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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Nonprofit Financial and Accounting Manual

Twenty-Fourth Edition (October 2018)

Highlights of this Edition

The following are some of the important new features of the 2018 Edition of *PPC's Nonprofit Financial and Accounting Manual*:

- **Changes in IRS and Regulatory Developments.** The *Manual* includes overviews of many of the tax areas that impact nonprofit organizations, including current developments in legislation such as the 2017 Tax Cuts and Jobs Act (TCJA), oversight, and enforcement by the IRS. The TCJA made significant changes in areas impacting exempt organizations of all sizes, particularly in the areas of unrelated business income and fringe benefits. In the environment we currently operate in, the IRS has stepped up enforcement causing many organizations to lose their exempt status. We have monitored, and continue to monitor, these areas and have updated the information in this *Manual* to assist you with recent and proposed regulatory changes such as those from TCJA and give you compliance tips.
- **Changes in Authoritative Standards.** Each year there are new accounting and other authoritative standards that impact nonprofit organizations. We take those standards and translate them to an easy-to-understand explanation of the guidance you need to know to prepare accurate financial statements for your nonprofit organization quickly and easily. Specifically, there have been significant changes to the areas of accounting for financial instruments, such as investments, accounting for contributions, and financial statement presentation for nonprofit organizations. We have included updated discussions and financial statement illustrations to aid you in navigating these new accounting standards.

Additionally, the U.S. Government Accountability Office (GAO) released new generally accepted government auditing standards (known as the Yellow Book) in July 2018. The 2018 Yellow Book will, among other things, expand on the standard related to independence when the auditor prepares the financial statements. The revision is effective for financial audits for periods ending on or after June 30, 2020.

- **Changes in Single Audit Requirements.** There has been a continuing trend in the federal government to monitor how federal dollars are spent by grant recipients and subrecipients. Since the OMB issued final grant reform rules in early 2014, additional single audit guidance has come out from several sources, and this edition of the *Manual* discusses the most recent changes.
- **Changes in Payroll.** A nonprofit organization's largest expense is often salaries and employee benefits. This edition of the *Manual* has been updated to include the latest developments in payroll and applicable practices and laws. Our checklists are updated for the latest payroll tax forms and our content has been updated to reflect those changes as well. We continually monitor this area to make it easy for you to accurately prepare your organization's numerous payroll filings.

In addition to these featured items, your *Manual* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 Introduction to the Nonprofit Environment and Nonprofit Accounting	1. Expanded the discussion of the FASB's new accounting standards relating to nonprofit organization financial reporting.	Paragraph 101.24
	2. Added a discussion on the FASB's new contributions standard.	Paragraph 101.25
	3. Updated the discussion on the current economic environment for nonprofit organizations.	Paragraph 101.26
	4. Updated the information about charity watchdog groups.	Paragraph 107.9
CHAPTER 2 Nonprofit Accounting	1. Updated the discussion in Exhibit 2-1 on input levels hierarchy for measuring fair value.	Paragraph 200.15
	2. Updated the discussion of accounting for endowment funds before the adoption of new accounting standards.	Paragraphs 201.34 and 201.36
	3. Added a discussion on net asset classification of donor-restricted endowment funds after the effective date of new accounting standards.	Paragraphs 201.39 and 201.40
	4. Updated the discussion on appropriation for expenditure.	Paragraphs 201.41 and 201.42
	5. Added an illustrative example for endowment fund losses under the new accounting standards.	Paragraph 201.46
	6. Updated the exhibits on accounting for investment gains and losses for the new accounting standards.	Paragraph 201.75
	7. Expanded the discussion on accounting for split-interest agreements.	Paragraphs 201.106, 201.112, 201.116, and 201.126
	8. Revised the flowchart for accounting for promises to give.	Paragraph 201.128
	9. Added a paragraph discussing donor-imposed conditions and restrictions.	Paragraph 201.132
	10. Updated the discussion on collections.	Paragraph 201.189
	11. Added a paragraph discussing the new accounting guidance for contributions.	Paragraph 204.3
	12. Enhanced the discussion on exchange transactions.	Paragraphs 204.14 and 204.15
	13. Added a paragraph discussing donor-imposed conditions.	Paragraph 204.17
	14. Added a discussion and illustration on accounting for membership dues.	Paragraphs 204.69 and 204.70
	15. Updated for the new financial reporting accounting standards.	Appendixes 2C, 2E, and 2F
CHAPTER 3 Nonprofit Taxation	1. Updated the discussion on the IRS TE/GE Division.	Paragraph 301.5
	2. Updated for the IRS's new Exempt Organization Search tool.	Paragraphs 301.11 and 302.33
	3. Added a discussion on the new IRS Form 1024-A.	Paragraph 302.12
	4. Updated the Form 1023 user fees.	Paragraph 302.17

