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NONPROFIT STANDARD

DO YOU WANT $1 TO GO TO CHARITY?

Understanding Payments to Agents of Charitable Organizations

By Rebekuh Eley, CPA, MST

Many times local retail chains or restaurants ask customers to donate to a local charity with the payment of their restaurant bill or store purchase. Are these donations considered tax deductible contributions? The donation is not going directly to a charity. The donation is going to a business entity that will pay the donation to the charity on the customer's behalf.

Payments to these businesses, or agents, in lieu of a direct contribution to a qualified Internal Revenue Code (IRC) 501(c)(3) organization, are considered tax deductible donations when paid to an agent of the organization. A valid agent of the charity may also provide the contemporaneous written acknowledgement to the donor as required to take a charitable contribution deduction. An entity that enters into this type of arrangement should comply with guidelines so a true agency relationship exists with the charity to avoid income treatment of the donations received on behalf of the charity and, to allow a charitable contribution tax deduction to the donor. These agency arrangements can also be mutually beneficial to both the charity and the business entity.

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DO YOU WANT $1 TO GO TO CHARITY?

The Internal Revenue Service (IRS) has issued guidelines for entities to follow to assist with obtaining an agency relationship. According to Revenue Ruling 2002-67, the agency arrangement between a charitable organization and a person or entity acting on behalf of the charitable organization should first be established through a written agreement that is valid under the applicable state law. Not all contractual relationships will necessarily result in an agency relationship. It is important to confirm that the state law recognizes the relationship established in the agreement as a valid agency relationship.

The IRS further analyzed the terms and facts and circumstances of a written agreement to establish an agency relationship in PLR 200230005. The IRS noted the following characteristics that supported a valid agency relationship between a charity and a for-profit company receiving car donations on behalf of the charity.

- The written agreement between the charity and the company clearly established an agency relationship pursuant to certain state agency laws.
- The company was to act on the charity's behalf and was subject to the charity's control in the general performance of certain activities such as solicitation, acceptance, processing and the sale of donated property.
- The company could exercise some discretion but this was not in conflict with state law.
- The charity remained the equitable owners of the donated property until an authorized sale occurred.
- The charity bore the risk of accidental loss, damage or destruction of the donated property until the donated property was sold.
- The charity had the requisite degree of control and supervision.
- The company agreed to provide monthly accounting reports and weekly advertising reports to the charity.
- The charity reserved the right to inspect the company's property donation program financial statements.

Under the written agreement, the company would pay certain costs and expenses, such as advertising and insurance. This fact did not preclude a determination that there is a valid agency relationship. Also, the fact that a related person to the company could purchase any vehicle at fair market value did not preclude the agency relationship provided the company acted in accordance with its fiduciary responsibility.

After an entity has established an agency relationship to receive contributions on behalf of a charity, the entity needs to evaluate if it is considered a charitable or professional fundraiser under state law. Many states impose additional registration and annual filing requirements on entities that are considered charitable or professional fundraisers.

After reviewing the requirements set forth by the Internal Revenue Service and various states, an entity may question the decision to establish an agency relationship. However, the agent will achieve a sense of community and purpose in helping the good cause of a charity while providing additional goodwill for its own business endeavors.

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INSTITUTE PROFESSIONAL PROFILE

REBEKUH ELEY

Rebekuh serves as the BDO Central Region director of Exempt Organization Tax Services and is located in our Chicago practice office. She brings extensive experience and knowledge to the nonprofit industry and has served hospitals and health systems, higher education institutions, health and welfare organizations, private and operating foundations, trade associations and membership organizations. Although, she specializes in tax issues facing exempt organizations, Rebekuh has a broad tax background that encompasses corporate, partnership and individual tax.

Rebekuh concentrates on the tax issues facing nonprofit organizations and their for-profit affiliates, including the myriad of special tax rules that apply to tax-exempt organizations, such as the rules governing unrelated business taxable income, intermediate sanctions, private inurement, lobbying and political activities, information reporting, tax-exempt bonds, alternative investments, charitable gifts and ASC 740 documentation.

Rebekuh speaks regularly at a variety of forums, including the AICPA and the Illinois CPA Society where she speaks on topics impacting exempt organizations. She is a member of the AICPA and the Illinois CPA Society and serves on the Illinois Society Not-For-Profit Organizations Committee, including the NFP Conference Task Force and she is the Chair of the Tax Subcommittee. She currently is a member of the Great Lakes Area TE/GE Council which serves as a liaison between the IRS, practitioners and the nonprofit industry. Rebekuh received her B.A. in Business Administration from Benedictine University and her M.S.T. from Northern Illinois University.

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PUBLIC/PRIVATE PARTNERSHIPS – LEARNING FROM THE MODEL AND IMPLICATIONS OF NEW CAPITAL SOURCES IN NOT-FOR-PROFIT HEALTHCARE

By Patrick D. Pilch and Stephanie Diller

From complex laws and an aging, chronically ill population to new operating models, disruptive technology and strained EBIDA, the nonprofit healthcare sector is undeniably experiencing incredible change and, with that, transformation across the continuum of care is being fostered.

According to the American Hospital Association's (AHA) 2013 Hospital Statistics, the U.S. is comprised of 5,724 hospitals of which 2,903 of these hospitals are considered nonprofit. While healthcare is not a hospital, hospitals do make up a major component of the care continuum as well as total national healthcare spending. In 2011, approximately 31.5 percent of healthcare spending was attributed to hospitals. In 2012, this spending increased 4.9 percent to reach $2.8 trillion or $8,915 per person.[1, 2]

To further this point, in Standard & Poor's (S&P) recent ratings announcement, the financial services company shifted its outlook on nonprofit healthcare to negative, stating that "we believe there will be an increasingly negative operating environment as incremental pressures continue." To further compound this view, S&P released a December 2013 Ratings Direct report which stated, "We believe the U.S. not-for-profit health care sector is at a tipping point."[3]

With these data and insights in mind, the pressures of an overall weaker and changing revenue environment combined with increased difficulty in identifying ways to lower costs as well as the significant need to upgrade/redesign current plans after years of deferred capital spending to shore up balance sheets are converging at a critical time for healthcare organizations—particularly for nonprofit healthcare organizations. To transform, however, capital is needed and as S&P's recent findings may suggest, access to appropriate capital may become more challenging. So where should nonprofit healthcare organizations look for funding to transform and what are compelling models to consider? Further, what are the implications?

