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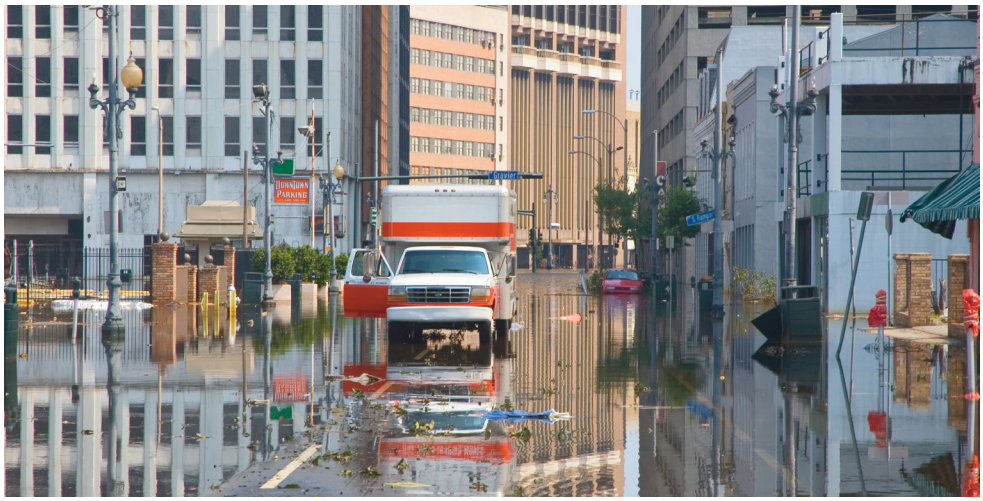

# PLANNING FOR A DISASTER

By Chris Mote

## IN THE AFTERMATH OF HURRICANE SANDY, YOUR ORGANIZATION MIGHT BE RE-ASSESSING ITS DISASTER PREPAREDNESS AND INSURANCE PROGRAM ADEQUACY.

Of course, the best time to consider these important aspects of business continuity is before a disaster occurs through a carefully organized and well-thought-out planning process.

The first step is to establish a team of professionals that can be called upon for assistance in the event filing a claim becomes a reality. Such a team might consist of the following:

- Organization's risk manager
- Organization's operations manager
- Organization's financial/accounting manager
- Insurance broker
- Forensic accountant
- Engineering/construction expert
- Coverage counsel

It might not be necessary to utilize everyone on the team in the event of a loss, but it is important to know who to go to when the need arises.

The next step is to develop a well-thought-out disaster recovery plan (DRP) that includes specific steps to take in the event of various disaster scenarios. The DRP should not only address physical assets and how to protect them but, more importantly, the safety

▶ Read more on next page

## CONTENTS



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▶CONTINUED FROM PAGE 1

# PLANNING FOR A DISASTER

of employees and how they will continue operating the organization. The DRP should be tested from time to time to ensure its adequacy and effectiveness.

The next step is to review the insurance policy from front to back. Make sure you understand how the individual provisions will affect your ability to collect on a claim. Know the policy's limits and sublimits and determine their adequacy. Review and, if necessary, update the business interruption and property values that were provided to the insurer.

Business interruption insurance is critical if your business suffers property damage that causes a disruption or shutdown of operations while repairs are made. Business interruption insurance can replace your lost profits and provide a source of money to pay necessary continuing expenses, such as rent, payroll, taxes, etc.

Make sure you consider coverage that is not always included in a basic insurance policy. In particular, an organization should consider the following types of coverage that are commonly available for business interruption insurance, but not always included in the basic policy:

**Extended period of indemnity.** Business interruption coverage typically ends on the date that the damaged property is repaired or replaced. However, it might take a longer period of time for the organization to achieve the same level of revenue that it had prior to the loss, due to a loss of customers, a general ramping up of operations, etc. An extended period of indemnity will increase the recoverable business interruption period by a specified period of time – usually 30, 60, 90 or more days after the damaged property has been repaired or replaced.

**Off premises services,** including overhead transmission lines. This coverage will allow you to recover a business interruption resulting from a loss of power or other utilities resulting from damage by a covered cause to property that is off the insured's premises. Most policies do not include this coverage, but it can be added as a separate endorsement.

**Contingent business interruption.** Not all losses are created by direct physical damage to the organization. In many cases, damage to a key supplier or customer can affect operations. Contingent business interruption allows for the recovery of a business interruption that is caused by disruptions at suppliers and customers as a result of physical damage.

**Ordinary payroll coverage.** Typically, payroll is treated like any other cost incurred after the incident – if it continues and is necessary it will be reimbursed. This should also extend to payroll for employees who were used to make repairs. However, depending on the circumstances, the insurer may not reimburse the organization for employees that are idle as a result of the incident but continue to be paid. The insurer may determine that the organization's payroll is not considered a necessary expense and can only be reimbursed under the Ordinary Payroll Endorsement, which goes into effect for a specified number of days (typically 30, 60 or 90 days) after the business interruption.

**Claim preparation fee coverage.** The process of claiming a business interruption loss can be time consuming, complex and downright frustrating – especially if it is your first time through the process. Claim preparation fee coverage will allow you to hire an experienced professional to prepare and manage your claim and then reimburse your fees.

**Civil authority.** This will cover business income losses caused when a government authority prohibits access to the insured property. Typically, the policy will state that the prohibition needs to be issued as a result of physical loss or damage caused to property within a specified distance of the insured property and that a certain waiting period is met.

**Ingress and egress.** Similar to civil authority coverage, ingress/egress covers the loss of income triggered by physical loss or damage caused by a covered peril to third-party property that prevents or hinders access to the insured's business. However, an act of civil authority is not needed to trigger ingress/egress coverage.

Finally, in the event that a disaster does occur, consider the following checklist of to-do items:

- Protect your employees.
- Preserve your property and business records so you can minimize your loss and resume normal operations quicker.
- Consult and follow your DRP.
- Communicate with your customers, vendors, employees, business partners and recovery team.
- Provide notice to your insurance underwriters and/or broker.
- Contemplate mitigation and recovery strategies using your DRP as a guide.
- Assess physical damage to property.
- Request and obtain insurance advances.
- Present property damage estimates and interim claims to adjuster.
- Resolve claim issues, continue mitigation procedures and settle claim.

In some areas of the country, such as those frequented by hurricanes, tornados, earthquakes or floods, an organization can reasonably expect to be affected by a disaster at some point in its future. In other areas, the occurrence of a disaster may seem very unlikely. However, random events, such as fires, explosions, and other local disasters, can be just as devastating to an organization and should be planned for regardless of the perceived improbability. Sitting down and developing a plan before a disaster strikes can be the biggest factor in surviving and thriving after the event occurs.