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	5. Added a discussion about a change in filing Schedule L to Form 990.	Paragraph 305.14
	6. Added a discussion about UBTI for disallowed fringe benefit costs.	Paragraph 307.11
	7. Added a discussion on computing UBI for a TCJA change.	Paragraph 307.13
	8. Updated inflation-adjusted tax amounts.	Paragraphs 306.31, 306.44, 307.27-.28
	9. Added a discussion about IRS examination activity for 2018.	Paragraph 309.13
	10. Added two questions and two practical considerations in the Tax Issues Questionnaire for the TCJA changes.	Appendix 3A
CHAPTER 4 Processing Revenue and Cash Receipts	1. Updated the effective dates for the latest payment card data security standards: PCI DSS 3.2.1.	Paragraph 406.29
	2. Updated the paragraphs discussing revenue recognition rule changes.	Paragraphs 408.1 and 408.2
	3. Updated the discussion on third-party service bureaus.	Paragraph 409.15
	4. Updated the content on using mobile device payment apps.	Paragraph 409.31
CHAPTER 5 Processing Purchases and Payments	1. Updated the discussion and the Employee Expense Report Form for the new IRS standard mileage rate.	Paragraph 511.11 and Appendix 5M
	2. Updated the discussion for penalties for filing incorrect or late information returns.	Paragraph 512.14
	3. Updated the discussion on electronic filing using the FIRE system.	Paragraph 512.16
	4. Updated the backup withholding rate for the TCJA change.	Paragraph 512.21
	5. Updated one question and two of the notes in the Form 1099-MISC checklist for tax law changes.	Appendix 5P-1
	6. Updated the penalty amount for incorrectly filing documents. Updated the URL for form filing providers. Updated the instructions for filing a corrected return.	Appendix 5P-2
CHAPTER 6 Processing Payrolls	1. Updated the discussion for the new Form I-9.	Paragraph 602.28
	2. Updated the earned income tax credit wage amounts.	Paragraph 602.48
	3. Updated the withholding table example.	Paragraph 603.35
	4. Updated the IRS withholding rate on supplemental wages.	Paragraph 603.37

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	5. Updated the Social Security tax wage limits and adoption assistance limit.	Paragraphs 603.41, 603.43, 604.7, 606.5, 606.9, 606.20, and 607.8
	6. Updated the pre-tax contribution limits for 401(k) and 403(b) retirement plans.	Paragraphs 603.46 and 606.5
	7. Updated the maximum penalty amounts for W-2 Form filings.	Paragraph 607.21
	8. Updated Form 941 Preparation Checklist.	Appendix 6J
	9. Updated Form 941 or 944 Internal Reconciliation.	Appendix 6K
	10. Updated the Other Special Compensation Checklist.	Appendix 6L
	11. Updated Form W-2 Preparation Checklist.	Appendix 6M
	12. Updated Form W-3 Internal Reconciliation.	Appendix 6N
	13. Updated Reconciliation of Forms 941 or 944 to Forms W-3 and 940.	Appendix 6O
	14. Updated Form 944 Preparation Checklist.	Appendix 6T
CHAPTER 7 Maintaining the General Ledger and Recording Adjustments	1. Updated the functional expense allocation method example.	Paragraph 707.7 and Exhibit 7-13
	2. Updated the discussion of data backup media.	Paragraphs 714.12 and 714.17
CHAPTER 8 Preparing Financial Statements	1. Updated the discussion on cash and cash equivalents for recent accounting standard changes.	Paragraph 805.4
	2. Updated for new accounting standards.	Exhibits 8-5 and 8-9
	3. Revised several questions for new accounting standards.	Appendix 8A
	4. Updated the illustrative financial statements for the new financial reporting accounting standards.	Appendixes 8N and 8O
CHAPTER 9 Federal Grant Compliance and the Single Audit	1. Updated for the 2018 Compliance Supplement.	Paragraphs 900.6 through 900.15
	2. Updated the illustrative Schedule of Expenditures of Federal Awards.	Exhibit 9-2
	3. Updated the discussion on the Summary of Prior Audit Findings.	Paragraph 910.11
	4. Updated the discussion of the due date of the Single Audit reporting package.	Paragraph 910.13
	5. Added a paragraph discussing the proposed changes to the Data Collection Form.	Paragraph 910.17
	6. Updated the discussion of submission of the Single Audit reporting package by subrecipients.	Paragraphs 910.20 and 910.21
CHAPTER 10 Assisting Outside CPAs	1. Added a URL for the 2018 revision of the Yellow Book.	Paragraph 1001.5

Chapter

Substantive Changes and Additions

Reference

CHAPTER 12
Selecting Software

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| 2. | Updated the list of services that may impair CPA independence. | Paragraph 1001.16 |
| 3. | Updated for an IRS change to the required information for Schedule B to Forms 990. | Appendixes 10C-15 and 10C-17 |
| 1. | Updated the statistics on the use of unlicensed software. | Paragraph 1204.36 |
| 2. | Updated the list of popular software packages. | Appendix 12D |
| 3. | Updated the list of popular fixed asset software packages. | Appendix 12F |

