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What we can do together

Heinfeld, Meech & Co., P.C. is an Arizona based CPA firm who specializes in nonprofit accounting and auditing.

Nationally recognized in the "Best Small Companies to Work for in America" list, our core purpose is to be the best at everything we do. Since we opened our firm in 1986, providing quality service to clients has been our primary objective.

Our dedicated top-quality talent and substantial resources ensure that we stay abreast of emerging issues to serve our clients better. We remain dedicated to our Firm philosophy of "clients first."

Imagine What We Can Do Together is a quick-read digest of information that brings valuable news to you and your organization. If at any time you would like additional information, please contact us to discuss your questions.

For more about Heinfeld, Meech & Co., P.C., please visit our web site at www.heinfeldmeech.com.



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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FASB Accounting Standards Codification

By Jill A. Shaw, CPA, Partner

On July 1, 2009, the Financial Accounting Standards Board (FASB) launched the *FASB Accounting Standards Codification*TM as the single source of authoritative nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). The Codification will be effective for interim and annual periods ending after September 15, 2009, which means that preparers must begin to use the Codification for periods that begin on or about July 1, 2009. All existing accounting standard documents are superseded. All other accounting literature not included in the Codification will be considered nonauthoritative.

The Codification reorganizes the thousands of U.S. GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. Each area is structured by a topic, subtopic, section and paragraph. For example, paragraph one of Statement of Financial Accounting Standards (SFAS) No. 117 *Financial Statements of Not-for-Profit Organizations* can be found in the Codification as FASB ASC 958-205-05-05. The Codification will allow users to browse by topic and cross reference to superseded standards.

While the Codification does not change GAAP, it introduces a new structure – one that is organized into an easily-accessible, user-friendly online research system. The FASB expects that the new system will reduce the amount of time and effort required to research an accounting issue, mitigate the risk of noncompliance with standards through improved usability of the literature, provide accurate information with real-time updates as new standards are released, and assist the FASB with the research efforts required during the standard-setting process.

The *FASB Accounting Standards Codification*TM excludes governmental accounting standards. It codifies all standards issued by a standard-setter within levels A through D of the pre-Codification GAAP hierarchy, as follows:

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H&M University Workshops

Information on our workshops, including links to online registration, can be found at www.heinfeldmeech.com/hmu.

For more help, contact Susan at 520-742-2611, x107 or hmu@heinfeldmeech.com.

Monitoring Internal Controls (webinar)

Course Content: This session will discuss how monitoring is an important part to internal controls. Effective monitoring applied to the internal control process can lead to identifying and correcting internal control problems in a timely manner and make an organization more effective and efficient in the reporting process. We will also discuss the variety of monitoring procedures that an entity can perform and give examples of effective monitoring.

Date/Time: Fri., 8/21/09 – 10am to 12pm

Cost: Client - \$100 per site; Non-clients: \$125 per site (*unlimited participants per site*)

CPE: 2 hours for 1 person is included with site registration; CPE is available for additional participants for \$20 per person.

Accounting Skills for Governments and Nonprofits

Course Content: This is a new series of three one-day workshops designed specifically to teach basic accounting skills to personnel of governmental entities and nonprofit organizations. Classes are designed as a sequence, but can also be taken individually. For course content details for each day, visit www.heinfeldmeech.com/hmu

Location: Mesa, AZ (EVIT)

Dates: Day 1: Friday, September 11th
Day 2: Friday, October 9th
Day 3: Friday, November 13th

Cost: Clients - \$75; Non-clients - \$95

Students completing all three workshops in the series will also receive a (non-transferable) coupon for a free H&M workshop to be used by 11/15/2010.

CPE credit: 6 hours (each day)

2009 Nonprofit Conference

H&M will be sponsoring our 3rd annual conference on **Friday, October 30th in Mesa**. The conference is designed specifically for the administrators and finance directors of nonprofit organizations.

Cost for clients to attend the conference will be \$75 per person; non-clients can attend for \$95 per person. To pre-register, contact 520-742-2611, x107 or hmu@heinfeldmeech.com.

General Sessions: Laws & Legal Issues Affecting Non-Profit Organizations; Financial Statement Analysis – How to Monitor the Financial Health of Your Organization; and Common Frauds in Non-Profit Organizations

Breakout Sessions for Nonprofits: A Guide to the Schedule of Functional Expenses; and FASB Update

Breakout Sessions for Charters: A Guide to the Schedule of Functional Expenses; Maintaining Compliance with the Legal Compliance Questionnaire and Common Audit Findings

FASB Standards (Cont'd from p. 1)

Financial Accounting Standards Board (FASB)

Statements (FAS)
Interpretations (FIN)
Technical Bulletins (FTB)
Staff Positions (FSP)
Staff Implementation Guides (Q&A)

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Abstracts
Appendix D Topics

Derivative Implementation Group (DIG) Issues

Accounting Principles Board (APB) Opinions

Accounting Research Bulletins (ARB)

Accounting Interpretations (AIN)

American Institute of Certified Public Accountants (AICPA)

Statements of Position (SOP)
Audit and Accounting Guides (AAG)—only incremental accounting guidance
Practice Bulletins (PB)
Technical Inquiry Service (TIS)—only for Software Revenue Recognition.

