



ASSURANCEDIMENSIONS



GUNNCHAMBERLAIN, P.L.

— CERTIFIED PUBLIC ACCOUNTANTS —

*We Spur Wrangling
Annual Audit and Tax
Requirements*

NAVREF 27th Annual Conference

San Antonio, Texas

September 16, 2019

1:30pm

Introductions



A S S U R A N C E D I M E N S I O N S

Bennie Lewis, CPA

Tampa and Orlando Office Partner

ASSURANCE DIMENSIONS

CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

<https://assurancedimensions.com/>

TAMPA:

4920 W Cypress Street, Suite 102 | Tampa, FL 33607

Office: 813.443.5048 Ext. 302 | Mobile: 813-841-7716

Toll free: 888.410.2323 | Fax: 813.443.5053

ORLANDO:

1800 Pembroke Drive, Suite 300 | Orlando, FL 32810

SOUTH FLORIDA:

5489 Wiles Road, Unit 303 | Coconut Creek, FL 33073

JACKSONVILLE:

4350 Pablo Professional Court | Jacksonville, FL 32224

- Non Profit and Single Audit Practice Leader
- Currently working with 7 NAVREF member organizations to facilitate their annual audit requirements
- Experience completing NAVREF member audits

Kenneth R. Krey, CPA, Partner



GUNNCHAMBERLAIN, P.L.
— CERTIFIED PUBLIC ACCOUNTANTS —

(904) 296-2024
kkrey@gunnchamberlain.com
www.GunnChamberlain.com
4350 Pablo Professional Ct
Jacksonville, FL 32224



Financial Reporting Requirements – Not-For-Profit

- Accounting for contributions, donations and grants
- Fund accounting
- Unique reporting requirements
- Single audit reporting under the Uniform Guidance for all federal grant awardees expending >\$750,000
 - Statement of Expenditures on Federal Awards (SEFA)
 - Compliance and internal control audit of the organization and programs
 - Research organizations are unique in their single audit requirements
 - Schedule of Findings and Questions Costs



GUNNCHAMBERLAIN, P. L.

— CERTIFIED PUBLIC ACCOUNTANTS —

Tax Reporting Requirements

- Form 990 Tax Return Due Date: 15th day of 5th month after year end
- Can extend for additional 6 months
- State Requirements differ, but most have an annual registration.



Understanding Your Auditor

What is the definition of “accountant”? Someone who solves a problem you didn’t know you had in a way you don’t understand.



An auditor should approach your audit by...

- Understanding your business and the environment you operate in
- Using that knowledge and understanding to analyze your financial statements
- Determining materiality
- Identifying areas more likely to be materially misstated
- Focusing audit attention and effort on those areas



A S S U R A N C E D I M E N S I O N S

Our responsibilities:

- Perform an audit based on GAAP standards
 - An audit provides reasonable, not absolute assurance
- Form and express an opinion about whether the financial statements prepared by management, with your oversight:
 - Are materially correct
 - Are fairly presented
- Communicate specific matters to you

**An audit does not relieve you or management
of your responsibilities.**



Management's responsibilities:

- Preparing and fairly presenting the financial statements
- Establishing and maintaining effective internal control over financial reporting
- Providing us with written representations
 - A copy of the representations are being provided to management.