*For more information, contact Chris Mote, litigation director, Litigation Services, at cmote@bdo.com.*

# IRS PROVIDES DISASTER RELIEF GUIDANCE FOR VICTIMS OF HURRICANE SANDY

By Laura Kalick, JD, LLM in Taxation

## THE IRS ANNOUNCED THAT IT IS TREATING HURRICANE SANDY AS A QUALIFIED DISASTER AND, AS A RESULT, THERE IS SOME FAVORABLE TAX TREATMENT THAT WE WANTED TO REPORT.

Many individuals and companies want to provide assistance to the victims of Hurricane Sandy through charitable giving, and so the IRS has provided the following guidance:


### ▶RELIEF PAYMENTS ARE NOT TAXABLE INCOME

Usually cash payments from an employer to an employee are considered taxable income. The IRS guidance provides that if an employer or any person makes a relief payment to a victim of Hurricane Sandy, the payment will not be considered taxable income to the individual. Qualifying relief payments can be for amounts to cover necessary personal or family expenses that are not covered by insurance and include payments to assist with repairing personal residences or replacing contents of personal residences. Furthermore, this guidance allows an employer-sponsored private foundation to provide relief to employees of that employer-sponsor and such will not constitute an act of self-dealing, which otherwise would cause the foundation to be subject to onerous penalty taxes.

For more information see http://www.irs.gov/uac/Hurricane-Sandy-Qualified-Treatment-of-Payments.

### ▶EMPLOYEE LEAVE PROGRAMS

If an employee forgoes vacation, sick or personal leave time and the employer makes a cash donation to a state or local government or a charity for relief of victims of Hurricane Sandy, then the individual will not recognize income and the employer will be able to take a charitable contribution deduction for the cash paid. These amounts must be paid to the relief organization before Jan. 1, 2014. Only the employer gets the charitable deduction, not the employee.

See http://www.irs.gov/pub/irs-drop/n-12-69.pdf.

### ▶EXPEDITED TREATMENT FOR APPLICATIONS FOR EXEMPTION

For new organizations that have been formed to provide relief to the Hurricane Sandy victims, the IRS will grant expedited review of applications for exemption for those organizations. Applicants should write "Disaster Relief" on the top of the application. If you have already submitted an application for exemption for a disaster relief organization, you can fax a letter to the IRS with the organization's taxpayer ID number on it to ask for the expedited treatment.

For more information see http://www.irs.gov/uac/Newsroom/IRS-Expedites-Charity-Applications-and-Urges-Use-of-Existing-Charities.

### ▶EXTENDED DUE DATES FOR TAX RETURNS

Finally, as previously reported on our blog, nonprofit organizations in the zones declared disaster areas have an extension for filing Form 990s that were due on Nov. 15, 2012. The extended due date is Feb. 1, 2013.

*For more information, contact Laura Kalick, national director, Nonprofit Tax Consulting, at lkalick@bdo.com.*

# HURRICANE SANDY VICTIMS CAN TAKE HARDSHIP DISTRIBUTIONS, LOANS FROM RETIREMENT PLANS

By Tammy Ricciardella, CPA

## THE IRS HAS ANNOUNCED THAT IT WILL ALLOW TAXPAYERS WHO HAVE BEEN ADVERSELY AFFECTED BY HURRICANE SANDY TO TAKE HARDSHIP DISTRIBUTIONS OR LOANS FROM THEIR RETIREMENT PLANS (ANNOUNCEMENT 2012-44).

To qualify for the relief under this announcement, hardship distributions made on account of a hardship resulting from Hurricane Sandy must be made on or after Oct. 26, 2012, and no later than Feb. 1, 2013.

Under these provisions, a qualified employer plan will not be treated as failing to satisfy any requirements under the Internal Revenue Code (IRC) or regulations simply because they make a loan or hardship distribution for a need arising from Hurricane Sandy to an employee or former employee whose principal residence on Oct. 26, 2012, was located in one of the counties or Tribal Nations that have been identified as covered disaster areas because of the devastation caused by Hurricane Sandy. This relief also applies to employees whose place of employment was in one of these counties or Tribal Nations on that date.

The relief applies to any Section 401(a), 403(a), or 403(b) plan that could make hardship distributions per the language in the plan document. The relief also applies to any Section 457(b) plan that was maintained by an eligible employer. The hardships arising from Hurricane Sandy are to be treated as an "unforeseeable emergency" for purposes of distributions by these plans.

The maximum amount of the hardship distribution is still to be governed by the guidelines in the plan under the IRC and regulations; however, the relief provided by this announcement applies to any hardship of the employee, not just the types outlined in the regulations. In addition, the employee may still make contributions to the plan as the post-distribution contribution restrictions have been waived.

If the qualified employer plan, as currently written, does not provide for hardship distributions, the plan must be amended no later than the end of the first plan year beginning after Dec. 31, 2012, to provide for loans or hardship distributions.

Under the provisions of the announcement, a retirement plan will not be treated as failing to follow procedural requirements for plan loans or distributions imposed by terms of the plan, merely because those requirements are disregarded for any period beginning on or after Oct. 26, 2012, and continuing through Feb. 1, 2013. However, the plan administrator must make diligent, good-faith efforts to comply and ensure they obtain any documentation that was not obtained originally when the hardship distribution or loan was initially made to the employee.

*For more information, contact Tammy Ricciardella, director, at tricciardella@bdo.com.*

## BDO EXPANDS EAST COAST PRESENCE

Effective Nov. 1, 2012, the accounting and consulting firms of Argy, Wiltse & Robinson, P.C. (Argy) and Asher and Company (Asher) officially became part of the BDO family. The 350-plus employees and partners from the two companies will bolster the firm's presence in the Atlantic region, which includes the Philadelphia, Wilmington, Bethesda, Richmond, Charlotte and Raleigh offices.

# RECENT NONPROFIT DEVELOPMENTS – WHAT THE IRS IS TALKING ABOUT

By R. Michael Sorrells, CPA

**OVER THE PAST FEW MONTHS THE INTERNAL REVENUE SERVICE (IRS) HAS INDICATED SEVERAL AREAS OF INTEREST AND POSSIBLE AUDIT ACTIVITY AS WELL AS SEVERAL INTERESTING ANNOUNCEMENTS ON A VARIETY OF TOPICS. THIS ARTICLE PROVIDES A SUMMARY OF SOME OF THESE AREAS.**

## ▶TAX EXEMPT BONDS

A spokesman with the Tax Exempt Bonds division recently said that the IRS is conducting a limited number of examinations of outstanding bonds issued by 501(c)(3) organizations. The examiners are focusing on the Schedule K exempt bond disclosures from Forms 990 in making selections of organizations to be audited. Noncompliance with the bond rules could include uses of the bond-financed property that are different than outlined when the bonds were issued originally. This points out the importance of regular monitoring of exempt bond compliance by organizations and the need for very careful completion of the many disclosures on Schedule K.

## ▶GROUP EXEMPTION COMPLIANCE

In its current year workplan, the IRS had announced that it would be taking a look at subordinate groups which are exempt under the group exemption process and do not have to individually apply for exempt status. Group rulings are applied for by a central or umbrella organization and cover all the local organizations/chapters that agree to be covered under the group ruling. An organization that is part of a group exemption may also be eligible to be included in the central organization's group return if one is filed. However, many groups do not file group returns and there is confusion in this area.

