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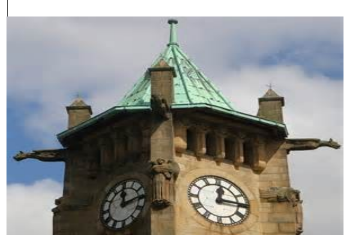
SPECIAL INSERT

GOOD ACCOUNTING DEPARTMENT BASICS

MARTHA LINDLEY CPA



America Counts on CPAs℠

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Lindley & Associates LLC newsletter is written by Martha Lindley CPA, providing timely articles for nonprofits. As a national speaker on nonprofit issues and Uniform Guidance compliance, she personally writes and provides this quarterly newsletter to over 400 nonprofits as a contribution to our nonprofit community. If you would like to receive future editions, please contact us. There is no charge.

We specialize in not for profit organizations and government funded entities providing **audit, reviews and tax preparation services**. We are committed to those agencies that provide services to our community.

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SUBMIT YOUR COMMUNITY ANNOUNCEMENT

You may submit an announcement by email admin@LindleyCPAs.com
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There is no fee for this service.

The information in this newsletter is necessarily brief. No final conclusions on these topics should be drawn without further review and consultation. For additional information, PLEASE CONTACT US.

BOARD MINUTES - WHAT IS IMPORTANT?

By Martha Lindley CPA

I have read thousands of board minutes – from very brief (what happened?) to very detailed (TMI).

For many folks, the job is performed without direction or training. This is the comment we provide in such cases: "We reviewed the board minutes during fieldwork. They did not appear to document the organization's significant events and transactions. This would include such as a change in operating locations, move to new location and associated expenses, acceptance of funding sources from grants and/or donors, and approving large expenditures. In addition, the minutes should include the evaluation and approval of the Executive Director's compensation (as required by the Internal Revenue Service).

Significant events and transactions, as well as what was considered in undertaking these actions, should be documented in the minutes to demonstrate that the board is fulfilling their fiduciary responsibilities.

The best rule of thumb is that minutes should provide a thorough record of what the board decided and what was considered in making those decisions.

Board minutes should be accurate and thorough, providing a clear and concise summary of the meeting, reflecting the board's due diligence in decision-making, and documenting major discussions and decisions. The minutes should serve as a document to inform future directors, remind meeting participants of deliberations and decisions, and provide management with action items on which to follow-up. It should be kept in mind that board minutes often act as a paper trail in case of litigation."

Some boards include in the minutes attachments of the organization's budget. Confidential reports (i.e. budgets) should not be attached to board minutes, since this increases the likelihood that these reports will be included in any future court proceedings.

MILLENNIALS - JOB SURVEY

Adapted by Martha Lindley CPA from US Today 4/17/16

Deloitte (one of the Big Four) conducted a survey of 7,700 millennials, finding 64% were in senior positions (head of their department and above). The respondents stated their personal values and morals are the most influential factor in their decision making at work.

Meeting their organization's profit or revenue targets ranked fifth.

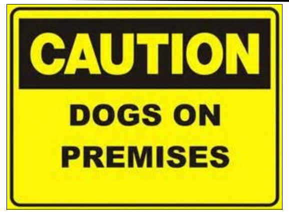
Jim Moffatt, managing director, stated, "They're very value-centric and purpose-oriented. They are less concerned about the size or complexity of a project and more about the impact."

Sixty percent of millennials what to hear from their managers at least once a day. "We have changed our approach to have much more frequent touch points and check-ins", stated Moffatt. "Praise and appreciation is the number one driver for every generation, but millennials want more of it."

Forty four percent would quit their current job to do something different in the next two years. "For millennials, it is more a matter of career exploration than climbing the traditional ladder," said Emily He, CMO of talent management solution Saba.

"Research suggests that today's college graduates will have a dozen or more jobs by the time they hit their 30's.

Dogs, children & babies at work



Dogs on site: We have noted that employee-owned dogs are allowed on site. The NFP may wish to consult with their insurance carrier to determine if the NFP is insured for any potential liability should there be a personal injury or property causality and any other type of accident

Dogs may need to be registered and/or certified therapy dogs to be eligible to be covered by insurance. Pet owners are responsible for their pets and the NFP should verify the owner has comprehensive liability insurance that covers bites and other injuries. The policy should also cover any property damage caused by the pet. The NFP should also verify the pet has all proper immunizations.

Employee children and babies at the workplace: The NFP may wish to consult with their insurance carrier to determine if the NFP is insured for any potential liability should there be causality and any other type of accident. Many companies have parents sign legal waiver forms and babies-at-work programs can be added as an insurance rider. Children may need to be covered for potential sexual assault and employer negligence.

Tech Corner

Discounted software for Non-profits

Unfortunately, most organizations don't put very much effort into marketing or advertising to non-profit organizations. Apparently there isn't a strong profit margin?
However, discounted licensing can be obtained by contacting representatives directly.

