

**GELMAN, ROSENBERG**

**& FREEDMAN**

CERTIFIED PUBLIC ACCOUNTANTS



# Key Items to Consider When Completing Your 2014 Form 990

**Richard J. Locastro, CPA, JD**  
Partner, Nonprofit Tax

February 19, 2015

## Agenda

- Update on Form 990 2014 Changes
- Timeline and coordination of deadlines
- Compensation reporting
- Related party transactions
- Program service accomplishments
- Public support test issues

## Update on Form 990 2014 Changes

- Not a lot of significant changes
- Part VII clarifications on short-term deferral of compensation
- Part XI Reconciliation of Net Assets instructions
- Appendix E – Group returns with supporting organizations



## Update on Form 990 2014 Changes

- Schedule A changes for supporting organizations
- Schedule H changes for compliance with IRS Section 501(r)
- Schedule L harmonizes the definition of “interested person”



## Update on Form 990 2014 Changes

- Schedule L “interested person” now the same for Parts II-IV
  - “Substantial contributor” now an interested person for Part IV purposes (Business Transactions)
- Definition of “reasonable effort” also harmonize



## Update on Form 990 2014 Changes

- Business transactions between the organization and a publicly-traded company in the ordinary course of its business, on the same terms as it generally offers to the public, are excepted from Part IV reporting



## Update on Form 990 2014 Changes

- Reasonable effort – transaction not required to be reported if organization is unable to secure sufficient information
- Reasonable effort includes distributing a questionnaire to interested person requesting information





## Timeline and Coordination with Audit

- Once audit is scheduled, coordinate Form 990 prep and review
- Communicate expectations and establish timeline
- Consider time board/committee will need to review before filing





## Compensation Information

- Compensation is reported for the calendar year falling at/within organization's year end.
- Compensation information is now available.
- Identify compensation of all officers, directors, trustees, key and highly compensated employees.



## Related Party Transactions

- Review questionnaires/other information to identify reportable transactions.
- Consider 2014 changes and impact on current year reporting.
- Gather additional information and resolve questions now.

## Program Service Accomplishments

- Important to the reader of Form 990
- May increase in importance with Charity Navigator 3.0
- Should be reviewed and updated every year
- Include program staff and others (e.g. counsel) in development of descriptions, as appropriate

## Program Service Accomplishments



- Include program staff and others (e.g. counsel) in development of descriptions, as appropriate
- Begin process now so that it does not hold up Form 990 review and filing

## Public Support Test Issues

- Monitor public support percentage annually
- If close to failing, need to monitor during the year
- Prepare/update “facts and circumstances” narrative if necessary



