# CPA VOICE

The Ohio Society of Certified Public Accountants

September October 2017


## HOW TO HANDLE A PUBLIC RELATIONS CRISIS AND PRESERVE YOUR COMPANY'S REPUTATION

## 6 RISK MANAGEMENT MISTAKES CPA FIRMS MAKE

## PREPARING FOR NEW NOT-FOR-PROFIT FINANCIAL REPORTING

THE OHIO SOCIETY OF CPAs

ADVANCING THE STATE OF BUSINESS

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## feature




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# Keeping our eye on the ball

Last spring, I reported that OSCPA staff is focusing on four key priorities this year to better drive value and support the CPA profession. We shared those with the Executive Board this summer and talked about how best to tell the bigger story of what those outcomes might mean for members and others.

A rich discussion followed, during which we identified the many steps we are taking to meet our goals: developing our people, building a strong future talent pool in Ohio, improving Ohio's business climate and bringing new solutions to market to help CPAs grow business. There also were many stories shared of how CPAs are building interesting careers and helping companies succeed in a competitive climate.

Afterwards, we created a visual map – shown on page 3 – to help keep our eye on the ball as we move ahead with the many project plans on our plate this year. We think it adequately captures how we are bringing OSCPA's mission and vision to life, and being more market oriented and relevant to CPAs today and tomorrow.

Simply put, we're connecting the dots between our long-term vision and what we do every day to improve the customer experience. It's resulting in new energy, enthusiasm and innovation in our business model. How are you connecting the dots to drive more staff buy-in for your business goals?

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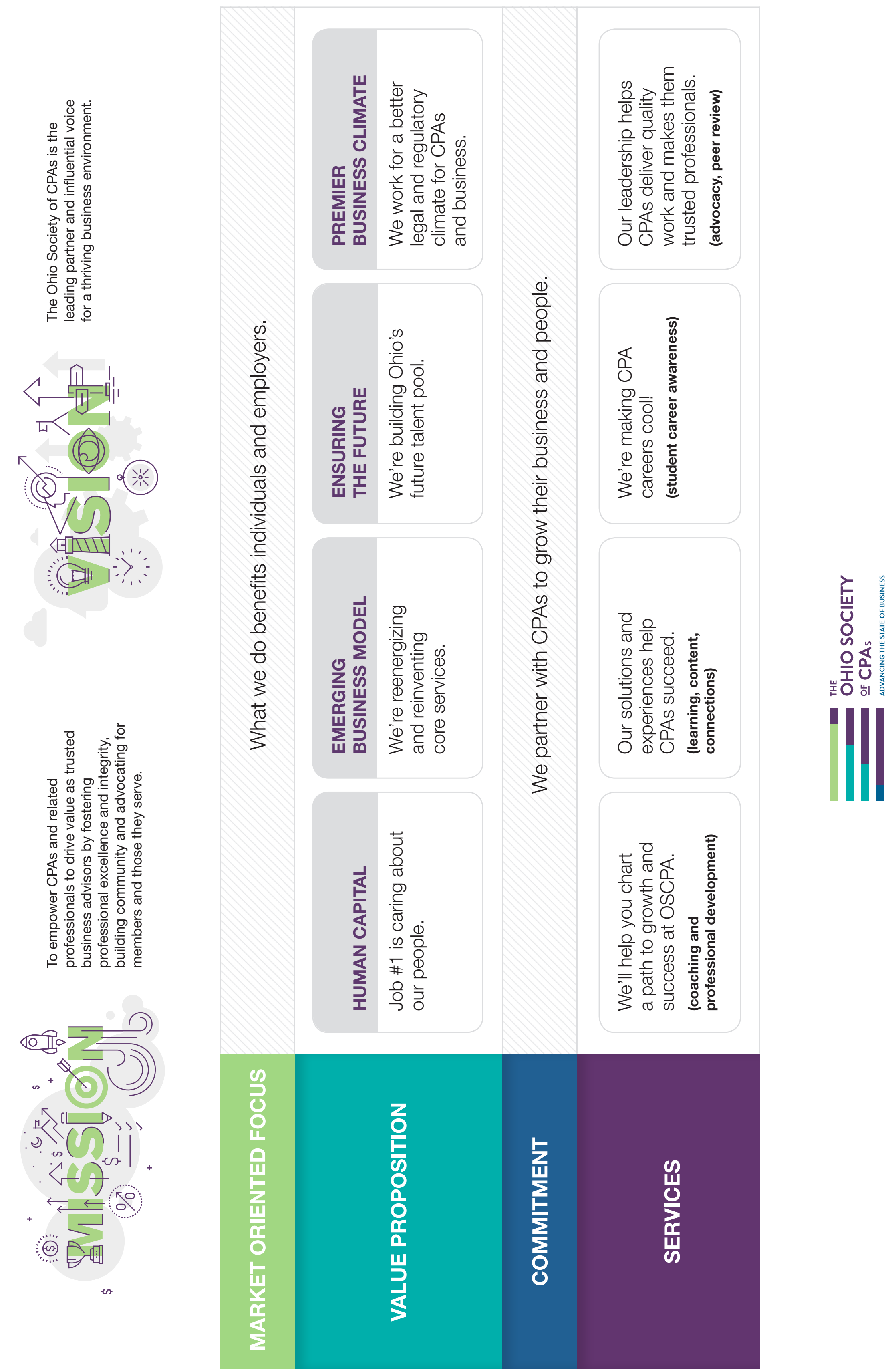

# accounting & auditing

## Preparing for new not-for-profit financial reporting

*By Laura Hay, CPA, CAE*

As firms and not-for-profit (NFP) entities begin preparation to implement new financial reporting requirements, Ohio CPAs weigh in on some of the most significant upcoming changes.

The FASB Accounting Standards Update to Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*, is effective for annual financial statements issued for fiscal years beginning after Dec. 15, 2017, and for interim periods within fiscal years beginning after Dec. 15, 2018.

In response to stakeholder feedback, including comment from the OSCPA accounting and auditing committee, FASB stopped short of implementing an entirely new financial reporting model for NFPs and is implementing a two-phased approach. Phase one focuses on improving the usefulness of how NFPs communicate information about financial performance and liquidity, while reducing cost and complexity.

Phase two will look at how measures of operations (or financial performance) in the statement of activities align with measures of operations in the statement of cash flows. This proposal has been deferred to be coordinated with related research on financial performance reporting by for-profit entities.

### Main provisions

Main provisions of the update include:

**Net asset classification**

Net asset classes are reduced from three to two: "net assets with donor restrictions" and "net assets without donor restrictions." This change seeks to reduce complexities and confusion in determining whether donor-imposed restrictions are temporary or permanent.

Additional information will be required regarding the components of net asset classes, including internal board designations, and the nature, amounts and effects of donor-imposed restrictions, including limitations on their use or timeframe.

"NFPs that keep more detailed records of net asset classifications will be better prepared for this change," said Angela Lewis, CPA, managing director, Crowe Horwath LLP. "With any new standard, organizations want to get it right at the time of implementation and should take time to ensure that the source for classifications is clear."

"While we keep detailed records of the sources of donor restrictions, we are revisiting classifications in preparation for the new standard," said Barry Reis, CPA, CFO, Jewish Community Federation of Cleveland. "There are some subtleties, such as with donor-advised funds, that require a closer look than just adding together the two previous classifications."

**Functional expense reporting**

All not-for-profits will now be required to provide an analysis of expenses by both function and natural classification, as well as disclosing the methods used to allocate expenses to functional categories.

"Not every NFP currently prepares this analysis for their 990," said William Bauder, CPA, manager, Holbrook and Manter. "In addition to taking a fresh look at their system for allocating expenses, entities need to make sure their process can be audited. While time tracking might not be required for every organization, '20% feels right' will no longer be sufficient."

**Liquidity disclosures**

The standard requires quantitative and qualitative information about how an entity manages its liquid available resources and liquidity risks. Quantitative information is provided by segregating current and non-current assets and liabilities on the statement of financial position. Qualitative information will be provided in the footnotes regarding limitations on the use of liquid assets.

"This is an area I expect to be most challenging to implement," Lewis said.

"NFPs are assessing the measures that are most relevant to their organizations and taking care in how they should be described for the use of internal and external stakeholders."

**Other key changes**

Other key changes applauded by the CPAs included:

- Permitting organizations to choose between reporting cash flows using the direct method or indirect method, based upon which better serves information needs of users. Entities electing the direct method will no longer be required to include an indirect method reconciliation.
- Requiring investment income to be reported net of internal and external investment expenses, and eliminating the requirement to disclose the amount of netted investment expenses. This change removes the difficulty of accurately identifying imbedded

costs and will improve consistency across organizations.

