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Moss Adams Foundation

We not only serve foundations but also run our own. A 501(c)(3) organization, the Moss Adams Foundation is funded by our firm, partners, and employees. Between 2004 and 2014, the foundation donated \$6.5 million to promote humanitarian causes and higher education.

Council on Foundations Events

Moss Adams has sponsored and participated in the following events:

- Council on Foundations Annual Conference
- Fiscal and Administrative Officers Group Training
- Philanthropy Northwest Annual Conference
- San Diego Grantmakers Annual Conference
- GRANTMAKERS of Oregon and Southwest Washington Conference

Dedicated to Foundations

Moss Adams is no ordinary accounting firm. While we're one of the largest in the country, we're also highly nimble, organized into industry groups with distinct leaders and service approaches. This means we can provide personal, partner-level service to each of our clients—and we can staff your engagement with professionals who are immersed in the needs and challenges of foundations. Further, the people who serve you today will be the people who serve you tomorrow. We believe the right relationship is everything.

Foundations represent the largest segment of our national Not-for-Profit Practice. We serve family, community, corporate, hospital, independent grant-making, and operating foundations. As funding intermediaries, foundations distribute grants from endowment investment earnings, donor contributions, and other sources—all of which require the specialized services we provide.

Tax Experience for Tax-Exempt Organizations

Exempt organizations face a host of complex tax issues. Our not-for-profit tax team can help you navigate both compliance issues and planning opportunities.

Moss Adams *FastForm*[™]

Moss Adams *FastForm* is an online tool we've created that enables tax-exempt organizations to gather information for their Form 990 quickly and easily. Designed with the busy financial executive in mind, *FastForm* is a secure application that:

- Saves you time and resources by eliminating sections of the form that don't apply to your organization
- Enables you to assign key areas of data-entry responsibility to your internal users
- Gives you the control over your organization's financial data at every point in the process



About Moss Adams

Nationwide, Moss Adams and its affiliates provide insight and expertise integral to your success.

Moss Adams LLP is a national leader in assurance, tax, consulting, risk management, transaction, and private client services.

Moss Adams Wealth Advisors LLC provides investment management, personal financial planning, and insurance strategies to help you build and preserve your wealth.

Moss Adams Capital LLC offers strategic advisory and investment banking services, helping you create greater value in your business.

www.mossadams.com/nfp

Tax Services for Private Foundations

Private foundations face an array of challenges that many other organizations—even other not-for-profits—don't. Fortunately, when it's time to seek an experienced advisor to help you navigate tax complexity, you can choose confidently.

Private Foundation Planning Model

We've developed an exclusive private foundation planning model capable of peering up to 20 years in the future to help you meet your minimum distribution requirements (MDRs) through:

- Guidance on what it will take, based on your foundation's goals, to meet payout requirements, reduce your excise tax burden to the lower 1 percent rate, and comply with applicable regulations
- MDR estimates based on selection criteria such as investment return rates or large contributions to the foundation
- Estimating and utilizing excess distribution carryovers, especially amid volatile markets

This model provides you with a 360-degree view of your foundation's MDR environment, helping you better manage these requirements as your investment and donor mix evolves.

Moss Adams Wealth Advisors

Through our affiliate Moss Adams Wealth Advisors LLC, we can work with you to navigate the challenges of investing assets for your foundation. Our goal is to help you manage audit requirements and carry out your fiduciary responsibilities. We can also design a plan geared toward helping you achieve stable investment returns, protect your principal investment from capital losses, and reduce the effects of inflation on your assets.

Insights and Resources

Keeping you informed about changes in the financial landscape is one of our top priorities. We stay in touch with and participate in standard-setting entities and other influential organizations, and our professionals attend annual meetings, trade shows, lectures, and industry-specific events as guests, speakers, and faculty. The goal: to provide you with actionable information and guidance to help your organization succeed. This information comes in three main forms:

- **Alerts.** Time-sensitive news about tax and regulatory changes e-mailed to you.
- **Insights.** The big picture on accounting and business topics delivered to your inbox, including our not-for-profit and private foundation newsletters.
- **Webcasts.** Free topical online seminars—either with CPE or on demand for your convenience.

Get the latest insights, resources, and event announcements from Moss Adams, delivered right to your inbox: www.mossadams.com/subscribe.

