



NONPROFIT:
ACCOUNTING AND TAX
UPDATE

May 26, 2022



SPEAKERS

Moderator



Donella Wilson
Partner and Nonprofit Practice
Leader
GHJ

Panelist



Yulia Murzaeva
Senior Manager, Governmental
Auditing and Accounting
AICPA (GHJ Alum)

Panelist



Lizbeth Nevarez
Managing Director and Nonprofit
Tax Practice leader
GHJ

Panelist



Amy Eybsen
Senior Manager
GHJ



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AGENDA

1. Crypto donations
2. Contributed nonfinancial assets
3. Revenue recognition revisited
4. IRS update
5. Provider relief funds
6. What's on the horizon?
7. Cybersecurity best practices
8. Wrap-up and Q&A (time-permitting)

CRYPTO DONATIONS - TAX

- Tax Treatment:
 - Treated as donated property
 - Form 8283 is required
 - Form 8282 is required for sales within 3 years
 - Qualified appraisal needed
 - FMV charitable deduction if held for more than one year



CRYPTO DONATIONS - ACCOUNTING

- Accounting Treatment:
 - Classified as a non-financial asset
 - Intangible asset with indefinite life
 - Initial accounting
 - Recorded at the fair market value at the time of the donation
 - Subsequent accounting:
 - No amortization taken
 - Evaluated for impairment at least annually, or more frequently if there are indications of impairment
 - Can be written down for impairment, but cannot be written up
 - Updated gift acceptance policy needed

CRYPTO DONATIONS – PRACTICAL CONSIDERATIONS

- Many Banks Will Not Accept Cryptocurrency
 - Different Options:
 1. Direct Acceptance - Cryptocurrency Wallet and Cryptocurrency Donation Processor
 2. Intermediary 501(c)(3), e.g. a Donor Advised Fund
 3. Embedded Checkout - On Nonprofit's website
 - Other Considerations:
 - Pros: Lower Transaction Costs, Expand Donor Base
 - Cons: Volatility, Changing Regulations

POLLING QUESTION 1

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ASU 2020-07 PRESENTATION AND DISCLOSURES BY NOT-FOR-PROFIT ENTITIES FOR CONTRIBUTED NONFINANCIAL ASSETS

- Transparency and Consistency
- Terminology
 - Contributed Nonfinancial Assets vs. Gifts-In-Kind
- Scope
 - Fixed Assets
 - Use of Fixed Assets or Utilities
 - Materials and Supplies
 - Intangible Assets
 - Contributed Services



ASU 2020-07 PRESENTATION AND DISCLOSURES BY NOT-FOR-PROFIT ENTITIES FOR CONTRIBUTED NONFINANCIAL ASSETS

Separate Row Presentation (shading included for illustrative purposes)

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------|
| Revenues, gains, and other support | | | |
| Contributions | | | |
| Cash and other financial assets | 30,000 | 35,000 | 65,000 |
| In-kind | 60,000 | | 60,000 |
| Government grants | 40,000 | | 40,000 |
| Other income | 32,000 | | 32,000 |
| Net assets released from restrictions | 10,000 | (10,000) | |
| Total revenues, gains, and other support | 172,000 | 25,000 | 197,000 |
| Expenses | | | |
| Homeless shelter operations | 90,000 | | 90,000 |

Separate Column Presentation (shading included for illustrative purposes)

| | Without Donor Restrictions | | | With Donor | |
|---|----------------------------|----------------|----------------|---------------|----------------|
| | In-Kind | Other | Total | Restrictions | Total |
| Revenues, gains, and other support | | | | | |
| Contributions | 60,000 | 30,000 | 90,000 | 35,000 | 125,000 |
| Government grants | | 40,000 | 40,000 | | 40,000 |
| Other income | | 32,000 | 32,000 | | 32,000 |
| Net assets released from restrictions | | 10,000 | 10,000 | (10,000) | |
| Total revenues, gains, and other support | 60,000 | 112,000 | 172,000 | 25,000 | 197,000 |
| Expenses | | | | | |
| Homeless shelter operations | 48,000 | 42,000 | 90,000 | | 90,000 |

Source: AICPA Center for Plain English Accounting



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ASU 2020-07 CONT.

