JANUARY/FEBRUARY 2022

NEBRASKA CPA

HOW TO BUILD A CLIENT BASE YOU LOVE:

TAKE THESE FOUR STEPS TO BUILD A CLIENT BASE THAT YOU LOVE WORKING WITH AND THAT APPRECIATES YOU DEEPLY AS WELL

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NEBRASKA CPA

JANUARY/FEBRUARY 2022

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BY JONI SUNDQUIST, NEBRASKA SOCIETY OF CPAS

WELCOME TO A NEW YEAR!

The hopes and opportunities that lie ahead for the profession and our organizations are exciting. Achieving success in 2022 will again take focus, flexibility, and creative solutions to both known and unknown challenges.

As Tony Robbins said, "Stay committed to your decisions, but stay flexible in your approach."

The Nebraska Society of CPAs remains committed to the CPA profession—we are here to support you with education, advocacy, and leadership that will help you best serve your clients and communities. And we're also staying flexible—shifting our plans and strategies as needed but not changing our vision and our mission for the Society.

Board Kicks Off 2022

The Society Board of Directors held its first meeting of 2022 on January 4, with Society Chairman Erica Parks presiding. The board reviewed the approximately $1.2 million Society budget for 2022-2023, which includes a slight increase in dues for the coming year. The last dues increase occurred in 2018. Registration fees for Society Continuing Professional Education (CPE) will remain consistent.

In anticipation of the new fiscal year, which begins April 1, data profiles have been mailed to all members. Please be sure to send any address changes and other updates for your firm or yourself to society@nescpa.org or mail your form to the Society office as soon as possible.

The following list highlights some of the additional information and actions taken at the January 4 meeting:

- The Society Board approved 30 applications for membership, including nine CPA memberships, one Exam-Qualified Affiliate membership, two Professional Affiliate memberships, and 18 Student Affiliate memberships. Total membership now stands at 2,569 individuals.
- Society Vice President Kelly Ebert presented a report on the results of the Society's 2021 CPE programs, which had a total of 2,824 registrants. This included registrations for both NESCPA courses and partner courses. Vice President Ebert stated that the Society plans to hold approximately 30 courses in person in 2022, while continuing to provide numerous Society courses online. This is in addition to the thousands of online courses that will continue to be available at www.nescpa.org/cpe. Ebert also presented the 2022 conference schedule to the board—see page 9 for the dates.
- Following a request for audit proposals to the full membership last fall, the Society Board voted to approve the Audit Bids Committee's recommendation to retain Grafton & Associates, PC, of Lincoln to provide professional accounting and tax services to the Society, its Foundation, and the Political Education Committee for the next five years.
- The Society Board approved the recommendations of the Awards Selection Committee to honor four outstanding Society members during the 2022 Annual Meeting.
- Board member Tom Purcell presented a brief report regarding the Rules of Professional Conduct Task Force, led by the Nebraska Board of Public Accountancy. The task force consisted of members of both the State Board and the Nebraska Society of CPAs, and was formed to review Chapter 5, the Rules of Professional Conduct, adopted pursuant to the provisions of Section 1-112 of the Nebraska Board of Public Accountancy Act, Title 288. Purcell reported that the recommendation of the task force to the State Board will be to adopt parts of the AICPA's Code of Conduct as guidance documents rather than pursuing rule changes.

> **“The Nebraska Society of CPAs remains committed to the CPA profession—we are here to support you with education, advocacy, and leadership that will help you best serve your clients and communities.**

Society Past Chairman Ryan Burger presents testimony before the Nebraska Legislature's Banking, Commerce & Insurance Committee in support of LB894.

Event Held to Honor State Senators

Following the board meeting on January 4, the annual State Senators' Reception and Dinner was held at The Cornhusker Marriott, Renaissance Room, in Lincoln, with about 45 people attending, including 20 state senators. After cancellation of last year's event, this long-standing tradition provided a welcome opportunity for CPAs to connect with state senators and for senators to reconnect with one another prior to the start of the second session of the 107th Legislature on January 5. Photos of the event are included in this article.

Legislation Review Meeting

Society lobbyist Korby Gilbertson of Radcliffe, Gilbertson & Brady led a review of proposed state legislation of potential interest to the profession on January 24. Members of the Society Board, Political Education Committee, Legislation Committee, and Taxation Committee participated in the discussion to help determine the Society's positions on various bills and to bring awareness to various tax, employment, and licensing bills that were introduced during the first 10 days of the Legislature. A total of 587 new bills have been introduced this session. In a short, 60-day session, things move quickly—floor debate started January 10 and public hearings began January 18.

On January 24, Society Past Chairman Ryan Burger presented testimony before the Nebraska Legislature's Banking, Commerce, and Insurance Committee in support of LB894. The bill was introduced by State Sen. Matt Williams (Dist. 36) of Gothenburg on behalf of State Sen. John Stinner (Dist. 48) of Gering, who was unable to attend as he was conducting the Appropriations Committee's hearing on the Governor's recommendations for funds available to the state through the American Rescue Plan Act (ARPA).

Recognizing the many challenges for owners of small CPA firms, particularly those located in our state's numerous rural communities and small towns, the Society worked closely with the Nebraska Board of Public Accountancy in the drafting of LB894. The Society Board and the State Board explored solutions to the barriers established by our present law, created a joint task force, and carefully reviewed Nebraska's laws and regulations to determine the best approach to small CPA firm ownership challenges. The result was LB894.

LB894 will allow what the majority of other states already permit: that a simple majority of the ownership of a firm, in terms of financial interests and voting rights, belongs to a licensed CPA. LB894 removes the "head count" requirement so that a CPA firm may be owned by one CPA and one or more non-CPAs—as long as the CPA or group of CPAs hold at least 51% equity ownership of the CPA firm. The bill is non-controversial and will likely be combined with other such non-controversial bills in order to cross the finish line.

Legislative priority areas for the Society include:

- Promoting consistency in the administration and enforcement of Nebraska statutes and rules related to the Nebraska Public Accountancy Act and the practice of accountancy for licensed CPAs.
- Gauging the effect of legislative proposals on the CPA profession, supporting those solutions that create a favorable environment for the profession and opposing those that do not.
- Opposing the taxation of professional services.
- Opposing irresponsible licensing reform that would negatively affect the CPA profession.

Stay posted on legislative news at www.nescpa.org/advocacy/news.

Helping to Grow the Pipeline

Your Society continues to seek new and innovative ways to help grow the CPA pipeline through outreach efforts to Nebraska high school students. Thank you to the following firms for their significant support of the following events, which are provided at no cost to students:

- On February 9, Lutz and Seim Johnson will be sponsoring the first "Economics & Accounting Day" for Nebraska high school students at the University of Nebraska-Lincoln College of Business, planned and hosted by the Nebraska

Council on Economic Education. The program will cover accounting, economics, and personal finance while exposing students to different areas of business and hands-on activities. Eight Nebraska high schools and 149 students have registered to participate in this event. Learn more at https://bit.ly/NCEE-EconAcctDay.

- Due to the overwhelming response by students and teachers, a second "Economics & Accounting Day" has been scheduled at UNL for February 23, with KPMG LLP serving as the sponsor. Five schools and 100 students have registered for this event.
- On June 1-3, Deloitte will sponsor transportation for students to attend UNL's Discover Accounting program. This free pre-college program provides high school students with the opportunity to meet industry professionals and tour workplaces, compete to create solutions to a business problem, experience living on campus by staying in a university residence hall, and learn how to prepare and pay for college. You are encouraged to nominate one or more students you think would be a good candidate for this program at https://bit.ly/DiscoverAccting.

