donor Restriction

WITH AND WITHOUT

**CURRENT
GAAP**

Unrestricted

Temp.
Restricted

Perm.
Restricted

**PROPOSED
GAAP**

Without Donor
Restrictions

With Donor Restrictions



DISCLOSURES

Amount,
purpose, and
type of board
designations

Nature and amount of donor
restrictions

Net Assets

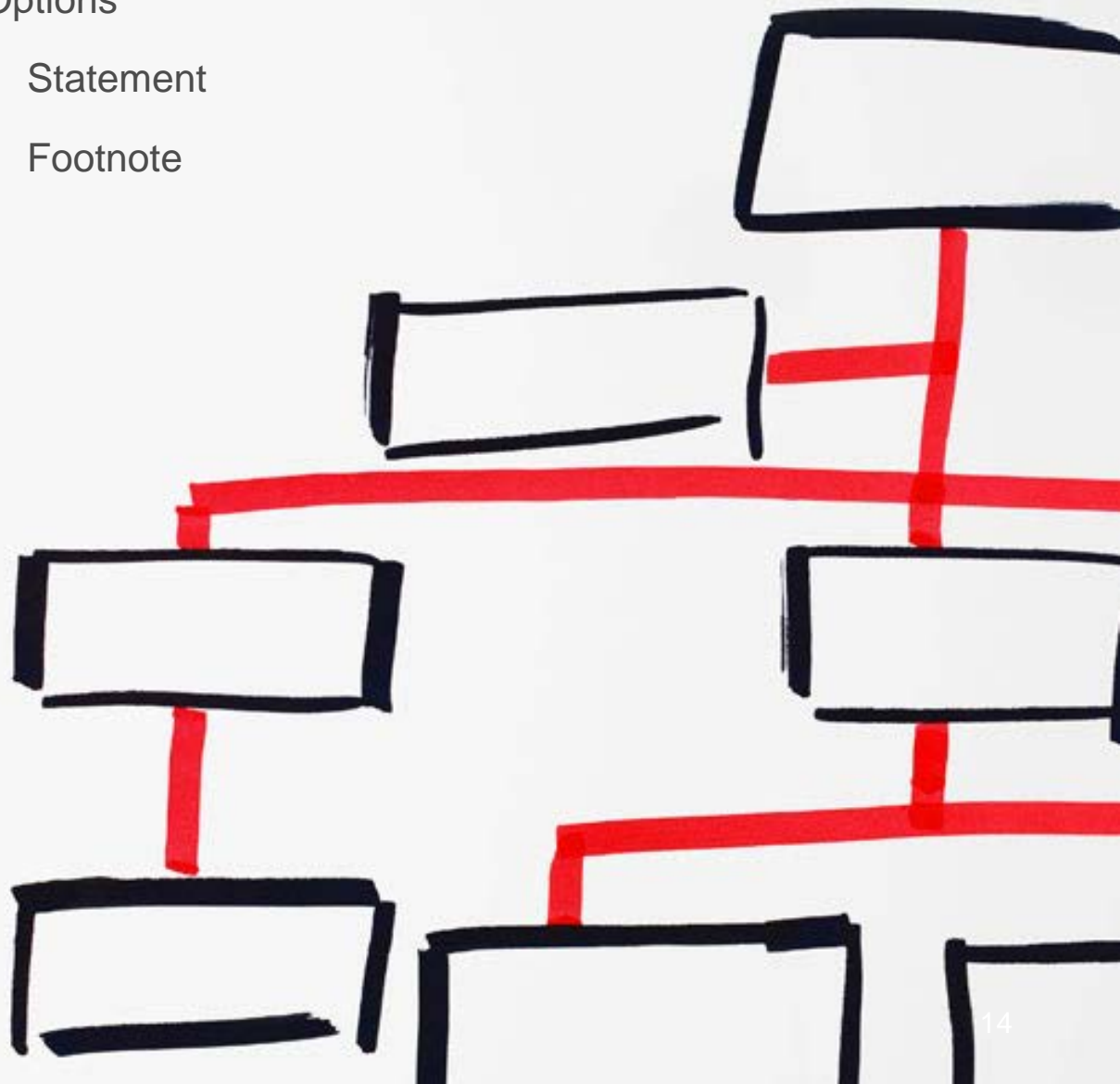
DISCLOSURE REQUIREMENTS

- Breakdown of net assets with donor restrictions
- Emphasis on how/when net assets can be used:
 - Specific purpose
 - Specific time
 - Perpetual restriction (endowment)
 - Board designations - quantitative and qualitative