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## Questions & Answers



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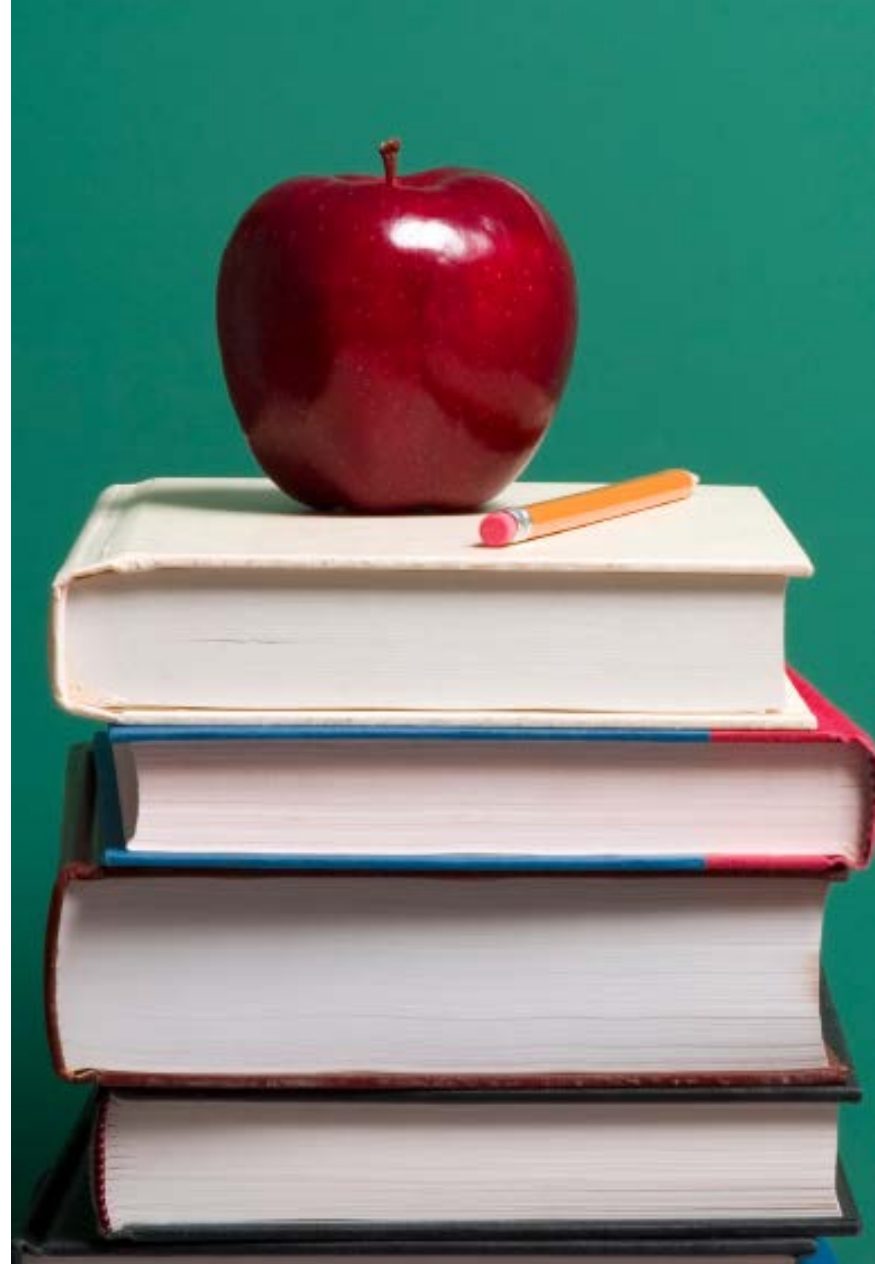
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## Preparing for Your Annual Audit

**Trevor Williams, CPA**  
Principal, Nonprofit Audit

February 19, 2015



## Agenda

- How to survive your audit
- Auditor responsibilities vs auditee responsibilities
- Accountability
- What do auditors look for
- Things to consider
- Audit developments