- Intuit, makers of QuickBooks, extends additional discounts for qualified non-profit organizations (note: We still discourage use of QuickBooks Online for a number of reasons). Call Intuit at (877) 683-3280, or live chat at https://quickbooks.intuit.com for pricing
- Microsoft requires you to go through a vendor, Techsoup, for licensing. They will validate your eligibility. (800)-659-3579 , or email at customerservice@techsoup.org

-Ryan Kauzlarich, Audit Manager

Changing donor restrictions on old, small funds

UPMIFA allows a charity to release or modify a donor restriction if it obtains the donor's written consent. It also allows charities to seek court approval to modify a donor restriction in certain circumstances, with participation by the attorney general.

Under these rules, a charity may release or modify a donor restriction *without donor or court approval* if the fund is both old and small and the charity determines that the restriction is unlawful, impracticable, impossible to achieve or wasteful. This option is available to charities if the fund is more than *20 years old* and has a value of less than *$75,000*. The $75,000 limit will increase by $2,500 each year, beginning on July 1, 2011.

The purpose of this provision is to make it easier and less expensive for charities to remove impractical or wasteful donor restrictions on old and small funds. Charities are not required to give notice to donors under this provision. They are required to provide 60-days' notice to the attorney general, however, before releasing or modifying the restriction.

Google apps for NFPs

Control your own IT with free access to Google Apps for Nonprofits:

Eliminate IT costs and help staff work together more effectively

- Create unlimited email accounts for your staff on your own branded domain (ex: john.doe@yourdomain.org) through Gmail
- Store files in the cloud: 30GB of storage space per account across Gmail and Google Drive
- Collaborate in real time with colleagues on grant proposals, meeting agendas, and more through Google Docs
- Conduct surveys, training assessments and event sign ups through Google Forms
- Manage appointments and schedules in Google Calendar
- Monitor group discussions and distribution lists through Google Groups
- Hold video conference calls for up to 15 participants at a time on your desktop or mobile device; audio and screen sharing tools included
- Work online through any modern browser; no hardware, no updates

http://www.google.com/nonprofits/

Political year, political activity

By Martha Lindley CPA

In speaking with the IRS, they have a division right here in Seattle for political activity whistleblowers. To begin an investigation, per the agent, the division may receive a photograph of a political sign for a candidate on a church or NFP site. They will then investigate to determine if the NPF is engaging in prohibited activity. When I worked for the government, we gave warnings for violations such as candidate coffee cups, give-away nail files, etc.

The following is straight from the IRS website:
Under the Internal Revenue Code, all section 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. Contributions to political campaign funds or public statements of position (verbal or written) made on behalf of the organization in favor of or in opposition to any candidate for public office clearly violate the prohibition against political campaign activity.

Violating this prohibition may result in denial or revocation of tax-exempt status and the imposition of certain excise taxes. Certain activities or expenditures may not be prohibited depending on the facts and circumstances.

For example, certain voter education activities (including presenting public forums and publishing voter education guides) conducted in a non-partisan manner do not constitute prohibited political campaign activity. In addition, other activities intended to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, would not be prohibited political campaign activity if conducted in a non-partisan manner.

On the other hand, voter education or registration activities with evidence of bias that (a) would favor one candidate over another; (b) oppose a candidate in some manner; or (c) have the effect of favoring a candidate or group of candidates, will constitute prohibited participation or intervention.

Asc 842 leases

Lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months under a new financial reporting standard issued by the US Financial Accounting Standards Board.

Accounting Standards Update (ASU) No. 2016-02, *Leases*, will apply to both types of leases—capital (or finance) leases and operating leases. Previously, US GAAP has required only capital leases to be recognized on lessee balance sheets.

As under current US GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease for lessees primarily will depend on its classification as finance or operating lease.

♦ For capital or finance leases, lessees will recognize amortization of the right-of-use (ROU) asset separately from interest on the lease liability.

♦ For operating leases, lessees will recognize a single total lease expense.

See example below: A lessee enters into a three-year lease and agrees to make the following annual payments at the end of each year: $10,000 in year 1, $15,000 in year 2, and $20,000 in year 3. The initial measurement of the ROU asset and liability to make lease payments is $38,000 at a discount rate of 8 percent.

FASB text available at their website, registration is free for basic edition

	Both Methods	Finance Lease				Operating Lease		
Year	Lease Liability	Interest Expense <X>	Amortization Expense <Y>	Total Lease Expense <X+Y>	ROU Asset	Lease Expense <Z>	Reduction in ROU Asset <Z - X>	ROU Asset
0	$38,000				$38,000			$38,000
1	31,038	$3,038	$12,666	15,704	25,334	$15,000	$11,962	26,038
2	18,520	2,481	12,667	15,148	12,667	15,000	12,519	13,519
3	-	1,481	12,667	14,148	-	15,000	13,519	-
Total		**$7,000**	**$38,000**	**$45,000**		**$45,000**	**$38,000**	