2015 Private Foundation Tax Planning Guide

With 2015 coming to a close, private foundations should start thinking about their year-end tax strategies now.

To help you develop a plan that works for your foundation, the Not-for-Profit Practice at Moss Adams LLP has summarized some of the key tax laws and opportunities specific to private foundations.

Minimum Distribution Requirement

Internal Revenue Code Section 4942 imposes a minimum distribution requirement on nonoperating private foundations and an excise tax on foundations that fail to meet this requirement. For purposes of the code, the following qualify as distributions:

- Expenses incurred directly in carrying out the foundation's charitable purpose
- Reasonable and necessary administrative expenses incurred while implementing the foundation's charitable purpose
- Contributions, gifts, and grants paid to individuals and other organizations to accomplish a charitable purpose
- Acquisition costs of assets used in the foundation's charitable activities in the year the assets are acquired or converted to a tax-exempt use
- Increases in program-related investments

Qualifying distributions are determined on the cash receipts and disbursements method of accounting, regardless of the accounting

method used in maintaining the foundation's books and records. Foundations should calculate whether they have met the minimum distribution requirement for the tax year. If not, they should make any final qualifying distributions before the last day of the tax year to avoid the excise tax. Foundations should also consider incorporating future years' minimum distribution requirements into their planning strategies.

Reduced Tax Rate

Under current tax law, a foundation can reduce its tax rate on net investment income from 2 percent to 1 percent if both of the following are true:

- It makes qualifying distributions during the tax year of an amount at least equal to the fair market value of its assets for the year multiplied by its average percentage payout for the previous five years plus 1 percent of its net investment income for the year
- It wasn't liable for the excise tax for failure to distribute income for any of the previous five years

A private foundation may want to review its activities and consider accelerating amounts deductible under the minimum required distribution to the current tax year in order to cut its tax liability. Strategic planning and projections can help determine how this could affect future years.

Excess Distributions

A private foundation that's distributed more than its minimum required distribution in a previous year may have an excess distribution carryforward, but it must be used within five years. Having a strategic plan in place can be invaluable in determining what steps a foundation can take to increase the use of any carryforwards.

Capital Gains and Losses

Net capital gains are added to net investment income used to calculate a foundation's excise tax.

Capital losses from the sale (or other disposition) of investment property can reduce capital gains recognized during the tax year, but it can't go below zero for private foundations set up as corporations rather than trusts. This means if capital losses exceed capital gains in a tax year, the excess may not offset gross investment income in that year, nor can it be carried back or carried forward to offset gains in prior or future tax years.

Your foundation should review its portfolio to determine whether you want to trigger capital gains before the end of the year to offset any capital losses. Depending on the circumstances, your foundation could then repurchase the sold assets or buy replacement investment assets, which would result in a stepped-up tax basis that will reduce the future gain when the investment asset is eventually sold. Alternatively, you may want to trigger losses to offset capital gains.

Privately Held Stock and Highly Appreciated Property

Some exceptions notwithstanding, donors are limited in the charitable deductions allowed for certain privately held stock and highly appreciated property. Donating property encumbered with debt may require a donor to pay a self-dealing tax, and a foundation is forbidden from entering into a sale or exchange with a disqualified person, even if the sale price is less than the full market value.

A private foundation may face a liquidity dilemma if it holds a large amount of privately

held stock or other non-income producing assets. If these assets are held for investment, they're included in the minimum required distribution calculation and may not produce sufficient income to satisfy the foundation's annual payout requirements. This issue should be considered prior to accepting gifts, and the illiquid holdings should be reviewed annually for liquidity concerns.

A private foundation could consider granting an appreciated asset, such as a publicly traded security, to a public charity instead of selling the asset and granting cash. Doing this, the foundation would avoid the excise tax on the security's inherent capital gain while still making a grant equal to the asset's fair market value.

Foundations should periodically review their [gift acceptance policy](#) to ensure it covers illiquid gifts and unusual bequests so they're prepared to address donors who propose these types of gifts, especially at year-end.

Alternative Investments

Foundations with alternative investments generally receive Schedule K-1s annually. These provide necessary information for your tax compliance and planning needs. The investments may generate unrelated business income that may need to be reported on a Form 990-T, could generate state tax liabilities or filing requirements, or could trigger one or more foreign disclosure filings, such as Forms 926, 8865, or 8621.