The rules for obtaining and maintaining group exemptions are complex and there is concern about transparency and compliance in this area, especially with regard to filing returns. In fact, some organizations under group rulings have lost exempt status because of not filing Form 990 for three years, perhaps thinking that the return was being taken care of by the central organization. Recently, the IRS sent out questionnaires to some 2,000 central organizations with subordinate groups. The questionnaire can be accessed at http://www.irs.gov/pub/irs-tege/F14414.pdf. At this point, the IRS is using this process to gather data on these groups which have come under scrutiny in recent years on a number of fronts. We may see new regulations on groups as a result and quite possibly see a number of them subjected to IRS audits.

In the spring issue of the *Nonprofit Standard* we will discuss operating under a group ruling, central and subordinate organizations' responsibilities, and Form 990 filing under a group ruling.

## ▶HOSPITALS

The IRS announced that 3,377 hospitals will be reviewed this year under provisions of the Affordable Care Act, which calls for every tax-exempt hospital to be reviewed every three years primarily in the area of community benefit. This will be a "stealth" review: organizations will not know they are being reviewed and information will primarily be gathered from the hospital's Form 990. Note that the Form 990 also has information about unrelated trade or business income, which the IRS may take the opportunity to review at the same time.

## ▶POLITICAL ACTIVITY

The IRS has been paying particular attention to political activity by 501(c)(3) organizations in this election year and investigating organizations based upon complaints received. 501(c)(3) organizations, including churches, are prohibited from all political activity including political speech.

## ▶CHURCH AUDITS

Although the IRS has received many complaints about churches being involved in political activities, all church audits are on hold for now, according to an IRS spokesman. This has been ongoing for a few years and will not be resolved until the IRS finalizes rules giving the IRS the authority to begin a church audit.

## ▶SECTION 501(c)(4) SOCIAL WELFARE ORGANIZATIONS

These organizations are allowed to engage in political activity but not as a primary activity. Since the Citizens United decision by the Supreme Court, it appears that there may be some social welfare organizations where political activities are the primary or sole activity. The IRS has gotten many complaints and will be investigating those organizations about which complaints have been issued. The state of New York is also actively looking at this issue.

## ▶SELF DECLARERS

Most non-charitable organizations (e.g., 501(c)(4) and 501(c)(6)) are not required to formally apply to the IRS (with a Form 1024) in order

▶ Read more on next page

▶CONTINUED FROM PAGE 5

# RECENT NONPROFIT DEVELOPMENTS

to be tax-exempt. However, it is highly recommended that they obtain the assurance of a determination letter from the IRS. Now, the IRS is conducting an examination project of such "self-declared" exempt organizations to determine if they are, in fact, operating as tax-exempt organizations under their "self declared" code section. Although such organizations do not have to file an exemption application, they are required to file the appropriate Form 990 series information return. Not filing Form 990 for three years in a row will cause automatic loss of exempt status. In order to reinstate exempt status, the IRS will require an exemption application even in cases where the organization did not originally have to file one.

## ▶INTERNATIONAL FILINGS

Many organizations with offshore activities or investments are required to file a number of forms, such as the Foreign Bank Account Report (FBAR), Form 5471, Form 926 and Form 8865. This is an area of high interest to the IRS and the penalties for noncompliance can be draconian. There have been two Offshore Voluntary Disclosure Initiatives (OVDIs) from the IRS in the past which are now closed. Currently, however, the IRS has a third OVDI now open. It does not have an end date set, but could be closed without much notice. This is an excellent opportunity for tax-exempt organizations to file past due forms without penalty in most instances. Organizations that may have delinquencies in this area should consult a qualified international tax expert to see if they should consider the OVDI.

## ▶EQUIVALENCY OPINIONS

Private foundations may not make qualified distributions to foreign organizations unless the organizations have a 501(c)(3) public charity determination letter or an opinion from an attorney saying that the organization is the equivalent of a U.S. public charity. Under proposed regulations, equivalency opinions may be issued by CPAs and enrolled agents.

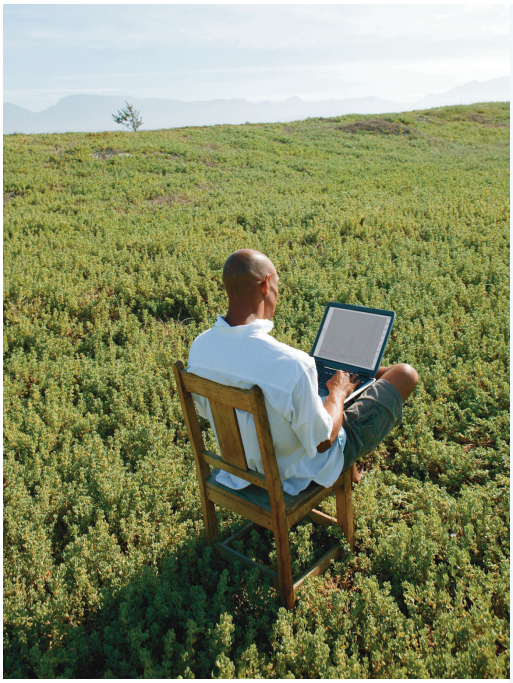
## ▶SALES TAX

There are currently four bills in Congress to expand states' ability to tax Internet sales. Such an expansion could certainly affect many nonprofit organizations. Since states are experiencing severe deficit problems, expect them to be pushing the envelope on sales tax issues. Even without the pending congressional legislation, if an organization has nexus with a state and sales in the state, there may be sales taxes due. Organizations should stay abreast of developments in this area and may wish to consider having an assessment done by a qualified expert before the state arrives with an audit notice. Sales tax audits can be very expensive.

## ▶PARSONAGE ALLOWANCE

The Supreme Court recently denied hearing a case where a minister had taken the parsonage allowance for a second home, effectively upholding a lower court verdict denying the allowance on multiple homes. Churches and their advisors should be sure that clergy are not taking the allowance on a second home.

***For more information, contact Michael Sorrells, national director, Nonprofit Tax Services, at msorrells@bdo.com.***



# ARE YOU E-FILING YET?

Joyce Underwood, a member of BDO's Institute for Nonprofit Excellence, is currently participating in a Workgroup with The Greater Washington Society of CPAs (GWSCPA) to provide recommendations on improving the percentage of electronically filed Forms 990. The GWSCPA is one of seven 990 e-filing Initiative Partners in the Form 990 E-Filing Initiative, with a goal "to increase the percentage of electronically filed Form 990s from 30 percent to 70 percent over the next five years." Other Initiative Partners include Independent Sector, The Aspen Institute, GuideStar, National Council of Nonprofits, United Way Worldwide and Foundation Center. In conjunction with the Initiative, GWSCPA has convened a small workgroup to develop an educational and advocacy whitepaper on "the benefits of e-filing Form 990." Workgroup participants include CPA firms and tax preparers. The workgroup members are seeking input from CPA firms and other Form 990 preparers about who is not e-filing, and why not. Interested parties are encouraged to participate in the Form 990 e-file survey at https://surveys.urban.org/cb/form990.aspx. Look for the survey results and the white paper in early 2013.