Tabular Presentation

| | <u>20x2</u> | <u>Usage in Programs/Activities</u> | <u>Donor-imposed Restrictions</u> | <u>Fair Value Techniques</u> |
|--------------------|------------------|-------------------------------------|---|---|
| Building materials | \$80,000 | Home Repair Program | \$15,000 restricted for emergency relief in Central America. The remainder is unrestricted. | Estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution |
| Appliances | 30,000 | New Home Ownership Program | Unrestricted | Estimated U.S. wholesale prices of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution |
| Furniture | 10,000 | | | |
| | <u>\$120,000</u> | | | |

Source: AICPA Center for Plain English Accounting

Effective for fiscal years beginning after 6/15/2021

- December FYE: 12/31/2022
- June FYE: 6/30/2022



NONPROFIT REVENUE RECOGNITION

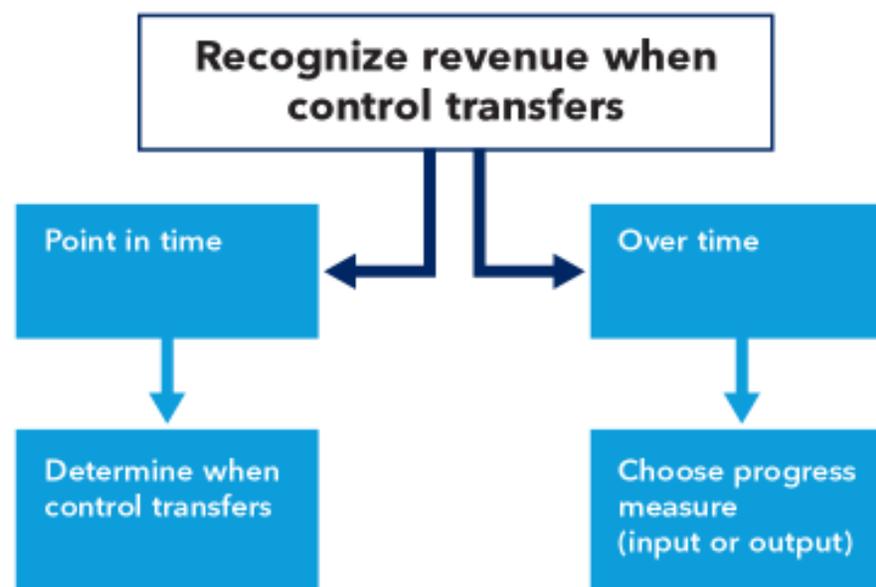
- Continuing challenges with implementation of ASU 2018-08:
 - Distinction between conditions and restrictions:
 - Condition must have both:
 - Barrier that must be overcome AND
 - Right of return/release
 - Simultaneous release policy:
 - Conditional restricted contributions classified as without donor restrictions if conditions and restrictions are met in the period received
 - Similar policy does not have to be elected for other restricted contributions and/or investment returns



NONPROFIT REVENUE RECOGNITION

ASC 606 Reminder:

Recognize Revenue Overtime vs at a Point in Time



Bloomberg Tax

POLLING QUESTION 2

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TAX UPDATES

- Exempt Organization Compliance Strategies:
 - Worker classification
 - Form W-2 and 1099-Misc to the same payee
 - Form 990-N filers/gross receipts model
 - Unrelated business income
 - <https://www.ghjadvisors.com/blog/how-to-navigate-unrelated-business-income-silo-rules>

TAX UPDATES CONT.

