



Berry
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RECHARGE 2024

Annual Not-for-Profit Summit



Accounting Best Practices

Presenters: Grant Ballantyne | Mark LaPrade

Presenters



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Agenda

- ▲ **1** Uniform Guidance Update
- ▲ **2** Accounting updates for FASB and GASB
- ▲ **3** Internal Control Considerations
- ▲ **4** Financial Statement Pptimization



Learning objectives



- ▲ Understand how recent technical updates could impact your organization and the financial statements
- ▲ Identify key internal control issues
- ▲ Consider techniques to optimize your financial statements



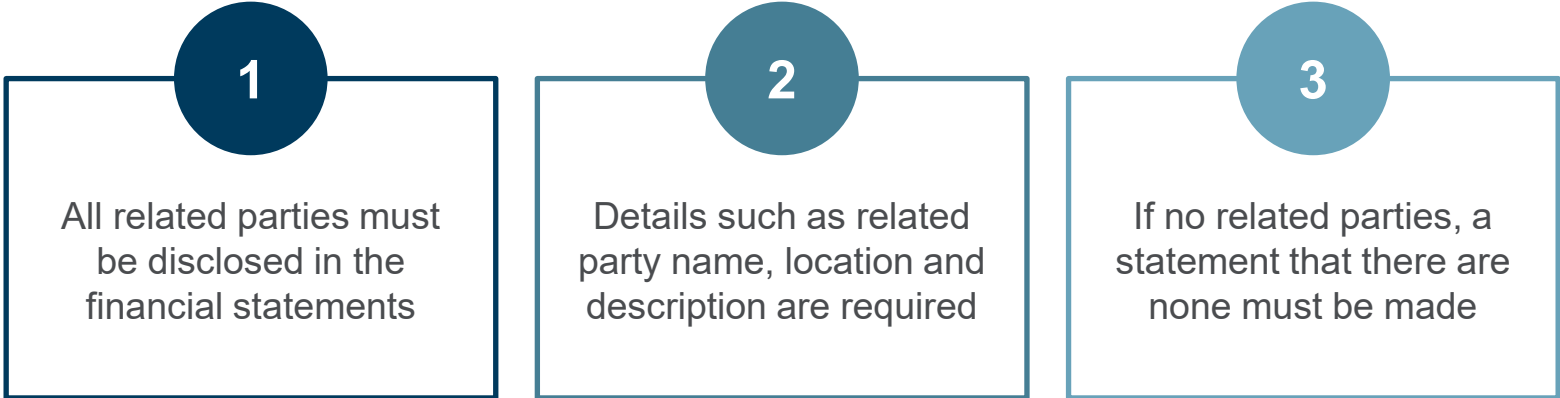
Uniform Guidance update

- ▲ Audit threshold increased to \$1,000,000 (for grants and awards disbursed on or after October 1, 2024)
- ▲ Equipment threshold increased from \$5,000 to \$10,000
- ▲ Revised the threshold for unused supplies from \$5,000 to \$10,000
- ▲ New cybersecurity standards
- ▲ Program income section reorganized and restated
- ▲ Raised the de minimis indirect cost rate from 10% to 15%
- ▲ Changes to various property and equipment rules

Other Single Audit development

Student financial assistance

For institutions participating in the SFA program, there is a final regulation that requires the following disclosures:



The Government Audit Quality Center is working on a Technical Questions and Answers to provide guidance on this required disclosure.



Upcoming FASB pronouncements

	Update	Effective Date
ASU 2016-13	Financial Instruments – Credit Losses (Topic 842): Measurement of Credit Losses on Financial Statements	CY 2023 / FY 2024
ASU 2023-01	Leases (Topic 842): Common Control Arrangements	CY 2024 / FY 2025
ASU 2023-08	Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting and Disclosure of Crypto Assets	CY 2025 / FY 2026
ASU 2023-09	Income taxes (Topic 740): Improvements to Income Tax Disclosures	CY 2026 / FY 2027



ASU 2016-13 Financial Instruments – Credit Losses (Topic 326)

ASU 2016-13 Financial Instruments – Credit Losses (Topic 326)

Incurred Loss

- Credit losses recognized when loss event has likely taken place (probable, incurred)
- Ignores or underestimates risk of loss in the future

Current Expected Credit Loss

- Estimate expected credit loss over the life of in-scope financial assets
 - Removes “probable” threshold
 - Requires forward-looking estimates
 - Captures probable and expected loss
- Applies to a broad range of financial assets, measured at amortized cost
- Presented as the net amount expected to be collected (change in net assets)
- Disclosure of the change in the allowance for credit losses



What is affected

ASU 2016-13 Financial Instruments – Credit Losses (Topic 326)



In Scope

- Contract assets recognized under Topic 606, *Revenue from Contracts with Customers*
- Loans and debt instruments not measured at fair value
- Certain lease receivables, financing receivables
- Financial guarantee contracts and loan commitments



Out of Scope

- Contributions receivable
- Grants receivable, if following contribution model
- Loans and debt measured at fair value through net income

