UPDATE

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DwightDarby&Company

Certified Public Accountants

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Not-for-Profit Entities: Heads-up on Accounting Standards Updates

Pam Mattox

The Financial Accounting Standards Board (FASB) recently issued the much-anticipated Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The aim of the update is to help not-for-profit entities provide more useful information to donors, grantors and other stakeholders on how they spend and manage their resources.

The ASU will take effect for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Entities can choose to apply the changes to interim financial statements in the first year of adoption, but doing so isn't required (they also can apply the standards earlier). Current standards in use were established in 1993.

The following areas have major changes:

Net asset classes - The current net asset classes: unrestricted, temporarily restricted and permanently restricted assets are replaced by two classes: net assets with donor restrictions and net assets without donor restrictions.

In addition, entities can now access funds from a permanently restricted endowment, even if its value has dropped below its initial amount. These underwater endowments will be classified as net assets with donor restrictions instead of as unrestricted net assets. Additional disclosures regarding underwater endowments are required.

The ASU also eliminates the over-time approach for the expiration of restrictions on capital gifts in favor of the placed-in-service method unless there is a specific donor request.

Liquidity and availability of resources - The ASU includes additional disclosures that will help make it easier to assess a not-for-profit's available financial resources. Entities will now have to provide:

1. *Qualitative information* indicating how they manage their liquid available resources to meet cash needs for general expenses within one year of the balance sheet date.
2. *Quantitative information* indicating the availability at the balance sheet date of their financial assets to meet cash needs for general expenses within one year of the balance sheet date. This analysis will take into consideration if the availability of a financial asset is affected by its nature, external limits imposed by grantors, donors, laws and contracts with others, and internal limits imposed by governing board decisions.

Expenses - Expenses will now have to be analyzed by both function and nature, instead of just function. This should enable a user to determine the extent to which expenses are fixed or fluctuating, how expenses are allocated and the costs of services provided. The expenses analysis can be presented on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. Enhanced disclosures about the methods used to allocate costs among the functions are also to be included.

Investment returns - The ASU requires investment returns to be presented net of all related external and direct internal expenses. The ASU eliminates the need to disclose the amount of netted expenses.

Presentation of operating cash flows - The ASU still allows entities the option to present the statement of cash flows using either the direct or indirect method of reporting. But, when the direct method is used, the reconciliation of changes in net assets to cash provided (used in) operating activities is no longer required.

TEN STEPS TO A SUCCESSFUL AUDIT

Sharon Sibilia

If preparing for your upcoming audit seems daunting, you're not alone. The AICPA has compiled their best tips to help you have a smooth audit:

1. Plan ahead. Minimize anxiety and frustration by devoting additional time to year-end close. Maintain communication with the auditors and those involved in the audit process.

2. Stay up-to-date on accounting standards. Newsletters, such as those issued by Dwight Darby & Company, can help keep you up-to-date on the latest pronouncements. To go straight to the source, refer to the Financial Accounting Standards Board's website, fasb.org.

3. Assess changes in activities. Were any activities discontinued, or were there any impairments? Were there significant changes in internal control systems? Such changes may trigger accounting and reporting considerations that should be communicated to the auditor.

4. Learn from the past. Take stock of any prior year audit adjustments, internal control recommendations, or struggles encountered during prior audits. Discuss what went well during last year's audit and where there may be opportunities for improvement.

5. Develop timeline and assign responsibility. Assign each item requested by the auditors to a responsible person. Items requested should be available on the first day of audit fieldwork.

6. Organize data. Create a repository of audit schedules. Schedules containing sensitive information may need to be password-protected.

7. Ask questions. If an item requested by the auditor is unclear, ask for clarification prior to the start of fieldwork to avoid potential delays.

8. Perform a self-review. Once all year-end closing entries are made, review schedules and workpapers to ensure amounts agree or reconcile to the trial balance. Take a step back and assess the overall financial statements for reasonableness.

9. Be available during fieldwork. Avoid key personnel scheduling time off during the audit, and consider rescheduling non-critical meetings for accounting staff involved with the audit. Understand that the auditors will be asking for additional information throughout fieldwork.

10. Evaluate results. Open items at the end of fieldwork should be provided to the auditors by the agreed upon date. If the auditor is to attend meetings with the certain committees, confirm the date, time, and meeting location. Hold a post-audit closing meeting with employees involved in the audit to communicate results and solicit feedback.

Dwight Darby & Company's Top Ten Holiday Movie List!!