Healthcare is an extremely capital-intensive sector. The costs of replacing existing plants, technical equipment and IT platforms to adhere to new operating models are typically so significant that a merger or sale is often an option for nonprofit healthcare boards to consider. For example, depending on location, seismic design and construction requirements, the cost of replacing or constructing a new hospital ranges from $1 million to $2.5 million or more.

Another option for nonprofit healthcare organizations anticipating changes and requiring intensive capital investment are Public/Private Partnership arrangements. These agreements exist between governmental entities and non-governmental entities and often for-profit companies. The nature of these types of arrangements is around financial and operational activity with specific governance structuring to preserve the public mission. While not-for-profit healthcare organizations are not typically aligned with governmental healthcare entities, due to their not-for-profit status, there is an implicit partnership with government and lessons to be learned and applied from this type of agreement, particularly during such a volatile and challenging time in not-for-profit healthcare. Additionally, under these type of agreements, the investment in infrastructure will be less "facility focused" and more focused on a network of care ranging from prevention to acute to post-acute to home health.

Below are some considerations, implications and lessons learned that can be applied from traditional Public/Private Partnership agreements to not-for-profit healthcare organizations:

- Infrastructure assets are to be used and not necessarily owned:

  - When structured correctly, technology and maintenance risk can be shifted to financial or strategic investors;
  - A weighted average cost of capital analysis with relative weighted risk applied under the existing capital structure and compared to a proposed new capital structure;
  - Understanding how a new source of capital aligns with the organization's clinical model is key.
- Governance is critical and any "for-profit" activity or perception of such activity must be clearly delineated and outlined so that the not-for-profit status is preserved:
  - This is often a "brave new world" for management and the development of a cogent, sustainable and implementable strategy must be clearly defined and followed.
- There are risks associated with transitioning an operating model from being asset-focused to a model designed to serve the population:

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PUBLIC/PRIVATE PARTNERSHIPS

- – Keep in mind that the traditional hospital-centric model for the majority of not-for-profit hospitals will be disintermediated by new care models such as accountable care organizations, bundled payment models and clinically integrated networks.
- – This shift will become increasingly more apparent in the next three years (from 2014-2017) as the Affordable Care Act takes hold.

- In addition to governance preserving the not-for-profit tax status, board governance and education are paramount and should be required by the organization on an annual and as-needed basis.
- Having an understanding of the organization's enterprise risk coupled with strategy can be a worthwhile investment and accretive asset going forward.
- Clarity, communication and direction from the board and senior leadership is necessary:
  - – Typically not-for-profit organizations do not have the rigor of a for-profit organization with regard to communication and transparency. As such, the organization must engage a strong communication office to assist in clearly and frequently communicating with internal as well as external constituencies to create a shared vision.
- **Lastly and most importantly,** boards and senior management have an opportunity to learn from best practices around the country to determine the right structure and arrangement as well as the most appropriate operating model for their organization.

1 http://www.cdc.gov/nchs/fastats/health-expenditures.htm
2 http://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/downloads/highlights.pdf
3 http://www.standardandpoors.com/spf/upload/Events_US/article5_dec112013.pdf

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GOT COMPENSATION PROGRAM RISK?

All the Form 990 boxes say compensation is IRS compliant … has anyone checked?

By Mike Conover

Sharing actual experiences arising in our compensation consulting work provides some of the most valuable information for our readers. The questions we are asked and the types of work being requested by clients generally serve as a good source for timely topics. Without divulging any confidential information, I believe some of our recent experiences in the past few months offer a topic that warrants a closer look by many organizations.

We have encountered a number of instances this year where we have been asked to review several years of documentation supporting an organization's governance of executive compensation. In some cases, our work involved a search for confirmation of detail to support a past pay action. In others there were specific requests to examine the quality of existing documents supporting the pay program. Both approaches allowed us a firsthand opportunity to see what clients had in their possession, or thought they had, regardless of the fact that the applicable questions on the Form 990 were checked with a "Yes."

It is worth mentioning that the criteria we use to evaluate the materials follow the Internal Revenue Service (IRS) Intermediate Sanctions' guidance for the Presumption of Reasonableness. We generally focus on determining:

- The participation/role of independent directors in compensation decision making
- The quality of competitive compensation data from "comparable" sources used in decision making
- The quality of contemporaneous documentation (i.e., minutes) kept to record the discussions and decisions related to executive pay

These criteria can be met by satisfying some rather broad requirements outlined in the provisions of the Intermediate Sanctions. The precise manner of doing so is generally left up to the organization in question. Our reviews express our opinion as to how well organizations could substantiate their satisfaction of the requirements for the Presumption of Reasonableness.

In our reviews, we examined: board and compensation committee members; the schedule of their meetings; staff positions for which the board has direct compensation decision making authority; records of board meetings and resources used by board members engaged in compensation decision making. Additional materials such as formal compensation strategy/policy statements, and board/compensation committee charters, for example, were also reviewed in those instances where organizations were using them.

In many cases, we discovered that despite the fact that the boxes were checked affirmatively on the Form 990s and the certainty of compliance expressed by individuals directly involved in the compensation process, there were opportunities to strengthen or initiate critical practices needed to secure the Presumption of Reasonableness. The balance of this article will highlight the types of issues we have encountered and provide steps that should be taken to avoid problems.

OVERSIGHT BY INDEPENDENT BOARD MEMBERS/COMMITTEE

This requirement was the one most generally satisfied by the organizations reviewed. All independent members of the organization's board or a committee of independent board members were usually involved in oversight

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COMPENSATION PROGRAM RISK

of executive compensation matters. To the degree that opportunities for improvement were noted, they included:

- Expanding the scope of board authority over staff pay to include all "Disqualified Individuals," not just the Executive Director/CEO. In most cases, the organization's CFO/principal financial officer should also be included in the scope of board-level authority. In fact, it might be highly desirable to have final authority for compensation of all positions reporting directly to the Executive Director/CEO rest with the board.