The *FASB Accounting Standards Codification*[™] is available at <http://asc.fasb.org/>. FASB offers free online tutorials of the Codification as well as two different views of the Codification depending on the level of functionality required by the user, including a basic view which is free.

Questions? Contact Jill Shaw at 602-277-9449, ext 306 or jills@heinfeldmeech.com. 

The Implementation of FAS 117-1 (Endowments)

By Marvin M. Mendieta, CPA, Audit Manager

Does your not-for-profit organization involve operating and managing an endowment fund? If so, be prepared for some changes in financial statement reporting and disclosures for not-for-profit organizations with endowment funds, effective for fiscal years ending after December 15, 2008. On August 6, 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FSP FAS 117-1 was a response to the adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) by the National Conference Commissioners on Uniform State Laws in July 2006.

The UPMIFA governs the management of endowment funds for charitable organizations, and it replaced the existing Uniform Management of Institutional Funds Act (UMIFA). Although not all states have adopted UPMIFA, Arizona is one of the 25 states that have adopted UPMIFA thus far with the passage of Senate Bill 1228 on September 15, 2008.

UPMIFA essentially allows greater flexibility in managing and expending endowment funds compared to UMIFA. Under UMIFA, only the earnings on the endowments are considered for expenditures and, as a result, no expenditures can be made from an endowment fund that is considered an "underwater" fund (i.e., an endowment fund that has reached a value less than the historical dollar value) without specific donor or court approval. Consequently, this limited the trustees of the endowment funds to spend from the funds in times of economic downturn under UMIFA as the funds are not earning the expected investment return.

In contrast, UPMIFA allows trustees to consider both the original value of the endowments and the earnings on the investments for making expenditures regardless of the present economic conditions as long as prudent decisions are made, thereby giving trustees more discretion in their spending of the endowments. UPMIFA provides additional guidance on what not-for-profit organizations should take into consideration in order to make prudent investment decisions on their endowments, including assessing the charitable organization's

purpose and objectives, evaluating the general economic conditions, adopting a holistic portfolio management approach, and employing diversification.

Under FSP FAS 117-1, the donor-restricted portion of the endowment (typically the principal amount to be invested in perpetuity) is classified as permanently restricted net assets on the financial statements. This portion of the endowment is not reduced by losses on the investment or appropriations from the fund by the organization. The portion of the endowment fund that is not classified as permanently restricted net assets such as increases in the value of investments (e.g. interest and gains), absent donor stipulations, must now be reported as temporarily restricted net assets until appropriated for expenditure. This differs from UMIFA previously where such portion was reported as unrestricted net assets unless a time or purpose restriction was imposed.

As a result of UPMIFA, organizations with substantial endowments could be facing a significant reclassification of net assets from unrestricted to temporarily restricted on their financial statements. It is important to note that while UPMIFA provides guidance on the treatment of endowments, donor stipulations imposed on the endowments still supersede UPMIFA rules.

Regardless of being subject to UPMIFA or not, not-for-profit organizations with endowment funds are required to disclose information on the financial statements to allow their readers to gain a better understanding of the net asset classification and composition of the funds under FSP FAS 117-1. Specifically, not-for-profit organizations are required to disclose the following information related to their endowments at a minimum as stated in FSP FAS 117-1:

1. A description of the governing board's interpretation of the laws that underlie the organization's net asset classification of donor restricted endowment funds.
2. A description of the organization's policies for the appropriation of endowment assets for expenditure (its endowment spending policies).
3. A description of the organization's endowment investment policies. The description shall include the organization's return objectives and risk parameters; how those objectives

(Cont'd on page 4)

Creating Work/Life Balance with Alternative Work Environments

By Kimberly A. Robinson, CPA, Partner

Whether you are trying to retain or attract talent, we all know that times are changing and so is the work environment. Not everyone wants or needs to work a “normal”, full-time 8 to 5 job. As the working population continues to shrink, you may need to offer options beyond the one-size-fits-all approach. Changes in demographics, attitudes, and family structures are individual expectations from employers. Even the nonprofit sector may need to consider new ways to address the greater demand for alternative schedules or fewer hours.

While employers need their workforce to be efficient and effective, technology has created numerous opportunities for employees to work remotely. While not a viable option for every position, telecommuting (for all or some of the work week) has benefits for both the employer and the employee. Employees save time and money by eliminating a daily commute and can maintain a better work-life balance with more opportunities to meet personal obligations. On the other hand, employers save money by reducing on-site office space requirements, overhead costs, and employee absenteeism. Telecommuting with flexible work hours can also help employees meet conflicting needs without compromising the number of hours worked. Employees that are able to work schedules or telecommute occasionally are happier at work and home, thereby increasing staff retention rates and decreasing costs associated with replacing a trained employee.

Another retention tool to consider for valuable employees is creating positions with less than full-time work schedules. Again, this benefits both the employee who wishes to reduce work time and the employer who will not lose the time and money spent on recruiting and developing that staff member. No one wants to lose a high-performing, knowledgeable employee simply because he/she wants to work 10 less hours a week. In addition, happy workers are more efficient and increase morale. It's better to continue to retain access to the employee's knowledge and skills some of the time than none.