- Underwater donor-restricted endowment amounts will be reported in net assets with donor restrictions with expanded disclosures about the underwater portion, which was thought to be more intuitive for the user.

## Recommendations

**Prepare early**

"Make sure management and the board are prepared in advance," Lewis said. "You don't want the first communication to be at the time the standard becomes effective."

"Many NFPs rely heavily on the external auditor for assistance with financial statement preparation," Bauder said.

"The client may need educated first on why the financial statements will look different, and what is the purpose of these disclosures, so that management decisions can be made that will affect future reporting."

**Organize records**

All of the CPAs strongly recommended that NFPs begin preparing now:

- Does the entity have good historical records of the sources of net asset classifications?
- Does the entity want to report functional expenses consistent with 990 reporting, is the organization comfortable with its processes for capturing expenses by function, and are allocation methods auditable?

**Evaluate liquidity disclosures**

CPAs agreed that this would be the most difficult new requirement to implement, and recommended early evaluation of how the entity should structure its liquidity disclosures and what type of information will be needed.

## Outlook

"This standard will be an improvement for most NFP organizations, which have a leadership engaged in making strategic decisions regarding programs," Reis said. "The new rules make more transparent to leaders and key donors funds available for unrestricted purposes and the nature of expenditures."

Few expressed concerns about the cost of implementing the new rules. Members supported the phased approach, expressing concerns that phase two not create a reporting model for NFPs that differed conceptually from the for-profit model, leading to market confusion, cost and complexity.

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## FAST FACTS

1. FASB stopped short of implementing an entirely new financial reporting model for NFPs in the first phase, in favor of a two-phased approach.
2. Net asset classes are reduced from three to two: "net assets with donor restrictions" and "net assets without donor restrictions."
3. All not-for-profits will be required to provide an analysis of expenses by both function and natural classification.
4. Prepare the management and the board in advance, including organizing records.





# Recent changes to the R&D tax credit provide improved incentives for businesses

*By Michael Krajcer, JD, CPA*

## PATH Act Provisions to offset AMT and Payroll Tax

Signed into law on Dec. 18, 2015, the PATH Act made the federal R&D credit permanent and added two significant provisions. For tax years starting after Dec. 31, 2015, taxpayers may be eligible to offset AMT and payroll taxes using the research credit.

## AMT offset

Historically, AMT has served as a limitation barring many small and medium-size businesses from benefiting from the research credit, since prior law prohibited the use of the credit to decrease tax liability below AMT levels. For instance, even if a business was conducting credit-eligible activity and calculating a credit on its tax return, the company would not be able to utilize the credit against its full tax liability if it was subject to AMT. Hence, many businesses found it difficult to justify the work involved in calculating the credit when only a portion, if any, of that credit would be available for their immediate use.

Going forward, the research credit may now offset both regular tax liability and AMT liabilities for taxable years beginning on or after Jan. 1, 2016. Key components of the provision are:

- Applicable to taxable years beginning after Dec. 31, 2015.
- The business (and if a flow-through entity, its partners or shareholders) must have less than $50 million in average gross receipts for the three preceding years.
- Only credits earned after Dec. 31, 2015, apply to the provision (i.e., carryover credits from earlier tax periods will not be allowed to offset AMT).

Thus for those taxpayers who meet the gross receipts test noted above, AMT liability may now be reduced utilizing research credits. This will be an important reason for businesses to consider or reconsider the research credit opportunity in the future. With the opportunity to secure current cash-flow benefit of the credit, (i.e. as opposed to counting on future benefit during the credit's 20-year carryover period), taxpayers suffering from the effects of AMT finally have something to cheer about.

## Payroll Tax offset

Prior to 2016, for a taxpayer to benefit from the R&D credit, they had to have a tax liability. Today, the research credit may now be utilized to reduce a portion of a qualifying small businesses payroll taxes, thus affording those without an income tax liability a means to benefit currently from the credit. Without this provision, the only other option was to wait for the business to incur an income tax liability during the 20-year carryover period of the credit. Key components of the provision are:

- Applicable to taxable years beginning after Dec. 31, 2015.
- A qualified small business is defined, with respect to any taxable year, as a corporation (including an S corporation) or partnership (1) with gross receipts of less than $5 million for the taxable year, and (2) that did not have gross receipts for any taxable year before the five taxable year period ending with the taxable year.
- Offset limit is up to $250,000 in credit against employer OASDI liability (the employer portion of tax equal to 6.2% of all wages).
- The payroll tax credit portion is the least of (1) an amount specified by the taxpayer that does not exceed $250,000, (2) the research credit determined for the taxable year, or (3) in the case of a qualified small business other than a partnership or S corporation, the amount of the business credit carryforward under section 39 from the taxable year (determined before the application of this provision to the taxable year).
- A taxpayer may make an annual election under this section, specifying the amount of its research credit not to exceed $250,000 that may be used as a payroll tax credit, on or before the due date (including extensions) of its originally filed return. A taxpayer may not make an election for a taxable year if it has made such an election for five or more preceding taxable years.
- The payroll tax portion of the research credit is allowed as a credit against the qualified small business's OASDI tax liability for the first calendar quarter beginning after the date on which the qualified small business files its income tax or information return for the taxable year. The credit may not exceed the OASDI tax liability for a calendar quarter on the wages paid with respect to all employees of the qualified small business.
- If the payroll tax portion of the credit exceeds the qualified small business's OASDI tax liability for a calendar quarter, the excess is allowed as a credit against the OASDI liability for the following calendar quarter.

Providing startups with the opportunity to offset payroll taxes with the research credit will allow these businesses to conserve cash in the years that are most critical to their success. That's good news for them and for our economy, since every dollar that remains in the hands of these growing startups helps drive further innovation and job creation.

Here's an example of application of the provision: A software company started in 2012 has conducted qualifying R&D activity in all the years of its existence. Related Qualifying Research Expenses (QRE) are made up of wages paid to its employees. A summary of pertinent financial data is in Table 1.

| Tax period | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Gross receipts | $50,000 | $150,000 | $500,000 | $750,000 | $1,000,000 |
| Wages | $100,000 | $200,000 | $400,000 | $500,000 | $600,000 |
| Wage QRE | $50,000 | $100,000 | $200,000 | $250,000 | $300,000 |
| R&D credit | | | | | $18,958 |

*Table 1*

| 2017 Tax Year | Q1 | Q2 | Q3 | Q4 | TOTAL |
|---|---|---|---|---|---|
| Wages | $150,000 | $150,000 | $150,000 | $150,000 | $600,000 |
| Employer portion of OASDI (6.2%) | $9,300 | $9,300 | $9,300 | $9,300 | $37,200 |
| Eligible offset to elect | | $9,300 | $9,300 | $358 | $18,958 |

Table 2

Assuming $600,000 in total wages paid, annual OASDI tax liability owed by the software company would be $37,200. With $300,000 in QREs, the software company would be eligible for an R&D tax credit in the amount of $18,958.

Assuming the company files its 2016 federal income tax return on March 15, 2017 (the first quarter of 2017), the eligible payroll offset election would be as follows in Table 2.

Please note that the eligible payroll tax amount to offset is calculated using ALL employee wages, not just the QRE wage amount.

In 2017, this taxpayer would not be allowed to elect to offset payroll tax with IRC Section 41 research credits, since it has gross receipts in five prior tax years. This is a specific exclusion in the new provision, intended to limit the benefit to start-up companies only.

## Final IRS Regulations for IUS

While the R&D tax credit is intended to be a broadly applicable incentive, Congress had historically taken the position that software developed for internal use (called "internal use software" or IUS) should be subject to a higher standard of credit eligibility. Hence, under IRC section 41 and applicable U.S. Treasury regulations, businesses developing IUS have been required to meet three additional stringent tests to qualify for the credit.

Many taxpayers investing in IUS could not meet these three tests as interpreted by the IRS, and hence have not been able to claim this credit for their software development efforts. Taxpayers have long approached the Treasury with concerns that the applicability of these three additional requirements is too broad in scope and the IRS's interpretation of each requirement has been overly aggressive.

Finally, after nearly 20 years of intense controversy and substantial debate, on Oct. 4, 2016, the Treasury published final regulations related to IUS development under Internal Revenue Code Section 41 regarding to the research credit. Key components of the provision are:

- Definition of IUS: The regulations provide a list of general and administrative functions, intended to target the back-office functions that most taxpayers would have regardless of the taxpayer's industry, and that the characterization of a function as back office will vary depending on the facts and circumstances of the taxpayer.
- Definition of Non-IUS: Added to the existing definition, software that is developed to enable a taxpayer to interact with third parties or to allow third parties to initiate functions or review data on the taxpayer's system.
- Treatment of dual-function software: Provided rules on how to treat software that has both IUS and non-IUS characteristics, including a safe harbor rule.
- Taxpayers may utilize the new regulations solely on a prospective basis, starting with the tax year beginning on or after Oct. 4, 2016. Or second, for any taxable year that both ends on or after Jan. 20, 2015, and begins before Oct. 4, 2016, the IRS will not challenge return positions consistent with all the provisions of the final regulations.