- Board members should be especially cognizant of any role that the Executive Director/CEO might play in the determination of his/her own pay. While it may be perfectly appropriate for the executive to present a "self-appraisal" of performance or make recommendations for direct subordinates, the Executive Director/CEO should not solely be relied upon to provide competitive compensation information or a recommendation for his/her own compensation. Furthermore, the CEO/Executive Director should be formally excused from the meeting as board members discuss and decide his/her compensation actions.

- Formalize board/compensation responsibilities for compensation with a formal charter or statement of responsibilities and authority. All parties involved in the administration of the compensation must be fully aware of their respective roles.

▶COMPETITIVE COMPENSATION DATA FOR COMPARABLE ORGANIZATIONS/POSITIONS

Our reviews indicate that many organizations need to do a significantly better job to satisfy this requirement. In several instances, competitive data could not be produced despite earlier reports it was used nor could the actual data sources or specific Form 990s that were used be recalled. More often, we observed the following:

- It was difficult or impossible to demonstrate that data from comparable organizations were being presented for board consideration.
  - In some cases, pay data was reported from similar types of organizations, but no information about the size/scope of the organizations included in the pay data sample was available. Accordingly, it was not possible to determine if pay levels represented much larger/more complex organizations and/or locations with markedly different employment costs.
  - Form 990s were collected from organizations totally unrelated to the organization in question (different type(s) of entities and/or radically different size/scope of operation) with no rationale for their inclusion in the information shared with the board.

- In some cases, even if organizations were generally comparable, it was not apparent that positions cited in the competitive analysis were comparable to the client organization.
  - Jobs were "matched" strictly on the basis of generic office titles (e.g., Executive Vice President, Associate Director, etc.)
  - No information was presented that ensured unique or unusual characteristics in the client's position (or an external benchmark position) had been identified and addressed in the competitive analysis.

- Competitive data of questionable quality was used in the compensation analyses.
  - Surveys published or pay analyses performed three or more years ago were used as the basis for current decision making.
  - Consultant reports failed to provide sufficient documentation to establish comparability in competitive analyses and/or relied upon poor quality data.
  - Only direct pay/cash compensation data was included in the competitive analysis without any consideration of benefits, perquisites and deferral/retirement income arrangements to assess total remuneration.

▶DOCUMENTATION (i.e., MINUTES)

In most cases, we find this the area to be the one in need of the most improvement. Many

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organizations could not produce minutes of meetings that specifically address details of decisions surrounding compensation. Perhaps out of concerns about confidentiality or confusion about the responsibility for taking the minutes, the minutes simply were never taken. Other common areas we cited for improvement included:

- Provide more detail in the meeting minutes to ensure that an accurate record of information, discussions and decisions about compensation were recorded.
  - Noting members in attendance or participating by phone and mentioning staff or outside professionals participating in the discussion.
  - Carefully noting that staff members or any conflicted parties were excused from meetings when compensation is being discussed or decided.
  - Noting and including copies of any reports, surveys or other information used in the meeting.
  - Recording the actual vote/affirmation made by the board or committee for the pay action in question.
- Ensure that meeting minutes are drafted, reviewed with participants and approved by the earlier of the next meeting or within 60 days. Initial drafts of meeting minutes can be circulated to meeting participants electronically with a request for comments, changes and/or approval. It is then quite easy to produce and circulate the final in order to obtain approval. It is important to verify and date the approval of the minutes by participants as part of the final document.
- Organize and retain all documentation concerning the compensation program in a central location. Ensure it is a resource available for reference to board members in the future or outside authorities that may request to review it.
- Finally, organizations might find it helpful to prepare a formal document which describes the overall compensation program as well as the general principles which guide it. This type of document is helpful for a number of reasons.
  - It provides a means for discussing, arriving at a consensus and finally documenting the principles, policies and practices that will govern the organization's approach to all forms of compensation by:
    - Providing identification of pertinent "competitors" – similar service offerings, employing/competing for similar executive resources, etc., used to establish a marketplace for determination of competitive pay practices
    - Defining the desired position of overall compensation in relation to the competitive marketplace (i.e., at, above, below the market) as well as the rationale for support of this desired position
    - Identifying the components that will be used in the compensation program (i.e., salary, bonus, retirement plan, benefits, perquisites) and the role that each will play to achieve the desired position described above
  - Encourages stability/consistency in pay policy and practices. Rotation of board member assignments, turnover in board members and/or the executive team sometimes produce changes in pay practices. Without a formal position on pay policy, pay practices can change based on personal points of view.
  - Finally, this document, along with the other forms of documentation discussed above, becomes an impressive component of an overall description of the compensation program that can be used for new board member orientation/education or to explain it to any outside official that might have a need to review it.

Our experience suggests that many organizations have some, but not all, of the information needed to be reasonably certain of their entitlement to the Intermediate Sanctions' Presumption of Reasonableness. Incorrect, incomplete or non-existent records in any of the broad areas discussed here will seriously erode the likelihood of success. In all probability, the discovery of a few issues generally leads to additional requests for more information and more extensive examination.

No matter how carefully and well-intentioned the administration of the compensation program has been, the absence of appropriate documentation to support past practices and decisions will raise questions.

Outside board members and senior staff members would be well-advised to critically examine or arrange for an outside examination of the current state of their compensation program's recordkeeping and documentation. Organizations should ask themselves the following question:

"Would an outsider reviewing these documents understand and accept this as evidence of good management of our pay?"

Waiting to discover problems until the organization is embroiled in a pay-related controversy or under review by government officials invites needless worry and embarrassment.

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FIVE DATA SECURITY TIPS FOR COLLEGES AND UNIVERSITIES

By Sandra Feinsmith, CPA

In April 2014 BDO personnel attended the SACUBO Annual Meeting in San Antonio. The event was filled with compelling presentations on a variety of issues impacting the higher education industry, from the FASB's Not-for-Profit Financial Reporting-Financial Statements project to new developments in Big Data. The conference also addressed the rapidly evolving issue of cybersecurity for higher education institutions.

With cybersecurity growing as a concern across all industries in the U.S., colleges and universities need to stay ahead of the curve and explore new ways to lock down student, staff and faculty data. The costs of a data breach can be high; according to the *Chronicle of Higher Education*, the February 2014 hacking of the University of Maryland's IT systems could cost the university millions of dollars. On top of that, the university must also combat the reputational harm that could come from the leak of its staff's and students' personal information.