- FY22 Priority Guidance Plan:
 - Support examinations of high-income taxpayers with tax exempt issues and create joint audit process
 - Guidance on circumstances under which an LLC can qualify for recognition under 501(c)(3)
 - Regulations under IRC 512 regarding allocation of expenses in computing unrelated business taxable income
 - Guidance under 4941 regarding a private foundation's investment in a partnership in which disqualified persons are also partners
 - Regulations regarding excise taxes on donor advised funds

EMPLOYEE RETENTION CREDIT: 2020 v. 2021

| | 2020 | 2021 |
|--|--|---|
| Applicable Period | March 12, 2020 through December 31, 2020 | January 1, 2021 through September 30, 2021 (some businesses may qualify through December 31, 2021) |
| Eligible Quarter | Either: 1) business operations have been fully or partially suspended during a quarter due to governmental orders related to COVID-19; or 2) Company experienced a substantial decline in gross receipts for the quarter | |
| Business Suspension Test | See IRS Notice 2021-20, Section III.D | |
| Gross Receipts Test | Decline of more than 50% for a 2020 quarter compared to the same quarter in 2019 | Decline of more than 20% for a 2021 quarter compared to the same quarter in 2019 |
| Gross Receipts – Safe Harbor | N/A | Employers can use the prior quarter gross receipts to determine eligibility |
| Gross Receipts – Aggregation | Aggregation rules apply when comparing 2020 and 2021 gross receipts to 2019 | |
| Credit Amount | 50% of qualified wages | 70% of qualified wages |
| Qualified Wages – Business Suspension Test | Eligible wages paid during the period in which the business operations were fully or partially suspended | |
| Qualified Wages – Gross Receipts Test | Eligible wages paid during the eligible quarter | |
| Maximum Qualified Wages | \$10,000 per employee per year | \$10,000 per employee per quarter |
| Maximum Credit Amount | \$5,000 per employee per year | \$7,000 per employee per quarter |
| Full-Time Employee (FTE) Threshold to Determine Eligible Wages | 2019 average FTEs of 100 | 2019 average FTEs of 500 |
| Impact of FTE Threshold | <ul style="list-style-type: none"> At or under FTE threshold: All wages paid during the qualified periods are qualified wages Over FTE threshold: Only wages paid during the qualifying periods to employees who are not working are qualified wages | |
| FTE Aggregation | Entities that are aggregated for purposes of calculating gross receipts must also be aggregated to determine the average number of FTEs | |
| 30-Day Wage Limitation if Over the FTE Threshold | Qualified wages cannot exceed what the employee would have been paid during an equivalent period during the 30 days immediately prior | N/A (Thus, bonuses, for example, may qualify) |
| Claim Advance Credit | Employers can reduce actual payroll tax deposits due by the expected credit amount | Employers with 500 or fewer FTEs may claim an advance credit based on 70% of the average quarterly wages paid in 2019 |

The ERC is complex and nuanced. If you have any questions about the ERC, please contact the [tax advisors](#) at GHJ.



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EMPLOYEE RETENTION CREDIT CONT.

- Accounting Considerations:
 - Accounted for within the scope of FASB ASC Topic 958-605, *Non-Profit Entities: Revenue Recognition*
 - Non-reciprocal conditional contribution
 - Barriers:
 - Eligibility
 - Qualifying expenses
 - Filing an amended tax return
 - When the conditions have been substantially met, recognize refund receivable and grant income
 - Presented as government grant income in the statement of activities
 - Consider disclosing credits received if significant

PROVIDER RELIEF FUND

- Established by the CARES Act with additional funding available through ARP Act
- Administered by the Health Resources and Services Administration (HRSA) of the Department of Health and Human Services
- Provided to hospitals and other healthcare providers **for healthcare-related expenses or lost revenues due to coronavirus**
 - Expenses incurred to prevent, prepare for, and respond to coronavirus not reimbursed by other sources
 - Supplies, equipment, IT, facilities, personnel, other health care-related costs for the period of availability
- To be eligible, a provider must have billed Medicare fee-for-service in 2019, be a known Medicaid and CHIP or dental provider and provided COVID-19 related services after January 31, 2020
- At this point, HRSA is not accepting additional applications for the program

PROVIDER RELIEF FUND REPORTING

| Reporting Period | Payment Received | Period of Availability | Reporting Time Period | Fiscal Year-Ends for SEFA Reporting |
|------------------|-----------------------|------------------------|-----------------------|---------------------------------------|
| Period 2 | 7/1/2020 – 12/31/2020 | 1/1/2020 – 12/31/2021 | 1/1/2022 – 3/31/2022 | FYEs of 12/31/2021 through 12/30/2022 |
| Period 3 | 1/1/2021 – 6/30/2021 | 1/1/2020 – 6/30/2022 | 7/1/2022 – 9/30/2022 | FYEs of 6/30/2022 through 6/29/2023 |