Rick Vernal

1. White Christmas – Singing, dancing, romance and the holidays!
2. National Lampoon's Christmas Vacation – Cousin Eddie strikes again.
3. It's a Wonderful Life – "Every time a bell rings, an angel gets its wings"
4. How the Grinch Stole Christmas – Stink, Stank, Stunk…..
5. Elf – "I just like to smile, smiling is my favorite"
6. Home Alone – Kevin!!!
7. Bad Santa – definitely not for the kids……
8. Miracle on 34th Street – "Christmas isn't just a day, it's a frame of mind"
9. A Christmas Story – Leg lamps rule!
10. Scrooged – "Put a Little Love in Your Heart"

Notables

Welcome!

Please join us in welcoming the newest team members to our firm Richard (Rick) Vernal Jr. and Sharon Sibilia.

Rick is a Senior Tax Accountant and has over 22 years of vast tax experience in various industries and includes financial statement preparation as well. Rick attended Ohio State University in Columbus, Ohio where he earned a Bachelor of Science degree in Business Administration in Finance. He also earned a second degree at the University of South Florida, in Tampa, Florida where he earned a Bachelor of Science degree in Business Administration in Accounting. Additionally, Rick is a Certified Public Accountant (CPA).

Sharon is a Senior Accountant and recently moved to the Tampa Bay area from Springfield, Massachusetts. She has over 10 years of experience in a diversity of engagements and industries including auditing, taxation, and financial statement preparation. Sharon attended American International College in Springfield, Massachusetts where she earned a Bachelor of Science degree in Business Administration in Accounting. She also attended Bay Path University in Longmeadow, Massachusetts where she earned a Masters of Science degree in Accounting. Sharon is a Certified Public Accountant (CPA) in Massachusetts and is currently pursuing certification in Florida.

AutoCPAGroup

Meetings/Events

In May 2016, Dawn Lopez attended the semi-annual meeting of the AutoCPA Group in Lake Tahoe, NV. The AutoCPA Group is a nationwide association of over twenty-five CPA firms specializing in auto/truck/motorcycle dealerships. Speakers covered the following topics:

- Estate Planning/Succession/Asset Protection
- Creative Uses of Life Insurance
- Dealership Valuations
- ACA Mandate Update
- White Collar Crime
- Industry Update/Franchise Economics
- Insurance

On November 3rd and 4th David Bove attended the annual AutoCPA Group Associates meeting held in Orlando, FL. Technical information relating to all aspects of dealer operations were shared.

We would be happy to share information about the topics we covered or discuss any concerns you have with your operations. We have a large pool of experts to draw from to assist your dealership to operate at its best.

Christmas Toy Drive

The staff of Dwight Darby & Company (DD&Co) will again be collecting toys for The Joe & Ann Garcia Salesian Boys & Girls Club's annual toy drive. DD&Co joined together with Accountemps, a Robert Half Co., and partner of the organization, to assist with the collection and distribution of the toys to children who are less fortunate. Clients and friends of DD&Co are welcome to help with the drive. To donate, drop off a new unwrapped toy to our office by December 9, 2016. Our office hours are Monday-Friday 8:30-5:30.

Is Downsizing The Way to Retire?

Kathy Tushaus

Will selling your home and buying a smaller one really save you money in retirement? More research on your part is needed to answer this question.

First, don't treat your home as an investment, consider it a living expense. Therefore, you will have to look at the monthly cost of living rather than just the size of your home. If you plan to move from a five bedroom home in a rural community to a condo in the big city, your costs may actually be higher. You will have to consider homeowner association fees and higher property taxes and insurance. However, if there is more maintenance than you can handle the value of your home may be declining.

You may also have to consider estate planning, capital gains and income taxes related to the sale of your larger home. A large capital gain might add to the cost of the move. As an example, if you bought your large home 30 – 50 years ago, the cost might be substantially lower than its current market value. You will be able to exclude up to $500,000 if married and $250,000 if single, of the gain from taxes, but the remaining difference is subject to a 15% or 20% capital gains tax.

Also, with current home values, you may not be able to buy a smaller home free and clear from the proceeds of your larger home, and moving in itself is not cheap.

Maybe you should consider modifications to your larger home to accommodate your needs due to aging or health. These improvements can be less expensive than moving into a new home. As an example, the average cost of a wheelchair ramp is $1,500 and the average cost to install an elevator is $5,300. Perhaps modifying your home to add a first -floor master suite will help make it easier to live in as you age.

Finally, try to remove the emotion out of downsizing. Fifty-four percent of those surveyed recently, who didn't plan to move, said it is because they love their home and it is where their children grew up. Your decision should be a financial and health one, not an emotional one. Perhaps your current two-story home is fine while you are healthy, but you may be better off moving while you are still healthy and before the steps pose a risk.

A good quote I recently read sums this all up…."It is more about rightsizing than downsizng."