Why are data intrusions at higher education institutions on the rise? In addition to the risk that students, staff and faculty incur in their personal use of university information systems, the sheer amount of personal data stored on university servers makes them attractive to hackers looking to steal and sell identifying information, such as Social Security numbers. Some intruders may also simply be looking to cause some havoc.

Still, one of the more problematic causes behind the growth in cybersecurity breaches at universities is simply that many institutions do not prepare for them. In order to combat this complacency, here are a few steps colleges and universities can take to get ahead of the threat:

1. Understand the various types of cyber attacks.

Knowing the variety of intrusion methods used can help you plan your defense strategy. A substantial number of intrusions occur through phishing, in which a user unwittingly shares his or her password with a hacker. Other methods include the stealth installation of malware on computers, "brute force" attacks where hackers simply guess at passwords, and exploitation of known system vulnerabilities. Sometimes, an intrusion can even be facilitated by careless data protection on the university's part, such as a failure to use adequate encryption for personal information stored on its servers.

2. Invest in up-to-date software solutions to protect your systems.

While there's no silver bullet, a robust package of anti-virus, anti-malware and firewall software installed throughout the system can erect hurdles to unscrupulous hackers looking for chinks in your armor.

3. Implement multilevel credentialing processes for IT users throughout the institution.

A strong password alone may not be sufficient to protect user accounts from intrusions. During one presentation, Brian Rivers and Holley Schramski of the University of Georgia discussed their institution's new ArchPass system, which involves using a small device to generate a one-time numeric code that users must enter in addition to their passwords to access university systems. This added layer can help halt attacks, even when a hacker has access to a password.

4. Improve awareness cross-campus.

Take the time to educate stakeholders across your organization about best practices for protecting their data. Many attacks can be thwarted with common sense, such as not opening questionable emails and double-checking site URLs before entering user credentials.

5. Act quickly to close vulnerabilities as soon as they appear.

With technology changing every day, standards for security protocols can quickly become obscure, and savvy hackers can find new loopholes to exploit. Universities and colleges should monitor for potential vulnerabilities on an ongoing basis and, upon finding them, should quickly remedy them, either by patching them or implementing new systems as needed.

Data security will continue to be a problem in the coming years for all organizations, but ongoing vigilance can go a long way toward helping your institution both anticipate and quickly respond to potential breaches.

Article reprinted from the Nonprofit Standard blog.

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HOUSE WAYS & MEANS COMMITTEE APPROVES FIVE BILLS TO PROVIDE CHARITABLE GIVING INCENTIVES

By Laura Kalick, JD, LLM in Tax

On May 29, 2014, the House Ways & Means Committee marked up and approved five tax bills aiming to help increase funds for charitable activities. While the full House of Representatives will need to vote on and pass these bills before they can move forward, this initial bipartisan effort to push them through is a promising sign that Congress is taking action in support of the charitable community.

Three of the bills are extensions of soon-to-expire provisions that have been on the books for many years. Historically, these provisions have expired almost every year, and have needed legislation with retroactive effect to keep them in the Tax Code:

- **The Individual Retirement Account (IRA) rollover to charity provision:** Under this rule, an individual who is age 70½ can roll over up to $100,000 from an individual retirement account directly to a charity without including the donation amount in his/her taxable income. This eliminates the potential tax liability that would occur if an individual first took a distribution from an IRA, counting all of it as ordinary income and then taking a charitable deduction since, as with any itemized deduction, the charitable contribution deduction may be reduced, and other limitations may apply.

- **Qualified conservation contribution deductions would become permanent:** This provision would allow charitable contribution deductions for property used for conservation and certain other purposes.

- **Contributions of food inventory:** Under current law, certain taxpayers are allowed an enhanced charitable deduction for certain gifts of food inventory. In order to calculate the donation amount, one must determine the fair market value of the inventory, which has historically resulted in disputes between taxpayers and the Internal Revenue Service (IRS). This provision had an expiration date of Dec. 31, 2013. The marked-up provision would reinstate and make permanent the deduction for food inventory, while also providing safe harbor valuation methods.

The remaining two bills introduce new provisions to promote charitable giving:

- **An extension of time to make deductible charitable contributions:** This provision, which was included in the draft Tax Reform Act of 2014, would allow individuals to make donations to charities up until the due date of the person's tax return. In turn, individuals could deduct these donations on the previous calendar year's tax return. In effect, as individuals begin to file, this additional time could boost giving through prompting taxpayers to reconsider gifts as a way of reducing their liability in the run-up to the filing deadline. Still, regardless of the provision's impact on total giving amounts, charities will receive the money earlier in the year, rather than waiting until the end of the calendar year when most individuals focus their giving.

- **Simplification of the excise tax on private foundations:** Under current law, private foundations are subject to a 2 percent tax on their net investment income, which can be reduced to 1 percent based on a complex set of rules that take into account a historical average of how much money is used for charitable purposes. The new bill would reduce this tax to 1 percent across the board, potentially increasing the funds that are available to organizations for charitable purposes.

We will provide updates on the status of these bills as they continue to move through the legislative process both in the Nonprofit Standard blog and this newsletter.

Article reprinted from the Nonprofit Standard blog.

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BDO SUPERCIRCULAR PREPAREDNESS SERIES: Design and Implementation of Effective Procurement System Controls

By Eric Sobota and Ted Waters (partner at Feldesman Tucker Leifer Fidell, LLP)

On Dec. 26, 2013, the Office of Management and Budget (OMB) issued the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Grants,* an omnibus circular (*i.e.* Supercircular or Omnicircular), which streamlines what were previously eight existing circulars into a single, comprehensive policy guide for grant recipients and federal awarding agencies (See Winter 2013 Nonprofit Standard for Sobota's article on the Supercircular and the BDO Knows Government Contracting Alert issued in Jan. 2014 for more information on the Supercircular). One major change in the Supercircular is the adoption of more formal procurement requirements for purchases of goods and services with federal grant funds (cooperative agreements are also included but we will refer to "grants" throughout this article to be inclusive of both types of agreements) by recipients of those funds. These changes will have a greater impact on the nonprofit and higher education communities than, for example, government grantees because the Supercircular dispenses with the more relaxed procurement standards under the old OMB Circular A-110 and largely adopts the more stringent standards from the old OMB Circular A-102. For example, sole source procurements, which were allowed with "justification" under A-110 are now only allowed in limited and specific circumstances. As a side note, you may not be familiar with A-110 and A-102 because they are adopted by each federal agency into their own regulations. These are the "grant administration" regulations. The Department of Health and Human Services (HHS) for example adopted them at 45 CFR Parts 74 and 92.