***For more information, contact Joyce Underwood, director, at junderwood@bdo.com.***

# SPOTLIGHT ON UBIT: PREPARING FOR INCREASED IRS REVIEW

By Laura Kalick, JD, LLM in Taxation

## THE INTERNAL REVENUE SERVICE (IRS) RELEASED ITS WORK PLAN IN FEBRUARY 2012 WITH A LIST OF PROJECTS THAT, IF NOT COMPLETED, WILL BE CARRIED OVER TO ITS NEW FISCAL YEAR.

The work plan contains the IRS's plans to look more closely at unrelated business income and, especially, at tax-exempt organizations that report unrelated business activities on Form 990 but do not file a Form 990-T. The IRS will also develop a model to help them identify organizations that report significant amounts of income from unrelated business activities but show no tax due, even if they are filing Form 990-T. Such organizations may be subject to audit by the IRS. In addition, the IRS has already begun its statutorily mandated task of reviewing the community benefit activities of hospital organizations at least once every three years. Although the reviews are not examinations and are not meant to search for unreported unrelated business income, the review will entail looking at the Forms 990, 990-T, and other accessible information. Therefore, it is a great possibility that a hospital's unrelated business income and expense allocations will receive more scrutiny than usual.

The new Form 990 has put the unrelated business income tax (UBIT) issue front and center. A snapshot is provided on page 1 of the Form 990 by requiring information on gross unrelated business income (UBI) and net UBI reported on Form 990-T. Further back, on page 9 of the form, revenue is broken down into columns that show whether the income is being characterized as related, unrelated or not reported as UBI because it meets an exception or modification to UBI. Page 9 can be very revealing, especially where the same activity generates both related and unrelated income. For example, this applies to a hospital laboratory that serves both patients (related) and nonpatients (unrelated). Where the unrelated income is being offset by large expenses, this may call into question whether some of the expenses used to offset the unrelated business income are really expenses of the related activity. The rule is that expenses relating solely to exempt purposes cannot be used to offset unrelated business income; expenses that relate solely to unrelated business activities can be used in full to offset unrelated business income and, when employees, equipment or a facility is used for both related and unrelated purposes (i.e., a dual use), the expenses are supposed to be allocated between the two uses on a reasonable basis. What constitutes a reasonable basis has generally been interpreted by the courts to favor the tax-exempt organization, but the IRS believes that some organizations may go too far.

Another issue regarding the use of expenses to offset unrelated business income is whether the losses generated from an activity characterized as unrelated can be used to offset the profits of another unrelated activity. In order to be an unrelated trade or business there are three requirements: (1) the activity must be regularly carried on; (2) the activity must be a trade or business; and (3) the activity must not be substantially related to exempt purposes. All three requirements are necessary for a conclusion that an activity is an unrelated trade or business that generates unrelated trade or business income or loss.

A profit motive is one of the key elements required in order for an activity to constitute a trade or business. If there are losses reported year after year, the requisite profit motive may be lacking. Of course, there could be reasons for generating losses for many years. Such reasons could apply if the activity is in a start-up mode, actual costs were significantly greater than anticipated or there was less demand for a product or service than was projected. On the other hand, if the activity was budgeted to operate at breakeven or a loss because doing so contributed to the organization's exempt mission, it would appear that the profit motive is lacking or that the activity was actually in furtherance of exempt purposes. In this case, the losses generated cannot be used to offset other unrelated business income that the organization has generated from another activity.

How to prepare? If your organization has UBI and either does not file a Form 990-T or reports negative or no UBI on Form 990-T, you should review the basis of the losses that have been used to offset the unrelated business income and document their validity. Remember, the rule is that any domestic or foreign organization that is exempt under Section 501(a) of the Internal Revenue Code and that has gross income of $1,000 or more from a regularly conducted unrelated trade or business is supposed to file a Form 990-T.

*For more information, contact Laura Kalick, national director, Nonprofit Tax Consulting, at lkalick@bdo.com.*

# THE NEW NORMAL: STRATEGIC BUDGETING

By Michael E Batts, CPA

Ask many nonprofit leaders for their definition of a budget and you'll likely receive answers that have a scholarly flair. "The financial quantification of a plan" or "a financial roadmap of our annual mission" or similar words are likely responses.

The reality, however, is that for many nonprofits, such "scholarly" responses are misfires on two counts: first, they do not accurately describe how many organizations really do budgeting and, second, even if they did, they miss a critically important element. Let me explain.

## THE SCHOLARLY DEFINITION VS. REALITY

The actual budgeting exercise in many (if not most) nonprofit organizations involves guessing how much money is going to come in during the next fiscal year and then deciding how to spend every nickel of it. (It would be more polite to use a term that is more euphemistic than "guessing," such as "estimating," but based on recent economic developments and my conversations with nonprofit leaders across the country, I have learned that the process is often more akin to "guessing.") The process often has little to do with formally incorporating the organization's mission into a financial plan.

## ZERO-BASED BUDGETING

In order to genuinely follow the approach of translating the organization's mission for the year into dollars, a nonprofit should apply "zero-based" budgeting – the practice of deciding what specific activities should be conducted in order to carry out the organization's mission and what they will cost. True zero-based budgeting does not involve increasing or decreasing the prior year budget. Rather, it starts with a blank sheet and asks the program director, for example, to list each activity or program he believes should be conducted during the year and to apply a cost to each one. So, when adjustments are made, they are not in the form of "10 percent across the board," they are in the form of "let's eliminate the spring conference." Applied across the entire organization to every department, true zero-based budgeting has an amazing knack for ferreting out waste and nonessential activity. It also allows nonprofit leaders to make specific priority decisions on an activity-by-activity or program-by-program basis, rather than in simple percentages or dollar amounts. It facilitates surgery with a scalpel as opposed to an ax.

## THE MISSING ELEMENT

Even if a nonprofit organization applies zero-based budgeting, there is the question of the often-missing critical element – how does the budget fit into the organization's overall financial plan and how does it help the organization achieve its financial objectives?

Before a nonprofit can answer that question, it must assess whether it has a financial plan and financial objectives. A financial plan and financial objectives include such elements as:

- Establishing an operating reserve of $ (amount) by (date)
- Ensuring that the organization will have ample time and liquidity to reduce expenses in the event of a sudden and unexpected downturn in revenues
- Reducing debt by $ (amount) within a stated period of time
- Building a maintenance and replacement fund of $ (amount) within (number) years

## THE FALSE COMFORT OF A "BALANCED BUDGET"

In order to ensure that the nonprofit organization has adequate financial capacity to carry out its programs and activities, its leaders must ensure that the organization's financial plan is sound. Sound financial management includes development and approval of a responsible operating budget. Many nonprofits operate under the belief that there is something improper about generating a positive bottom line – that is, a surplus of revenues over expenses. In fact, in many nonprofit organizations, a desirable budget is a "balanced budget." While operating a balanced budget may sound like an admirable goal, it simply means that the organization expects to incur expenses equal to its revenues, with no room for error. The term "balanced budget" sounds attractive because we would all give our right arms to see our government operate with a balanced budget! But that is no way to improve a nonprofit's financial condition. What's more, since a balanced budget plan leaves no room for error, an unexpected dip in revenues can cause immediate financial stress for an organization and its leaders.