Upcoming GASB pronouncements

	Pronouncement	Effective Date
GASB Statement No. 99	Omnibus 2022, Exchange or Exchange-Like Financial Guarantees and Classification of Derivatives	6/30/2024
GASB Statement No. 100	Accounting changes and error corrections	6/30/2024
GASB Statement No. 101	Compensated Absences	12/31/2024
GASB Statement No. 102	Certain Risk Disclosures	6/30/2025
GASB Statement No. 103	Financial Reporting Model Improvements	6/30/2026





GASB Statement No. 100

Accounting Changes and Error Corrections –
an amendment of GASB Statement No. 62

- ▲ Provides accounting and financial reporting guidance for:
 - Accounting changes
 - Error corrections
- ▲ Addresses the required disclosures and provides illustrative note disclosures
- ▲ Clarifies how information that is affected by a change in accounting principle or error corrections should be presented in RSI and Si

GASB Statement No. 101, *Compensated Absences*

Recognition standards

A liability should be recognized for leave that has not been used if the:

1

Leave is attributable to services already rendered

Employee has performed the services required to earn the leave

2

Leave accumulates

Can be carried forward from reporting period when earned to a future reporting period when it will be used or otherwise paid or settled

3

Leave is more likely than not to be used for time off or otherwise paid or settled

Likelihood is defined as more than 50%



GASB Statement No. 101, Compensated Absences

Vesting – major change

- ▲ GASB Statement No. 16: If you have sick leave and it does not vest (meaning it does not get paid out upon separation of service) you do NOT accrue it.
- ▲ GASB Statement No. 101: Vesting is NOT a recognition criteria, but it is still a consideration.
 - Just because an employee loses all that time when they quit or leave, it does not mean it isn't a liability at the end of the year
 - If the time accumulates beyond the fiscal year, you will need to potentially show a liability based on the more likely than not threshold (>50% chance of happening)
 - Not as black and white as it used to be



Polling question #1





What are internal controls?

Process vs. internal control

- ▶ **Process** – Completes or performs a specific function or procedure
- ▶ **Control** – Prevents a process from operating improperly or detects and corrects when the process fails
- ▶ Control systems should provide reasonable assurance that financial statements are reliable and prepared in accordance with the reporting framework
- ▶ Organizations should evaluate the internal controls on a routine basis to help ensure that controls are still functioning properly

Segregation of Duties (SOD)

- ▲ Divide responsibility within a critical process to more than one person or department
 - Authorization
 - Custody of assets
 - Record keeping
 - Reconciliation
- ▲ Should be considered for each significant transaction cycle
- ▲ SOD can be challenging in a small organization



Internal control considerations

- ▲ Staff turnover creating cracks in the system
- ▲ Segregation of duties—what to do with a small team
 - Periodic review of team roles and responsibilities
- ▲ Remote or hybrid workforce considerations
- ▲ Decentralization of certain job responsibilities—gain efficiencies
- ▲ Documentation of the key controls



Considerations to optimize the internal control environment



Electronic Signatures

- Shortens turnaround time for signatures
- Eliminates the need to reintroduce paper into the workflow
- Offers enhanced security
- Prevents documents from being saved on untrusted servers



Electronic Payments

- Eliminate paper waste
- Availability of different payment options (ACH or wire transfers)
- Review who has the ability to make electronic payments
- Make sure approvals are properly documented



Electronic Approvals

- Manual approvals can be the most common delay in an organization
- Hard copies are prone to loss
- Out-of-office approvers can cause delays
- Approvals can be done via email, but make sure they are retained as support

Considerations to optimize the internal control environment



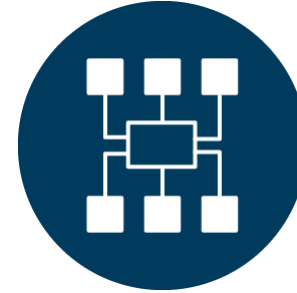
Use of a Lockbox

- Payments are sent directly to financial institution
- Employees post check based on reports provided by the financial institution
- Process cash receipts more quickly
- Removes custody from the SOD over cash receipts



Positive Pay

- Check fraud detection service related to payment processing
- Bank matches checks issued by the organization to those it is presented for payment
- Helps to automate bank reconciliation
- Simplify the accounts payable process
- Reduced risk related to disbursements



Access Control

- Sensitive data should only be access by authorized employees with legitimate reasons to access it
- Review audit logs to scan for suspicious behavior
- Review user access rights for each transaction cycle on a regular basis

Polling question #2





Financial statement optimization

- ▲ Engage with stakeholders to improve your financial statements
- ▲ Simplify your financial statement disclosures based on materiality using the 5% rule
- ▲ Implement a higher capitalization policy
- ▲ Remove disclosures once they are no longer needed
 - Second year after adoption (leases)
 - COVID-19 funding disclosures
- ▲ Take ownership of your financial statements

Questions?



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Break

Next session:

Tax and Renewable Energy Credit Opportunities:
Creative Solutions for Financial Stability

Begins at

11:20 am

Presenters:



Scott Davis



Joe Byrne