# How to survive your audit?

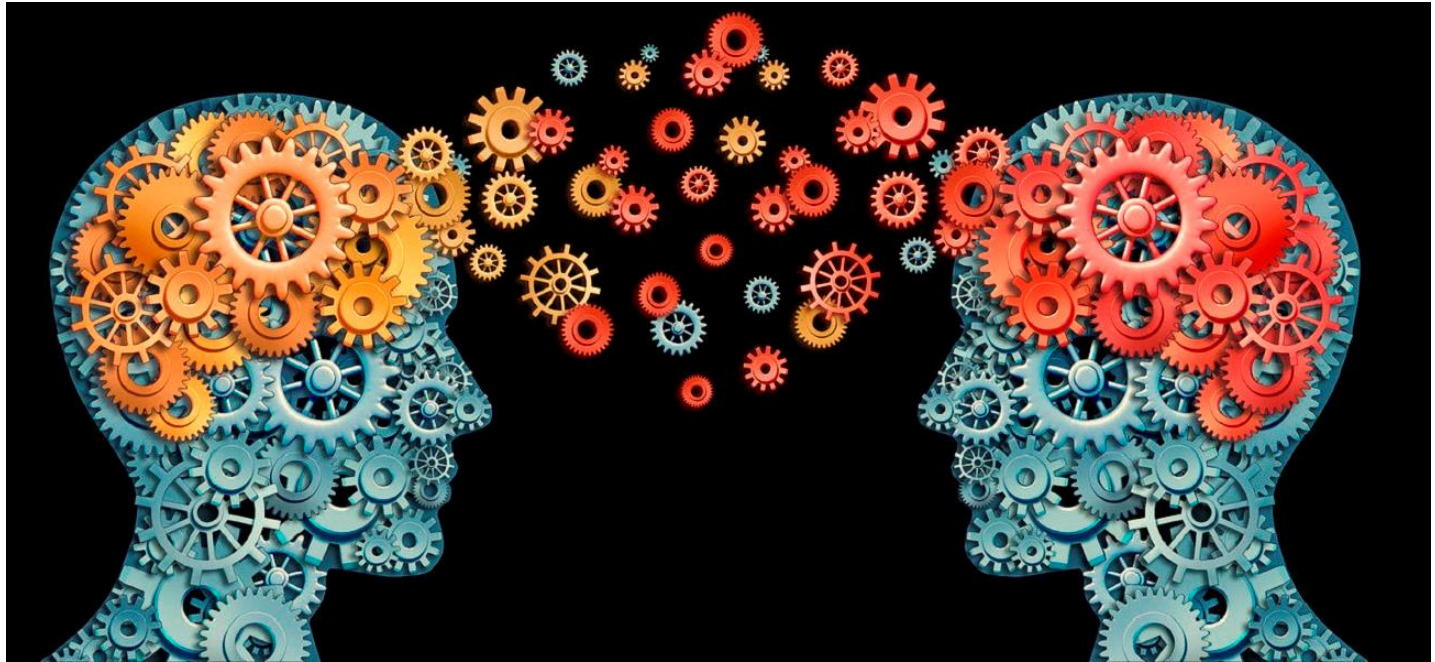


## Organization is key

- Advance preparation
- Pull, scan, or copy information requested by the auditor
- Maintain a list (or backup copy) of information provided
- Make sure supporting documentation is complete and accurate



## Have a clear understanding of: Your auditor's responsibilities Your responsibilities



## Auditor's Responsibilities

- Gather information about your organization to provide reasonable (not absolute) assurance that your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles.
- Examine on a TEST basis evidence supporting the amounts and disclosures in the financial statements.
- Evaluate the appropriateness of accounting polices used and reasonableness of significant estimates.





## Auditor's Responsibilities

- Not to perform bookkeeping functions





## Auditor's Responsibilities

Not to catch fraud, waste, abuse, etc.







## Your Responsibilities (Management)

- Establishing and maintaining internal controls
- Selection and application of accounting principles
- Establishing an accounting and financial reporting process
- Ensuring fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles
- Management decisions





## Your Responsibilities (Those Charged with Governance)

- Designate individuals with suitable skill, knowledge or experience to oversee both the programmatic, financial and tax needs of the organization.
- Establish and maintain internal controls
- Monitor financial and programmatic performance (financial reporting)