The final IRS regulations for IUS and Non-IUS are further defined below:

### What is IUS?

In 2015, proposed IUS regulations defined software developed for internal use to be computer software developed by (or for the benefit of) the taxpayer, primarily for the taxpayer's use in general and for administrative functions that facilitate or support the conduct of the taxpayer's trade or business. General and administrative functions, as defined in the proposed regulations, are limited to (1) financial management functions, (2) human resource management functions and (3) support services functions. Final regulations did not alter this list of functions or the more detailed list of services that the proposed regulations listed as examples of each.

However, the final regulations again noted that the list of general and administrative functions is intended to target the back-office functions that most taxpayers would have regardless of the taxpayer's industry, and that the characterization of a function as back office will vary depending on the facts and circumstances of the taxpayer. In addition, the final regulations clarified that the determination of whether software is developed primarily for internal use depends on the intent of the taxpayer and the facts and circumstances at the beginning of software development.

### What isn't IUS?

Although not substantively changing the definition, final regulations clarified that software is not developed primarily for the taxpayer's internal use if it is not developed for use in general and for administrative functions that facilitate or support the conduct of the taxpayer's trade or business; and examples of software that are not regarded as IUS includes (1) software that is developed to be commercially sold, leased, licensed or otherwise marketed to third parties and (2) software that is developed to enable a taxpayer to interact with third parties or to allow third parties to initiate functions or review data on the taxpayer's system.

### What if it's both?

The final regulations maintain the presumption of internal use, when both IUS and non-IUS software are being developed as part of an integrated system. Referred to as "dual function" software in the regulations, taxpayers will have the burden of proof to overcome the presumption of internal use for the non-IUS portion of the integrated functions of the software. However, to the extent that the taxpayer can identify a subset of the dual function computer software which is only non-IUS, then for that subset of the software development the presumption of internal use does not apply. After identifying non-IUS subsets of the software system, there may still exist dual function software. The IRS had provided a safe harbor approach to dealing with this dual function software. In the final regulations, the proposed regulations safe harbor rules were retained and favorably revised to be more industry specific.

The safe harbor rules for dual function software allow the taxpayer to include 25% of the qualified research expenditures of the remaining dual function subset in computing the amount of the taxpayer's credit. However, the taxpayer must be able to substantiate that the use of the dual function subset by third parties or by the taxpayer to interact with third parties is reasonably anticipated to constitute at least 10% of the dual function subset's use and that the taxpayer's research activities related to the dual function subset constitute qualified research. The final regulations contain a taxpayer favorable change in this section, providing that any objective, reasonable method within the taxpayer's industry may be used for purposes of the safe harbor.

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## FAST FACTS

1. The federal R&D tax credit is now permanent, and a permanent annual credit provides taxpayers with an opportunity to properly plan and budget for future R&D initiatives.
2. Legislation changes also brought forth two new opportunities for certain eligible small businesses to offset payroll and Alternative Minimum Taxes (AMT), in addition to or in lieu of income tax.
3. Many small businesses who found themselves in AMT were unable to benefit from the research credit. Today, these same small businesses now have opportunity to alleviate this tax burden.
4. The new payroll tax offset provision allows cash-strapped startups to immediately benefit from tax savings in the years where they need it most.
5. New Treasury Regulations broaden the definition of internal use software (IUS), making it easier for businesses investing in this area to claim this incentive.
6. Final regulations continue a recent line of "pro-taxpayer" legislation, regulation and court rulings relating to the research credit, which will allow for the expanded utilization of this incentive and reduce the controversy that has historically plagued taxpayers who have claimed it.





# How to handle a PUBLIC RELATIONS crisis and preserve your company's reputation

*By Jessica Salerno, OSCPA content manager*

It's a professional nightmare scenario. Your company has been publicly embarrassed in a way you hoped would never happen. And on top of that, the issue is public. Everyone knows, or thinks they know, what happened.

Avoid the urge to bury your head in the sand, said Hinda Mitchell, president of Inspire PR Group, because refusing to admit to the crisis won't make other people will forget.

> “Not responding is the biggest mistake you can make because then you set the tone for someone else to define you in the crisis.” Hinda Mitchell

As CFOs branch outside of "traditional" financial areas in their organization, understanding how to handle a public crisis is an important, if unfortunate, part of leadership. The ability to address and resolve an error made publicly could affect the company's perception for years to come.

### Steps to take during a crisis

"One of the overarching rules you should follow is to keep people looking at you," Mitchell said. She said it's crucial to establish that it's your organization the media and reporters need to contact for the most correct, recent information.

Take stock of the situation as best you can, and then Mitchell said to issue a public statement. Even if you don't know all the details yet, she said people will be clamoring for information, and putting out a statement establishes that you're aware of the issue and assessing the situation.

Next, it's time to eat humble pie.

"Even if you don't have a lot of detail, it's okay to come out and say 'We're aware this happened, we're sorry and we're looking into it,'" Mitchell said. "People want to hear a good old fashioned apology."

Getting a statement out early on solidifies your position as the go-to in the aftermath of what happened. Of course, be careful with your wording, and check with your lawyers to make sure your statement doesn't admit guilt.

"Be frequent and transparent in how you communicate," she said. "It's really important you continue to maintain control of the conversation about your company."

Next, inform the public that you're conducting your own review or investigation into what happened.

"Another part of crisis response is reassurance," Mitchell said.

An error was made, and now it's important to make sure it doesn't happen again. Let the public know after your investigation how you will develop a process to avoid this in the future.

### Stakeholders vs. public perception

"We tend to respond with social media or traditional media first. And it doesn't mean you can't or shouldn't deal with those, but you can't only deal with those," Mitchell said. "There are a lot of other stakeholders in a crisis, and that's another really important thing that people tend to forget."

Other stakeholders could be shareholders, regulators, board members, employees or even the SEC. Of course, it depends on what happened as to who exactly are the most important stakeholders.

### Social media's role

> “Social media is one of the best and worst things to happen in crisis response.” Hinda Mitchell

It can work in your favor because it gives you the chance to easily and quickly communicate a lot of information in a short amount of time through your own platform.

"But if you want to leverage social media you need to build up your following," Mitchell said. "Build up followers and engage with them so they know to come to you. Don't start a Twitter account because there's a crisis, because no one will be there to see your information."

On the flip side, video cameras on cell phones have led to numerous public crises breaking on social media, she said. Mitchell suggested you have someone monitoring social chatter to keep an eye on what's being shared. If there is a common theme of misinformation, it's up to you to correct it.

### When to admit fault

Apologizing for something that occurred in error is a lot different than taking full responsibility for what happened.

"While you're doing the review and trying to figure out responsibility, start by condemning the act and not the actor," Mitchell said.

After learning more about what happened it might come out that there are other outside parties at fault, or you could end up being directly responsible. You want to avoid a scenario where you spoke too early or have to backtrack, which is why it's important to wait before fully accepting all the fault. Mitchell said it's also crucial to understand the liability implications for all parties.

This is also wise to remember when the public is asking for someone to be fired.

"A crisis typically has three players: you've got victims, villains and a superhero. Often there will be calls for the villain to be taken down," Mitchell said. "That decision needs to be made on a case-by-case basis."

If you've communicated appropriately that pending an investigation you will take whatever disciplinary actions are appropriate, that's enough until you have all the facts. You don't want to make a hasty decision you'll regret later.

"At the end of the day you want to look back and say we followed our process the way we were supposed to," she said. "And that includes personnel. You can't shift and react to external forces if it's not consistent with what you've done as a company."

### Preparation beforehand

Unfortunately, even a well-prepared professional can face a public crisis at some point. Although you might not always be able to predict exactly what it will be, Mitchell said you can prepare for "high likelihood-high impact scenarios."

Prepare your messaging for various scenarios to avoid getting caught unprepared. Figure out who needs to be on the crisis team, who will be the spokesperson and who you will need to contact if something occurs.

"The cycle really ends when you've gone full circle and have the opportunity to work at restoring confidence and trust from stakeholders," Mitchell said. "Managing the crisis well can get you the most quickly back to that point of trust and confidence."