Additional sponsorship opportunities will be available in the future. Please let us know if your firm is interested in getting involved and sponsoring these types of outreach efforts.

The next Nebraska Society of CPAs Board of Directors meeting will take place May 4. Please feel free to contact me or any member of the Society Board with suggestions or comments prior to the next meeting. And remember, as you embark on the 2022 busy season, stay committed but stay flexible!

Joni Sundquist is president and executive director of the Nebraska Society of CPAs. You may contact her at (402) 476-8482 or joni@nescpa.org.

2022 CONFERENCES

4TH ANNUAL
BUSINESS & INDUSTRY CONFERENCE
Wednesday, April 20
Hillcrest Country Club, Lincoln

26TH ANNUAL
NOT-FOR-PROFIT CONFERENCE
Tuesday, June 7
Hillcrest Country Club, Lincoln

41ST ANNUAL
NEBRASKA GOVERNMENTAL ACCOUNTING & AUDITING CONFERENCE
Wednesday-Thursday, June 8-9
Hillcrest Country Club, Lincoln

WOMEN IN ACCOUNTING SUMMIT
Friday, August 26
TBD

22ND ANNUAL
FALL CPE CONFERENCE & ANNUAL MEETING
Thursday-Friday, October 27-28
Embassy Suites, La Vista

TAX CONFERENCE
Thursday-Friday, December 1-2
Embassy Suites, La Vista

CPE AUDIT: ARE YOU READY?

BY HEATHER MYERS, NEBRASKA BOARD OF PUBLIC ACCOUNTANCY

Husker fans have football season. Sneezers have allergy season. Outdoor enthusiasts get hunting and fishing seasons. What do CPAs get? CPE audit season.

Not quite as fun, we know. But important? You bet!

Every year, the Nebraska Board of Public Accountancy (NBPA) conducts a continuing professional education (CPE) audit. Will 2022 be the year you're chosen? Thanks to the NBPA's random selection process, you never know. Play it safe by understanding the process in case your number is called.

Who's impacted?

Historically, the NBPA has audited 2% of Nebraska's CPAs each year.

What is a CPE audit?

The CPE audit ensures CPAs are complying with continuing professional education rules. This, in turn, protects both the profession and the public it serves.

Why are CPE audits necessary?

It's the NBPA's way of ensuring CPAs stay abreast of the rules and regulations vital to their roles in firms and companies.

How are CPAs chosen for the CPE audit?

Each year a percentage of our active CPAs are selected at random. CPAs selected for a CPE audit receive a letter from the State Board via regular mail. They have until June 1 to submit the required material.

What do I need to submit to the State Board?

Certificates of completion for each CPE course taken during the audit period.

What are some common errors to avoid?

The most efficient way to comply with a CPE audit is by providing the correct

> **The CPE audit ensures CPAs are complying with continuing professional education rules. This, in turn, protects both the profession and the public it serves.**

documentation in a timely manner. However, mistakes happen. Here are some common errors to watch for:

- Reporting undocumented learning activities
- Reporting CPE credits in the wrong year
- Failing to retain appropriate documentation
- Submitting documentation that does not meet the State Board's CPE requirements (i.e., certificates of completion, sign-in sheets, agendas)

What happens if I cannot provide appropriate documentation?

Failure to respond or provide appropriate CPE documentation is handled by the State Board's enforcement committee.

Be prepared—always!

The scouts are on to something. Be ready for anything by always following CPE documentation best practices. Save all supporting CPE documentation for six years. ◀

The Nebraska Board of Public Accountancy administers public accountancy law in Nebraska.

If you have questions regarding the CPE audit process or CPE reporting overall, please contact Nebraska Board of Public Accountancy CPE Coordinator Heather Myers at (402) 471-3595 or heather.myers@nebraska.gov, or refer to the CPE Guidelines on the NBPA's website at https://nbpa.nebraska.gov.

NEBRASKA WILL FOLLOW FEDERAL TAX TREATMENT OF LIMITED LIABILITY COMPANIES

BY JEFF SCHAFFART, KOLEY JESSEN

In Revenue Ruling 25-21-1, the Nebraska Department of Revenue addressed the issue of how limited liability companies are treated for Nebraska income tax purposes. In this ruling, the Nebraska Department of Revenue confirmed that limited liability companies will be treated for Nebraska income tax purposes in the same manner as they are for federal income tax purposes.

Federal Income Tax Treatment of Limited LLCs

For federal income tax purposes, a limited liability company can be treated as a partnership, part of its owner (a "disregarded entity"), or an "association" that is taxable as a corporation.

Under the IRS' default rules, a domestic limited liability company with at least two members is classified as a partnership for federal income tax purposes unless it files IRS Form 8832 (or IRS Form 2553 to be a subchapter S corporation) and affirmatively elects to be treated as a corporation. In addition, under the IRS' default rules, a limited liability company with only one member is treated as an entity disregarded as separate from its owner, unless it files IRS Form 8832 (or IRS Form 2553 to be a subchapter S corporation) and affirmatively elects to be treated as a corporation.

Revenue Ruling 25-21-1's Analysis and Holding

Revenue Ruling 25-21-1 notes that under Neb. Rev. Stat. § 77-2714 any terms used in §§ 77-2714 to 77-27,123 have the same meaning as those used in a comparable context in the laws of the United States relating to federal income tax, unless a different meaning is clearly required. A federal classification of an entity for federal income tax purposes is the conclusive determination of the entity's classification for Nebraska purposes.

The Nebraska Uniform Limited Liability Company Act, Neb. Rev. Stat. § 21-104(d), provides that a limited liability company is classified for Nebraska income tax purposes in the same manner as it is classified for federal income tax purposes.

"The Nebraska Uniform Limited Liability Company Act, Neb. Rev. Stat. § 21-104(d), provides that a limited liability company is classified for Nebraska income tax purposes in the same manner as it is classified for federal income tax purposes.

Based on this, Revenue Ruling 25-21-1 concludes that (1) a limited liability company treated as a partnership for federal income tax purposes will be treated as a partnership for Nebraska income tax purposes and will file a Nebraska Return of Partnership Income, Form 1065N; (2) a limited liability company treated as a corporation for federal income tax purposes will be treated as a corporation for Nebraska income tax purposes and will file a Nebraska Corporation Income Tax Return, Form 1120N; and (3) a single member limited liability company treated as a disregarded entity for federal income tax purposes will be treated as a disregarded entity for Nebraska income tax purposes with the income of the disregarded entity being reported on the income tax return of its sole member.

Significance of Revenue Ruling 25-21-1

In a past audit that Koley Jessen was involved in, the Nebraska Department of Revenue took the position that limited liability company interests of a limited liability company that was taxed as a subchapter S corporation for federal income tax purposes were not "capital stock" for purposes of Nebraska's special capital gains exclusion and attempted to deny the exclusion. Although we were able to secure the exclusion for our client on this audit, there was still uncertainty regarding whether limited liability company interests of a limited liability company that is taxed as a corporation for federal income tax purposes would be treated as capital stock for purposes of the exclusion.

