Today’s Presenters

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Presentation Overview

- Who we are
- What is a Promise
- Top 10 Capital Campaign Reporting Errors
Dean Quiambao, CPA
Partner, Armanino

- Annual Speaker for the NBOA and Cal-ISBOA
- Working with Private Schools > 18+ Years
- Maintains his membership within the American Institute of Certified Public Accountants, California Society of CPAs and the National Business Officers Association.
- Alum of UC Davis having secured his Bachelor of Science Degree in Managerial Economics.
Presenter

Jeff Owens, CPA
Partner, Armanino

- Speaker for the NBOA and Texas Private Schools Association
- 18+ years of experience with Private Schools and Nonprofits
- Active member of the American Institute of Certified Public Accountants and the Texas Society of Certified Public Accountants.
- Alum of Southern Methodist University with both a Bachelor and Master’s degree in Accounting.
To be the most innovative and entrepreneurial firm that makes a positive impact on the lives of our clients and people.

**SNAPSHOT**

- 1100+ Employees
- Team Members in 22 States
- 22nd Largest CPA & Consulting Firm

**AFFILIATE COMPANIES**

**LOCATIONS**

**RECOGNITION & AWARDS**

- **Inside Public Accounting**
  - Best in the Firms 2018
  - Fastest-Growing Firms 2018

- **Best Accounting Client Satisfaction 2018**

- **Best Places to Work**

- **Top 100 Firms**

- **2016 VAR Stars**
  - Best Business Insights

- **Future**

- **100 Best for Talent**
  - Top 100 Firms
Education Excellence

**SCHOOL EXPERTISE**
- We work with:
  - 170+ private schools
  - Many Top 100 schools
  - 200+ 403(b)/401(k) benefit plan audits
- Speaker & Faculty for:
  - NBOA Annual Meeting
  - NBOA Business Officer’s Institute
  - Cal-ISBOA Annual Meeting
  - Texas Private School Association
  - PAISBOA

**THOUGHT LEADERSHIP**
- Webinars and Education:
  - Impact of the Tax Act on Private Schools
  - Changes to FASB Reporting for Private Schools
  - Gift Acceptance Policies and Procedures for Nonprofits
  - Board Governance: The Fiduciary Responsibility of New Trustees
- Best-of-industry service offerings to meet your school's needs now and into the future
Top 100 Private Schools

#8 Harvard-Westlake School
#10 The College Preparatory School
#11 Harker

#40 Lick-Wilmerding
#41 The Cheshire School
#46 Marlborough

#55 Menlo School

#59 Chadwick School
#60 San Francisco University High School
#75 Francis Parker School

#92 Viewpoint School
Top 100 Schools We Work With

Top 100 K-12 Schools

#35
FRANCIS PARKER SCHOOL

#43
VIEWPOINT

#52
PINE CREST SCHOOL

#85
LA JOLLA COUNTRY DAY SCHOOL

Top 100 Boarding Schools

#6
THE TRACHER SCHOOL

#34
THE ATHENIAN SCHOOL

#40
SAN DOMENICO SCHOOL
Top 100 Schools We Work With

Top 100 Jewish Schools

#4 TAR BUT V' TORAH Community Day School
#6 MILKEN COMMUNITY HIGH SCHOOL
#39 THE ADELSON CAMPUS
#43 JEAN & FERRY FRIEDMAN Shalhevet High School
#55 deToledo High School

Top 100 Catholic Schools

#6 SHS
#34 SAINT FRANCIS HIGH SCHOOL
#40 UNIVERSITY OF SOUTHERN CALIFORNIA
#63 SACRAMENTO JOINT HIGH SCHOOL
Contributions Receivable
More than a Promise
Overview

- What is a promise?
- Conditional vs. unconditional
- Restrictions
- Allowances for uncollectibles
- Discount to present value
That’s why this matters.
Garth Brooks is certified by the RIAA as the No. 1-selling solo artist in U.S. history with over 136 million albums and is currently on the biggest selling tour in the world, according to Pollstar. He has received every accolade the recording industry can bestow on an artist.

In 2001, Garth...
What is a promise to give?

- Agreement to contribute in the future
- Written or oral
- Requires sufficient, verifiable documentation
What is sufficient, verifiable documentation for a written promise?

+ Pledge cards
+ Written agreements
Verbal Promises

- What is sufficient, verifiable documentation for a verbal promise?
  - Tape recordings
  - Written contemporaneous registers
  - Follow up written confirmations
  - History of payments on previous oral promises
What about wills?

- Wills are deemed to be intentions to give, not promises to give
  - The reason – individuals retain the ability to modify their wills during their lifetimes
How do I record it?

- It depends…
Conditional vs. Unconditional

- Unconditional
  - Record it now
- Conditional
  - When conditions are substantially met
What is a donor imposed condition?

- A future and uncertain event whose occurrence or failure to occur gives the donor the right of return or releases from future obligation
  + Example
- Matching Challenge Grants
- Evidence of Funds Received
- Administrative Requirements
  + Can be considered Remote
Common Questions

- Conditions Met in Stages = Recognize Revenue in Stages
  - Challenge Grant accounting
  - Government Grants Condition upon Incurring Qualifying Costs
- Transfer of Assets + Conditional Promise = Refundable Advance
Restrictions

- Two Types
- Permanently Restricted – Permanently limit the use of contributed assets
- Temporarily Restricted – Purpose and/or Time (Implied/Specific)
  - Explicit – Written Agreement
  - Implicit – Capital Campaign
  - Implied – Long Term Annual Fund
- Recorded as revenue when the promise is made
- Can only be imposed by the donor
Common Questions

- **Implied Time Restrictions**
- **Contribution of Long Lived Assets**
  - Permanently Restricted?
- **Releases on Long Lived Assets**
  - Absent explicit donor direction
    - Upon completion
    - Expire over the assets expected life (depreciation expense)
    - Not as construction costs are being incurred
- **Completeness?**
Allowance for Uncollectibles

- It’s the job of **Management**
- Management = Head of School, CFO, Director of Development
  - Periodically document and review receivables for collectability
  - Document a policy for reserve estimates on collection
  - Identify allowance estimates based on historical experiences on prior capital campaigns
  - Identify potential allowance reserve based on specific donor circumstances, experiences and recent communications
Statement of Activities Presentation

- Net it against current year contributions
- Make it out its own line item in revenues section of Statement of Activities
Discount to Present Value

**Long-term promises must be discounted to present value**
- Calculated on Long-Term Contributions Received by Year
- What Rate do I use
- Risk-free rate interest rate, adjusted for market risk by adding the risk premium
- Risk-adjusted discount rate represents the expected rate of return that corresponds to an expected rate associated with such probability-weighted cash flows
- Contributions Receivable presented net of discount
- Discount is amortized into contribution income annually
Top 10 Private School Campaign Reporting Errors
Top 10 Reporting Errors

1. Temp Releases: Implied Time Restrictions
2. CIP Temp Releases
3. Contributions for Long-Lived Assets/Endowment
4. Long Term Endowment
5. Functional Expenses
6. Campaign Costs
7. Master Planning
8. Construction Payables
9. Retention Payable
10. Parent’s Association
Questions?

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