Foundations should seek assistance in determining what income tax liabilities they may be subject to, what filings may be required, and whether any estimated income tax payments should be made before year-end.

Net Operating Losses

If a foundation has unrelated business taxable income (UBTI) and a net operating loss was generated for 2014 or is projected for 2015, it should consider whether the loss should be carried forward to future years or back to prior years. Refunds can be claimed for taxes paid on a prior-year Form 990-T by filing an amended return, or the loss can be carried forward to offset future UBTI.

Private Operating Foundation Status

Similar to public charities, [private operating foundations](#) provide better tax treatment for donors than private foundations and aren't subject to the minimum required distribution or excise tax on investment income. If the foundation directly conducts charitable activities, it should evaluate whether it qualifies as a private operating foundation. Two annual tests are required for operating status: an income test and an asset, endowment, or support test. Both tests must be met in three of the four most recent tax years or in the aggregate over those four years.

Private foundations seeking to qualify as a private operating foundation should project if they'll pass the tests and determine if any steps are required before or after year-end.

Program-Related Investments

Proposed regulations were issued in 2012 that provide expanded examples for foundations looking for a more market-based approach to fulfilling their charitable goals. Program-related investments aren't new, but the examples in these proposed regulations provide assurance that funding R&D, equity-based arrangements, and creative financial structures using a combination of debt and equity are allowed when they further a charitable purpose. Foundations should consider these alternative ways to accomplish charitable funding and how they might fit within the foundation's funding model and goals.

Rely On Professionals

Moss Adams provides a [range of services](#) for not-for-profits that can help address tax compliance and consulting issues. To help you plan for your MDRs, we can also prepare a private foundation planning analysis capable of peering up to 20 years in the future to help you:

- Gain insight on what it will take, based on your foundation's goals, to meet payout requirements, reduce your excise tax burden to the lower 1 percent rate, and comply with applicable regulations
- Run MDR estimates based on a variety of selection criteria, such as investment return rates or large contributions to the foundation
- Estimate and utilize excess distribution carryover, especially amid volatile markets

This analysis provides you with a 360-degree view of your foundation's MDR environment, helping you better manage MDR as your investment and donor mix evolves. We can also help you navigate the challenges of investing your foundation's assets.

If you have questions about how to apply any of this information to your foundation or need help with planning, contact one of our tax professionals or [e-mail us](#).

Across the nation, Moss Adams LLP provides insight and expertise to public, private, and not-for-profit enterprises in a wide range of industries. To discover how we can make a difference to your organization, visit WWW.MOSSADAMS.COM.

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PATH Act Extends Incentives for Charitable Giving

Exciting news for the US not-for-profit sector: on December 18, 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act of 2015 (the PATH Act). Among its other provisions, it permanently extends various expiring provisions for charitable giving and made a number other modifications that affect the not-for-profit sector.

The extension of provisions that have already expired are generally retroactive to the beginning of 2015. Below, we give an overview of the charitable giving incentives covered by the PATH Act and other provisions affecting tax-exempt organizations.

Tax-Free Distributions from Individual Retirement Plans for Charitable Purposes

The act **permanently extends** the ability of individuals at least 70½ years of age to exclude from their gross income qualified charitable distributions from individual retirement accounts (IRAs). The exclusion may not exceed \$100,000 per taxpayer in any tax year, and it applies to distributions made after December 31, 2014.

Deduction for Contributions of Capital Gain Real Property Made for Conservation Purposes

The charitable deduction for contributions of real property for conservation purposes is **permanently extended**. The provision also **permanently extends** the enhanced deduction

for certain individual and corporate farmers and ranchers. These provisions apply to years beginning after December 31, 2014.

The provision also modifies the deduction to permit Alaska Native Corporations to deduct donations of conservation easements up to 100 percent of taxable income. This modification applies to years beginning after December 31, 2015.

Modification of the Tax Treatment of Certain Payments to Controlling Exempt Organizations

The act **permanently extends** the modification of the tax treatment of certain payments by a controlled entity to an exempt organization. This applies to payments received or accrued after December 31, 2014.

Modification of Charitable Deduction for Contributions of Food Inventory

The enhanced deduction for charitable contributions of inventory of wholesome food for noncorporate business taxpayers is **permanently extended**. This applies to tax years beginning after December 31, 2014.