Nebraska's special capital gains exclusion was adopted in 1987 as part of the Employment and Investment Growth Act, which is commonly known as LB775. The special gains exclusion allows a Nebraska taxpayer to make a one-time election during his or her lifetime to exclude from Nebraska income capital gains from the sale of capital stock of a corporation acquired by the individual (1) on account of employment by such corporation or (2) while employed by such corporation and avoid paying 6.84% Nebraska income tax on the excluded gain.

As Revenue Ruling 25-21-1 confirms that a limited liability company treated as a corporation for federal income tax purposes will be treated as a corporation for Nebraska income tax purposes, the Nebraska Department of Revenue should be unable to assert that limited liability company interests of a limited liability company that is treated as a corporation for federal income tax purposes are not "capital stock" for purposes of Nebraska's special capital gains exclusion. This is a taxpayer favorable development that brings welcome certainty regarding the availability of Nebraska's special capital gains exclusion for Nebraska residents who own limited liability companies that are taxed as corporations for federal income tax purposes. ◀

For more information, contact Jeff Schaffart at Koley Jessen at jeff.schaffart@koleyjessen.com. Schaffart solves complex tax and legal issues by providing timely, pragmatic advice to private equity sponsors, general counsel, management teams, and business owners.

HOW TO BUILD A CLIENT BASE YOU LOVE

TAKE THESE FOUR STEPS TO BUILD A CLIENT BASE THAT YOU LOVE WORKING WITH AND THAT APPRECIATES YOU DEEPLY AS WELL.

BY ART KUESEL, KUESEL CONSULTING

Last I checked, we all have a say in the clients we choose to work with. We all have the right to serve clients that respect us, listen to our advice, are prepared when we need them to be, and pay us on time. But this should be the bare minimum: We should also seek out clients that allow us to grow and develop our expertise in targeted areas, which in turn increases our value to them.

> **Serving a client base that you love and that loves you back is every practitioner's dream. But it doesn't have to be a dream—you can make it a reality.**

I know that some clients don't check all these boxes, and sadly some check very few. It's these clients that hold us back from finding and serving those who do check all the boxes. Additionally, this kind

> **The time you free up by ejecting nonideal clients can be redeployed toward your ideal clients and can result in additional projects that offer more value and greater goodwill (which often includes referrals of other ideal clients).**

of nonideal client base exacerbates the effects of fatigue, burning out, and potentially driving out the very team we've worked so hard to hire and retain.

Bottom line: We are not, cannot be, and should not feel as if we are a victim of our client base. It's time to do something about it. Here are four simple steps to build a client base you love:

1. Evaluate your client base. Set up a matrix of criteria, including minimum fees, realization rate, referral generation, within your sweet spot of services or preferred industry, timeliness with payments and requests, number of services used, and more. Remember that every dollar of revenue is not created equal. A client that pays you $5,000 and checks all the boxes is worth more than five $1,000 clients who don't. And make sure to bring your staff in on this exercise. Why? You'll undoubtedly have a few more excuses for your clients' behavior than your staff who interact directly with them.

2. Determine who'll be cut from the firm and how. Some clients will simply need to go due to chronic bad behavior (these are the easiest to spot). The next tier of clients may simply be too small to effectively service, or the fee too low to be worthwhile. Perhaps you refer these out to a smaller practitioner. Remember though, it's probably not enough just to raise fees until your clients leave, because some nonideal clients will simply stay and pay more. Further, don't use a hatchet with this exercise—use a scalpel and make precise and deliberate moves to cut the client roster.

3. Establish a new filter to prevent this from happening again. If you don't actually make changes to what clients you choose to work with, you'll end up with the exact same problem a few months or years down the road. Implement a new, higher minimum fee and number of services used requirement each new client must meet to ensure you only serve your defined ideal client. Your billing rates should keep up with your staff raises and overhead costs. A good target is three to five times compensation and overhead. This will enable you to capture the true cost of serving each client, help to purify your realization rate, and make sure you'll love serving each and every one of these new clients!

4. Repeat annually. You should see immediate results, and you'll love more and more of your client base every year.

A final note: Don't fear a revenue decrease. In fact, in the worst-case scenario, expect revenue to remain flat. But more often, you'll see your revenue increase. The time you free up by ejecting nonideal clients can be redeployed toward your ideal clients and can result in additional projects that offer more value and greater goodwill (which often includes referrals of other ideal clients). And by creating more room on your plate, you'll have the capacity to serve those new ideal clients when they come your way.

Bottom line: Serving a client base that you love and that loves you back is every practitioner's dream. But it doesn't have to be a dream—you can make it a reality. While not necessarily an easy exercise, the outcome of cutting your client base can be significant. And you, your staff, your firm, and your dream clients will all be the beneficiaries of the outcome.

Learn more about Art Kuesel and Kuesel Consulting at www.kueselconsulting.com.

Reprinted courtesy of Insight, the magazine of the Illinois CPA Society.

CHANGING BUSINESS MODELS LEADS TO CHANGING TAX RESULTS: ARE YOUR CLIENTS PREPARED?

BY NICK NIEMANN AND MATT OTTEMANN, MCGRATH NORTH LAW FIRM

Business owners know that what worked five years ago will not necessarily work today. The challenge for any business is to adapt its business model and its products and services to current and expected realities to pivot, grow, and maintain a thriving business. If a business doesn't do so, it will fail.

Jeff Bezos, Amazon's founder, confirmed this when he stated: "Amazon is not too big to fail. . . . In fact, I predict one day Amazon will fail. Amazon will go bankrupt. If you look at large companies, their lifespans tend to be 30-plus years, not a hundred-plus years. If we start to focus on ourselves, instead of focusing on our customers, that will be the beginning of the end."

These changing business models and offerings have implications in many areas, including state and local taxes. For companies that provide a combination of services and tangible products (including the use of tangible products), a change in business model or product lines can have a significant difference in tax results.

A key consideration for sales and income taxes is whether a company is selling a tangible product or a service. Often company products are a combination of the sale of services and tangible products. From a state tax perspective, a determination needs to be made as to what type of sale it is, because it normally won't be considered as both.

> A key consideration for sales and income taxes is whether a company is selling a tangible product or a service. Often company products are a combination of the sale of services and tangible products. From a state tax perspective, a determination needs to be made as to what type of sale it is, because it normally won't be considered as both.

Since the taxation of the sale of tangible products is normally much different from the sale of services, the tax impact can be significant.

Department of Revenue Guidance Distinguishes Sales of Services From Sales of Tangible Products.

There is significant caselaw across the country dedicated to distinguishing the sale of services from the sale of tangible products. A common test used by state courts for this purpose is the "true object" test. Using this test, courts try to determine whether the true object of a mixed transaction, in which both property and services are provided, is the sale of property or services. Courts may also use the test to classify transactions in which multiple types of property are sold (one of which is taxable and the other exempt) or transactions in which multiple types of services are sold (again one of which is taxable and the other exempt).

In Rev. Rul. 1-08-6, the Nebraska Department of Revenue announced it would apply a similar test to evaluate mixed transactions, which it labelled as the "incidental-to-service" test. This test is intended to look objectively at the entire transaction in determining whether a transaction is principally the provision of a service or the transfer of tangible personal property. If the rendition of services is the principal object of the transaction, then any tangible personal property transferred is deemed to be incidental to the services provided. Consideration is given to the following six factors:

1. The object sought by the buyer;
2. The seller's type of business;
3. Whether the tangible personal property was provided as a retail enterprise with a profit-making motive;
4. Whether the tangible personal property could be sold without the service;
5. The extent the services have contributed to the value of the tangible items transferred; and
6. Any other factors relevant to the particular transaction.

