Welcome to the Jones & Associates PLLC, CPAs December 2018 newsletter! Feel free to pass it along…

Are you ready for the new nonprofit reporting standards?

As most of you know by now, the Financial Accounting Standards Board has recently issued accounting standard update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, intended to improve how a nonprofit organization classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses, investment return, and cash flows.

The new standards are in place for nonprofits with years beginning after December 15, 2017, so organizations with years ending December 31, 2018 must comply. Here at J&A, we will be helping each of our client organizations develop templates and disclosures specific to them, so if you have questions along the way, we encourage you to contact us. Learn More

Board/Committee "Spot Checks"

A key role of the Audit Committee (or its equivalent) is to provide oversight of the organization's internal controls to ensure they are designed properly and operating effectively. If your organization receives an annual audit, the audit may provide insight about the internal control structure, but the audit itself cannot solely be relied upon to serve this oversight function. A Board appointed committee should also perform its own monitoring of internal controls periodically throughout the year. One way to accomplish this is for committee members (or those tasked with that function) to perform a "spot check" of internal controls. Unsure about how to establish and manage such a function? Learn More

Q&A with J&A

We are asked many questions related to financial best practices for nonprofit organizations. We thought we'd highlight a few:

Q: I get so confused about how to present to my board that a foundation donation promised in one year shows up as a released donation in the next year. It seems like I just talk in circles about it and they don't understand. Do you have an "elevator speech" on how best to explain this?

A: This is one of our most frequently heard questions from organizations. The best way we've found to explain it is to divide the P&L Statement into two pieces: one for general operations and the other for restricted activity. According to generally accepted accounting principles (GAAP), if a donor has promised to grant your organization a donation in the future, you must record it as a pledge receivable (that is, as a donation that is time restricted until collected). These donor restricted funds will show as income in the restricted P&L Statement until they are collected. Once you receive those funds, you transfer that revenue out of the restricted activity and into the general operations P&L. An easy way to present this is to isolate all the restricted activity in the "Other Income" section of the P&L Statement, showing the releases into the general operating income.

For more information on how to set up and manage restricted funds using QuickBooks, look HERE.

Q: I'm doing an audit of our personnel files. We're trying to go more paperless, but I'm not sure which files to keep that should have original signatures. Our attorney tells us to retain everything, including signed off timesheets. That seems a bit onerous. What are best practices in this area?

A: Well, this is one of those things where you will need to make a business decision based on how much risk you're willing to absorb. If you ask a lawyer, they may say everything has to be signed in original ink and retained for many years after the employee is terminated, if not indefinitely. That's because they've been in situations where an employee sues their employer and electronic signatures, unless protected by something like DocuSign, are not worth much when it comes to a lawsuit.

However, to be a bit more practical, you might consider retaining the physical copies of certain original documents (such as signed employment contracts, immigration documents, W-4's etc.) be retained, but everything else, like signups for benefits, timesheets, etc. are just retained in electronic form. Those other things have less opportunity to be used in a lawsuit.

Employee related complaints are the largest reasons a nonprofit organization is sued in this country. But how much original documentation you keep all depends on how much risk your organization is willing to assume.

Upcoming J&A Learning Opportunities

Board Member Basics Webinar

Board members are critical fiduciaries that guide the organization towards a sustainable future by adopting sound, ethical and legal governance and financial management policies, in addition to making sure the organization has adequate resources to advance its mission. Because of term limit and rotation requirements, board members of nonprofit organizations may or may not have significant experience or training in their role.

In this session, we will focus on the board member's role and responsibility as well as how to understand and use financial information to make informed decisions and manage risk. This webinar is a good refresher for the experienced board member and critical training for the new board member.

This live webinar is Tuesday, **December 4, 2018** from 10am-noon and qualifies for 2 hours of CPE. Again, even if you cannot attend a live webinar session, each registrant will receive a copy of the video recording of the session and class materials to use at your convenience, though CPE is only allowed during the live webcast. To register for this interesting and informative webinar, enroll HERE.

Don't forget to check out the catalog of all the great listings in this 2018/2019 season in our Nonprofit Learning Series HERE.

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Should you have any questions about the content of anything in this newsletter, please contact us.

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