

NOT-FOR-PROFIT INSIDER

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COMMON CHALLENGES FACED BY NOT-FOR-PROFITS: ADAPTING FUNDRAISING FOR THE CORONAVIRUS

The summer and fall months typically present many not-for-profit organizations with ample opportunities for fundraising activities. Golf outings, galas, concerts, 5K runs, casino nights, and auctions are just some of the common events held annually by not-for-profits and the funds provided by these events are much needed by these organizations to continue their missions. However, in the age of coronavirus, these historically reliable events may no longer be possible

and not-for-profits must adapt their strategies in order to preserve funding.

When the first lockdown orders were initiated across the United States in mid-March in response to the Coronavirus pandemic, widely repeated slogans such as, "two weeks to slow the spread," failed to capture the severity of the situation. Many not-for-profits would not have suspected that their events planned

for the summer and fall months would fall victim to sustained shutdowns and bans on large gatherings.

Some not-for-profit organizations are adapting their traditional in-person fundraising events to comply with health guidelines. For instance, the annual Art for AIDS fundraiser by the

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AIDS Connecticut organization is typically held in a crowded indoor gallery with finger food and drinks available buffet-style while donors peruse the art.

This year, the event moved to a larger space to facilitate social distancing and will admit only 20 ticket holders into the facility at a time for 30 minutes each. The food provided will be pre-packaged and the wine will be pre-poured. Masks are required and the facility will be sanitized between each 30-minute session.

Another approach taken by not-for-profit organizations is to postpone existing events to later dates while largely preserving their original plans. According to the Daily News, Montcalm County Michigan's Habitat for Humanity moved a number of events originally scheduled for the spring to the end of September. The organization, which helps families build and improve places to call home, is billing the rescheduled events as a weekend celebration and includes a golf outing, a bike ride, and a fun run and walk. The events will include measures to comply with health guidelines, such as limiting the attendance for the golf event.

Adapting, postponing and rescheduling existing in-person events has pros and cons. While Montcalm County's Habitat for Humanity plans to hold events closely resembling their original plans – events the organization's community was likely already familiar with and supportive of in previous years – the organization also takes the risk of lockdown measures being extended or re-enacted. For a not-for-profit that has already delayed an event by six months or more, this could result in cancellations of events altogether and leave the organizations without needed funding. Many potential donors may also be fearful of attending in-person events, regardless of the health and safety measures in place.

Many not-for-profit organizations are responding to this risk by reimagining events in a virtual setting. For example, FrontStream partnered with Chicago-based health activation and engagement company MoveSpring to hold a "virtual fitness fundraiser" for the American Cancer Society. Branded as the Fit2Be Cancer Free 2020 Challenge, the event asks participants to connect to a wearable device, such as a smart watch, to log their progress in nine physical fitness challenges. The participants are also able to engage with friends and run charitable campaigns, such as asking their friends to sponsor their workouts.

These virtual events not only mitigate the risk of event cancellations due to lockdown measures and poor attendance due to public health fears, they also encourage event participants to actively promote the cause or mission on their personal social media platforms. These events also open an organization's fundraising efforts beyond its home community or physical footprint, enabling an organization to reach potential donors globally.

Virtual events may be more accessible to not-for-profit organizations than it first appears. Even experiences which have historically been limited to in-person events have been cleverly reimagined as online experiences. For instance, the Oregon Wine Experience's annual Grand Tasting and Miracle Auction events typically attract large crowds and raise significant funds; in 2019, the events raised \$1.7 million for the Children's Miracle Network.

The Oregon Wine Experience found a way to take the wine-tasting experience virtual. One event sees sponsors receive a, "celebration in a box," including award-winning wines and culinary creations to enjoy at home while watching a livestream. The organization also took its auctions online and adapted select in-person experiences to adhere to health

guidelines; the organization's top-tier sponsor package includes an in-person multi-course dinner in small gatherings.