Department of Revenue May Combine Sales of Related Products or Services—Even If Separate Prices Exist for Each.

Business owners also need to be aware of the potential that sales of related products or services at the same time could be treated as one product or service by the Department of Revenue—and taxed accordingly. Consider the recent decision by the Lancaster County District Court in *Enterprise Rent-A-Car v. Nebraska Department of Revenue*. In addition to simply renting cars, a rental car agency allowed customers to purchase insurance and fuel. While the agency collected sales tax on the car rental fees themselves, it did not collect tax on the charges for insurance and fuel. The agency believed that those transactions were separate transactions, not subject to sales tax.

A Nebraska court, at the urging of the Department of Revenue, disagreed. That court reasoned that the insurance and fuel were necessary parts of renting a car. One could not operate a car without insurance and fuel. Therefore, even though there were separate charges for the insurance and fuel, the agency should have collected sales tax on the insurance and fuel charges. This was in spite of the fact that insurance and fuel were not subject to tax when purchased on their own.

Conclusion

As companies look at the tax implications of their existing offerings or develop new business offerings, it is crucial to make sure these offerings are correctly classified for both income and sales tax purposes.

In our practice, we see these questions arrive both in the planning phase and during Nebraska tax audits and appeals, where the Department of Revenue may challenge a company's tax practices and seek to impose retroactive taxation. In certain circumstances, it may be advantageous to request a ruling from the Department of Revenue on the implications of a business offering. ◀

Nick Niemann and Matt Ottemann are partners with McGrath North Law Firm. As state and local tax and incentives attorneys, they collaborate with CPAs to help clients and companies evaluate, defend, and resolve tax matters and obtain various business expansion incentives. For more information, visit www.NebraskaStateTax.com and www.NebraskaIncentives.com. For a copy of their full publication, The Anatomy of Resolving State Tax Matters, or their Nebraska Business Expansion Decision Guide, please visit their websites or contact Nick or Matt at (402) 341-3070 or nniemann@mcgrathnorth.com or mottemann@mcgrathnorth.com, respectively.

AUDITING DISCLOSURES IN GOVERNMENTAL & NOT-FOR-PROFIT FINANCIAL STATEMENTS:
ARE MATERIAL MISSTATEMENTS HIDING IN PLAIN SIGHT?

BY PAUL H. KOEHLER, CPA, GOVERNMENT/NONPROFIT SERVICES SPECIALIST

The purpose of an audit is to provide financial users with an opinion by the auditor on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework. It only takes one material misstatement for a set of financial statements to be materially misstated and, thus, if not ultimately adjusted by management, result in a modified audit opinion. The "Accounting Principles Rule," as cited in paragraph 1.14 of the AICPA Guide, *State and Local Governments* (AICPA SLG Guide), prohibits an auditor from expressing an unmodified opinion if the financial statements contain a material U.S. generally accepted accounting principles (U.S. GAAP) departure. Paragraph A7 of AU-C 705, *Modifications to the Opinion in the Independent Auditor's Report,* indicates that material misstatements of the financial statements may arise when the disclosures in the financial statements are not presented in accordance with the applicable financial reporting framework. Also, paragraph A1 of AU-C 450, *Evaluation of Misstatements Identified During the Audit*, indicates that misstatements may result from:

- Inadequate or incomplete disclosures and omission of those disclosures required to meet disclosure objectives of certain financial reporting frameworks as applicable.
- The omission of a disclosure necessary for the financial statements to achieve fair presentation beyond disclosures specifically required by the framework.

Our experience confirms that, not uncommonly, material misstatements appear in SLG and not-for-profit (NFP) financial statement notes (disclosures), with no modification of the auditor's opinion. As noted in our report, *More Than Just the Audit Opinion: SAS 134 Significant Changes Unrelated to the Auditor's Report,* disclosure and presentation within financial statements are not held to the same level of rigor as recognition and measurement in the financial statements. In examining the Peer Review database of Matters for Further Consideration (MFCs), we noted numerous recent MFCs related to financial statement disclosures.

Examples of Matters for Further Consideration

Disclosures were omitted for the operating lease and capital stock including the number of shares issued, authorized, and outstanding.

The required disclosures were omitted from the financial statements. Standard subsequent events disclosures are missing.

The total of long-term debt maturities presented in the financial statement disclosures does not tie to the face of the financial statements.

The required disclosures were omitted from the financial statements—for example, missing disclosures on variable interest entities (VIEs); missing disclosures on a multiemployer pension plan; missing disclosure of five-year minimum lease payments adjusted to present value; and capital lease and operating lease five-year minimum lease payments co-mingled together.

We remind auditors of their responsibility to dedicate appropriate attention to assertions about presentation and disclosure in financial statements, such as whether all disclosures that should have been included in the financial statements have been included (completeness) and whether disclosures are clearly expressed (understandability). Auditors should obtain sufficient and appropriate audit evidence related to the disclosures made in the notes to the financial statements.

Required Disclosures and Materiality

Yes, omissions are misstatements; however, immaterial disclosures are not required. A "required disclosure" should be understood as shorthand for "required for fair presentation in all material respects in accordance with the applicable financial reporting framework." Further, paragraph 67 of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, and paragraph 6 of National Council on Governmental Accounting (NCGA) Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,* indicate that the notes to the financial statements should not be cluttered with unnecessary and immaterial disclosures. Attendant circumstances and materiality must be considered in assessing the propriety of the notes to the financial statements. Statement on Auditing Standards (SAS) 138 provides guidance on evaluating materiality in the GAAS audit context.

Concept of Materiality and SAS 138

SAS 138, *Amendments to the Description of the Concept of Materiality*, aligns the concept of materiality in AICPA professional standards with the descriptions used in the U.S. judicial system, Public Company Accounting Oversight Board (PCAOB), Securities and Exchange Commission (SEC), and Financial Accounting Standards Board (FASB) standards. The following describes the difference between the legacy guidance and revised description of materiality (emphasis added):

Legacy Description

- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, **could reasonably be expected to influence** the economic decisions of users made on the basis of the financial statements.

Revised Description

- Misstatements, including omissions, are considered to be material if there is a **substantial likelihood** that, individually or in the aggregate, they **would influence** the judgment made by a reasonable user based on the financial statements.

We feel that a "substantial likelihood they would influence" threshold for materiality is a higher hurdle than "could reasonably be expected to influence" threshold. This higher threshold could be beneficial in evaluating the significance of omitted disclosures which have been a source of numerous Matters for Further Consideration in peer review.

Practice Note: SAS 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements,* changes the auditor's responsibilities related to addressing disclosures in the financial statements and makes extensive changes throughout the professional auditing literature related to an auditor's responsibilities related to financial statement notes. Our report on SAS 134 addresses those changes.

GASB & FASB GAAP

GASB GAAP

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* identifies two authoritative sources of SLG GAAP categorized as "level A" and "level B", and has a third level of GAAP a reporting entity may consider, consisting of nonauthoritative literature, including FASB pronouncements. FASB Concepts Statements contain many terms also used by GASB entities, along with their definitions. GAAP financial statements' use of GAAP terminology would appear to consistently serve the public interest.