Beginning in 2016, the provision also **modifies the deduction** by increasing the limitation on deductible contributions of food inventory from 10 percent to 15 percent of the taxpayer's adjusted gross income (or 15 percent of taxable income in the case of a C corporation) per year. The provision also **modifies the deduction** to provide special rules for valuing food inventory.

Basis Adjustment to Stock of S Corporations Making Charitable Contributions of Property

The act **permanently extends** the rule providing that a shareholder's basis in the stock of an S corporation is reduced by the shareholder's pro rata share of the adjusted basis of property contributed by the S corporation for charitable purposes. It applies to tax years beginning after December 31, 2014.

Modification of Filing Dates of Returns and Statements Relating to Employee Wage Information and Nonemployee Compensation to Improve Compliance

Forms W-2, W-3, and returns or statements to report nonemployee compensation (Form 1099-MISC), are now required to be filed on or before January 31 of the year following the calendar year to which such returns relate. The provision is effective for returns and statements relating to calendar years after the date of enactment.

Employer Identification Number Required for the American Opportunity Tax Credit

Taxpayers claiming the American Opportunity Tax Credit are required to report the employer identification number (EIN) of the educational institution to which they make qualified payments under the credit. The provision applies to tax years beginning after December 31, 2015, and to expenses paid after that date for education furnished in academic periods beginning after such date.

Higher Education Information Reporting to Include Only Qualified Tuition and Related Expenses Actually Paid

Reporting requirements for Form 1098-T have been reformed so that educational institutions are required to report only qualified tuition

and related expenses actually paid, rather than choosing between amounts paid and amounts billed, as under previous law. This applies to expenses paid after December 31, 2015, for education furnished in academic periods beginning after such date.

Requirement That Organizations Notify the Secretary of Their Intent to Operate Under Section 501(C)(4)

The act streamlines the recognition process for organizations seeking tax exemption under Section 501(c)(4). The process requires 501(c)(4) organizations to file a simple one-page notice of registration with the IRS within 60 days of the organization's formation. The preexisting voluntary 501(c)(4) application process was eliminated. Within 60 days after an application is submitted, the IRS is required to provide a letter of acknowledgement of the registration, which the organization can use to demonstrate its exempt status, typically with state and local tax authorities.

Gift Tax Exemption for Contributions to Certain Exempt Organizations

Transfers to organizations exempt from tax under Sections 501(c)(4), (c)(5), and (c)(6) are treated as exempt from the gift tax. This applies to transfers made after the date of enactment.

Additional Resources

For a complete explanation of the PATH Act, see the document posted by the House of Representatives. The Ways and Means Committee also provides a helpful section-by-section summary of the act.

To learn more about a particular provision of the PATH Act, or for insight on how your organization may be impacted, contact your Moss Adams not-for-profit professional.

Across the nation, Moss Adams LLP provides insight and expertise to public, private, and not-for-profit enterprises in a wide range of industries. To discover how we can make a difference to your organization, visit WWW.MOSSADAMS.COM.

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An Overview of the IRS's Tax Exempt & Government Entities Priority Plan

by Tracy Paglia, Partner, Not-for-Profit Practice

Early in October, the IRS's Tax Exempt & Government Entities Division (TE/GE) released its work plan for the 2016 fiscal year. The work plan serves two purposes: to review the accomplishments of the prior fiscal year and to communicate where TE/GE will be focusing its efforts and resources going forward. This recap covers the division's key externally facing areas of focus.

Continuous Improvement

Over the past year, TE/GE took measures to speed the process of issuing exemption determination letters. These measures include directly assigning applications to specialists and shortening the time applicants have to respond to requests for additional information from 90 days to 35 days.

In the 2016 fiscal year, TE/GE indicated it will work on several long-term projects related to this topic, including:

- Evaluation of the Form 1023-EZ process to determine potential improvements to the application and review process
- Publishing materials to help organizations understand technical areas that affect them, including topics related to Indian tribal governments and the Affordable Care Act
- Developing a program to make the Form 990 series available in modernized electronic filing format

- Simplifying tax forms and enhancing their digital functionality
- Refining information document requests (IDRs, which are used to request information during an audit) to reduce the length of the examination process

Data-Driven Decision Making

During fiscal year 2015, TE/GE took several steps to integrate data-driven decision making into its processes. These include:

- Focusing exam plans on strategic areas or issues where TE/GE believes there may be a greater risk of noncompliance.
- Developing a pilot process to analyze data from Form 1023-EZ applications to identify trends and patterns.
- Using change-rate data and statistical sampling in tax-exempt bonds to identify market segments with a higher risk of noncompliance. TE/GE can now screen for possible investment limitation violations using filters related to minimum issue size, remaining term of bond issue, and yield-curve analysis—an important development to note for not-for-profits with tax-exempt bonds.