Expense Reporting

- By nature and function
- Options
 - Statement
 - Footnote



Investment Return

- Presented on a net basis, with all external and direct internal investment management and custodial expenses netted against the return
- No longer required to report investment income components and related expenses separately.



ASU 2016-18 STATEMENT OF CASH FLOWS

RESTRICTED CASH

- Effective for fiscal years beginning after December 15, 2018
- Requires an explanation in the SCF of the change in total cash, cash equivalents and restricted cash.



ASU 2017-01

CLARIFYING THE DEFINITION OF A BUSINESS

DOES AN ACQUISITION REPRESENT THE PURCHASE OF ASSETS OR THE PURCHASE OF A BUSINESS?



ASU
2017-02

CLARIFYING WHEN A NOT-FOR-PROFIT ENTITY THAT IS A GENERAL PARTNER OR A LIMITED PARTNER SHOULD CONSOLIDATE A FOR-PROFIT LIMITED PARTNERSHIP OR SIMILAR ENTITY





Technical Agenda

EMERGING ISSUES

Reviewed:
08/30/17



NFP Tax Compliance

EMERGING ISSUES





Agenda

- 1** DATA DRIVEN IRS EXAMS
- 2** AUDIT EXPERIENCE
- 3** IRS 2017 WORKPLAN

DATA DRIVEN IRS EXAMS



- Searchable Form 990s
- 250+ queries developed as selection model for noncompliance areas
- Find questionable areas and audit solely on possible noncompliance issues – 85% audit change rate



Form 990

POTENTIAL QUERIES

- Fundraising expense vs contribution revenue
- Part III Program service revenue doesn't match Part VIII
- Lobbying expenses are reported in Part IX but Schedule C is not completed
- Schedule L related party transactions, esp. if no conflict of interest policy
- Transactions on Schedule R, Part V, Line 2
- Schedule A not properly completed
- Top management and financial officials not properly reported
- Part VII and Schedule J do not reconcile

IRS Exams

AS OF 9/30/16

- 6,440 completed (27% employment tax, 12% UBI, 43% filing, organizational & operational)
- 61 Revocations
- 968 reviews of hospitals, 363 referred for exam (no CHNA, no FAP or EMC policy, B&C issues)
- Overall change rate 81%
- Plan to review 400 returns with risk of private inurement + 100 private foundations

AUDIT



IRS Workplan 2017

STRATEGIC ISSUE AREAS

1 EXEMPTION

4 INTERNATIONAL

2 PROTECTION OF
ASSETS

5 EMERGING ISSUES

3 TAX GAP

Exemption

- Non-exempt purpose activity
- Private inurement

Enforced primarily through field exams





Protection of Assets

- Self-dealing
- Excess benefit transactions
- Loans to disqualified persons

Enforced via correspondence audits
and field exams

Tax Gap

- Employment tax
- Unrelated Business Income Tax

Enforced through compliance checks, correspondence audits and field exams



MIND THE GAP



International

- Oversight of funds spent outside the US
- Operating as foreign conduits
- FBAR requirements

Enforced through compliance reviews, compliance checks, correspondence audits and field exams


Emerging Issues

NON-EXEMPT CHARITABLE TRUSTS

SECTION 501(R)

- Enforced through compliance reviews, correspondence audits and field exams
- Oversight includes conducting reviews of hospitals' compliance with IRC section 501(r)

Reviewed:
09/20/17



“Ask the Experts”

**FREE RANGE
Q&A SESSION**



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