## FAST FACTS

1. Not responding is the worst mistake you can make in a public crisis.
2. You want to ensure people will look to you for the facts on what happened rather than other outlets.
3. Although the public is important, remember to prioritize your stakeholders in the situation: the people or organizations who are truly affected by what has happened.
4. Prepare beforehand by mapping out potential high-likelihood high-impact scenarios.



# 6 risk management mistakes CPA firms make

*By Tim Huggins*

Managing CPA liability risk exposures is a complex process, and it's easy to underestimate the potential for risk along the way. You can avoid the following six mistakes by being aware and taking the right steps.

### 1. Not discussing questions about the insurance application with your underwriter or agent.

Whether it's for a new or renewal policy, the better the job you do with the application, the better your chances of avoiding mistakes and problems. Take time to review the questions and determine what information and data you will need for it. State the information accurately. Applications are not opportunities to market or embellish your firm's profile. Misstatements may result in a higher premium or even the rescission of a policy based on wrong information. Some companies encourage CPAs to call their underwriters or agents with questions about the application and the information requested. A phone call is an easy way to correct errors before they occur.

### 2. Not having appropriate policy limits for your firm profile.

Excessively high limits of insurance offered at bargain prices are red flags. High limits will often put a bigger bullseye on your firm and potentially lengthen the claims process. However, you also need to carry enough limit to be able to protect yourself in the event of a bad claim or to fight a frivolous claim. A specialized underwriter, agent or account executive can discuss your firm's specific risk exposures, policy limits and coverage options. Each accounting practice is unique—tax specialists have exposures that are different from those of auditors. An underwriter or agent experienced in CPA firms will work with you to create a policy that addresses your specific risk areas, with the appropriate limits and cost structure.

### 3. Admitting liability, assuming damages, voluntarily making any payments, or incurring claims expenses.

These are all actions a CPA firm must avoid without the prior written consent of the insurance company. Such actions likely will violate policy conditions, which may result in a denial of coverage. Policyholders should not take action without first receiving guidance from a risk adviser with the insurance company. Avoid agreements that include "hold harmless" or indemnification provisions that are one-sided and not in the firm's favor. Firms that go along with clients in attempting to a handle problem internally without reporting it are sometimes surprised to find out later that the problem is much larger than it appeared. If the problem was not reported in accordance with the policy, the damages might not be covered.

### 4. Not reporting a potential claim as early as possible.

The sooner claims and potential claims are reported, the more effective an insurer can be at achieving an early resolution. Early reporting also will help assure coverage for the potential claim. Some insurers encourage the early reporting of claims by reducing the deductible for any potential claim that is reported before a claim is made. Further, if it is determined that it is appropriate to retain legal counsel to help with a pre-claim situation, some insurers will absorb the legal expenses, help policyholders achieve a resolution with the client, prepare a tax penalty abatement request, draft talking points for communicating the facts of the situation with the client, and provide subpoena and other services if the need arises.

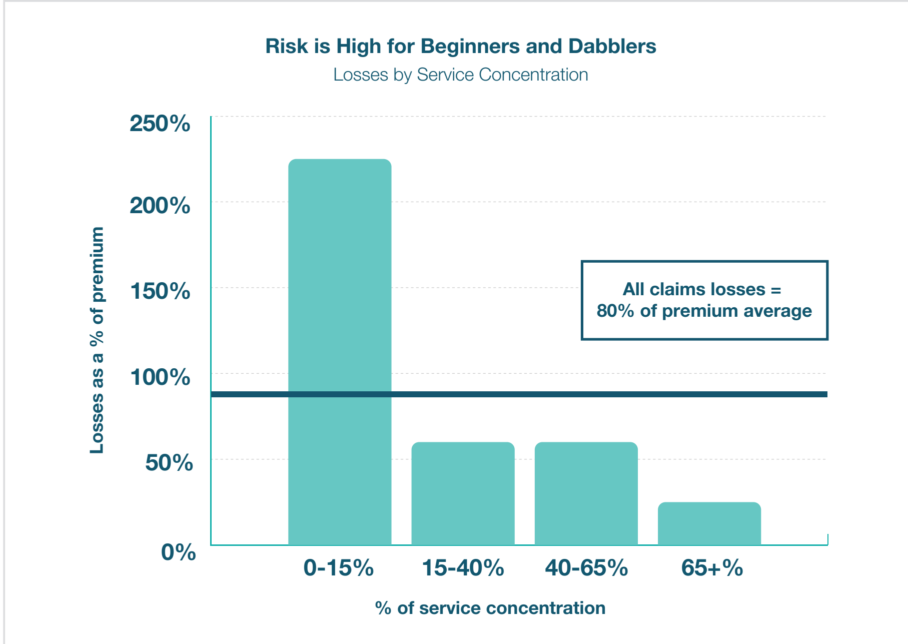
CPAs often are so busy that they don't recognize or acknowledge a potential claim as it is developing. This can be particularly devastating when the damages claimed are significant, and not covered because of late reporting. It's important for CPAs to pay attention to potential issues and to report to their carriers as soon as they think there may be a problem. Also new for CPA firms is "continuity of coverage," which permits much later reporting by a CPA firm that has renewed consistently with the carrier, even if the firm knew of a potential claim but did not report it until the client makes an actual claim months or even years later.

## 5. Not using the insurance program's advisory, loss prevention, and risk management services.

The best way to avoid a claim is to manage the risks that lead to claims. Some of the basic risk management tools, such as client screening, engagement letters and follow-up documentation are crucial in managing potentially major problems into minor problems. The more tools and resources an insurance program provides its policyholders, the better those policyholders will be at avoiding or minimizing problems and disputes. A good insurance program will also advise you on how to utilize its resources to help your firm improve its practices. You can also get a good feel for a company's service and attitude toward its policyholders by using its services. If you are interested in a good partnership with your company, the company should do its best to help you minimize your losses and control your premiums.

## 6. "Dabbling" in high-risk work without doing enough to stay proficient at it.

Claims data show high loss ratios for services that comprise less than 15% of a firm's work. By the same token, loss ratios are low for services that comprise 65% or more of a firm's work. See chart.




Also, part of the client screening process includes making sure that the engagement is a good fit for the firm's expertise. Proficiency in any type of engagement includes the ability to identify risk stress points in the engagement. CPAs are expected to possess a thorough understanding of the client's business and industry to identify those stress points. Establish a policy for what types of engagements the firm will avoid because of a lack of technical expertise. Some firms will write a description of the engagements they accept and the way they conduct business and perform services, including steps for controlling liability exposures (such as engagement letters and other forms of documentation).

The CPA firm should always feel comfortable about contacting its liability carrier and asking questions about any matters, regardless of how small they might appear to be. If the company is committed to providing good services and helping CPAs solve problems, you will discover this just by reaching out with an email or phone call.

*Tim Huggins is manager of underwriting operations with CAMICO (**www.camico.com**), responsible for underwriters and underwriting department activities. He joined CAMICO in 1998 and was promoted to senior underwriter in 2005, responsible for CAMICO's largest direct accounts.*

## FAST FACTS

1. Managing CPA liability risk exposures is a complex process, and CPAs shouldn't underestimate the potential for risk in their career.
2. It's a mistake to not discuss questions about the insurance application with your underwriter or not have appropriate policy limits for your firm profile.
3. Policyholders should not take action without first receiving guidance from a risk adviser in admitting liability, assuming damages, etc.
4. Report a claim as early as possible.
5. Use the insurance program's risk management services and avoid dabbling in high-risk work without staying proficient in it.

# The Ohio CPA Foundation

THE OHIO CPA FOUNDATION

*Investing in the Future*

## 2016-2017 Annual Report

**Dear Donors and Friends,**

Today, the CPA profession is more about people than it's ever been. It's about relationships that are built on people serving people and the organizations that employ them. And as opportunities in this profession continue to grow, the need for people – for talent – grows. This is a real and critical issue for the profession. It's an issue I am personally passionate about. And it's why I serve as chair of The Ohio CPA Foundation.

The Ohio CPA Foundation is helping meet the talent needs of the profession by funding programs and events that attract the best and brightest individuals to careers in accounting.

This past year, the Foundation, in partnership with The Ohio Society of CPAs, focused its efforts on changing the way students think about accounting. We want students to know that with a degree in accounting and with the CPA license, they can take their career in any direction they choose. This profession is about opportunity, and the Foundation is helping more students see just how much opportunity is waiting for them.

From high school through college, Foundation programs reach students as they are making some of the most important decisions of their lives. At in-person events, through social media, and by connecting with parents and teachers, the Foundation is ensuring that students around the state and from all backgrounds have the opportunity to envision their future in accounting.