More generally speaking, this focus on data-driven decision making isn't likely to go away: as the IRS budget and personnel count continue to shrink, TE/GE will continue to rely on it in the exam selection process. Organizations filing the Form 990 series should consult with qualified tax advisors prior to filing their annual returns to be aware of the data points of interest to the IRS.

Employee Plans (EP)

EP will focus resources on large-case employee plans, multiemployer plans, and Section 403(b) and 457(b) plans. These areas have been selected for increased attention because they have a historical pattern of noncompliance and also allow for greater coverage of the retirement plan participant universe. The remaining resources will be applied towards cash balance plans, 401(k) plans, and employee stock ownership plans.

The Employee Plans Compliance Unit anticipates starting several new compliance projects during fiscal year 2016. These will be based on EP's analytical review of data, past projects, law changes, and newly released guidance. Stay tuned for future Alerts as details about the projects develop over the next year.

Exempt Organizations

Similar to fiscal year 2015, five strategic areas will apply to exempt organizations in fiscal year 2016:

- **Exemption.** TE/GE will focus on private inurement and activity not related to an organization's exempt purpose, enforcing compliance primarily through field exams.
- **Protection of assets.** Compliance regarding self-dealing, excess benefit transactions, and loans to disqualified persons will be enforced primarily through correspondence audits and field exams.
- **Tax gap.** Identification of employment tax and unrelated business income tax issues will be sought through compliance checks, correspondence audits, and field exams.
- **International.** TE/GE will increase oversight on funds spent outside the United States, including funds spent on potential terrorist activities, exempt organizations operating as foreign conduits, and foreign bank account reporting requirements. Corresponding regulations will be enforced through compliance reviews, compliance checks, correspondence audits, and field exams.
- **Emerging issues.** TE/GE will focus on nonexempt charitable trusts and the regulations under IRC Section 501(r), enforcing the regulations through compliance reviews, correspondence audits, and field exams.

Additional resources will be devoted to hospitals' IRC Section 501(r) compliance and post-determination compliance by organizations granted tax-exempt status through Form 1023-EZ.

TE/GE will also devote resources to a customer service-focused process that helps prevent erroneous revocation of tax-exempt status.

Government Entities

Exams in this area cover all sizes of government entities, but 75 percent of the exam closures will be for entities with gross wages of \$10 million or more. Resources are being shifted from smaller entities to those with greater than \$100 million in gross wages. High-risk employment tax issues identified in these organizations include:

- Early retirement incentive plans
- Rapid-growth governments
- Entities with a reduction of payroll reporting and an increase in Forms 1099-MISC issued

Tax-Exempt Bonds

This unit is expecting personnel attrition approaching 18 percent in fiscal year 2016, so TE/GE is focused on developing internal knowledge-sharing tools, such as virtual case studies, to train the largely new workforce that will be responsible for this area.

External activity will be focused on:

- **Referrals and claims, such as whistleblower referrals.** These will account for 20 percent of the exam work.
- **Market segment programs.** In the past, each market segment (for example, private activity bonds and 501(c)(3) bonds) was covered through exams at least every three years. However, this process didn't produce the information needed for the tax-exempt bonds unit to focus its future resources on high-risk issues. In fiscal years 2015 and 2016, the tax-exempt bonds unit will focus its attention on analyzing data to predict fact patterns and issues that warrant further exams, education, and voluntary compliance efforts.

The unit is also reinstating a compliance check or soft-letter program to focus on problems it identifies solely by looking at information returns filed when bonds are issued (Form 8038).

To address customer education and outreach, the unit plans to pursue the following in 2016:

- Revising the Form 8038 series
- Creating a publication on arbitrage rules for infrequent issuers and improving the management contract training materials
- Producing webinars that will be recorded and posted on the IRS Web site

Learn More

For more on TE/GE's priorities in 2016, read TE/GE's full work plan, which is posted on its Web site. For insight on how your organization may be impacted by any of the areas of focus mentioned above, contact your Moss Adams professional.