A better approach to budgeting involves determining the organization's desired financial condition (liquidity, reserves, debt levels, etc.) and the desired timetable for achieving it. With a long-term plan for improving financial condition, the organization can develop operating budgets that not only provide for carrying out its mission but also contemplate surpluses to contribute toward the desired financial condition. A nonprofit organization that has not operated following such a plan may need to reduce program or other expenses in order to implement a strategy of producing responsible budget surpluses.

## CONCLUSION

Recent economic developments have made it clear that strategic budgeting is essential for the sound financial operation of a nonprofit organization. A casual approach to budgeting, with no over-arching financial plan, can lead to great stress and lasting damage to the nonprofit. However, with proper diligence, including the use of tools like zero-based budgeting and a responsible financial plan, nonprofit leaders can proactively help their organization establish a stronger financial foundation that, in the long-run, should help the organization be more effective in carrying out its mission.

*Parts of this article were excerpted from the book Board Member Orientation – The Concise and Complete Guide to Nonprofit Board Service by Michael E. Batts, managing partner, from Batts Morrison Wales & Lee, an independent member of the BDO Seidman Alliance. For more information, contact Mike at batts@nonprofitcpa.com.*

# DEMYSTIFYING THE CLOUD

## A non-technical explanation of the cloud

By Kevin M. Massey, CPA

## IT SEEMS THAT EVERYWHERE YOU TURN THESE DAYS SOMEONE IS TALKING ABOUT THE CLOUD.

Originally, the cloud was a topic of discussion for our IT professionals and maybe that's why this seemingly ambiguous term was used. Currently though, many of the companies we do business with are proudly announcing the availability of their cloud services and are aggressively encouraging us to use them. Apple, Google, Microsoft, AT&T, IBM and other major companies are now in the cloud business and they are not just marketing to IT professionals anymore. They now have set their sights on individual consumers like you and me. So, let's take a deeper look at the cloud to understand how it may benefit your organization as well as you personally.


### The cloud defined

Since our friends at Wikipedia.com always do a good job of explaining things I decided to present you with their definition of the cloud:

> ***Cloud computing*** *is the use of computing resources (hardware and software) that are delivered as a service over a network (typically the Internet). The name comes from the use of a cloud-shaped symbol as an abstraction for the complex infrastructure it contains in system diagrams. Cloud computing entrusts remote services with a user's data, software and computation.*
>
> – Wikipedia.com, the free encyclopedia

I like the fact that they added the word "computing" after cloud. This certainly brings a little more context to the word. Reading the definition above makes me think of outsourced computing resources (servers and software) much the same way that an organization may outsource payroll services. Let's break down the Wikipedia definition to see how it fits for the Google cloud email solution, Gmail, as well for outsourced payroll services.

| Definition from Wikipedia | Google's cloud email service Gmail | Payroll Service Provider (ADP, Paychex, etc.) |
|---|---|---|
| ***"..use of computing resources…"*** | **True.** When using Gmail, all computing is done on servers and software owned by Google, not you. | **True.** All payroll calculations are computed using resources owned by the payroll service provider (PSP). Additionally, this would include the use of the personnel employed by the PSP as a computing resource. |
| ***"…delivered as a service…"*** | **True.** Although you may use the Gmail service, you do not own it. Google allows you to use this service for free. | **True.** When you outsource your payroll to a PSP, you are clearly paying them to perform a service for you. |
| ***"…entrusts remote services with a user's data…"*** | **True.** When using Gmail, you trust Google to keep your e-mail and other data safe, secure, and private. | **True.** Payroll records are arguably some of the most sensitive data in any organization. When outsourcing your payroll to a PSP, you trust them to keep these records safe, secure and private. |

▶ Read more on next page

▶CONTINUED FROM PAGE 9

# DEMYSTIFYING THE CLOUD

Okay, so now we know that when people talk about using the cloud, they are simply talking about using somebody else's computers and software for a particular purpose instead of buying their own computers and software. We have also learned that the cloud is simply outsourcing of computing resources much the same way that we may outsource our payroll services to a payroll service provider.

## ▶EXAMPLES OF CLOUD SERVICES FOR NPOs

In short, it is likely that everything you currently use your computers for is already available in the cloud or can easily be moved to the cloud. For example:

| Software Purpose | Available as a cloud service? |
|---|---|
| Email | Yes |
| Office tools (spreadsheets, word processors, etc.) | Yes |
| Accounting software (including HR and timesheets) | Yes |
| Fundraising (development) software | Yes |
| Membership software | Yes |
| Case management software | Yes |
| System backup utilities | Yes |
| Website publishing | Yes |
| Employee intranet portals | Yes |

In addition to these individual software products, many cloud service providers (CSPs) are offering virtual desktops where your entire workstation and everything that you do on it will be available to you from the cloud. Unfortunately, unlike my Gmail example above, most of these cloud services are not free. I will discuss the cost/benefits of cloud services later in this article.

## ▶BENEFITS OF THE CLOUD

Well, if we listen to the companies that sell cloud services, we should use their cloud because their system is bigger, better, faster, more reliable and more secure than the systems we currently use. In addition to being able to use their "better" system, you will not be responsible for any of the maintenance or upgrades of the system, and you and your staff will be able to access the system 24/7 from any device with Internet access. Realistically, these devices are PCs, Macs, tablet computers and smartphones. So, if you're away from home visiting your family for the holidays and want to log into the accounting system and do the organization's bank reconciliation, you can as long as you have Internet access.

I have over 700 nonprofit clients and tend to agree that the systems offered by CSPs are in fact bigger, better, faster, more reliable and more secure than the systems I see being used by the majority of my clients. With that said, I do have a number of clients who have built systems that rival those of the CSPs. If that is the case for your organization then cloud computing may not be for you.

My typical nonprofit client has a server room in its office that is managed by local IT professionals. In contrast, CSPs typically house their computing resources in a commercial data center. These data centers are designed and built to withstand natural disasters such as fire, flood, hurricanes, etc. Additionally, these facilities are protected by armed guards and typically require biometric identification (i.e., fingerprint) to gain access to the building. These facilities are designed to run on generators for an indefinite period of time in the event that the local power company fails, and they typically have multiple Internet service providers (10 to 15 is not uncommon) to ensure that their cloud is always connected to the Internet.