We couldn't accomplish so much without the support and generosity of our valued donors and volunteers. This past year, 155 *new* donors stepped up to support the Foundation; our donor retention rate was 65% - well above the industry average; and more than 100 individuals served as program and committee volunteers. I extend my heartfelt thanks to each of you!

With our loyal donors and volunteers, and the dedicated staff who carry out the Foundation's mission, The Ohio CPA Foundation has never had more momentum. Thank you for being part of our success.

Sincerely,

**Dave Brockman, CPA**
**Chair of the Board of Trustees**
**The Ohio CPA Foundation**

## *Ensuring tomorrow's talent pool*

The Ohio CPA Foundation funds programs that attract more candidates to the CPA profession, giving students a look into the world of accounting and connecting them with CPAs who are building rewarding careers in a wide variety of disciplines and sectors.

In addition to award-winning programs like the Accounting Careers Awareness Program (ACAP-Ohio) which celebrated its 22nd year in 2017, and the Student Ambassador Program which has been operating on college campuses since 2001, the Foundation is reaching a larger and more diverse pool of students to strengthen Ohio's CPA workforce.

This past year, the Foundation, in partnership with The Ohio Society of CPAs, introduced the new CPA STRIVE Initiative. And the Accounting Careers Leadership Academy (ACLA) hosted its third annual conference for accounting majors from throughout the state.

Foundation donors and volunteers make all of these important initiatives possible.

## *Year in review*

### ACCOUNTING CAREERS AWARENESS PROGRAM (ACAP-OHIO)

*Coaching high school students on how to reach their full potential.*

More than 40 high school students gathered at The Ohio State University's Fisher College of Business in June to participate in the week-long ACAP-Ohio summer camp. With an average GPA of 3.9 and representing a variety of racial and ethnic groups, this bright class of students had the opportunity to explore careers in accounting and business while getting a taste of college life.

### ACCOUNTING CAREERS LEADERSHIP ACADEMY (ACLA)

*Setting college students up for success as they transition into their careers.*

This exciting professional development opportunity helps college students prepare for a successful future in accounting and business. This past May, nearly 40 participants heard from leaders in the profession and met with recruiters from major employers over a two-day period. The program taught leadership skills, the value of the CPA credential and topics related to diversity and inclusion.

"At ACAP-Ohio, I was able to network and learn from accounting professionals. I see them as role models now. Along with meeting new friends, I learned business skills to help me be the best possible person I can be."

**ALISA B., ACAP-OHIO 2017**

## ASPIRE

*Helping community college students envision their future in the CPA profession.*

Designed for students attending community colleges and two-year institutions, ASPIRE helps students navigate the pathway from their associates degree to the next level of their education and future career. ASPIRE brings CPAs face to face with students to inspire them to pursue the CPA credential. In 2017, ASPIRE hosted its largest program at Cuyahoga Community College with nearly 70 students in attendance.

## COLLEGE SCHOLARSHIP PROGRAM

*Helping students fund an accounting education.*

The Ohio CPA Foundation helps ease the financial burden of earning an accounting degree through a generous scholarship program. In the 2016-2017 fiscal year, the Foundation awarded $58,000 in scholarships to 29 students.

## CPA STRIVE INITIATIVE

*Recruiting and retaining students in the CPA pipeline.*

The new CPA STRIVE Initiative is a comprehensive approach to the recruitment and retention of underrepresented students in the accounting profession. STRIVE – Success Through Retention, Inclusion, Visibility and Engagement – captures the purpose of the unique programs and opportunities within the initiative. This umbrella program seeks to diversify talent in the accounting careers pipeline through continuous engagement at multiple points on a student's pathway to the profession.

## HIGH SCHOOL ACCOUNTING CAREER DAYS

*Inspiring high school students to choose accounting as the foundation for their career.*

In 2016-2017, more than 650 students gathered on college campuses to participate in High School Accounting Career Days hosted throughout the state. These half-day events introduce students to the accounting major and CPA credential by giving them the opportunity to interact with local CPAs, accounting majors and faculty.

## STUDENT AMBASSADOR PROGRAM

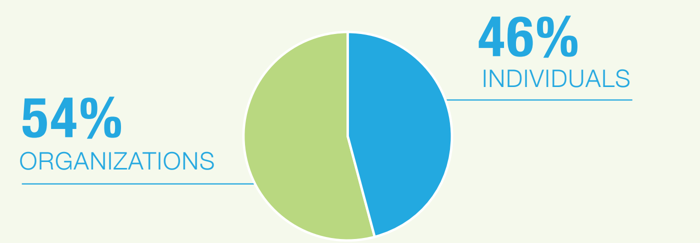
*Promoting accounting and the CPA credential on 18 college campuses.*

The Student Ambassador Program employs the best and brightest accounting majors to recruit the best and brightest to the profession. The ambassadors, who are upper-class accounting majors committed to earning the CPA license, plan activities and host events that help undecided students see the benefits of majoring in accounting. In 2016-2017, Baldwin Wallace University joined the program bringing the Student Ambassadors' reach to 18 campuses around the state.

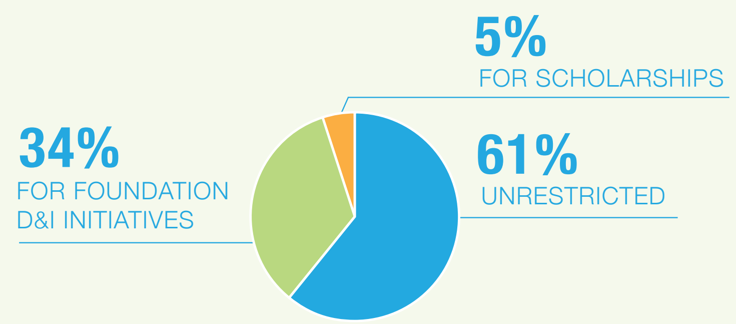
# *Thank you,* FOUNDATION DONORS!

We are grateful for the many individuals, businesses and organizations that support the important work of The Ohio CPA Foundation. To see a list of donors, please visit **www.ohiocpafoundation.org** and click on Our Donors. Also, look for a special donor recognition publication in *CPA Voice* in early 2018 that will recognize all of our 2017 Annual Fund Campaign donors. Together, we are making a difference!

## *By the numbers*




WHERE DO GIFTS COME FROM?




GIFTS RECEIVED IN 2016-2017

In 2016-2017, 12 new firm and corporate donors supported the Foundation and 143 new individual donors gave to the Foundation.

1956 Legacy Society
THE OHIO CPA FOUNDATION

The charter class of the **1956 Legacy Society** includes 10 individuals who listed The Ohio CPA Foundation in their will or estate plans.

## *What donors have to say*

"**Meeting the bright, future stars** of tomorrow in our profession is truly an honor, and it's quite fun letting them know all of the highlights on this career."

"I donate to the Foundation in hopes of **helping students** want to become CPAs."

"The donor breakfast before a CPE day and **hearing from the students** was great. I saw how my donation was making a difference."

"It's nice to have a donor breakfast [to connect donors and students.] Even if I have been a small donor, it **encourages me to donate more**."

THE OHIO CPA FOUNDATION

*Investing in the Future*

## THE OHIO CPA FOUNDATION STATEMENT OF FINANCIAL POSITION

Year Ended April 30, 2017
(With Comparative Totals for April 30, 2016)

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 76,000 | $ 152,000 |
| Pledges receivable, net | 129,000 | 138,000 |
| Accounts receivable, the Society | 505,000 | 232,000 |
| Investments | 3,310,000 | 2,971,000 |
| Total assets | $ 4,020,000 | $ 3,493,000 |
| **LIABILITIES AND NET ASSETS** | | |
| **LIABILITIES** | | |
| Scholarships payable | $ 56,000 | $ 58,000 |
| Accounts payable - the Society | 485,000 | 223,000 |
| Total liabilities | 541,000 | 281,000 |
| **NET ASSETS** | | |
| Unrestricted | $ 295,000 | $ 252,000 |
| Temporarily restricted | 623,000 | 556,000 |
| Permanently restricted | 2,561,000 | 2,404,000 |
| Total net assets | $ 3,479,000 | $ 3,212,000 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 4,020,000 | $ 3,493,000 |