These new requirements go into effect for grant awards made after Dec. 26, 2014. Accordingly, recipient organizations should begin work now to revise their procurement policies and develop appropriate procedures to ensure compliance. The information provided below is aimed at helping your organization design and implement a procurement system that is compliant with the new Supercircular requirements.

▶OVERALL STRATEGIC APPROACH

To effectively design adequate procurement system controls for implementation, a nonprofit organization should first conduct a comprehensive assessment of its existing procurement policies, procedures, practices and work instructions. The purpose of such an assessment is to identify high risk compliance areas from an operational perspective (*i.e.* what works and what doesn't under current rules) and document perceived gaps in the procurement system in comparison to the new rules under the Supercircular. All perceived gaps should be accompanied by a corresponding corrective action plan necessary to address each compliance concern.

▶CONSIDERATION OF KEY REQUIREMENTS

To ensure the most efficient use of federal funds, OMB has incorporated procurement standards similar to those required under the Federal Acquisition Regulation (FAR) for U.S. government contractors. In particular, careful consideration should be given to the following key procurement system requirements under the Supercircular:

- **Delineation of Subrecipients vs. Contractors –** The Supercircular has clarified longstanding rules that delineate between subrecipients and contractors. This distinction has received increasing interest from federal grant-making agencies in the past few years and the Supercircular places considerable emphasis on the legal terms and requirements of subrecipient agreements. In a nutshell, a subrecipient relationship is one where the subrecipient is performing grant-funded activities using federal funds from the grantee or "pass-through entity." A contractual relationship is one where the grantee or subrecipient is using federal funds to purchase goods and services necessary to perform its programmatic functions. Correctly designating the relationship that your organization is entering into is critical since the legal requirements for formation of these relationships (subrecipient relationship can only be entered into with federal approval, procurements must be

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conducted under competitive procedures with no federal involvement), terms of the agreements (the Supercircular contains mandatory requirements for subrecipient agreements while the terms and conditions of your contracts are largely left to the grantee) and monitoring and oversight are substantially different (monitoring subrecipients is considerably more intensive as discussed below). Given these differences, it is essential for your organization to have an explicit policy that provides your staff with clear directions to distinguish between the two types of relationships.

- **Prescribed Procurement Methodologies –** Adequate procurement controls must be established to prohibit state or local geographical preferences and allow for purchases to be conducted by one of the five prescribed procurement methods. Processes for the proper execution of each of the allowable procurement methods must be explicitly defined within policies and procedures. These methodologies and additional key considerations associated with each method are provided below:

  1. **Micro-Purchase for purchases less than $3,000:** To the extent practicable, micro-purchases must be distributed equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the organization considers the price (after adequate price analysis) to be reasonable.
  2. **Procurement by Small Purchase Procedure for purchases less than $150,000:** Price or rate quotations for procurement by small purchase procedures must be obtained from an adequate number of qualified sources. Procurements above $150,000 (the simplified acquisition threshold) must be conducted using either sealed bids or competitive proposals as discussed next.
  3. **Procurement by Sealed Bids (formal advertising):** Sealed bids can occur only when bids are publicly solicited and a firm fixed contract is awarded to a responsible bidder. All applicable conditions must be present for sealed bids to be feasible with the driving policy behind this method being the price is the primary or only selection factor. This is the "preferred" method for construction projects funded with federal grant funds.
  4. **Procurement by Competitive Proposal:** Competitive proposals are used when sealed bids are not appropriate. Competitive procurements require publicized request for proposals and identify all evaluation factors and their relative importance. In addition, an adequate number of qualified sources must be solicited. A written method for conducting technical evaluations of proposals received must also be established.
  5. **Procurement by Noncompetitive Proposal (Sole Source):** Sole source procurements may only be used in one of the following four limited circumstances: the item is available from only a single source; the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation; if the federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the organization; or if competition is deemed inadequate after solicitation of a number of sources. As noted above, this is a major change for the nonprofit community.

- **Small Business Emphasis –** During the pre-award process, affirmative steps must be made to place small and minority-owned businesses on solicitation lists and utilize these businesses to the highest extent practicable.

- **Evaluation Criteria –** In order to execute proper procurement evaluations, timely cost/price analyses and technical evaluations should be performed by the organization. Prior to awarding the procurement, the organization is responsible for ensuring that the cost/price associated with the procurement is fair and reasonable.

- **Documentation –** All procurement documentation which details the complete and accurate history of the purchase transaction must be retained. Specifically, the documentation must contain proper support for the method of procurement, contractor selected and basis of award, and reasonableness of cost/price. It is important to note that procurements over the simplified acquisition threshold require additional documentation and mandatory contract terms.

- **Subrecipient Monitoring –** Organizations are required to monitor their subrecipients to ensure that funds covered under the federal award are used in accordance with U.S. government statutes, regulations, and terms and conditions of the award. Therefore, adequate subrecipient monitoring processes must be established and included in subrecipient agreements. Proper subrecipient agreements should provide an organization with the capability to negotiate an indirect cost rate with subrecipients (or apply appropriate plug-in rate) while maintaining audit rights and access to subrecipient records. In addition, these agreements must ensure that all applicable federal requirements are flowed down to subrecipients. Practices must be established to evaluate each subrecipient's risk of noncompliance (i.e., past performance, not on excluded parties list) and determine the appropriate level of monitoring based on the results of this evaluation.