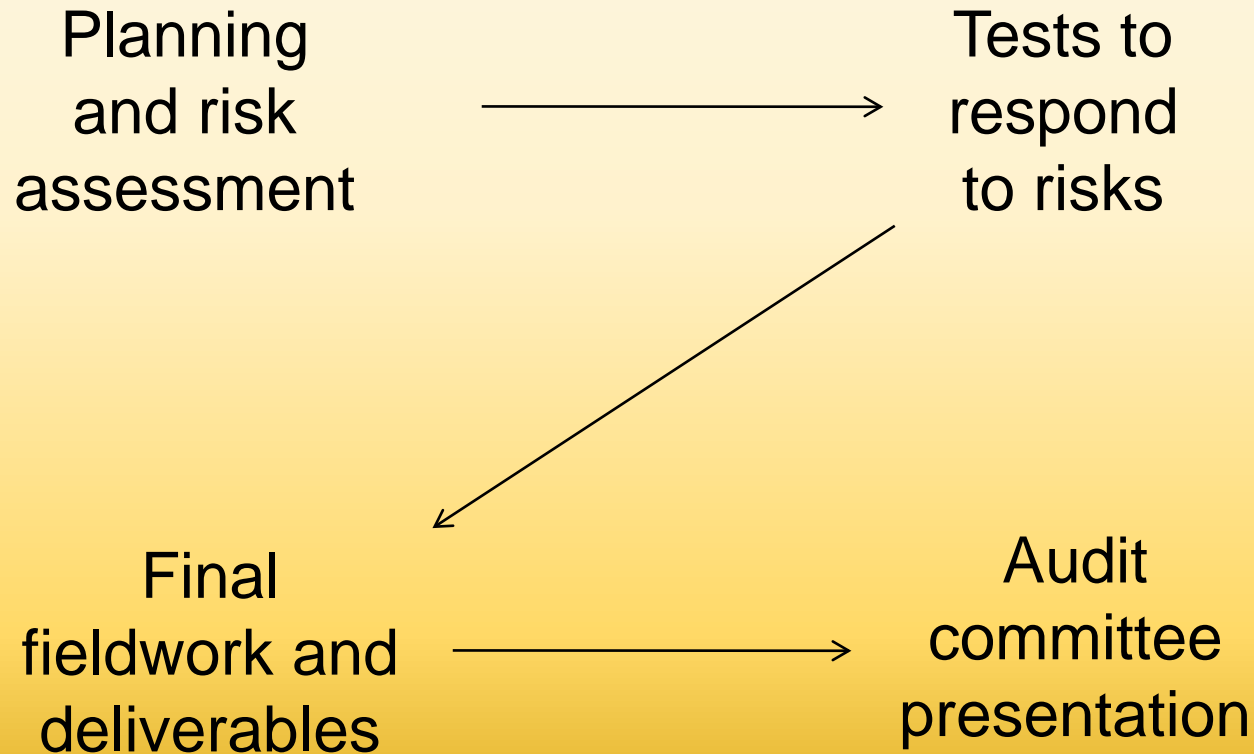


Materiality

- Magnitude of an omission or misstatement that likely influences a reasonable person's judgment
- Based on relevant financial statement benchmarks
- Financial statement items > materiality (\$XX,XXX) are in scope
- Other areas < materiality may be in scope if qualitative factors are present (e.g., related party transactions, fraud risk, debt compliance)



Audit Timeline:





ASSURANCEDIMENSIONS

Typical Areas of Audit Focus for NAVREF NPCs:

- Revenues
 - Deferred Revenue
 - Accounts Receivable
- Accrued expenses
- Program Testing for Single Audit Engagements



GUNNCHAMBERLAIN, P.L.

— CERTIFIED PUBLIC ACCOUNTANTS —

Tax Preparer Responsibilities:

2 Main Responsibilities:

1. To accurately report the financial position of the entity.
 - Revenue Breakdown
 - Expense Details (Program / Management / Fundraising)
 - Compensation Details (Officers / Directors / Key Employees)
 - Reporting of Donors over certain thresholds
 - Reporting of independent contractors over certain thresholds



GUNNCHAMBERLAIN, P.L.

— CERTIFIED PUBLIC ACCOUNTANTS —

Tax Preparer Responsibilities:

2. Compile data and information received from management to confirm the organization's compliance with current IRS rules & regulations.
 - Management must answer all the questions in the 990.
 - About the Organization (Mission / Programs / Policies)
 - About the Board (Compensation / Procedures / Transactions)
 - Related Party Disclosures
 - Tax Compliance (Payroll / 1099s / Unrelated Taxable Income...)



GUNNCHAMBERLAIN, P.L.

— CERTIFIED PUBLIC ACCOUNTANTS —

Tax Preparation Timeline:

Financial Statements are cornerstone to the process:

- Pre-Financial Statements
 - Communications with management on questions & unique situations
- Financial Statements - Draft issued
 - Working on getting financial details broken down for 990
- Financial Statements Approved
 - Finalizing 990 – Board Presentation & Approval

TEAM APPROACH



Common Accounting Issues

and how to avoid findings in your audits and issues on the tax return



Common Accounting Issues -EXAMPLES

- Proper Revenue & Expense Recognition
- Ensuring all expenses are entered in the period incurred
- Invoicing funding source in the period expenses were incurred and/or per agreement/budget/CRADA
- Restricted, Unrestricted Net Assets and Deferred Revenue
- Expense Allocation
- Payroll - wages, taxes and benefits properly classified (CRC, Admin, specific study for IPA's & Subawards)
- Direct Expenses – charged to the appropriate study if IPA or Subawards, or properly classified to CRC or Admin
- Prepaid Expenses & Accrued Expenses



NPPO Findings

- Key focuses-
- Complete a review of the VHA HANDBOOK 1200.17 against your current Organization polices and procedures
- Complete the questionnaire and address any gaps now!
- Review their Audit Preparation Checklist
- Be prepared to discuss any Single Audit findings
- Written and consistent policy application
 - Residual Funds Policy, Accounting, and Communication
 - Preparation and Preparer Documentation (Signatures)



GUNNCHAMBERLAIN, P.L.

— CERTIFIED PUBLIC ACCOUNTANTS —

Tax Reporting Highlights:

Financial Position of the Organization

- Revenue (Contributions or Program Revenue??)
- Statement of Program Services
 - Be descriptive → Tell your story
 - Make sure expenses are correctly allocated between program, management & fundraising. → It matters
- Donors / Grants
 - Must report name, address & amount if total contributions exceed the greater of \$5,000 or 2% of Gross contributions
- Independent Contractors
 - Must report the 5 highest paid contractors over \$100,000



GUNNCHAMBERLAIN, P.L.