In addition to the physical security provided by the commercial data centers, CSPs typically design their server infrastructure with high performance, high availability and failover in mind. Without getting technical, CSPs buy enterprise-class, high-performance servers. These servers have completely redundant (two or more of everything) systems to ensure that they do not fail. However, to be prepared in the event that the redundant features do not prevent a failure, CSPs typically have a standby failover system in place that will automatically take over for any failed equipment.

Yes, any organization could build this type of system on its own but it is unlikely that the cost would be justified. This is why the cloud exists. CSPs give your organization access to the benefits of this enterprise-class computing infrastructure for a fraction of the cost of building it yourself.

In wrapping up this section on the benefits of the cloud, I would like to make another comparison to outsourced payroll services. I did some research to discover the reasons why organizations choose to outsource payroll and I came across a top 10 list that was compiled by Ziff Davis. It was very interesting for me to discover that the top 10 reasons organizations outsource payroll services also seem to be very valid reasons as to why an organization would choose to outsource computing resources to a CSP.

| | Payroll Service Provider | Cloud Service Provider |
|---|---|---|
| **Fees charged?** | Yes | Yes |
| **Service provided** | Mission critical, complex, errors/omissions likely to have negative impact | Mission critical, complex, errors/omissions likely to have negative impact |
| **Reason to outsource** | • Cost<br>• Productivity<br>• Accuracy<br>• Reliability<br>• Speed<br>• Insight<br>• Accountability<br>• Flexibility<br>• Security<br>• Worry | • Cost<br>• Productivity<br>• Accuracy<br>• Reliability<br>• Speed<br>• Insight<br>• Accountability<br>• Flexibility<br>• Security<br>• Worry |



▶ Read more on next page

▶CONTINUED FROM PAGE 10

# DEMYSTIFYING THE CLOUD

## ▶IS THE CLOUD COST-EFFECTIVE?

Just like other purchase decisions, you will need to weigh the costs and benefits on your own. Maybe your neighbor's child will only charge you a dollar to move your trash to the street twice a week. Is this a good deal? I suspect some of you would jump at the offer because you always forget to do it or you just don't like to do it. Others of you may choose to keep doing it yourself for whatever reason. Maybe you look forward to going outside and stretching your legs or you figure that you have been doing it for 25 years and have it down to a system. Basically we all make purchase decisions for our own reasons and those reasons are not just financial.

Similar to any other purchase decision, you must first understand what the service includes. If, and only if, that service is something that you value, you will then have to decide if the cost justifies the value. In the previous section I highlighted some of the benefits of the cloud. In one respect, it may simply be a matter of deciding if you want to use that type of enterprise system. It is also important, though, to consider potential current expenditures that could be reduced by using the cloud as well as how your existing resources could be better used if certain systems are outsourced to the cloud. For example, I have a client that is committed to moving to a zero server environment. Its goal is literally to have all key systems moved to the cloud at which time it would have no servers of their own. This client will enjoy some expenditure reduction once its existing servers are retired and it is important to consider this type of potential savings when doing your cost analysis. Additionally, now that this client's IT professionals do not have to deal with servers, they can dedicate more time to managing the local computing resources still in use such as workstations, networked printers, internal firewalls, switches, etc. That's right; there will always be a need for local IT professionals although they will now be able to focus on other things.

I would also encourage you to be aware of environmental changes that may affect your decision to move to the cloud or not. For example, you may decide today that the cost/benefit of the cloud does not justify making a change. However, a year from now that may not be the case. Your organization is constantly changing and so are the offerings of the CSPs.

For example, maybe you just made a major investment in server hardware and licensing. It may not make sense to throw that away and move to the cloud now. However, three years from now when you are faced with the need to upgrade that equipment, it may make sense to compare those upgrade costs to the cost of moving to the cloud.

Or maybe today you have three IT professionals on staff, but next year you are required to cut back that staff due to budget constraints. You still have the same IT requirements, but now you have fewer staff to support you.

One final example relates to the CSPs themselves. Technology tends to get cheaper, allowing us to get more for less. CSPs are offering more services today and charging less for those services than they were two years ago. So, even if nothing else changes at your organization, it is likely to be worth your time to go through the cost/benefit analysis periodically simply to see if the CSPs have changed their pricing.

## ▶EFFECT ON LOCAL IT PROFESSIONALS

I touched on this above, but the topic warrants a little more discussion. Outsourcing to the cloud will not likely eliminate your need for local IT professionals. To use payroll outsourcing again as a comparison, my experience has been that organizations that outsource payroll continue to employ staff who are responsible for payroll-related tasks. For example, somebody is still responsible for onboarding new hires, getting them set up in the system, gathering time and attendance records every pay period, entering or uploading the time and attendance records to the PSP, making changes to benefits and deductions in the PSP system, etc. Even though an organization outsources payroll, there is still much of the payroll process that cannot be outsourced. It is the same case with your IT professionals and outsourcing to the cloud.

IT professionals do not just manage the servers in the back office. You rely on these folks to make sure that computing resources (workstations, printers, local firewall, etc.) are all in top working order. When one of your staff has a problem with his local workstation, he will still reach out to your local IT professionals; only now these professionals will have the time necessary to address these issues.

In my experience, IT professionals at nonprofit organizations are burdened with the responsibility of both the server infrastructure and the workstation infrastructure and typically they are pulled in both directions at the same time making it difficult to do both well. It is the rare nonprofit organization that has enough IT professionals to manage both full-time. Taking advantage of CSPs may allow your IT staff time to focus more on supporting the IT needs of the rest of your staff.

## ▶SUMMARY

Although there are many types of clouds and cloud services available, in essence, the cloud is nothing more than the outsourcing of computing resources to other professionals with a high level of expertise with these computing resources. There are many benefits to using cloud computing services; however, each organization will have to weigh the costs/benefits individually.

*This article is not intended to discuss the privacy and security requirements which may apply to the safeguarding of personal information.*

***For more information, contact Kevin M. Massey, CPA, President/CEO of BDO Business Resource Network Alliance Firm NonProfit Technologies, Inc., at kevin@cpaz.com.***

# Compensation Committee Matters – 'WHO HAS THE MINUTES?'

By Michael Conover

It occurred to me recently that in more than 25 years working with compensation committees, I've heard this question asked many different times and in several different contexts. I've heard it asked at the outset of a meeting to identify the person who will be taking minutes of the meeting as well as to circulate a copy of the prior meeting's minutes for members to review and approve. I've asked the question myself at the outset of a new consulting project as I collect background information that will be helpful context for the work with a new client. And finally, I've heard the question asked by attorneys and outside examiners as they look into the details of past board proceedings.

I'd like to suggest it might be worthwhile reviewing this question in each of these contexts. Doing so may help us more fully understand the importance of compensation committee meeting minutes and ensure that the minutes successfully fulfill their critical role for governance of the organization's compensation program. Please note that my point about the critical role for minutes is not a gratuitous one. It may be all that stands between the organization and serious issues.