- **Conflicts of Interest** – Conflict of interest policies, both organizational and personal, must be established based on the organization's written standards of conduct in order to identify and evaluate potential conflicts as early as possible during the acquisition or sub-award process. The Supercircular contains, for the first time, requirements for organizational conflicts of interest that concern procurements with related parties and organizations. These requirements, in addition to longstanding restrictions on real or potential conflict between individuals involved with the selection, award or administration of contracts and contractors and contractor personnel, must be included in your organization's written conflict of interest policies. Those policies should also include a clear statement that individuals or entities that are involved with drafting contract specifications, RFPs and the like cannot compete for contracts resulting from such specifications and there is a prohibition on receiving gifts or gratuities above a nominal amount from contractors and potential contractors.

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SUPERCIRCULAR

- **Internal Controls –** The Supercircular contains new and explicit provisions requiring grantees to have appropriate internal controls for their grant-funded operations. Ensuring that your procurement policies are drafted with an eye to these requirements is also essential.

▶ADDITIONAL CONSIDERATIONS

Prior to the design and implementation of procurement system controls, your organization should consider the most efficient structure of the procurement function (i.e., centralized, decentralized or hybrid). This determination will be dependent upon the current organizational structure as well as specific programmatic needs.

Implementing a centralized procurement function will allow your organization to process all purchases through a single organizational department allowing for consistent procurement documentation based upon a single set of internal controls. On the other hand, a decentralized procurement function would require training across all applicable personnel authorized to serve as an agent of the organization.

Whether centralized, decentralized or a hybrid of the two methodologies, your organization should require a consistent set of documentation to be retained within each purchasing file – based on established dollar thresholds – which appropriately details the complete and accurate history of the purchase transaction.

The design and implementation of a compliant federal procurement practice is critical to the successful execution of federal awards.

For more information, contact Eric Sobota, managing director with BDO's Government Contracting practice, at esobota@bdo.com.

NONPROFIT FACTS: *Did you know...*

- From 2001 to 2011, the number of nonprofits in the United States grew 25 percent, while the number of for-profit businesses rose by half of 1 percent, according to the most recent figures compiled by the Urban Institute.
- The nonprofit sector collectively had nearly $3 trillion in assets during 2010, according to the Internal Revenue Service (IRS) Statistics of Income Winter Bulletin. Total assets came in at $2.939 trillion. That's about 9 percent more than 2009, when total assets added up to $2.673 trillion.
- A study of more than 5,000 charities released by the Nonprofit Finance Fund suggests that many nonprofits are seeking new financial models in the year ahead.
- According to the Nonprofit Finance Fund's 2014 State of the Nonprofit Sector Survey, 80 percent of nonprofits reported an increase in demand for services, the sixth straight year of increased demand.
- Foreign development assistance grew by 6.1 percent to $134.8 billion in 2013, after a two-year slump triggered by global austerity.
- Between 2000 and 2012, the average four-year college tuition increased 44 percent . Meanwhile, average public college tuition has increased 71 percent since 2000.
- When the Carnegie Corporation of New York was founded in 1911 "to promote the advancement and diffusion of knowledge and understanding," fewer than 3 percent of Americans between the ages of 18 and 24 were students in institutions of higher education. One hundred years later , more than 35 percent of 18- to 24-year-olds are enrolled, and about two-thirds of high-school graduates immediately go on to get more education.
- According to Nonprofit HR's 2014 Nonprofit Employment Practices Survey, 46 percent of nonprofits expanded their staff size in 2013—and 45 percent plan to create new positions in the upcoming year. As a whole, the industry is stronger than ever, with 10.7 million people employed by the nonprofit sector, making it the third largest U.S. industry behind only retail and manufacturing.
- Retention rates for mobile subscribers who opt-in to receive messages or donate via text average 80 percent, according to data released by The mGive Foundation.
- More than 7,000 nonprofits in 120 communities nationwide took part in the 24-hour giving campaign, Give Local America, to celebrate 100 years of local philanthropy by community foundations. Overall, the campaign raised more than $53 million from 306,068 gifts.
- The 2014 Not-for-Profit Governance survey indicates that organizations are shifting towards smaller boards. Almost 80 percent of respondents reported their boards had 20 or more members, while around 48 percent had boards that included 15 or more members.

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SCHEDULE A: THE KEY TO MAINTAINING PUBLIC CHARITY STATUS

By Mike Sorrells, CPA

Many public charities have to pass an annual public support test in order to maintain public charity status and avoid being classified as a private foundation. Certain types of organizations are exempted from this test. Exempted organizations include: churches, schools and colleges, hospitals, Internal Revenue Code (IRC) Section 509(a)(3) supporting organizations and certain others.

This numerical test is completed annually on the Federal Form 990 Schedule A, which is required of all publicly supported IRC 501(c)(3) organizations. Organizations exempted from the test only have to complete Part I of the schedule, which identifies the type of organization. Organizations which are not in an exempted category must fill out one of two support schedules (Part II or Part III). Part II applies to organizations that are described in IRC 170(b)(1)(iv) and 509(a)(1); Part III applies to organizations described in IRC 509(a)(2). The determination of IRC 170(b)(1)(iv) or 509(a)(2) status is typically found on the determination letter that the organization received from the Internal Revenue Service (IRS) when it first obtained exempt status.

THE TWO TESTS

Part II organizations "normally receive a substantial part of support from a governmental unit or from the general public," in general, one third. Part III organizations "normally receive (1) more than 33 and 1/3 percent of its support from contributions, membership fees and gross receipts related to exempt functions—subject to certain exceptions, and (2) no more than 33 and 1/3 percent of its support from gross investment income and unrelated business income." Each of the tests looks at the cumulative support for the year being reported plus the prior four years, so any one year is not definitive in terms of passing or failing on public support. Organizations now are excused from passing the test in the first five years of existence, giving them time to establish broad support.

For both tests, certain "unusual" grants may be excluded from both the numerator and denominator of the calculation. Unusual grants are grants and bequests from disinterested persons or organizations that are (1) attracted because of the organization's publicly supported nature, (2) unusual and unexpected because of the amount, and (3) large enough to endanger the organization's status with regards to meeting the 33 and 1/3 percent public support test. Such grants must be listed in Part IV of Schedule A but without donor names. The most common unusual grants are typically large bequests from estates or large one-time "startup" grants received early in an organization's life. IRC Regulations 1.509(a)-3(c)(4) contains a list of other factors to consider in determining if a grant is unusual. An organization may request a determination from the IRS on whether a grant is unusual, but this is not required. Form 8940 is used for these advance requests. http://www.irs.gov/pub/irs-pdf/f8940.pdf.