FASB GAAP

FASB *Accounting Standards Codification* (FASB ASC) 105, *Generally Accepted Accounting Principles*, specifically FASB ASC 105-10-05-1, indicates that the FASB ASC is the source of authoritative GAAP to be applied by nongovernmental entities. FASB ASC 105-10-05-2 goes on to indicate that an entity shall first consider accounting principles ... within a source of authoritative GAAP for that entity and then consider nonauthoritative guidance from other sources, including, for example, FASB Concepts Statements, per FASB ASC 105-10-05-3.

One of the most relevant FASB Concepts Statements is Statement of Financial Accounting Concepts No. 6, *Elements of Financial Statements* (SFAC No. 6).

Common Terminology Issues in SLG and NFP Financial Statement Notes

Below are some common and persistent terminology issues noted in both SLG and NFP financial statement disclosures. We believe users would benefit from clear and consistent terminology in SLG and NFP financial statement disclosures.

Misunderstanding Basis of Accounting

Issue 1: Occurrence Vs. Earning

Some entities present a financial statement note that reads, "The entity follows accrual accounting. Under accrual accounting,

> **Paragraph 139 of SFAC No. 6 indicates that accrual accounting attempts to record transactions, events, and circumstances when they occur.**

revenues are recognized when earned, and expenses when a liability has been incurred."

Paragraph 139 of SFAC No. 6 indicates that accrual accounting attempts to record transactions, events, and circumstances when they occur. Thus, it's the occurrence concept that triggers accrual accounting recognition, not the "earning" concept, which applies essentially to exchange or reciprocal transactions (per paragraph 150 of SFAC No. 6). Most SLGs and NFPs have significant nonreciprocal transactions like various tax and contribution revenues that seldom involve a matching of revenues and expenses simultaneously from the same transaction and, thus, don't result in "earnings" (or loss).

Additionally, upon adoption of FASB ASC 606, *Revenue From Contracts With Customers,* the word "earning" is no longer used. Finally, expenses only would result in a liability if not simultaneously paid when incurred.

Issue 2: Misunderstanding Accruals and Deferrals

Paragraph 141 of SFAC No. 6 indicates that accrual accounting involves not only accruals but also deferrals, including allocations and amortizations. Accrual is concerned with expected future cash receipts and payments (transaction occurrence precedes cash flow). Deferral is concerned with past cash receipts and payments (cash flow precedes transaction occurrence). Common deferrals include prepaid insurance and unearned subscriptions.

Entity management should use these terms in accordance with relevant U.S. GAAP. This is especially true for SLGs, for which GASB 65, *Items Previously Reported as Assets and Liabilities,* indicates the use of the term "deferred" should be limited to items reported as deferred outflows of resources or deferred inflows of resources.

Issue 3: Misuse of U.S. GAAP Resource Outflow Terminology

Some entities fail to understand the differences between types of resource outflows and misuse the terminology in the financial statement notes. "Expenses" are an accrual basis concept. They are expired costs. "Expenditures" are modified accrual basis, used by general funds of governments. They are decreases in current financial resources. "Disbursements" are cash basis. Don't intermix these fundamental terms. Anecdotally, I recall a memorable financial statement note that was seven words long and intermixed three bases of accounting: "Expenses are reported as expenditures when paid."

Misunderstanding of the Terms "Transactions" and "Events"

- Numerous SLG and NFP financial statement notes present paragraph headings labeled "Internal Transactions" or "Interfund Transactions."
- Both SLG and NFP financial statement notes sometimes refer to "transactions and events."

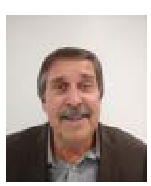
Paragraph 137 of SFAC No. 6 indicates that a transaction is a particular kind of external event. Paragraph 138 suggests the term "internal transaction" is essentially contradictory.

Paragraph 135 of SFAC No. 6 defines an event as a happening of consequence to an entity. It may be an internal event, or it may be an external event such as a transaction with another entity. Thus, a transaction is a type (subset) of an event. A note like the one cited above is not appropriate and clear (it's like writing the words "cars and vehicles"). Appropriate terminology to use in notes could be "transactions and other events" or just "events."

Specific SLG Financial Statement Note Reminders

The Center for Plain English Accounting (CPEA) report, *State and Local Government Financial Statements: Common Auditing & Financial Reporting Deficiencies,* provides reminders related to frequent disclosure misstatements including:

- Omission of disclosure/inclusion of government foundations in the reporting entity.
- Reporting entity notes still referring to "oversight authority" and other outdated terms.
- Omitting special items or extraordinary items.
- Still referring to "fixed assets," not capital assets (a two-decade outdated term).
- Omitted related party disclosures.
- Omitted presentations of corrections of errors. ◄



Paul H. Koehler, CPA, is a sole practitioner in Lincoln, Neb. He has more than 45 years experience in auditing, training, and consulting, specializing in nonprofit organization and state and local governments. You may contact him at (402) 488-1578.

This article was originally published by the Center for Plain English Accounting (CPEA), which provides non-authoritative guidance on accounting, auditing, attestation, and SSARS standards. Learn more at aicpa.org/CPEA.

MEMBER SPOTLIGHT
FRED A. LOCKWOOD

For the past 60 years, Fred Lockwood has been busy serving his community and Nebraska in numerous ways. After graduating from the University of Denver School of Accountancy, he received his Nebraska CPA Certificate No. 627 in August 1962 and his Permit to Practice in 1964. Today, Lockwood is the longest active CPA in the state of Nebraska—and this month, he celebrates 59 years of membership in the Nebraska Society of CPAs.

In the Beginning

"When I became a member of the Society, the staff consisted of Arnold Magnuson as the part-time executive director," recalled Lockwood. Magnuson, the Society's first executive director, was hired in 1958—just four years before Lockwood received his CPA certificate and a year after the passage of the Nebraska Public Accountancy Act in 1957.

Throughout his career, Lockwood has counseled individuals and businesses alike on investment, tax, estate, and financial planning issues. "When I started in public practice in January 1964 in Scotts Bluff County, I was the only CPA in Gering with eight in Scottsbluff. There were seven public accountants." Public accountants were grandfathered into the CPA profession in 1958. Today, there are no licensed public accountants in Nebraska and references to public accountants have been eliminated from the Public Accountancy Act.

Lockwood opened his first accounting office in Mitchell, Neb. In 1973, the office evolved into Fred A. Lockwood & Co., PC. Then in 2017, Lockwood joined forces with Eskam & Eskam CPAs, PC to become E&H Certified Public Accountants & Management Consultants, PC, with offices in Scottsbluff, Neb., and Kimball, Neb.

Making an Impact

In 1984, Lockwood was one of the Nebraska Economic Forecasting Advisory Board's founding members, serving on the board for 32 years and as chairman of the board for eight two-year terms. The Nebraska Economic Forecasting Advisory Board came into existence under Gov. Bob Kerrey. Its projections are used by the Governor and the Nebraska Legislature to craft the state's budget. Lockwood said the purpose of the Forecasting Board was to take politics out of revenue projections for the state. In March 2020, the Legislature passed Legislative Resolution 328, introduced by State Senator John Stinner (Dist. 48) of Gering, who, as chairman of the Appropriations Committee, works closely with the Forecasting Board. LR328 honored Lockwood for his commitment and lifetime of service to the state.