## THE OHIO CPA FOUNDATION STATEMENT OF ACTIVITIES

Year Ended April 30, 2017
(With Comparative Totals for April 30, 2016)

| | 2017 Total | 2016 Total |
|---|---|---|
| **REVENUE** | | |
| Donated services | 304,000 | 351,000 |
| Contributions | 258,000 | 307,000 |
| Investment income (loss), net | 25,000 | (10,000) |
| Total revenue | 587,000 | 648,000 |
| **EXPENSES** | | |
| Donated services | 304,000 | 351,000 |
| Accounting Careers Awareness Program | 116,000 | 63,000 |
| Scholarships | 58,000 | 61,000 |
| Student ambassadors | 56,000 | 54,000 |
| Fundraising | 38,000 | 43,000 |
| General and administrative | 33,000 | 20,000 |
| FETCH!® | 14,000 | 17,000 |
| Diversity and Inclusion | 12,000 | - |
| Total expenses | 631,000 | 609,000 |
| Increase (decrease) from operating activity | (44,000) | 39,000 |
| **NON-OPERATING ACTIVITY** | | |
| Contributions | 2,000 | 1,000 |
| Investment income (loss), net | 309,000 | (74,000) |
| Released from restrictions - Centennial Campaign | - | - |
| Increase (decrease) from non-operating activity | 311,000 | (73,000) |
| **CHANGE IN NET ASSETS** | 267,000 | (34,000) |
| **NET ASSETS - BEGINNING OF YEAR** | 3,212,000 | 3,246,000 |
| **NET ASSETS - END OF YEAR** | $3,479,000 | $3,212,000 |

The accompanying condensed financial statements are derived from the Foundation's audited financial statements, which received an unmodified opinion from Maloney + Novotny LLC. A complete copy of these financial statements is available by contacting CPAnswers at 888.959.1212, or by email at **cpanswers@ohiocpa.com**.

# Career Center

feature

# 2017 hiring process: A full-court press

*By Elizabeth Kalakuntla*

According to the statistics provided by the U.S. Department of Labor, the unemployment rate in Columbus in May 2017 was 3.7%. The trend of a low unemployment rate in recent years proves that employers need to have their game face on and tailor hiring processes to the candidate-driven market.

In basketball, a full-court press is an aggressive defense tactic that involves players guarding the opposing team over the entire length of the court. This is no different than putting in a huge effort to accomplish a common goal in the business world. It is essential employers call a full-court press to attract and retain top talent. It comes down to moving quickly, guarding against the competition and gaining the opportunity to take that game-winning shot!

If employers are not catering to the faster hiring processes needed to bring top talent into the major industries, their organization's talent level will suffer tremendously. According to LinkedIn statistics, 50% of companies take an average stretch of 1-2 months to hire talent. Even more disturbing, 17% of companies are taking 3-4 months to complete the hiring process.

## The top advantages of a quick hiring process

Attracting and retaining top talent is the goal of every employer and to be an employer that candidates request to work for is an honor. It proves the employer has a strong reputation, people are speaking positively about the hiring process and other positive aspects of the organization are being recognized in the community. But top talent doesn't stay on the market for long. This is why the hiring process needs to be organized, streamlined and efficient. A process of this caliber means being the first to extend an offer, hire the candidate and retain incoming talent for years to come.

## 3 negative consequences of a slow hiring process

**Poor employer branding:** With the internet at people's fingertips, there is access to the good, the bad and the ugly of an organization. Per CareerArc, 72% of job seekers who have had a bad interviewing experience have shared it online or with someone else. Talk about poor employer branding! With that statistic in mind, it's time for employers to take note and make changes. Highly skilled candidates can afford to be picky and it's proven that a poor employer brand has rippling effects. A *Harvard Business Review* survey found nearly 50% of the individuals surveyed would not accept a job with a company with a negative reputation. And for those who think money is the key to happiness, a 10% raise would only tempt 28% of those individuals to join such a company.

**Loss of interest:** According to Robert Half, 46% of job seekers say they lose interest in a role if they have not heard back from a company within 1-2 weeks. This is the perfect way to miss out on top talent. Timing and communication is everything. While companies moving at a slower pace aren't able to keep a candidate, the companies moving at a quicker pace will have already extended an offer and received an acceptance from the same candidate. The competition in 2017 is real and it's undeniable that it comes down to the speed of the hiring process and the organization's ability to make important hiring decisions under a strict timeline.

**Bidding wars & unnecessary costs:** The last situation any two competitors want is a bidding war on behalf of one talented candidate. In many cases, a bidding war will force an organization to pay up to 25% more by the end of the hiring process for the same talent they could have locked down weeks in advance. Expediting the hiring process is necessary for organizations to save money and stay on budget.

## How to speed up the process

**Remove unnecessary interviews**: Candidates are run through the wringer when it comes to interviews. Usually, it begins with an initial phone screen, then an initial in-person interview, followed by one more panel interview and possibly yet another interview to finalize the process. This interview process is not only lengthy, but unnecessary. Glassdoor statistics show that on average, a phone interview will add roughly 8 days to a hiring process, in addition to a one-on-one and a panel interview each dragging out the hiring process another 5-6 days each. Although each step of the interview process is meant to create efficiency, it's creating the exact opposite. In recent studies conducted by Robert Half, 33% of job seekers say that delays to set up interviews were the most aggravating part of applying for jobs. So, what are the options?

A popular go-to is a Skype video call. It's personable, informative and convenient for both a candidate who is currently employed and a hiring manager who might have a busy travel schedule. According to Korn Ferry, 75% of companies say that a video is the best way to interview a candidate. Another way to speed up the process is by simply removing unnecessary interviews. If a phone screen is required, cut down on the on-site interviews. One on-site interview, if handled properly by the organization, should be plenty. Otherwise, the more drawn out the scheduling process is, the more likely top talent will drop out, forcing an organization to start their search over.

***About Dawson***

*Dawson, a family-owned staffing and recruitment agency, is celebrating 70 years establishing careers. Operating in Columbus since 1946, Dawson places professionals in temporary, temp-to-hire, and full-time jobs in the fields of administrative, call center, skilled trades, accounting & finance, creative, information technology, engineering, legal, and healthcare. The acquisition of Atrium Personnel in 2016 added administrative and light industrial staffing operations in Mount Vernon, Heath/Newark, and Strasburg/New Philadelphia. Dawson is committed to the community with strong philanthropic and volunteer initiatives and has been honored with multiple "Top Workplace" awards by Columbus CEO magazine and "Best of Business" awards from Columbus Business First. Learn more, or find your next job today at* ***dawsoncareers.com****.*

*Dawson is a preferred partner with the OSCPAs. For additional information or to take advantage of your member benefit, contact Emily Costanzo, CSP at* ***614.255.1316*** *or* ***ecostanzo@dawsoncareers.com****. To view what we have to offer:* ***https://www.ohiocpa.com/membership/ways-to-save/affinity-partners/dawson***

# preferred partners

Sageworks | Accounting & Business Valuation Solutions

As business owners increasingly demand proactive advice from their accounting firms, Sageworks provides ProfitCents and Sageworks Valuation Solution to help firms stay competitive, provide insight-driven advisory services and develop new revenue opportunities.

**Benefits of ProfitCents**

- Differentiate your firm with industry specific benchmarking KPIs to provide proactive advice
- Streamline audits & reviews with preliminary analytics and documented expected value calculations
- Acquire clients with easy-to-understand graphs, metrics and narrative reports that simplify complex financial information
- Save time with data integrations and process automation

**Benefits of Sageworks Valuation Solution**

- Save time while following the income, market and asset approaches to generate accurate, defensible valuations
- Reduce human error through consistent process and analysis
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- Create customized client reports faster to increase realization rates at your firm

OSCPA members can save! Call **866-603-7029** or email **sales@sageworks.com** and mention that you are a member of OSCPA to receive a 20% discount on both ProfitCents and Sageworks Valuation Solution.

Nationwide® is on your side

OSCPA members can get reliable protection for all the things that matter to them, including exclusive discounts on select Nationwide products and services. When you purchase a policy through Nationwide, it helps support OSCPA and the CPA profession.

We value your involvement and support of an organization that means so much to you – and to us. To show our appreciation, we are working with OSCPA to offer you special discounts on insurance products that make sense for you.

We are a strong and stable company that values people above all else. Nationwide is a Fortune 100 company that's been providing On Your Side® service since 1925. Over the last 85 years, Nationwide has grown from a small mutual auto insurer owned by policyholders to one of the largest insurance and financial services companies in the world.

Call **866-633-5747** and mention that you are a member of OSCPA to receive your exclusive discount on select Nationwide products.

# members
## in motion

Eric D. German, CPA, MAcc

Nancy Orben, CPA

### AKRON

**Laura Culp, CPA,** was promoted to partner-in-charge of its construction and real estate services practice at Sikich LLP.

**Eric D. German, CPA, MAcc,** has been promoted to partner at Bober Markey Fedorovich.

### BELLAFONTAINE

**Jacob Schroeder, CPA,** of Wilkins Schroeder Accounting Group has been named to Intuit Inc.'s Accountant and Advisor Customer Council.