All not-for-profit organizations will be forced to adapt their fundraising efforts in response to the efforts to contain the coronavirus. Adapting events to conform to health and safety regulations, postponing events to later dates, and taking events to virtual spaces will be critical to the ability of not-for-profit organizations to continue their missions. Not-for-profit organizations must also be wary of the budgeting and accounting impact of changes to their fundraising events and recognize revenue appropriately according to generally accepted accounting principles.

Our not-for-profit professionals are available to consult and assist you with development and fundraising issues.

[Brandon Valvo, Senior \(Albany, NY\)](#)

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ACCOUNTING FOR COLLECTIONS

Generally speaking, collections are a set of works or artifacts that are held for public exhibition, education, or research. We usually associate the care of a collection with a nonprofit organization such as a museum, library, or historical site, but for-profit business entities may also maintain collections.

Generally accepted accounting principles (GAAP) provides three different options for the accounting of collections. 1. the capitalization of the collection 2. the capitalization of the collection on a prospective basis (items acquired after a certain date) or 3. no capitalization of the collection. To forgo the capitalization of a collection is typically the standard practice among most American Alliance of Museums (AAM) members.

As collection items are not capitalized, there needs to be clear controls and practices for deaccessioning (removal) of items from the collection.

Until the adoption of ASU No. 2019-03 in March of 2019, Financial Accounting Standards Board (FASB) and AAM were not quite in alignment with their guidance on deaccessioning. According to AAM's Code of Ethics for Museums, when disposing of a collection item, proceeds are to be used for further acquisitions or direct care of the collection.

Previously, accounting guidance centered around the reinvestment of sale proceeds towards the acquisition of other collection items, and did not address the use of funds toward the maintenance of the collection- a rather significant inconsistency with AMM practices.

ASU No. 2019-03 Not-for-Profit Entities (Topic 958): Updating the Definition of Collections attends to the importance of investing in the care and preservation of the collection by modifying GAAP's definition of collections. The new definition now includes language to address the use of proceeds for the maintenance of the collection.



The full definition of collections now reads:

Works of art, historical treasures, or similar assets that meet the following criteria:

- a. They are held for public exhibition, education or research in furtherance of public services rather than financial gain.
- b. They are protected, kept unencumbered, cared for and preserved.
- c. They are subject to an organizational policy that requires the use of proceeds from items that are sold to be for the acquisition of new collection items, the direct care of existing collections or both.

Collections generally are held by museums; botanical gardens; libraries; aquariums; arboretums; historical sites; planetariums; zoos; art galleries; nature, science, and technology centers; and similar educational, research, and public

services organizations that have those divisions; however, the definition is not limited to those entities nor does it apply to all items held by those entities.

ASU No. 2019-03 also addresses an additional disclosure in the financial statements regarding deaccessioning practices. Organizations are now required to disclose organizational policy for the use of proceeds from deaccessioned collection items, including whether those proceeds can be used for new acquisitions, the direct care of existing collections or both. If proceeds can be used for the direct care of the collection, the organization's definition of direct care must also be defined.

The standard took effect for annual financial statements issued for fiscal years beginning after December 15, 2019. Amendments should be applied on a prospective basis.

Erica Battle, Nonprofit Specialist
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NOT-FOR-PROFIT INDUSTRY INSIGHT

With the increasing complexity of laws and regulations, it's important for associations, foundations, charities, hospitals, schools and other tax-exempt entities to seek out professionals with extensive experience in nonprofit compliance issues. We understand there are many challenges affecting the industry and provide the attention needed to help clients stay focused on their job at hand.

UHY LLP's National Not-For-Profit Practice offers comprehensive audit and assurance, tax planning and compliance and business advisory services to meet the unique, complex needs of nonprofit organizations. These types of specialized services, which cut across the traditional service lines, demonstrate our philosophy of skilled professionals integrating industry expertise with technical services.

OUR LOCATIONS

We have ample locations across the country with a heavy regional presence in the Great Lakes, Mid-Atlantic, Midwest and Northeast. Visit uhy-us.com to find an office near you.

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