



GELMAN, ROSENBERG & FREEDMAN  
CERTIFIED PUBLIC ACCOUNTANTS

# New Developments in Finance for Nonprofits

National Alliance for Hispanic Health

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## Trevor Williams, CPA

Senior Audit Manager, Gelman, Rosenberg & Freedman CPAs

- **20 years** of experience in audit, compliance and regulations
- Specializes in nonprofit audits, reviews and compilations
  - Recipients of federal financial assistance programs
  - In accordance with OMB Circular A-133
- Focuses on the assessment and response to audit risk
- **Nonprofit Involvement:**
  - Board member, MD/DC/VA Chapter of Lupus Foundation of America
  - Former Treasurer, Mentors Inc.



## Jeffrey Freedman, CFE

Supervisor, Gelman, Rosenberg & Freedman CPAs

- **14 years** of experience in auditing, consulting and accounting
- Specializes in nonprofit audits
  - OMB Circulars A-110, A-122 and A-133 audits
  - Field office audits
  - Fraud concerns
- **Nonprofit Involvement:**
  - President of the Hebrew Day Institute
  - Board member, Jewish Federation of Greater Washington



## Agenda

- Fraud
- Reporting standards
- Tax updates
- OMB Circular A-133 updates



## Fraud

- Fraud awareness policy
- Conflict of interest policy
- Whistleblower policy





# International Financial Reporting Standards

- Background
- Implementation
- Effect for nonprofit organizations



## Lease Accounting

- Current Standards
  - Have an option between capital lease and operating lease
    - Balance sheet and income statement
- Proposed Standards
  - Record all leases on the balance sheet
  - Exceptions - short term leases
    - Less than 12 months



## Who Is Interested in Your 990?

- IRS
- Charity evaluators
- State attorneys general
- Potential funders
- Competitors/detractors/media





## Changes to IRS Form 990

- 2010 is third year with the new form
- The IRS changes are primarily clarifications in instructions with a few modifications to the form itself
- Handout has highlights of changes



## Functional Expense Statement

- How and where you spend your money!
- During the audit and sometimes during the 990 preparation, too little attention is paid to the functional expense statement





## Functional Expense Statement (cont)

- Form 990 presentation is often very different from the financial statement presentation
  - “Functional Classification” vs. “Natural Classification”
  - Detailed reporting of some natural classifications required on Form 990



## Functional Expense Statement (cont)

- Breakdown between program, management and general (M&G) and fundraising gets a lot of scrutiny from other stakeholders
- Charity evaluators take these percentages into account in rating your organization



## Governmental Accounting (A-133) Updates

- Revised independence rules
  - Bookkeeping and preparing accounting records
  - Preparing financial statements
  - Internal audit services
  - Internal control monitoring and assessments
  - Information technology systems services
  - Valuation services



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# GAO Indirect Cost Rate Study 2010



## Don't Forget!

- Annual “Conflict of Interest” policy for board and staff
- Financial accounting policies and procedures (to include procurement for federally funded programs)
- Document Retention Policy (to include electronic documentation such as email)



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## Questions & Answers



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