Remember, work/life balance initiatives can only be successful if they are embraced and supported from the top levels of the organization. Even the smallest effort in providing flexibility to your employees can demonstrate your dedication and respect. **H&M**

FAS 117-1 (Cont'd from p. 3)

- relate to the organization's endowment spending policies; and the strategies employed for achieving those objectives.
4. The composition of the organization's endowment by net asset class at the end of the period, in total and by type of endowment fund, showing donor-restricted endowment funds separately from board-designated endowment funds.
 5. A reconciliation of the beginning and ending balance of the organization's endowment, in total and by net asset class, including, at a minimum, the following line items (as applicable): investment return, separated into investment income (for example, interest, dividends, rent) and net appreciation or depreciation of investments; contributions; amounts appropriated for expenditure; reclassifications; and other changes.

The issuance of FSP FAS 117-1 has resulted in key changes in the reporting and classification of endowments in the financial statements of not-for-profit organizations. Implementing these new reporting requirements will allow your organization to communicate with more transparency to your financial statement readers regarding your endowments with proper classification and enhanced disclosures.

For clarification of this issue, please contact Marvin Mendieta at 602-277-9449, ext 324 or marvinm@heinfeldmeech.com. **H&M**

Welcome to Our New Clients!

H&M welcomes our new clients:

Ebony House
Freedom Academy
Discovery Plus Academy
ACVREP
Phoenix Collegiate Academy
Jaguar Booster Club

We are excited that you have chosen H&M and look forward to helping you achieve new levels of accounting and managerial success! **H&M**

Puzzler

Decipher the hidden meaning: (Answer on p. 5)

It's a ALL world

Developing a Strategic Plan

By Michelle Horrocks, Audit Manager

Developing and implementing a strategic plan could have many benefits for your organization's overall performance. Before we go into the positive effects, let's discuss what a strategic plan is exactly. A strategic plan is a management tool that can be prepared using various models. The primary objective of a strategic plan, however, is the same. It is to align the entire organization to work towards achieving common goals. It's a forward-based approach where goals, action plans, and strategies are designed to produce results in conformity with the organization's mission and vision.

A few basic guidelines will help with the preparation of a successful strategic plan. First, involve the right people. Along with management, this team should include those who will be responsible for the execution of the plan, as well as individuals focused on the organization's future. Second, ensure the goals and objectives of the plan are SMART (Specific, Measurable, Attainable, Realistic and Timely). It is far easier to gauge the success of a strategic plan if the results can be assessed objectively. Next is communication. Once the plan is in place, it is crucial to share it with employees at all organizational levels so that everyone is headed in the right direction and working towards the same result. And finally, regularly review the progress of the strategic plan. This review should include input from the responsible parties to identify any accomplishments, problems or deviations to the plan. Reevaluate the methods used, as necessary, to ensure the organization is still on track with meeting your goals.

An important step for your strategic plan is its implementation. Remember, the plan cannot provide benefits to the organization if it's not utilized. An organization may focus its effort on creating the written plan document without results simply because it was never implemented.

Once implemented, an effective strategic plan has several benefits. By participating in the plan's implementation, your employees develop ownership in your goals, thereby increasing productivity, efficiency and commitment to the organization. The plan also improves organization communication by asking employees to be involved in identifying solutions to problems faced by the organization. In the end, the organization's mission will be reached by joining together to achieve the goals identified. **H&M**

H&M Announcements

H&M Named to 2009 List of Best Companies to Work for in America

For the third consecutive year, our firm has been named #4 on the list of the Best Small Companies to Work for in America, a recognition given by the Society for Human Resource Management and the Great Place to Work Institute, Inc.

Staff Promotions and CPA Achievements

Heinfeld, Meech & Co., P.C. extends congratulations to our staff for achieving these recent promotions: CW Payne, CPA, and Cherie R. Roberts, CPA, to Partner; Meghan Doherty, CPA, Michael Lauzon, Marydel Speidell, and Brittney Williams to Manager; Randena P. Darpli, CPA, Donna Peterson, Chulssang Ham and Christopher Heinfeld to Senior; and Melanie Askew, Belinda Castillo, Travis Zander, and Jon Beckham to Staff II.

In addition, the following staff recently received their CPA certifications: Meghan Doherty, Audit Manager, Matthew Reams, Staff Consultant II, and Joshua Jumper, Staff Auditor.

Accounting and Management Advisory Services

Our non-profit specialists can provide accounting and management advisory services to your organization. Services include:

- Annual financial audits
- Tax Return (990) Preparation
- Monthly or weekly accounting services (including payroll, accounts payable, and financial statement preparation)
- Procedural Reviews and Handbooks
- Inservice Trainings for Your Personnel
 - Accounting Procedures
 - Internal Controls
 - Utilizing Quickbooks®
 - And more

For more information, contact Heather Jones at (602) 277-9449, ext 332 or heatherj@heinfeldmeech.com **H&M**

Answer to Puzzler (Page 4):
"It's a small world after all"