For FYE 6/30/2022 – report payments received 7/1/2020 – 6/30/2021



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POLLING QUESTION 3

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ON THE HORIZON

- Green Book Proposal
 - Restrictions on distributions by a private foundation to a DAF
 - Change in corporate tax rate will have UBIT impact
- Accelerating Charitable Efforts Act (ACE)
 - Tax deduction to a DAF deferred to date the DAF grants out funds (Qualified and Nonqualified DAF)
 - Gifts of property deduction restricted
 - Modify the 1.39% excise tax with 7% distribution
- New reporting standards go into effect from December 31, 2021 year-ends onwards:
 - New format of the audit report – audit opinion first, followed by basis for opinion and other paragraphs
 - Note: Single Audit reports will also be updated with the implementation of these standards
 - Other changes implemented in communications to those charged with governance letters, most notably the disclosure of significant risks
- New lease standard:
 - Now finally effective for fiscal years beginning after 12/15/2021:
 - December FYE: 12/31/2022 and June FYE: 6/30/2023
 - [GHJ ASC 842 Webinar](#)

CYBERSECURITY REMINDERS

- Educate and train
- System updates
- Multi-factor authentication and/or single-sign





WRAP UP AND QUESTIONS

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SPEAKER BIOS

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DONELLA WILSON

PARTNER

Donella Wilson, CPA, leads GHJ's Nonprofit Practice and is also President and Chief Philanthropy Officer of GHJ Foundation, GHJ's vehicle for purposeful and proactive giving to the community.

A leader in both the nonprofit and accounting communities, Donella was named a finalist in the 2021 *Los Angeles Times's* "Inspirational Women in Business Awards" and *Los Angeles Business Journal's* "Nonprofit and Corporate Citizenship Awards" for her role as Chief Philanthropy Officer of GHJ Foundation. She was also recognized as a 2018 "Women Executive of the Year" and a 2017-2021 "Most Influential Women in Accounting" by the *Los Angeles Business Journal*. In 2018 she was also awarded the "Soroptimist Award" by Soroptimist International of Los Angeles. In 2017, Donella was also the recipient of a CalCPA "Women to Watch" Award, as well as the Trailblazer Award for her charitable activities. That year she was also honored as a Southern California Leadership Network (SCLN) "30-in-30," a year-long celebration honoring 30 outstanding SCLN alumni throughout 2017.

Committed to ending homelessness for women, Donella served on the Board of Directors of the Downtown Women's Center for 13 years. She is a member of Southern California Grantmakers Audit Committee as well as Southern California Grantmakers Corporate Leadership Council. Additionally, Donella is a member of the California Society of CPAs and the American Institute of Certified Public Accountants.

Donella obtained a Bachelor of Commerce degree from the University of Cape Town, South Africa and further obtained post-graduate diplomas in accounting and taxation. Prior to joining GHJ in 2000, Donella worked as a qualified South African chartered accountant for an international accounting firm in Cape Town.

Donella enjoys volunteer work, travel and outdoor adventure, with reading and hiking being her favorite past-times.



310.873.1649



dwilson@ghjadvisors.com

RELATED INDUSTRIES AND SERVICES

- Audit and Assurance
- Board Governance
- Nonprofit Practice Leader
- Public Charities and Private Foundations



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LIZBETH NEVAREZ

MANAGING DIRECTOR

Lizbeth Nevarez, CPA, has more than 10 years of public accounting experience providing tax and consulting services and is GHJ's Nonprofit Tax Practice Leader. She is also Secretary for GHJ Foundation, GHJ's vehicle for purposeful and proactive giving to the community. Additionally, Lizbeth co-leads GHJ's Women's Empowerment Cohort, which is part of GHJ's DEI initiative.