In addition to the Forecasting Board, Lockwood served on the Nebraska Community Foundation Board of Directors from 2000 to 2009; the Nebraska Chamber of Commerce & Industry Board of Directors from 1990-1999; and the Scotts Bluff County Board of Commissioners from 1967-1979, including five years as chairman.

Lockwood entered politics and ran for U.S. Senate in the 1984 Nebraska Republican Primary Election against five other candidates. Although he didn't win the Primary, he was the top vote getter in more than half dozen Panhandle counties as his friends and neighbors turned out to support him. In 1990, with a strong desire to "bring sound financial management practices to the federal government," Lockwood ran for Nebraska's Third Congressional District but his bid for the seat came up short. It is believed he may have been the first Society member to run for elected federal office.

Serving the Nebraska Society of CPAs and the profession has been a priority for Lockwood. He gave more than a decade of service to the Society, serving on the Society Board of Directors, Governmental Accounting & Auditing Committee, and Legislation Committee, among others. In 1986, he received the Nebraska Society of CPAs' Public Service Award, which recognizes Nebraska CPAs who have performed outstanding public service in their communities. Public service took precedence both for Lockwood and his wife

Carol, who was also a licensed CPA and was the recipient of the Society's Distinguished Service to the Profession Award in 2000. A partner in their firm, Carol sat on the Nebraska Board of Public Accountancy, serving as chairman of the State Board.

Significant Changes in the Profession

"Dating back 59 years, the most significant change in the profession is the number of Certified Public Accountants who are women," said Lockwood. "My first 10 years in public accounting there were no female CPAs in the Panhandle of Nebraska. Today in Nebraska ... half of the membership in the Society are women. The complexity of our business environment, regulations, and rules have been the second major change in the profession over the span of 59 years."

Say Thank You

A number of years ago, Lockwood received a plaque from one of his staff that read:

> *"Do you remember who gave you your first break? Someone saw something in you once that's partly why you are where you are today. It could have been a thoughtful parent, a perceptive teacher, a demanding drill sergeant, an appreciative employer, or just a friend who dug down in his pocket and came up with a few bucks. Whoever it was had the kindness and foresight to bet on your future. Those are two beautiful qualities that separate the human being from the orangutan. In the next 24 hours, take 10 minutes to write a grateful note to the person who helped you. You'll keep a wonderful friendship alive. Matter of fact, take another 10 minutes to give somebody else a break. Who knows? Someday you might get a nice letter. It could be one of the most gratifying messages you ever read."*

"Serving the Nebraska Society of CPAs and the profession has been a priority for Lockwood. He gave more than a decade of service to the Society.

One day, more than 15 years ago, Lockwood took the time to write a thank you note to the individual who he considered to be his mentor in accounting. "He answered my letter thanking me," Lockwood said. "He passed away not more than two years later. I often think about the fact I did do something positive.

"In closing, perhaps this will motivate a couple of individuals to do something positive to make someone, including themselves, feel good."

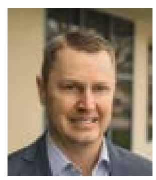
Thank you, Fred, for a lifetime of service to your community, your state, and your profession, and for continuing to guide us down the right path.

Members in the News

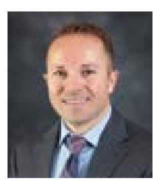
Joyce Anderson recently celebrated her new office location in the Temple Building at 322 Norris Avenue, Suite 4, in McCook during a ribbon-cutting event with the McCook Chamber of Commerce. Anderson opened her own business in 2018 after working for another firm for several years. (Photo by Shary Skiles, McCook Gazette)

Jodi Benjamin of Fremont was elected to a three-year term on the board of directors of Mosaic, an Omaha-based healthcare nonprofit serving more than 5,200 people with intellectual and developmental disabilities across 13 states and over 750 communities. Starting as the controller at Midland University in 2005, Benjamin now serves as chief operating officer and is a member of Midland University's senior leadership team. Prior to Midland, she worked in the banking industry and began her career with Deloitte in the Audit and Assurance division. Benjamin earned both a Bachelor of Science in Business Administration, *magna cum laude,* and a Master of Business Administration at Midland. Her past community leadership includes serving on the Fremont Chamber of Commerce Board of Directors and as chairman of the Chamber's Professional Development and Leadership Committee.

Sheila Brugger of York has joined CFO Systems LLC as a director, helping the company provide financial leadership, strategy, and talent development for growing businesses needing fractional, interim, or project support. She has experience across a wide range of industries ranging from $15 million to $1 billion. Brugger earned both a Bachelor of Science in Accounting and Economics and a Master of Business Administration from the University of Nebraska-Lincoln.

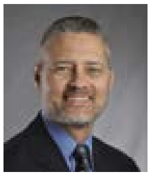


Tim Clark has been promoted to president of i3 Bank in Bennington. He was previously the chief financial officer and has served in a leadership role in the bank since 2005. In his new position, Clark will continue to oversee the financial and personnel operations of the bank in addition to the commercial lending and mortgage divisions. Last year, he was named Bennington Alumni of the Year and in 2018 the Bennington Foundation named him Volunteer of the Year. Clark is a graduate of the University of Nebraska at Omaha, serves on the Voluntary Employees Beneficiary Association (VEBA) Board of Trustees through the Nebraska Bankers Association (NBA), and is a graduate of the NBA's Leadership Program.



Jordan Downey has been promoted to partner at Frankel Zacharia LLC in Omaha. Downey joined the firm in 2011 and specializes in closely held businesses but works in all areas of taxation. He graduated from the University of Nebraska at Omaha (UNO) in 2007 and earned a Master of Science in Taxation from Golden Gate University in 2018. Downey serves on the UNO Accounting Advisory Board and is also a member of the AICPA.

Jeff Faltys has been promoted to partner at Hancock Dana in Omaha. A graduate of Wayne State College, Faltys works with individuals and small to mid-sized businesses to build efficient tax strategies and accounting structures. He has been actively involved in outside business development groups, along with many firm initiatives such as the scheduling committee, tax line of business committee, and the coaching and career development of young staff.

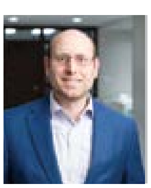


Billy Friesen of Lincoln has been named corporate secretary of Commonwealth Electric Company of the Midwest, with offices in Arizona, Iowa, and Nebraska. As secretary, treasurer, and chief financial officer, Friesen will continue to oversee Commonwealth's financial operations and administrative services. He joined the company in 2014 and has facilitated the company's transition to a 100% employee-owned company.

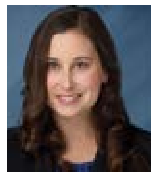
Sasha Miller has joined Contryman Associates in Grand Island as an accountant in the tax department. She received a Bachelor of Science in Business with an emphasis in Accounting and Business Administration from the University of Nebraska at Kearney. Miller received her CPA certificate in April 2021 and has four years of experience working in tax preparation for individuals, partnerships, corporations, and non-profit organizations. She is a member of Young Professionals of Grand Island, a board member for Junior Achievement of Grand Island, and is a member of the current class of Leadership Tomorrow Grand Island. She also serves on the Nebraska Society of CPAs' Accounting Careers Committee.