— CERTIFIED PUBLIC ACCOUNTANTS —

Tax Reporting Highlights:

Reportable Compensation:

- Officer & Directors
 - No minimum threshold – Compensation must be reported
 - Former Officer - Must report if over \$100,000
 - Former Director – Must report if over \$10,000
- Key Employees
 - Have responsibilities, powers, or influence over the Organization
 - Must report if over \$150,000
- Highly Compensated
 - Must report the 5 highest over \$100,000 (other than above)



GUNNCHAMBERLAIN, P.L.

— CERTIFIED PUBLIC ACCOUNTANTS —

Tax Reporting Highlights:

Reportable Compensation:

- Related Organizations (Must report compensation paid to employees of influence)

What is a “Related Organization”?

Related organizations are organizations that stand in a parent/subsidiary relationship, brother/sister relationship, or supporting/supported organization relationship.

- The relationships depends on a definition of *control*
- The definition of *control* depends on whether the organization has owners or persons with beneficial interests.



GUNNCHAMBERLAIN, P.L.

— CERTIFIED PUBLIC ACCOUNTANTS —

Tax Reporting Highlights:

Related Organizations (cont'd)

Must report information on the related entity and the nature of activity between the entities on Schedule R.

Unrelated Taxable Income: Do you have any???



A S S U R A N C E D I M E N S I O N S

New Accounting pronouncements

Their Requirements and Their Effects on Your Organization's Financial Reporting



Newly released accounting pronouncements

- 2016-14-Presentation of Financial Statements of Not-for-Profit Entities
 - Effective fiscal years beginning after 12/15/17.
 - Only 2 equity classes now
 - Functional expense presentation
 - Liquidity and availability disclosures
- 2018-08-Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made
 - Effective fiscal years beginning after 12/15/18
 - evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions
 - determining whether a contribution is conditional



Newly released accounting pronouncements

- **2014-09-ASC 606-Revenue from Contracts with Customers**
 - Effective fiscal years beginning after 12/15/18
 - Your organization will need documentation for your accounting policy under each of your different contracts/grants/etc.
 - 5-step analysis in determining when and how revenue is recognized
 - Step 1: Identify the Contract with a Customer
 - Step 2: Identify the Performance Obligations in the Contract
 - Step 3: Determine the Transaction Price
 - Step 4: Allocate the Transaction Price to the Performance Obligations in the Contract
 - Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
- **Topic 842-Leases**
 - Effective fiscal years beginning after 12/15/19
 - All leases greater than 1 year will be recorded to the balance sheet (much like a capital lease) as an asset and liability
 - Prepare by identifying all leases you have and making determinations on how to account for each



ASSURANCEDIMENSIONS

Single Audit Requirements

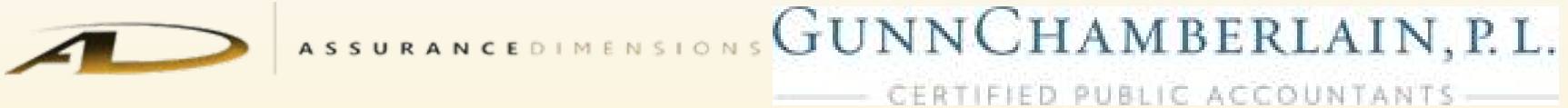
OMB Uniform Guidance



Nuances of a Uniform Single Audit

- SEFA
- Compliance and Controls Audit
- Schedule of Findings and Questioned Costs
- Uniqueness of Research Groups in Single Audits
- Additional Reporting-Compliance and Internal Controls
- Filing with Federal Audit Clearinghouse (“FAC”)

Thank you and please contact us for further information!



Bennie Lewis, CPA

Tampa and Orlando Office Partner

ASSURANCE DIMENSIONS

CERTIFIED PUBLIC ACCOUNTANTS & ASSOCIATES

<https://assurancedimensions.com/>

TAMPA:

4920 W Cypress Street, Suite 102 | Tampa, FL 33607

Office: 813.443.5048 Ext. 302 | Mobile: 813-841-7716

Toll free: 888.410.2323 | Fax: 813.443.5053

ORLANDO:

1800 Pembroke Drive, Suite 300 | Orlando, FL 32810

SOUTH FLORIDA:

5489 Wiles Road, Unit 303 | Coconut Creek, FL 33073

JACKSONVILLE:

4350 Pablo Professional Court | Jacksonville, FL 32224

Kenneth R. Krey

CPA, CGMA, PARTNER

T 904 296 2024 F 904 296 0054

4350 Pablo Professional Court

Jacksonville, Florida 32224

GunnChamberlain.com