The Part II schedule for 509(a)(1) public charities is the easiest to complete. Basically, it adds up all of the contributions and grants received over the five-year period and subtracts the amount of total contributions (except from governmental units or other public charities) from any one contributor which exceed 2 percent of the total amount of contributions over the five-year period. This number becomes the numerator for the calculation. The denominator is the total amount of support including contributions, investment income, unrelated business income and all other income. When the numerator is divided by the denominator, if the resulting percentage is 33 and 1/3 percent or higher, the organization has passed the test. However, on this test only (not on the 509(a)(2) test), an organization that has over 10 percent public support but less than 33 and 1/3 percent, may be deemed to pass the test under a "facts and circumstances test" for which it must check a box and supply the reasons why the facts and circumstances make the organization a publicly supported charity. The various criteria for the facts and circumstances involved in this assessment are beyond the scope of this article, but a nonprofit tax expert can provide these if needed.

The Part III schedule is more complex. As mentioned above, it tests for both level of public support and also for level of investment and unrelated business income over the five-year period. For the public support side of this, public support typically includes contributions and/or grants *plus* receipts from activities that are not an unrelated activity (e.g., membership dues or program fees). This number is reduced by two different factors: amounts of contributions and program receipts from "disqualified persons" and amounts of activity fees, etc. from non-disqualified persons that exceed the greater of $5,000 or 1 percent of total support for each year in the test. Total support includes all of the above, plus investment income, unrelated business income and all other income. "Disqualified persons" includes both organization insiders such as officers and directors and "substantial contributors." A full definition of this term is included in the glossary of terms in the Form 990 instructions. Once the numerator is reduced by both factors, it is then divided by total support to determine if public support is above 33 and 1/3 percent. As mentioned above, there is no "facts and circumstances" relief for Part III organizations whose percentage falls below 33 and 1/3 percent. The other step of the Part III calculation is to divide investment and unrelated business income by total support. If that result is *above* 33 and 1/3 percent, then the organization also fails the test.

When an organization fails the five-year test two years in a row, it automatically becomes a private foundation and should begin filing Form 990-PF.

PLANNING AND OPTIONS

Obviously, it is important to keep accurate records of the various numbers that go into these calculations each year. Before actually

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SCHEDULE A

failing public support tests, the organization and its advisors should be on alert if public support percentages are trending in the wrong direction and should consider ways to gain more public support in order to avoid ultimately failing the test after five years. Projections can be made for future years to determine approximately what is going to be required to pass in the next several years.

One option for an organization that is trending towards failure or that is failing the public support calculation at year-end is to examine how it would fare if it were utilizing the other test. Often an organization, over the years, has changed from one that relies mostly on donations and grants to one that relies upon a significant amount of program revenue (and vice versa). Under current rules, an organization may switch from one test to another without getting permission from the IRS. It must check the box in Part I for the other type of organization and then complete the entire five-year schedule based upon the new type of organization. This, of course requires digging into past records of donor and program fee amounts and applying the various thresholds to determine what amounts should be subtracted from the denominator of the calculation.

For organizations related to other exempt organizations, there is the possibility that they could qualify as a supporting organization for the other organization and not have to pass this annual test at all. Consult a nonprofit tax professional to see if this is a possibility.

CONCLUSION

Public support is a very complex calculation with many nuances and special rules. But it is of vital importance to every organization for which it is required. Organizations and their advisors should (1) be very careful to determine that this is being calculated correctly, and (2) keep a careful eye on the percentage(s) so that corrective action may be taken before it is too late.

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

Hillary Coley, departing GWSCPA President, and CFO of Trout Unlimited, Mike Sorrells and Wayne Berson, CEO of BDO.

BDO'S MIKE SORRELLS NAMED PRESIDENT OF THE GREATER WASHINGTON SOCIETY OF CPAs

By Nonprofit Practice Leaders

BDO's Mike Sorrells has been named President of the Greater Washington Society of CPAs, effective July 1. Sorrells has long been an active member for the GWSCPA, having served as a member of its Nonprofit Section and Symposium Planning Committee. He has also served as a member of the Executive Committee for the past three years, and in 2013, was the Chair of the Scholarship Committee.

"We are delighted to welcome Mike as our next President," said Kari Bedell, Executive Director of the GWSCPA, in a statement. "He's been an outstanding leader for many years within our organization and I know he will steer us through continued success during his term."

As the National Director of Nonprofit Tax Services for BDO in the Greater Washington, D.C. regional office, Sorrells provides tax consulting and compliance services to a wide spectrum of national and regional tax-exempt organizations. He has specialized solely in exempt taxation for over 20 years and directs a large local nonprofit tax practice. Mike is also the tax leader for the BDO Institute for Nonprofit Excellence. He has written numerous newsletter and journal articles and regularly speaks to groups of nonprofit executives on a variety of tax-related issues.

"It is truly an honor to serve at the helm of the GWSCPA," said Sorrells. "They are an outstanding organization committed to bettering the accounting profession and building the next generation of leaders. I look forward to continuing my contributions to this critical mission in my new capacity."

"We are all very proud of Mike as he takes on a role where he can give back to his profession," said Wayne Berson, CEO of BDO, who provided the keynote address at Sorrells' induction ceremony and who has previously served as president of the GWSCPA.

"I'm proud to be carrying on Wayne's and BDO's leadership tradition with the Association," added Sorrells.

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PROPERTY TAX EXEMPTIONS ON THE RADAR

By Laura Kalick, JD, LLM in Tax

TAX-EXEMPT HOSPITALS ARE ENTITLED TO A MULTITUDE OF FEDERAL AND STATE TAX BENEFITS, WITH AN ESTIMATED TOTAL ANNUAL VALUE OF $12 BILLION.

With numbers this large, just as the federal government has upped the requirements for 501(c)(3) hospitals in the financial assistance and community benefit areas, many jurisdictions are also calling for a return benefit in order to qualify for the property tax exemption. At a minimum, jurisdictions are asking for some kind of compensation to pay for the benefits provided to the nonprofit. In the case of nonprofit hospitals, some states have enacted legislation that requires a certain amount of charity care or community benefit in order to justify property tax exemptions. Other jurisdictions, however, such as Boston, have entered into arrangements with nonprofits titled "payments in lieu of taxes," or PILOTs, in which nonprofits compensate local governments for some of the foregone property tax revenue. These payments help subsidize police and fire protection, construction of public schools and other vital operations, and are provided by all types of nonprofit entities, ranging from hospitals to universities.