Medical Expense Deductions

Since the implementation of the Affordable Care Act, popularly known as Obamacare, it is more important than ever to manage health care costs and the tax savings involved in health expenses. Formerly payments made for medical expenses were deducted on Schedule A to the extent that health care costs were above 7.5% of your Adjusted Gross Income (AGI). With the ACA in effect the amount that is now deductible are the costs above 10% of AGI. Fortunately, if you or your spouse are 65 years or older the 7.5% rate above AGI is still in effect. However, for those taxpayers or their spouse who are older than 65 the rate is increasing to 10% above AGI at the end of 2016.

For clients who are at least 65 years of age, it would be wise to "bunch" medical expenses if the client has the flexibility to do so. If the client is able to anticipate medical expenses then try to receive and pay for medical expenses before 2017. For example, if a client were to expect needed medical services and had the flexibility to pay for medical expenses in 2016, and there are already health care costs above the 7.5% threshold above AGI, and knowing that another major medical expense was due, it would be advantageous to pay for the costs in 2016, especially if the client believes that medical expenses in 2017 won't reach the new 10% threshold.

For those clients who have the opportunity to contribute to an employer-sponsored health care Flexible Spending Account (FSA) may certainly use this tax advantage to their own benefit. The 2016 funds are capped at $2,550. This could possibly increase in 2017 due to inflation. With an FSA, contributions are subtracted from taxable salary and then the client is able to reimburse themselves with the funds tax free for any qualified medical expenses. In addition, some employers may offer a Health Savings Account (HSA). An HSA provides the client a chance to save part of their paycheck that can be used towards qualified medical expenses that is free from income tax. The limit is $3,350 for an individual and $6,750 for the family. As an added bonus most employers will contribute a portion of your HSA each year. Self-employed taxpayers who pay their own medical premiums are allowed to take the deduction above the AGI on the front page of the 1040.

Certain items that qualify as medical expenses include: ambulance, eyeglasses and contacts, long-term care insurance, medicare insurance premiums, nursing home, therapy, and wheelchairs.

SIX QUICK YEAR-END TAX PLANNING IDEAS

Susan Ghaly

With another year-end quickly approaching, it is time to think about ways to reduce your 2016 tax liability. Year-end planning must take into account each taxpayer's particular situation and goals. However, here are some general suggestions worth considering:

1. Keep Adjusted Gross Income (AGI) down to avoid reduction (or elimination) of tax breaks that phase out over higher AGI levels.
2. Make the best tax use of losses.
3. Increase withholding on salaries and wages to avoid the estimated tax underpayment penalty.
4. Make year-end gifts of appreciated property to shift taxable gain to lower-bracket family members while also taking advantage of the annual gift tax exclusion.
5. Make the best tax use of stock market losses.
6. Defer income into next year and accelerate deductions into this year.

It is always a good idea to estimate your year-end numbers early in December. Doing so allows you time to make tax-related decisions and to take appropriate action on those decisions. If you would like any assistance with tax planning, give us a call at 813 251-2411. You may also request a detailed Tax Planning Guide, available at our office or download it from our website at www.dwightdarby.com.

Career Opportunities Currently Available

Dwight Darby and Company is seeking an outstanding individual to fill an open position at our firm. The opening is available for a Senior Tax Accountant.

Dwight Darby & Company is a local CPA firm located in Tampa for over sixty-five years and has established an outstanding reputation as a respected business advisor within the community as well as maintaining long-term employees.

We are truly a "local" firm. Each of our partners has a history of continuity by having an association with the firm from twenty-four to forty years. Of the four partners, three began their public accounting careers with Dwight Darby & Company. Part of the strength of our firm is the longevity and stability of the firm's partners and its employees.

We distinguish ourselves from other firms by the quality of service we provide to our clients and the way we treat our employees.

Position outlines can be found on our website at www.dwightdarby.com/careers.

WWW.DWIGHTDARBY.COM

Closing Entries

ANNIVERSARIES

The following Dwight Darby & Company employment anniversaries will be occurring this Winter:
Kathy Tushaus – 22 years in February
Bill Dennison – 13 years in February
Pam Mattox – 9 years in February
Dave Bove – 6 years in January

Holiday Office Hours
The office will be closed for the following Holidays:
Thanksgiving: Thursday, November 26th and Friday November 27th
Christmas: Thursday, December 22nd and Friday, December 23rd
New Year's: Thursday, December 29th and Friday, December 30th

Dwight Darby & Company wishes everyone a
Happy Holiday season!

This newsletter is published for our clients and other interested persons. Since this information may be of a technical nature, no final decision should be made without first consulting our office.

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To receive this newsletter in electronic format, please send an email to **cpa@dwightdarby.com** with the words "mailing list" in the subject line. Please also let us know if you are a business, individual, or both.