Ron Nebbia has joined the board of directors of Arbor Bank, based in Nebraska City with offices in eastern Nebraska and western Iowa. He is a consulting shareholder at Lutz in Omaha, where he specializes in business management, mergers and acquisitions, and business valuation consulting as well as technology and process efficiency consulting. Nebbia received a Bachelor of Science in Business Administration in Accounting from the University of Nebraska-Lincoln. He is a member of the AICPA, is chairman-elect of the Jesuit Academy Board of Directors, and is a past board member of the Ronald McDonald House and Creighton Prep.

Karen Peppmuller of Lincoln was elected to a three-year term on the board of directors of Mosaic, an Omaha-based healthcare nonprofit serving more than 5,200 people with intellectual and developmental disabilities across 13 states and over 750 communities. Peppmuller is presently an executive financial assistant at Lincoln Industries and previously has served as vice president of finance at the Nebraska Hospital Association and as a manager and director of administration at Seim Johnson LLP. She has served on the boards of directors for both the YMCA of Lincoln and the Foundation for Lincoln Public Schools for six years.

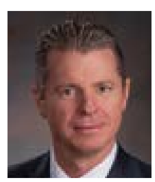


Dan Torczon has been promoted to equity partner at Hancock Dana in Omaha. Since joining the firm in 2016, he has been involved with a variety of firm initiatives, including the scheduling committee, tax line of business committee, and the recruitment of new hires. This past year, he served as a career development coach for staff. With more than 15 years of experience, Torczon works closely with S corporations and partnerships on tax planning and tax return filings while also managing large audit engagements. He graduated with a Bachelor of Science in Business Administration from Creighton University, where he now serves on the Accounting Advisory Board. Torczon is also a member of the AICPA and the Chartered Financial Analyst (CFA) Society Nebraska.

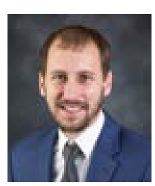


Beth Tyler has been promoted to manager at Hancock Dana in Omaha. After joining the firm this past year, Tyler provides clients with tax compliance and works alongside the client services team to assist clients with payroll, bookkeeping, and researching tax credits. She has been involved in several firm initiatives including recruiting, coaching, and career development. Tyler is a graduate of Nebraska Wesleyan University with a Bachelor of Science in Business Administration in Accounting.

Stephanie Vanicek has been promoted to partner at Hancock Dana in Omaha. With more than 10 years of experience at the firm, Vanicek provides tax planning and preparation services for individuals and businesses as well as QuickBooks consulting and implementation for business owners. She has been a part of several firm initiatives including the tax line of business committee, scheduling committee, coaching, and career development for young professionals. Vanicek is a graduate of the University of Nebraska at Omaha with both a Bachelor of Science in Business Administration and a Master of Accounting.



Mark Walz has been re-elected to the Nebraska Chamber of Commerce & Industry Board of Directors for District II in Lincoln. He has served on many other boards over the years, including the board of directors for the Property and Casualty Insurers Association of America, Nebraska Property and Liability Insurance Guaranty Association, Western Guaranty Fund Services, Nebraska Insurance Federation, Lincoln Community Foundation, Nebraska Wesleyan University, and Special Olympics Nebraska. He is chairman, president, and CEO of Farmers Mutual of Nebraska in Lincoln. Prior to the start of his 31-year career at Farmers Mutual, Walz was an auditor at Deloitte (formerly Touche Ross & Co.) in Lincoln from 1988 to 1991. He graduated *summa cum laude* from Nebraska Wesleyan University in 1988 with a Bachelor of Science in Economics and Accounting.



Scott Weaver has been promoted to manager at Frankel Zacharia in Omaha. He joined the firm in 2015 after graduating from the University of Nebraska at Omaha with a Bachelor of Science in Business Administration with an emphasis in Accounting, Finance, Banking, and the Science of Investment Portfolio Management. Weaver works in a variety of industries providing financial reporting and advisory services, benefit plan audits, and tax services to individuals and closely held businesses. He is a member of the AICPA.

Elizabeth "Liz" Wood has been promoted to chief financial officer at TELCOR. Wood joined TELCOR in 2013 and has more than 15 years of experience in financial assurance and auditing. She graduated from the University of Nebraska-Lincoln with a Master of Professional Accountancy (MPA) in 2004 and became a CPA in 2007. Wood is on the American Red Cross of Nebraska Board of Directors, serving as its chairman for six years.

The following members of the Nebraska Society of CPAs serve as trustees for Bryan Health:

- Bryan Foundation Trustees: **Reg Kuhn,** Mattson & Ricketts Law Firm, Lincoln;
- Bryan Foundation Trustees: **Janet Labenz,** Labenz & Associates LLC, Lincoln;
- Bryan Health Trustees: **Chris Roth,** Reinke Manufacturing Co. Inc., Deshler;
- Bryan Health Trustees: **Mark Walz,** Farmers Mutual Insurance Co. of Nebraska, Lincoln;
- Bryan College of Health Sciences Trustees: **Sue Wilkinson,** Ameritas, Lincoln. ◀

Firms in the News

Frankel Zacharia's 70 employees collected 570 board games to donate to Court Appointed Special Advocates (CASA) for Douglas County, an advocacy group for children in the child welfare system. Split into five teams, the employees competed against one another to see which department could accumulate the most games to donate, with the client services team coming away with the top prize: bragging rights! (Photo by David Golbitz, Daily Record) ◀

in Memoriam

Ronald E. Trampe
1946-2021
A $100 donation has been made to The Foundation of the Nebraska Society of Certified Public Accountants in memory of Ron.

Nebraska Certificate #1137
Society Certificate #0808

Paul K. Briardy
1940-2021
A $100 donation has been made to The Foundation of the Nebraska Society of Certified Public Accountants in memory of Paul.

Nebraska Certificate #0700
Society Certificate #0653

KEY FACTORS IN PRACTICE VALUE

Practitioners often ask… "What's my accounting or tax practice worth?"

However, asking that question is like asking what are houses worth? It's never prudent to rely solely on some simplistic rule of thumb because each practice, like each house, has several factors that will cause the price to vary. The following is a list of seven factors that have the greatest effect on the value of a practice.

RECURRENCE OF REVENUES

Professional practices generally consist of recurring revenue or a stream of clients that return annually for another "drink at the trough." If this important component even appears to be absent, the selling price is affected negatively. For instance, a firm drawing significant income from non-recurring services like litigation support might not be worth as much as one composed largely of traditional tax and write-up. A practice which relies on periodic tax consulting as opposed to one heavy into on-going tax compliance, will generally be less appealing to prospective buyers.

SIZE

Size directly impacts the number of potential buyers. There are many more buyers willing and able to buy a practice with $300,000 of annual gross revenues than one bringing in $2,000,000. A larger pool of potential buyers results in a better multiple. On the other hand, a very small practice might lose value if it is not large enough to support the buyer.

LOCATION

Location also has a great impact on the potential number of buyers and, consequently, on the value. A firm in a metropolitan area often sells for more than one located in the country or a smaller city. In addition, the location within a city itself is important. Much like real estate, a practice in a popular, growing area of a city might see a 10-20% higher value than an identical practice a few miles down the freeway.

PROFITABILITY

Certainly, the greater the net cash flow, the greater the price. Firms with high billing rates and fees are attractive to buyers since this usually translates into less work for more money. However, historical cash flow is not the dominating determinant that one might presume it would be. In comparing two practices with the same gross revenue, the one with twice the cash flow will not sell for twice the price.