While common, however, PILOTs are not without controversy. A lack of transparency, the possible political nature of a favorable deal and the question of whether institutions are actually paying their "fair share" are common criticisms of the arrangements.

STATE LEGISLATION

After the Illinois Department of Revenue denied exemptions to several prominent tax-exempt hospitals, arguing that they were not operating in a charitable manner, the state enacted a law in 2012 requiring tax-exempt hospitals to provide a certain level of charity care and community benefits commensurate with the value of their property tax exemption. Today, Illinois-based nonprofit hospitals can enjoy a property tax exemption only if they can prove that various factors – including, among others, charity care, preventive care, medical research and professional training – are equal to the value of the property tax exemption.

In Texas, as well, nonprofit hospitals must provide community benefits as a condition of their state tax exemption. Texas law gives a hospital four alternatives that cover combinations of charity care and government-sponsored indigent health care in amounts equal to varying sums of net patient revenue. For jurisdictions that do not have laws in place, critics are starting to challenge such exemptions.

A hospital that loses its tax-exempt status or its property tax exemption could face financial disaster. Bond covenants could require that tax-exempt bonds be called in, turning longer term liabilities into current liabilities. The hospital's financial difficulties could also ripple out toward the community it serves as, in many jurisdictions, nonprofit hospitals are major employers, and layoffs might be an unintended consequence. Thus, it is critical that communities and nonprofit hospitals come to an agreement on whether some kind of payment arrangement in lieu of taxes is appropriate and useful.

FEDERAL LEGISLATION

The Affordable Care Act introduced section 501(r) into the Internal Revenue Code, which requires a 501(c)(3) hospital to prepare a community health needs assessment (CHNA) and have an implementation strategy to address the findings of the assessment. Though the new federal tax requirements for 501(c)(3) hospitals also include financial assistance, billing and collection, and charges policy requirements, there is no requirement to provide a dollar amount or percentage of revenue in charity care or community benefits.

With varying policies on the state and federal level, nonprofit organizations must navigate complex waters in order to maintain their exemptions while carrying out their mission.

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

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OTHER ITEMS TO NOTE

2014 Compliance Supplement Issued

On May 19, 2014, the Office of Management and Budget (OMB) released the 2014 *OMB Circular A-133 Compliance Supplement* (the Supplement). You can access the Supplement from the following link: http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2014. You may also access the 2014 Supplement from the OMB Office of Federal Financial Management web page and the grants management section of the OMB website (scroll down to the "Audit Requirements" section). The Supplement is effective for audits of fiscal years beginning after June 30, 2013, and it supersedes the 2013 Supplement.

Appendix V, *List of Changes for the 2014 Compliance Supplement*, identifies the major changes by Catalog of Federal Domestic Assistance (CFDA) number. You should check Appendix V for changes to federal programs that you typically audit. You should also review Appendix VII, *Other OMB Circular A-133 Advisories*, to understand the latest OMB announcements that may be relevant to your 2014 single audits. Appendix VII also updates suggested audit procedures in the section titled, *Clarification of Low-Risk Auditee Criteria*, due to delays in the issuance of the 2013 Data Collection Form (DCF). These changes are intended to ensure that certain auditees that were unable to submit their DCF and related reporting package (i.e., those that were due between 9/30/2013 and 3/30/2014) are not penalized in terms of their low-risk auditee determination relating to timely submission.

Also included in Appendix VII is a brief discussion on the potential changes to the 2015 *Compliance Supplement* due to the effects of the Uniform Grant Guidance. It states that OMB will be performing outreach to explore ways to ensure that the Supplement focuses the auditor on testing the compliance requirements most likely to cause improper payments, waste, fraud or abuse or generate audit findings for which the federal awarding agency will apply sanctions. Based on this outreach, it states that by Aug. 30, 2014, OMB will prepare a revised Part 3 draft for a preliminary vetting in addition to the normal Supplement annual vetting of changes in Dec. 2014 – Jan. 2015.

BDOKNOWLEDGE Nonprofit & Education Seminar Series

This complimentary educational series offered by the BDO Institute for Nonprofit Excellence℠ has been designed specifically for busy professionals in nonprofit and education organizations, with convenient options for live or online participation.

We invite you to take part in this program with members of your organization, including board members, whether they are centrally positioned in the nation's capital or spread across the United States. All webinars are conveniently scheduled from 12:30 to 2 p.m. Eastern Time, and participants can join either in-person, at select local BDO offices nationwide or via individual webinar access from their own desks.

Stay tuned to the blog for further details and registration information for both in-person and online participation. In the meantime, check out the calendar of events below.

4/17/2014	2014 Nonprofit Tax Update: Navigating Through Changing Waters
5/16/2014	The Latest Nonprofit Accounting and Financial Reporting Developments
7/23/2014	Strategic Planning: Test Your Long-Term Strategic Plan
7/31/2014	Supercircular – Procurement Reforms
9/18/2014	The Impact of Healthcare Reform on Organizations
10/9/2014	International NGO Hot Topics
11/2014	Are You Ready for the Supercircular?

ASB Issues Three Governmental Pension Related Auditing Interpretations to SAS No. 122

In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards that will substantially change the accounting and financial reporting of public employee pension plans and the state and local governments that participate in such plans. GASB Statement No. 67, *Financial Reporting for Pension Plans*, revises existing guidance for the financial reports of most governmental pension plans. GASB Statement No. 68, *Accounting and Reporting for Pensions*, revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB Statement No. 67 is effective for financial statements for periods beginning after June 15, 2013. GASB Statement No. 68 is effective for financial statements for fiscal years beginning after June 15, 2014.

To assist auditors and participating employers of governmental plans, the AICPA Auditing Standards Board has issued three auditing interpretations to SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*. The interpretations address certain issues facing governmental multiple-employer pension plans and the government employers who participate in them as a result of the new GASB pension standards.

The auditing interpretations can be found here.

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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 address 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.

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