Tracy Paglia has been in public accounting since 1997. She provides a range of tax consulting and compliance services to public charities, private foundations, universities, associations, and health care organizations from formation to termination. You can reach her at (209) 955-6174 or tracy.paglia@mossadams.com.

Accounting Standards Update Aims for Consistency in Fair-Value Disclosures

by Danielle O'Connor, Senior Manager, Not-for-Profit Practice

An Accounting Standards Update (ASU) will impact how your not-for-profit organization reports on its investment holdings.

In April, the Financial Accounting Standards Board (FASB) issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent), to address diversity in practice regarding reporting certain kinds of investments.

Many not-for-profit organizations have invested in a wide range of investments, and often these investment portfolios make up the majority of the assets held by the organization. If your organization has an investment portfolio that includes debt and equity securities, hedge funds, private equity, or limited partnerships (to name a few), it's highly likely you use net asset value (NAV) to measure their fair value. As a result, this accounting standards update will directly impact your organization's financial statement disclosures.

About the Preexisting Standard

The fair-value guidance in FASB Accounting Standards Codification® (ASC) Topic 820, Fair Value Measurement, permits entities, as a practical expedient, to measure the fair value of certain investments using the NAV per share of the investment. Before organizations had the ability to use NAV as a practical expedient, determining the fair value of certain investments required the organization to analyze and adjust the NAV provided by fund managers or partnerships. This was usually a complex,

difficult, and time-consuming process. Using NAV as a practical expedient has eliminated many of the complexities investors faced in determining the fair value of their alternative investments.

Under current guidance, investments valued using the practical expedient are categorized within the fair-value hierarchy based on whether they're redeemable at NAV on the measurement date, never redeemable at NAV, or redeemable at NAV at a future date. If your not-for-profit holds investments that are redeemable at a future date, you must take into account the length of time until those investments become redeemable to determine their level within the fair-value hierarchy as either level two or three. This is where the diversity in practice has arisen.

What Does the ASU Change?

The ASU removes the requirement to categorize within the fair-value hierarchy all investments for which fair value is measured using the NAV-per-share practical expedient. Investments for which you don't apply the practical expedient—even if they calculate NAV per share or its equivalent—will continue to be included in the fair-value hierarchy.

This means that the types of investments that are included in levels two and three in the fair value hierarchy will be more consistent from organization to organization. In the past, one organization may have presented a specific investment as level two while another organization presented it as level three.

For financial statement preparers, this amendment eliminates the analysis and

estimation that has been necessary to determine whether investments measured at NAV (as a practical expedient) are a level two or level three. While a change in disclosures always requires more of your time in the year of adoption, this amendment should reduce the time you'll need to spend preparing your financial statement disclosures in future years. Depending on the types of investments held by your organization, this ASU may even greatly reduce the length of the fair-value disclosures in your financial statements.

Now's a good time to look at your investment portfolio and segregate investments that are measured using NAV as a practical expedient. This will help you gauge the impact this amendment will have on your financial statements.

When Does the ASU Take Effect?

For public business entities, the ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within that year. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within those years. Note that neither a not-for-profit entity nor an employee benefit plan is a "business entity" as defined by the FASB.

The amendments should be applied retrospectively to all periods presented. Under the retrospective approach, investments for which fair value is measured using NAV as a practical expedient should be removed from the fair-value hierarchy in all periods presented in your financial statements.

Early adoption is permitted, and it's most likely to be beneficial for entities whose only assets or liabilities measured at fair value are their investments for which fair value is measured using the NAV practical expedient. For these entities, early adoption will result in wholly eliminating fair-value hierarchy tables. Entities that hold other types of investments in addition to those addressed by the ASU won't see as much of an impact from early adoption.

What Will the New Disclosures Look Like?

Note that although investments measured using NAV as a practical expedient will be removed from the fair-value hierarchy and instead have their fair values shown separately, you'll still be required to disclose the class of these investments. This can be done in tabular format or it can be done through a description in the notes.

This [sample document](#) demonstrates what you can expect the disclosures to look like once the ASU is adopted in your financial statements.

The ASU doesn't change the requirement that an entity disclose information that helps users understand the nature, characteristics, and risks of the investments by class and whether the investments, if sold, are probable of being sold at amounts different from NAV per share (or its equivalent).