## ▶THE 'RECORDING SECRETARY'

It is important that an individual be designated as responsible for keeping minutes of meeting proceedings at the outset of the session. Committee members may take the assignment on a rotating basis or delegate the assignment to another individual not otherwise conflicted in performing the role (i.e., an employee whose compensation is discussed/decided by the committee). However it is done, someone must take on this responsibility.

Of course, it will also be important that the individual taking the minutes understands the overall objective of the assignment and what is required to achieve it. The objective of minutes is to create an effective record of meeting details. Meeting date, members and others in attendance, as well as a summary of topics discussed, decisions made, matters tabled for later action, etc., are quite commonly known to be the typical stuff of minutes. Some minutes I've seen fail to include some of these important topics and others are so detailed they are almost word-for-word transcripts of actual participant discussions. I believe there is a middle ground that accomplishes the overall objective and does so far more effectively than either of the extremes mentioned.

Compensation committee meeting minutes should include the following items, at a minimum, to ensure that all the essential information is captured:

### Meeting details

- Date and location/conference call
- Members participating
- Others invited – including their role
- Attach any agenda/pre-meeting information provided beforehand

### Committee discussions and decisions

- Act upon minutes of prior meeting
  - Review
  - Revise, as needed
  - Record members' approval of the minutes
- Meeting topics – for each:
  - An overall summary of pertinent background information reviewed
  - Key points raised in discussions and the participants making them
  - Decisions made
    - People excused from the proceedings and/or people recusing themselves due to conflicts MUST be noted
    - Specific proposal(s) /motion(s) made
    - Results of member voting
  - Follow-up or next steps required and assignment of responsibility for doing so

### Closing matters

- Set/confirm next meeting date
- Affirm topics for next meeting, follow-up items, etc.
- Identify author of the minutes and the date on which they were drafted. Note that to be considered timely for the Internal Revenue Service (IRS) Intermediate Sanctions purposes, minutes must be drafted within 60 days of the meeting in question or prior to the committee's next meeting, whichever is sooner.

The document prepared to cover these areas need not be excessively detailed, but developed to the point that a reader not participating in that discussion can readily understand what occurred, who participated and why decisions were made. It is not a transcript, but it is an effective summary of all the key facts about the meeting.

## ▶APPROVING THE MINUTES

Having minutes of a meeting that were never formally approved by the committee might be better than having no minutes at all, but not by much. The minutes could always be challenged as one person's version of events and not an accurate record of the actual proceedings. For this reason, timely preparation and circulation of a draft of the meeting minutes to all members is important. All members participating in the meeting should carefully review and pass along any revisions or additional information to the author. Ultimately, minutes, with noted revisions proposed by members, should be formally approved by all members that participated in the discussions and decisions in question. Having undergone this review, revision and approval process, the minutes now stand as an authoritative record. The

▶ Read more on next page

▶CONTINUED FROM PAGE 12

## COMPENSATION COMMITTEE MATTERS

importance of this record will become clearer in the balance of this discussion.

### ▶RECORDS OF COMMITTEE PROCEEDINGS

A complete record of a compensation committee's activities over a period of time can provide helpful background. New members can quickly gain an understanding of past topics, discussions and the rationale behind decisions that have been made. Even current members may benefit from being able to obtain details of a meeting they were unable to attend or where specifics of a particular matter cannot readily be recalled.

If a need ever arises for an outsider (e.g., attorney, IRS examiner, etc.) to examine decisions made by the committee or the proceedings associated with them, these minutes then constitute a fact-based record that will support the organization's explanation of the governance and administration of its compensation program. As noted earlier, the IRS Intermediate Sanctions stipulate that contemporaneous minutes of compensation committee meetings is one of the requirements for securing the benefit offered in its Presumption of Reasonableness.

Without becoming overly detailed in terms of instructions for minute taking or offering a refresher course in Roberts Rules of Order, I hope this brief discussion of the importance of taking, approving and keeping effective minutes of compensation committee meeting proceedings is helpful. I can assure you that based on my experience with many organizations, those that had their minutes and those that didn't, all organizations would be well advised to ask the question "Who has the minutes?"

*For more information, contact Michael Conover, senior director, Specialized Tax Services – Compensation and Benefits, at wconover@bdo.com.*

## FASB Issues ASU No. 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*

**By Jason Aldridge, CPA**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-05 on Oct. 22, 2012, to address the diversity in practice of how organizations classify the cash receipts that arise from the sale of certain donated financial assets, such as securities, in the statement of cash flows for nonprofit entities. This ASU applies to all entities that are within the scope of Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, that accept donated financial assets.

The provisions in this ASU require a nonprofit organization to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any nonprofit-imposed limitations for sale and were converted nearly immediately to cash. As such, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities. However, if the donor restricted the use of the contributed resources to long-term purposes, the cash receipts should be classified as cash flows from financing activities.

The amendments in this ASU are effective on a prospective basis for fiscal years beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. Early adoption from the beginning of the fiscal year of adoption is permitted. For fiscal years beginning before Oct. 22, 2012, early adoption is permitted only if an organization's financial statements for those fiscal years have not yet been made available for issuance.

*For more information, contact Jason Aldridge, senior manager, Assurance, at jaldridge@bdo.com.*

# NEW EMPLOYER HEALTH CARE REPORTING REQUIREMENTS BEGIN IN 2014, MAY POSE CHALLENGE FOR SOME NONPROFITS

By Christina Kathleen Patten and Paul E. Hammerschmidt, CPA, MS (Taxation)

The U.S. Supreme Court upheld key provisions of the Patient Protection and Affordable Care Act (PPACA) in its decision announced on June 28, 2012. This decision will impact employers, health care providers, insurance companies, and individual taxpayers. Some provisions of PPACA will have a significant impact on employer-sponsored group health plans, especially the "employer shared responsibility" requirement.

Beginning in 2014, employers with at least 50 full-time employees must make affordable coverage available to their workers or be subject to tax penalties.

Although employer reporting for both nonprofits and for-profits is generally the same, because of limited resources smaller nonprofit organizations may not have the necessary personnel resources to easily comply with these new requirements and should begin to analyze the requirements early to determine how they will comply. Oftentimes nonprofit organizations do not have separate personnel responsible for handling benefits, payroll and tax issues, and all of these are handled by one department or one person.

Catherine E. Livingston, deputy division counsel/deputy associate chief counsel in the Tax-Exempt and Government Entities Division of the IRS chief counsel's office, reminded nonprofits about the reporting and minimum health coverage requirements that are to begin Jan. 1, 2014.[1] She advised tax-exempt organizations to become familiar with the new reporting requirements, consider whether they think they will be subject to them and plan for them. She commented, "because quite frankly, with the millions of people who are going to have questions about this, it's a little complicated."

## Employer shared responsibility

An excise tax will generally be imposed on employers that have 50 or more full-time employees and do not provide health insurance meeting certain minimum requirements. Government agencies have released preliminary guidance regarding the determination of which employees are treated as full-time for this purpose. This guidance is consistent with guidance on the maximum waiting period for entry into an employer sponsored group health plan that may be imposed beginning Jan. 1, 2014.