### CINCINNATI

**Nancy Orben, CPA,** has been named on the 2017 Top 100 PROADVISOR list by Insightful Accountant.

### CLEVELAND

**Walthall CPAs** earned a 2017 Top Workplaces honor by The Plain Dealer for the sixth time, was recognized with the "We AAM to Serve" award for corporate social responsibility philosophy and received the 2017 Business Longevity Award from Power Players of Cleveland.

**Tyler Kette** was hired as an associate at Walthall CPAs.

### COLUMBUS

**Meghan Buxton, CPA,** and **Tobin Perrill, CPA** have been promoted to assurance manager at GBQ.

**Jessica Weeks, CPA** has been promoted to assurance senior manager at GBQ.

**Scott Eichar, CPA,** and **Molly Waite, CPA** have been promoted to senior manager at GBQ.

**Alicia Hammersmith, CPA** has been promoted to tax manager at GBQ.

**Mallory Mohler, CPA** has been promoted to forensic and dispute advisory services manager at GBQ.

### NAPERVILLE

**Sikich LLP** was named the SMB Central Region Partner of the Year and SMB Azure Central Region Partner of the Year by Microsoft.

### SPRINGBORO

**Janice L. Culver, CPA,** has been appointed to the Dayton Foundation Governing Board.

### TOLEDO

**Robin K. Brinegar** was promoted to firm shareholder at Shultz Huber & Associates, Inc.

### WORTHINGTON

**SueAnn K. Wheeler, CPA,** was hired as tax director at MedVet Medical & Cancer Centers for Pets.





# Statement of Ownership, Management and Circulation

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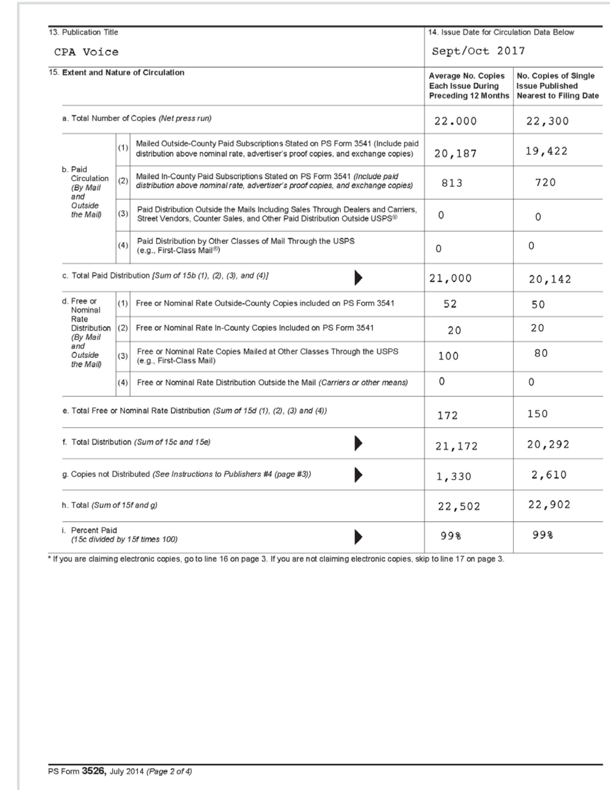

| 13. Publication Title | | 14. Issue Date for Circulation Data Below | |
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| a. Total Number of Copies *(Net press run)* | | 22.000 | 22,300 |
| b. Paid Circulation *(By Mail and Outside the Mail)* | (1) Mailed Outside-County Paid Subscriptions Stated on PS Form 3541 (Include paid distribution above nominal rate, advertiser's proof copies, and exchange copies) | 20,187 | 19,422 |
| | (2) Mailed In-County Paid Subscriptions Stated on PS Form 3541 *(Include paid distribution above nominal rate, advertiser's proof copies, and exchange copies)* | 813 | 720 |
| | (3) Paid Distribution Outside the Mails Including Sales Through Dealers and Carriers, Street Vendors, Counter Sales, and Other Paid Distribution Outside USPS® | 0 | 0 |
| | (4) Paid Distribution by Other Classes of Mail Through the USPS (e.g., First-Class Mail®) | 0 | 0 |
| c. Total Paid Distribution *[Sum of 15b (1), (2), (3), and (4)]* | | 21,000 | 20,142 |
| d. Free or Nominal Rate Distribution *(By Mail and Outside the Mail)* | (1) Free or Nominal Rate Outside-County Copies included on PS Form 3541 | 52 | 50 |
| | (2) Free or Nominal Rate In-County Copies Included on PS Form 3541 | 20 | 20 |
| | (3) Free or Nominal Rate Copies Mailed at Other Classes Through the USPS (e.g., First-Class Mail) | 100 | 80 |
| | (4) Free or Nominal Rate Distribution Outside the Mail *(Carriers or other means)* | 0 | 0 |
| e. Total Free or Nominal Rate Distribution *(Sum of 15d (1), (2), (3) and (4))* | | 172 | 150 |
| f. Total Distribution *(Sum of 15c and 15e)* | | 21,172 | 20,292 |
| g. Copies not Distributed *(See Instructions to Publishers #4 (page #3))* | | 1,330 | 2,610 |
| h. Total *(Sum of 15f and g)* | | 22,502 | 22,902 |
| i. Percent Paid *(15c divided by 15f times 100)* | | 99% | 99% |

* If you are claiming electronic copies, go to line 16 on page 3. If you are not claiming electronic copies, skip to line 17 on page 3.

PS Form 3526, July 2014 (Page 2 of 4)

# CPA VOICE

The Ohio Society of Certified Public Accountants

Self-Assessment Exam

SEPTEMBER | OCTOBER 2017     Product ID: #51172

Answer the 12 required questions on the next page based on content in *CPA Voice* and submit your answers to The Ohio Society of CPAs. Receive a grade of 70% or better and earn one hour of CPE credit in specialized knowledge.

## Costs

Members .......... $25
Nonmembers ... $40

Exams remain available online – and may be completed for CPE – through the same month of the following calendar year.

## Online Instructions

1. Go to **ohiocpa.com/VoiceExamSO17**. Log in to receive the member rate.
2. Purchase the exam.
3. When you are ready to take the exam log in to the OSCPA Store and click "current registrations," click on "visit classroom," and then click "take quiz."
4. Be sure to print the automatic confirmation page for your records.

## Print Instructions

1. Take the exam as an open-book test, recording your answers on the answer sheet by filling in the appropriate circle (pen or pencil is fine).
2. Then, fill out the registration information. Check payment must be submitted with the exam. Please print clearly.
3. Mail this page, along with your payment, in an envelope to: **The Ohio Society of CPAs CPA Voice Exam, 4249 Easton Way, Suite 150, Columbus, OH 43219**. Fax to **614.764.5880**.

## Self-Assessment Exam Results

The Ohio Society sends results for print exam submissions via email if an email address is provided on the form. Respondents taking the exam online receive their results immediately. Respondents who pass with a grade of 70% or better receive one hour of CPE credit in specialized knowledge, as approved by the Accountancy Board of Ohio.

## ANSWER SHEET

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **1.** | a | b | c | d | **7.** | a | b | c | d |
| **2.** | a | b | c | d | **8.** | a | b | c | d |
| **3.** | a | b | c | d | **9.** | a | b | c | d |
| **4.** | a | b | c | d | **10.** | a | b | c | d |
| **5.** | a | b | c | d | **11.** | a | b | c | d |
| **6.** | a | b | c | d | **12.** | a | b | c | d |

## REGISTRATION INFORMATION

Full Name: ______________________________

Member ID: ______________________________

Email: ______________________________

Business Name: ______________________________

Business Address: ______________________________

City: ____________________ State: _____ Zip: __________

Telephone: ______________________________

## PAYMENT INFORMATION

**ONLINE**
Pay online at **ohiocpa.com/VoiceExamSO17**

OR

**MAIL**
Complete this form and return with check made payable to The Ohio Society of CPAs:

The Ohio Society of CPAs
4249 Easton Way
Suite 150
Columbus, OH 43219

### Preparing for new not-for-profit reporting

**1. The FASB's ASU *Presentation of Financial Statements of Not-for-Profit Entities* is effective for annual financial statements issued for fiscal years beginning after _____ and for interim periods within fiscal years beginning after_______.**
A. Dec. 15, 2017; Dec. 15, 2017
B. Dec. 31, 2018; Dec. 31, 2017
C. Dec. 15, 2017; Dec. 15, 2018
D. Dec. 15, 2018; Dec. 31, 2018

**2. What will be the focus of phase 2 of the FASB's not-for-profit reporting update? Phase 2 will…**
A. Fundamentally alter management's involvement in the reporting process.
B. Look at how measures of operations (or financial performance) in the statement of activities align with the measures of operations reported in the statement of cash flows.
C. Look at how measures of operations (or financial performance) in the statement of activities align with the measures of operations reported in the statement of restricted and non-restricted funds.
D. Focus on the not-for-profit's reporting of its financial performance and liquidity measures.