Stay Ahead of Change

Not-for-profits that currently use the practical expedient in their financial reporting should start examining whether early adoption could streamline the cost and complexity of their financial reporting. Even if you decide not to adopt early, start looking at which investments are impacted by this amendment. Once your organization adopts this ASU, the changes must be applied retrospectively. Taking the time now to segregate the investments measured using the practical expedient can save you the headache of doing it when you're busy with year-end financial close and reporting.

To learn more about the ASU or fair-value disclosure requirements in general, contact your Moss Adams not-for-profit professional.

Danielle O'Connor has been in public accounting since 2004. She focuses on providing assurance services to social service organizations, foundations, and institutions of higher education. She can be reached at (858) 627-1467 or danielle.oconnor@mossadams.com.

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NOT-FOR-PROFIT

Services for Private Foundations

Minimum distribution requirements. A complex excise tax rate structure. Unrelated business income tax. Illiquid or unusual gifts. Private foundations face an array of challenges that many other organizations—even other not-for-profits—don't. Fortunately, when it's time to seek an experienced advisor to help you navigate your foundation's financial and operational complexity, you can choose confidently.

Nationwide, Moss Adams LLP serves private organizations such as corporate, family, independent grant-making, and operating foundations. We have an extensive understanding of the issues foundations often grapple with as well as the opportunities available to help solve those issues. Your foundation can benefit from our expertise in three key areas.

Audit

We strive to make our audits the best possible experience for our clients. We do this first by listening, then by customizing our approach to suit your risks and needs, and finally by seeing to it that our partners and senior team members are on-site during the audit. Our goal is nothing less than your satisfaction with a thorough audit process that will help your foundation succeed.

We also provide Single Audits (also known as OMB A-133 audits), reviews and compilations, strategic planning, and benchmarking studies, along with merger and acquisition services and financial, capital, and resource management consulting.

Tax

We can help you address your most common tax compliance and consulting issues, including:

- Advance approval of scholarship procedures
- Allocation of overhead expenses between investment and charitable purposes
- Alternative investment consultations

- Board education relating to tax issues
- Capital transactions
- Charitable giving programs
- Compensation, payroll, and employment tax issues
- Excess business holdings
- Foreign disclosure filings
- Grant making
- Illiquid or unusual gift planning
- Independent contractor versus employee determinations
- Obtaining and maintaining your tax-exempt status
- Net investment income
- Preparation of Forms 5500, 990-PF, and 990-T
- Private operating versus nonoperating foundation determination
- Program-related investments
- Self-dealing
- Set-asides
- State tax exposure and filings
- Supporting organization and donor-advised fund compliance and planning
- Unrelated business income tax

Our tax consulting solutions also go further. To help you plan for your minimum distribution requirements (MDR), we can prepare a private foundation planning analysis capable of peering up to 20 years in the future to help you:

- Gain insight on what it will take, based on your foundation's goals, to meet payout requirements, reduce your excise tax burden to the lower 1 percent rate, and comply with applicable regulations
- Run MDR estimates based on different selection criteria, such as investment return rates or large contributions to the foundation
- Estimate and utilize excess distribution carryover, especially amid volatile markets

This analysis provides you with a 360-degree view of your foundation's MDR environment, helping you better manage MDR as your investment and donor mix evolve.

Investment Strategy and Management

Because your investments must meet annual payout requirements and follow prudent fiduciary standards, developing an investment policy and implementing it effectively are complex yet important responsibilities for foundations. We can work with you to navigate the challenges of investing your foundation's assets.

We do so by gaining an understanding of your mission, strategic plan, and spending policy, then we blend this information into formulating the right investment policy for your organization. Because when your foundation's assets increase, your ability to effect positive change also increases.

Our specialists can also assist with any mandatory reporting requirements that may affect your foundation, including regular reporting of investment returns, net appreciation, contributions, and expenses. Additionally, we can help your board members understand their fiduciary responsibilities as well as help draft or update investment policy statements.

Expertise Driven from Experience

For us, private foundations aren't merely abstract entities. Not only do we work with many on a daily basis, but we also run our own. Set up as a 501(c)(3) organization, the Moss Adams Foundation is funded by the firm, its partners, and its employees. Our programs promote accounting excellence in teaching, research, and curriculum as well as provide global disaster relief.

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