Lizbeth is a frequent guest speaker on nonprofit tax issues. She has completed the Riordan Leadership Institute's Board service program through the Los Angeles Junior Chamber of Commerce. The program's mission is to develop and cultivate business professionals for lifelong service in the nonprofit community. She has also taught courses on Form 900 basics and private foundations through CalCPA.

Lizbeth currently serves on the Board of Executive Service Corps (ESC), a leading nonprofit provider of high-impact, affordable management development services to other nonprofits in Southern California.

In 2019-2021, Lizbeth was recognized as "Most Influential Minority CPA" by the *Los Angeles Business Journal* for her contributions to the community and accounting industry. She was also a finalist for the *Los Angeles Business Journal's* 2021 Women's Leadership Awards for "Community Impact Advocate."

Lizbeth joined GHJ in 2008, after graduating California State University, Northridge where she received a Bachelor of Science degree in Accounting.

Lizbeth is a mother to two young boys and enjoys spending time with family and going on family trips in her free time.



310.873.6679



lnevarez@ghjadvisors.com

RELATED INDUSTRIES AND SERVICES

- Nonprofit Tax
- Nonprofits and Private Foundations
- Tax Compliance and Consulting



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AMY EYBSEN

SENIOR MANAGER

Amy Eybsen, CPA, has more than 10 years of public accounting experience and is a senior manager within GHJ's Audit and Assurance Practice. Amy provides accounting, auditing and transaction services to a wide variety of companies and organizations that span multiple industries within the greater Los Angeles area, with a specialty focus on nonprofits and private foundations.

In 2018, Amy was named "Young Accountant of the Year" by *The Accountant* and *International Accounting Bulletin* for her leadership and impact in the nonprofit and accounting world.

Additionally, Amy is affiliated with the Community Advisory Council of Voices For Children, the North County Philanthropy Council (North County San Diego), the California Society of CPAs and Southern California Grantmakers.

Prior to joining GHJ in 2015, she worked at a Big Four firm in its Audit Practice and managed audits involving international business combinations and purchase accounting.

Amy graduated from the University of Central Florida where she received a Bachelor of Science in Finance and continued to the University of Southern California where she received a master's in Accountancy.



310.873.6639



aeybsen@ghjadvisors.com

RELATED INDUSTRIES AND SERVICES

- Financial Statement Audits and Reviews
- Nonprofits and Private Foundations
- Grantee Audits
- Internal Audit and Internal Controls Consulting



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YULIA MURZAEVA

SENIOR MANAGER, GOVERNMENTAL AUDITING AND ACCOUNTING, AICPA

Yulia Murzaeva, CPA, CIA, is a senior manager with the AICPA's Government Audit Quality Center (GAQC), which is a voluntary membership center for CPA firms and state organizations that perform governmental audits, including single audits, audits under Government Auditing Standards and audits of state and local government financial statements. GAQC was established to promote the quality of governmental audits.

Prior to joining the GAQC, Yulia was a managing director at GHJ, dedicated 100 percent to the GHJ's Nonprofit Practice, leading audits of healthcare, social service and arts and culture organizations. In addition, she led GHJ's annual Nonprofit and Single Audit annual technical trainings and was involved in several other quality control initiatives at the firm. She has more than 10 years of public accounting experience providing audit, accounting and internal controls consulting services to clients.

Yulia volunteers her time by being on the Board of Directors for The Pacific Heart, Lung & Blood Institute, a research institute committed to advancing medical research to improve the prevention, diagnosis and treatment of heart, lung and blood diseases through independent research, collaboration and education.

Yulia graduated from Minnesota State University, Moorhead, where she received a Bachelor of Science in Accounting.

Yulia is married and has two daughters. She enjoys spending time with family and reading science fiction novels.



701.261.3482



Yulia.Murzaeva@aicpa-cima.com

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- Nonprofits
- Nonprofit Audits
- Private Foundations
- Single Audit
- Social Services



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CONTACT US

Donella Wilson
dwilson@ghjadvisors.com
310.873.1649



700 S. Flower St., Suite 3300
Los Angeles, CA 90017



310.873.1600



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