TERMS

Price and terms cannot be separated. For example, one buyer may offer $400,000 cash at closing; a second offer could be comprised of a fixed price of $400,000 with $100,000 down and the balance paid with interest over the next two years; still a third buyer may agree to pay $400,000 with 20% down and 20% of collections each year for four years. On the surface, these offers may appear to represent the same value, but experience has repeatedly demonstrated that they are far from equal.

VARIOUS NEGATIVE FACTORS

There are a number of negative variables which impact price. These include anything that affect the buyer's perception of how many clients will eventually be retained and how the purchase will benefit the buyer. Among the many possible problems which may be encountered, some common issues are: declining growth, incomplete or missing records, concentration issues (a significant percentage of gross revenue being tied to one or two very large clients), long-term leases, unreasonable transition expectations, or key employees who have not signed a non-solicitation agreement. Additional problems may also arise when only a portion of a practice is being sold or a seller plans to continue working in the office after the close of the sale.

PROFESSIONALLY MARKETED

Every buyer in town loves to see 'FOR SALE BY OWNER' and views this as an opportunity to pay pennies on the dollar. A good broker, however, provides essential experience in marketing, negotiation, valuation and financing. More importantly, a specialized broker has access to thousands of buyers immediately. Using a professional almost always results in better prices, better terms, and better buyers.

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VOLUNTEER TODAY!

COMMITTEES

- ACCOUNTING CAREERS
- CONTINUING PROFESSIONAL EDUCATION (CPE)
- ETHICS
- FALL CPE CONFERENCE PLANNING
- GOVERNMENTAL ACCOUNTING & AUDITING
- INDUSTRY
- LEGISLATION
- NOT-FOR-PROFIT
- POLITICAL EDUCATION
- TAXATION
- WOMEN IN ACCOUNTING SUMMIT PLANNING

Return to lori@nescpa.org.

HOW YOU CAN MAKE A DIFFERENCE

As a committee member for the Nebraska Society of CPAs, you will have the opportunity to influence a profession that touches the lives of nearly every Nebraskan. The results of your contributions not only will help shape the future of the CPA profession, but also will provide you with great personal and professional satisfaction.

Committees meet two to three times per year.

If you would like to help maximize the power and performance of CPAs in Nebraska, we encourage you to select from the volunteer opportunities on the left by checking the appropriate box(es).

All interested members are encouraged to apply!

COMMITTEE SERVICE VOLUNTEER FORM

Name: ______________________________

Title: ______________________________

Firm/Company: ______________________________

Business Address: ______________________________

Phone: ________________ **Email:** ________________

CHOOSE TO MAKE A DIFFERENCE IN YOUR PROFESSION

ACCOUNTING CAREERS COMMITTEE

Works to introduce opportunities available in the accounting profession in Nebraska to high school and college students.

CONTINUING PROFESSIONAL EDUCATION (CPE) COMMITTEE

Helps plan the Society's yearly schedule of CPE courses, which enables members to further enhance their professional skills, better serve their clients, and improve the professional image of Nebraska CPAs.

ETHICS COMMITTEE

Investigates and disposes of ethics complaints within the Joint Ethics Enforcement Program (JEEP) timetable, monitors current developments in the area of professional ethics, and informs the Society membership of official changes in the AICPA Code of Ethics.

FALL CPE CONFERENCE PLANNING COMMITTEE

Plans and promotes the annual Fall CPE Conference held in late October and participates in the administration of that event, which is associated with the Society's Annual Meeting.

GOVERNMENTAL ACCOUNTING & AUDITING COMMITTEE

Plans the annual Nebraska Governmental Accounting & Auditing Conference held in June and promotes improvements in providing professional services and excellence in financial reporting for governmental entities in Nebraska.

INDUSTRY COMMITTEE

Plans the Business & Industry Conference held in late April, works to stimulate interest and participation in the Society by industry members, and fosters interaction between members in industry through educational and networking events.

LEGISLATION COMMITTEE

Coordinates Society lobbying activities in connection with any proposed state or federal legislation related to the profession and evaluates such legislation for recommendations of action to be taken by the Society.

NOT-FOR-PROFIT COMMITTEE

Plans the annual Not-For-Profit Conference held in June, identifies and promotes educational opportunities for not-for-profit organizations and the practitioners who serve them, and disseminates relevant information regarding changes in accounting, auditing, reporting, and tax issues.

POLITICAL EDUCATION COMMITTEE

Works to protect, advance, and strengthen the free enterprise system, particularly the CPA profession, by collecting and distributing financial contributions to state legislative candidates for the Nebraska Unicameral to further those objectives.

TAXATION COMMITTEE

Assists, informs, and advises Society members and government authorities on federal, state, and local tax matters and attempts to enhance public awareness of the CPA's role in the field of taxation.

WOMEN IN ACCOUNTING SUMMIT PLANNING COMMITTEE

Plans and promotes the Women in Accounting Summit and participates in the administration of that event.

Learn more and volunteer at www.nescpa.org/committees.

WELCOME NEW SOCIETY MEMBERS!

Membership in the Nebraska Society of CPAs signifies your commitment to the accounting profession and the belief that much can be accomplished by working together. Welcome to the premier organization for CPAs and accounting professionals in Nebraska.

CPA Membership

Noah Bieber, Applied Underwriters Inc., Omaha
Ethan Brozek, McMill CPAs & Advisors, Norfolk
Courtney Dreifurst, KSO CPAs, PC, Kearney
Steven Getzfrid, II, CFO Systems Search & Staffing, Omaha
Jay Kucera, Kucera CPA, Denver, Colo.
Keaton Moss, KPMG LLP, Omaha
Daniel Prentice, DeBoer & Associates, PC, Omaha
Charla Smyser, Catholic Mutual Group, Omaha

Exam-Qualified Affiliate Membership

Brendon Bruns, KPMG LLP, Omaha

Professional Affiliate Membership

Brad Geelan, Berger Elliott & Pritchard CPAs LLC, Omaha

Student Affiliate Membership

Collin Bailey, Lincoln, University of Nebraska at Omaha
Joseph Bindl, Papillion, Concordia University, Nebraska
Jacob Flores, Lincoln, Concordia University, Nebraska
Marc Freiberg, Seward, Concordia University, Nebraska
Caleb Goldsmith, Lincoln, Concordia University, Nebraska
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Tice Jenkins, Lincoln, Concordia University, Nebraska
Teyt Johnson, Indianola, Iowa, Concordia University, Nebraska
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Kayla Luebbe, Bee, Concordia University, Nebraska
Thomas Marxsen, Schuyler, Wayne State College
Camryn Opfer, York, Concordia University, Nebraska
Allison Owings, Champion, Concordia University, Nebraska
Adam Parette, Plattsmouth, University of Nebraska at Omaha
Cristiaan Priebe, Lake Tapps, Wash., Concordia University, Nebraska
Kougar Rodriguez, Seward, Concordia University, Nebraska
Samuel Scarpelli, Seward, Concordia University, Nebraska
Mallory Schuh, Lincoln, University of Nebraska-Lincoln
Klay Uher, Seward, Concordia University, Nebraska
Carissa Wacker, Osmond, Wayne State College

Learn more about the Society and the benefits of membership at nescpa.org.

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