**3. The FASB's ASU, *Presentation of Financial Statements of Not-for-Profit Entities*, will require all not-for-profits to:**
A. provide an analysis of expenses by both function and natural classification and will require the not-for-profit to disclose the methods used to allocate expenses among functional expense categories.
B. provide qualitative and quantitative information about how the not-for-profit manages its liquid resources and its liquidity risks.
C. use the direct method when preparing their statement of cash flows
D. Both answer A and B are correct

**4. Which step should not-for-profit entities be taking to ready themselves?**
A. Start preparing management and the board of directors for the changes that will occur as a result of the ASU.
B. Make sure that the not-for-profit's records contain sufficient detail to allow the not-for-profit's external auditor to assure himself/herself that the not-for-profit is in compliance with certain internal control/regulatory issues.
C. Assure that the not-for-profit evaluates the manner in which it accrues its functional expenses and check that there is consistency between this accrual and the cash flow effects of the accrual.
D. Assure that the not-for-profit's external auditors are sufficiently prepared to implement the new ASU.

### Recent changes to the R&D tax credit provide improved incentives for businesses

**5. To qualify for the AMT offset; the business:**
A. (and if a flow-through entity, its partners and shareholders) must have generated less than $60 million in average gross receipts over the past 3 preceding tax years.
B. must have generated R&D credits in years ending after December 31, 2014.
C. (and if a flow-through entity, its partners and shareholders) must have generated less than $50 million in average gross receipts over the past 3 preceding tax years.
D. must have generated R&D credits in all years ending after December 31, 2016.

**6. From 2016 forward a "qualifying small business" can use its research credit to offset a portion of its payroll taxes. To be afforded this offset, the small business:**
A. Must have gross receipts of less than $5 million during the tax year
B. Must not have had any gross receipts for any taxable years before the five taxable year period ending with the current taxable year.
C. Must have gross receipts of less than $10 million during the tax year
D. Answer A and B are both correct.

**7. Which would now qualify as internal use software for purposes of determining the research credit?**
A. Software developed for the company's own general and administrative functions- even if this software does not facilitate or support the conduct of the company's trade or business.
B. Software that is developed to be commercially sold, leased, licensed or otherwise marketed to third parties.
C. Software that is developed to enable a company to interact with third parties or to allow third parties to initiate functions or review data available on the company's computer systems.
D. None of the above answers are correct.

### How to handle a public relations crisis and preserve your company's reputation

**8. What was not mentioned as one of these steps a company should take during a PR crisis?**
A. Assure that the media and reporters covering the crisis view your company as the go-to contact for updates and correct information regarding the crisis.
B. Take stock of the situation as best you can and then put out a statement.
C. Eat some crow- admit to what happened, apologize to those affected and reassure those affected that the company will look into the issue
D. All of the above were mentioned.

**9. What is one of the disadvantages of using social media as part of crisis response?**
A. Social media allows for quick and easy communication.
B. Social media posts are always looked at, even if your social media account has limited followers.
C. Social media needs to be monitored, especially for misinformation.
D. Social media feeds are never reliable and any information sent via social media may not hit the intended audience

**10. When should a company admit fault for a mishap?**
A. Immediately, regardless of whether the company might need to backtrack at a later date.
B. After determining what happened and after determining that outside parties were not responsible for the mishap.
C. After discussing the issue with the company's outside counsel, regardless of whether due diligence (related to the crisis) is complete.
D. Never.

### 6 risk management mistakes CPA firms make

**11. What was not identified as one of the risk management mistakes CPA firms often make?**
A. Not discussing questions regarding the insurance application process with the underwriter.
B. Admitting liability, assuming damages, voluntarily making payments or incurring claim expenses.
C. Not reporting a potential claim as soon as possible.
D. Dabbling in high-risk work even when the CPA is proficient at performing such services.

**12. Low malpractice loss ratios are often associated with services which make up _____ or more of the CPA's practice.**
A. 65%
B. 20%
C. 15%
D. 45%

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# Social Chatter

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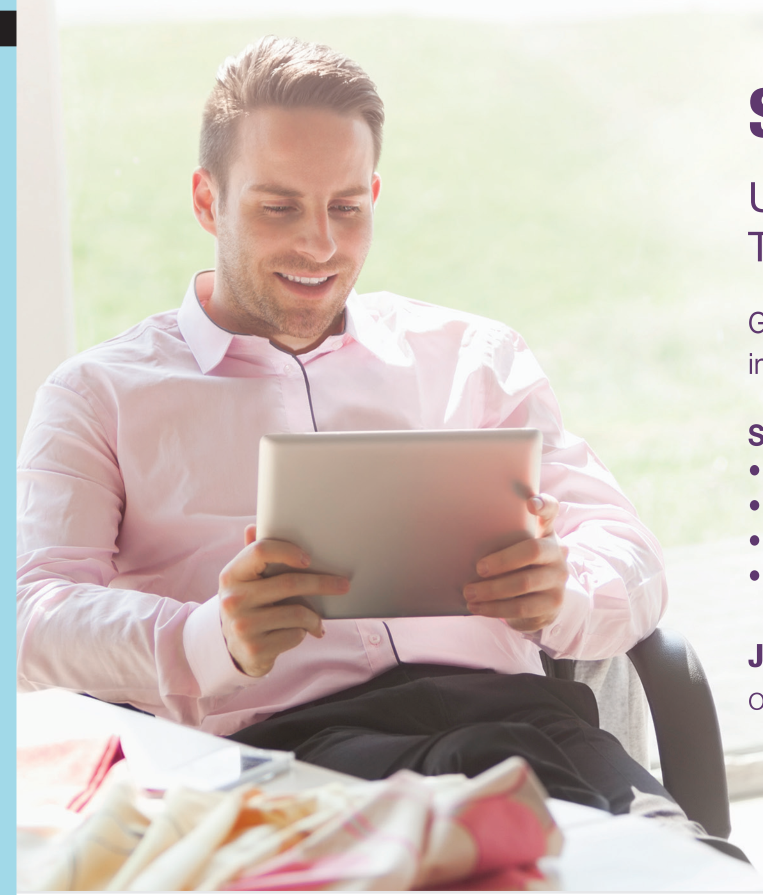
- Facebook has 1.79 billion monthly active users around the world as of September 30, 2016.
- The company estimates that it has an average of 1.18 billion daily active users.
- About 84.9% of Facebook's daily active users are outside the United States and Canada.

**What you will find on our page:**

- Content from the Society and other news sites that will affect your day to day work.
- Pictures and videos from our events around the state.
- Weekly "CPAs of Ohio" posts featuring an Ohio accountant in an authentic, personal way.



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# New members and affiliates

**198** new members and affiliates applied in **June**

**93** new members and affiliates applied in **July**

The list of new members and affiliates is available on The Ohio Society of CPAs' website at **www.ohiocpa.com/quick-links/about-oscpa**

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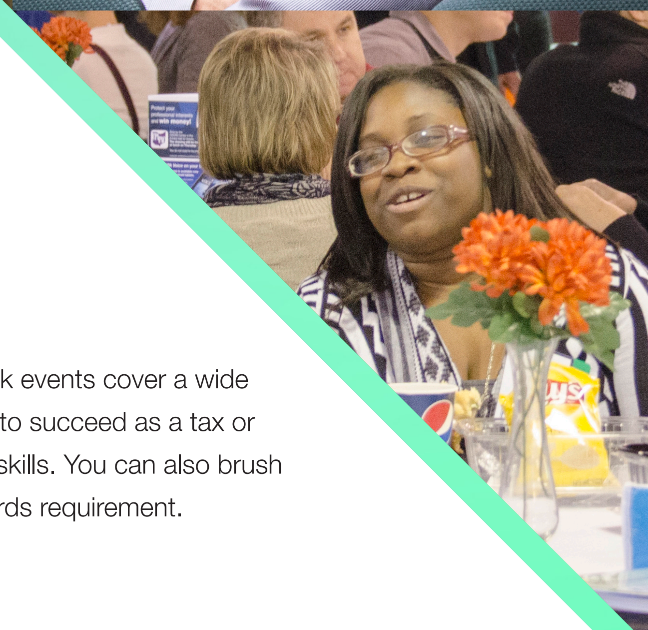

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