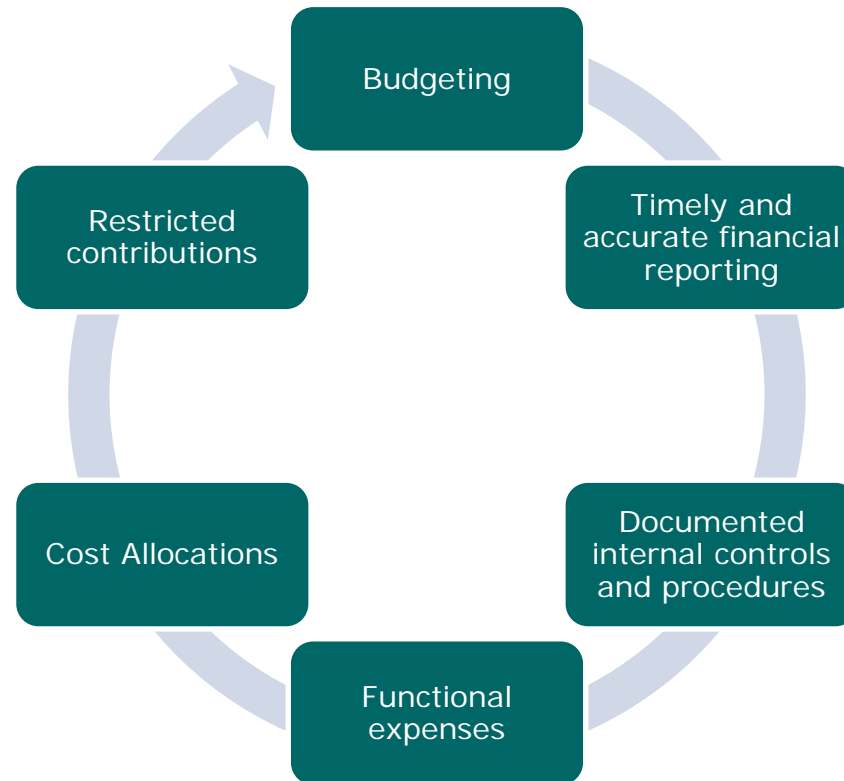
## Accountability

“The state of being accountable, subject to the obligation to report, explain or justify something; responsible; answerable”

Webster's Dictionary



## Ingredients of ACCOUNTABILITY





# What do auditors look for?

Why won't they just leave us alone?

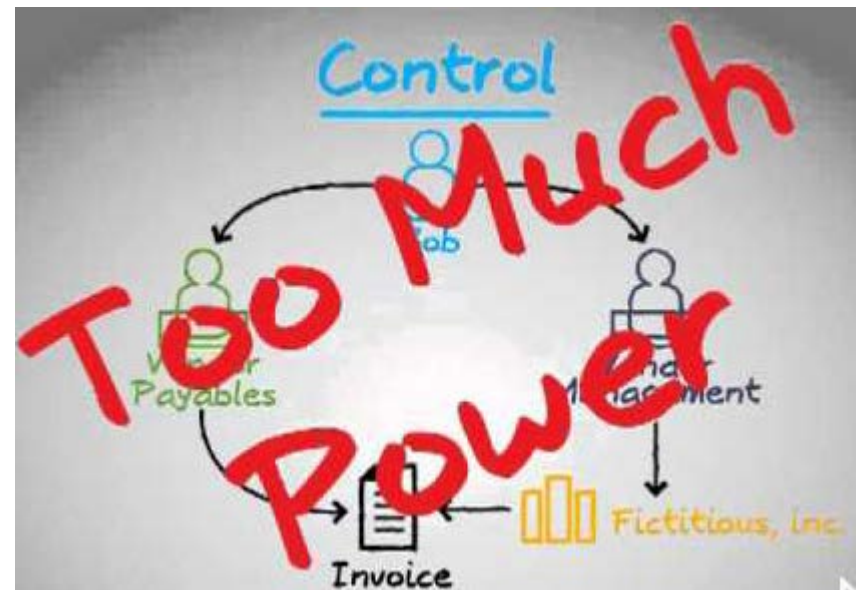




## Things to Consider

### Segregation of duties

- Small organization with limited resources
- Mitigating circumstances (checks and balances)



## Things to Consider

### Adequate resources

- Inexperienced/unqualified staff
- Accounting and industry training programs and seminars

## Audit Developments

- December 26, 2013 - OMB issued Uniform Guidance for Federal Awards
- Supersedes and streamlines requirements from eight different circulars into one document
- OMB Circulars A-110, A-122 and A-133
- Effective for fiscal years beginning on or after December 26, 2014

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