Guidance is also expected to be issued on many other aspects of PPACA including nondiscrimination rules. Government agencies have announced that they will not enforce these requirements until guidance has been released. Caution should be exercised when entering into any arrangement that may be subject to the nondiscrimination rules, such as an executive employment agreement or severance agreement. It may be advisable for the agreement to include a provision that permits modification after guidance is issued in a manner that complies with the rules.

## W-2 reporting

Generally, beginning with Forms W-2 issued for 2012, the aggregate cost of employer-sponsored health insurance coverage must be reported in box 12, using Code DD. The reporting requirement is only for informational purposes and to provide useful comparable consumer information to employees regarding the cost of their health care coverage. The reporting requirement does not cause excludable employer-provided health insurance coverage to become taxable and does not change the reporting requirements for amounts that are includable in the employee's income.

The IRS has provided relief for some small employers. Employers that were required to file fewer than 250 Forms W-2 for the preceding calendar year are not required to report the aggregate cost of employer-sponsored health coverage on Form W-2 for the current calendar year (IRS Notice 2012-9).

Additionally, if an employee terminates during the year and requests a Form W-2 before the end of the calendar year during which he or she terminates, the employer-sponsored health coverage does not have to be reported on that Form W-2.

Until additional guidance is issued, certain plans are not included in the reporting requirement. Such plans include (1) multiemployer plans, (2) health reimbursement arrangements (HRAs), (3) dental and vision plans that satisfy the requirements for being excepted benefits for HIPAA purposes, and (4) self-insured plans of employers not subject to COBRA continuation coverage or similar requirements. Additionally, benefits provided through a health flexible spending arrangement (health FSA) in a cafeteria plan are not reported if the amount of the health FSA for the plan year does not exceed the employee's salary reduction election for the plan year. See IRS Notice 2012-9 for additional information on coverage that does not need to be reported.

## Additional reporting

Internal Revenue Code sections 6055 and 6056, added as part of the PPACA, will require a significant amount of additional reporting for employers.

Earlier this year the IRS had requested comments on reporting of health insurance coverage.[2] Public comments were required to be submitted on or before June 11, 2012. The IRS received numerous comments including comments from American Benefits Council which provided a five-page response. They requested the IRS minimize duplication and burden on issuers, sponsors and covered individuals.[3]

While much of the reporting for employers on health insurance coverage for employer-sponsored plans is yet to be determined, one thing is certain – there will be significant additional coverage and reporting requirements for employers as a result of this legislation.

1 October 19, 2012 conference hosted by the American Law Institute Continuing Legal Education (ALI CLE) and the American Bar Association (ABA)
2 IRS Notice 2012-32 issued April 26, 2012 http://www.irs.gov/pub/irs-drop/n-12-32.pdf and IRS Notice 2012-33 http://www.irs.gov/pub/irs-drop/n-12-33.pdf
3 http://www.appwp.org/documents2012/hcr_irs-n2012-32-33_council-comments061112.pdf

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# BDO PROFESSIONALS IN THE NEWS

BDO professionals are requested to speak on a regular basis at various conferences due to their recognized experience in the industry. The following is a list of some of the upcoming events where you can hear BDO professionals speaking.

## JANUARY

**Jeffrey Schragg** and **Jeremy Migliara** are speaking on the topic of state and local tax issues affecting nonprofit organizations at the Greater Washington Society of CPAs (GWSCPA) Nonprofit Committee meeting on Jan. 29 in Washington, D.C.

## MARCH

**Dick Larkin** will be presenting a session on current accounting and auditing developments at the Washington National Tax and Legal Conference being held on Mar. 21 in Washington, D.C.

# UPCOMING INSTITUTE EVENTS

The BDO Institute for Nonprofit Excellence℠ (Institute) will be hosting the following live meetings during the Spring of 2013. Invitations are sent in advance of the event and you can also visit our website for a listing of all events offered.

**Feb. 15, 2013**
**Nonprofit Accounting and Tax Update with Special Post-Election Outlook for NPOs**
This session will include an accounting update presented by Dick Larkin from the Institute and Lee Klumpp from the Financial Accounting Standards Board (FASB) and a tax update presented by Mike Sorrells, Laura Kalick, David Trimner, Jeffrey Schragg and Joyce Underwood from the Institute. In addition, this session will include a special post-election economic outlook for nonprofit organizations presented by SunTrust Bank.

This session will be held from 8 a.m. to 1 p.m. at SunTrust Bank at 1445 New York Avenue, 9th Floor, Washington, D.C. 20005 and will provide four hours of continuing professional education (CPE).

**March 5, 2013**
**Charitable Registration – Best Practices**
This session will discuss best practices for organizations to follow with regard to complying with the intricate details of charitable registrations. Seth Perlman from Perlman & Perlman will be the presenter for this session.

This session will be held from 8 a.m. to 10:30 a.m. at the University Club at 1135 16th Street, Washington, D.C. 20005 and will provide two hours of CPE.

## BDO INSTITUTE WEBINARS

The following schedule lists webinars that BDO's Institute will be hosting. These webinars are free, CPE-qualified webcasts that are offered on various topics. As a recipient of the *Nonprofit Standard* you are also on the mailing list for invitations to these webinars. As the date of each webinar approaches you will receive an invitation with further information on the webinar content and enrollment options.

**Jan. 7, 2013**
**Effective Audit Committees for Nonprofit Organizations**
12 p.m. – 2 p.m. ET
CPE: 2 SKA Specialized Knowledge

**March 26, 2013**
**Nonprofit Tax Update**
1 p.m. – 3 p.m. ET
CPE: 2 Tax

Please check BDO's website at www.bdo.com to register for these events and find details for other upcoming local events and webinars.

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### BDO NONPROFIT & EDUCATION PRACTICE

For 100 years, BDO has provided services to the nonprofit community. Through decades of working in this sector, we have developed a significant capability and fluency in the general and specific business issues that may face these organizations.

With more than 2,000 clients in the nonprofit sector, BDO's team of professionals offers the hands-on experience and technical skill to serve the distinctive needs of our nonprofit clients – and help them fulfill their missions. We supplement our technical approach by analyzing and advising our clients on the many elements of running a successful nonprofit organization.

In addition, BDO's Institute for Nonprofit Excellence℠ (the Institute) has the skills and knowledge to provide high quality services and meet the needs of the nation's nonprofit sector. Based in our Greater Washington, DC Metro office, the Institute supports and collaborates with BDO offices around the country and the BDO International network to develop innovative and practical accounting and operational strategies for the tax-exempt organizations they serve. The Institute also serves as a resource, studying and disseminating information pertaining to nonprofit accounting and business management.

The Institute offers both live and local seminars, as well as webinars, on a variety of topics of interest to nonprofit organizations and educational institutions. Please check BDO's web site at www.bdo.com for upcoming local events and webinars.

### ABOUT BDO USA

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