

disclosures

THE OFFICIAL MAGAZINE OF THE VIRGINIA SOCIETY OF CPAs

SPRING 2022

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SPRING 2022
Volume 35, No. 2

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From the CEO: Open for business

It seems surreal, but as of the press time for this issue, we are planning on having our real, in-person open house in April at the newly renovated headquarters, the VSCPA Learning & Innovation Center in Glen Allen.

Of course, in the pandemic age, nothing is set in stone. But our hopes are high for a return to in-person events this year.

I last wrote in this space about the building renovation back in January/February 2020, when we had just begun the massive changes to the building and had no idea about the COVID future. We originally wanted to have our grand opening back in the spring or summer of 2020. Here we are two years later, so it's long overdue for us to celebrate and show off our new, innovative space to the membership.

Now that we have been working back in the office on a hybrid schedule, we can attest — the Learning & Innovation Center is a one-of-a-kind building in the Richmond area that meets all our expectations for a functional building with state-of-the-art meeting space.

Walking into our updated lobby, you'd never know this has been our home since the 1980s. The bright and vibrant area perfectly captures the VSCPA brand and invites members to stay a while — whether that's for a learning opportunity or a quick chat with old friends.

Our goal was to create a space in line with the VSCPA2025 strategic goal to drive innovation and vision. Individual office spaces were decreased to add more room to collaborate and align with new remote working schedules. Technology-enabled learning allows you to take your CPE courses however you like, and in-person attendees receive a high-quality



experience in smart classrooms. A new multimedia production studio aids in the seamless creation of video and online learning production.

We want this to be YOUR building. Even if you couldn't make the open house, come by and visit! Take a course or meet an old colleague in the lobby. If you need event space, we can rent to up to 100 people. And if you need to host an online event or host a virtual meeting, we can help you with that, too, with EventBlast, our event consulting and delivery solution.

Check out a video to get the full effect at <https://www.vscpa.com/Center>, where you'll also find information on EventBlast and center rental.

Welcome home! ■

Stephanie Peters, CAE, has served as VSCPA's president and CEO since 2007.

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BURNING QUESTION

Do Virginia's *conservation* easement tax credits work?

That depends, according to a June 2021 report released from the Virginia Office of the State Inspector General (OSIG) investigating the quality of land conservation achieved by easements supporting tax credits.

In particular, the audit discovered that Virginia receives lower quality conservation for easements supporting tax credits between \$500,000 and \$999,999 when compared with easements resulting in tax credits of \$1 million or more.

The discrepancy exists because taxpayers are taking reduced credits on easements to avoid crossing the \$1 million threshold, which triggers a review by the Virginia Department of Conservation and Recreation (DCR).

To increase the quality of conservation, OSIG recommends that land trust companies holding easements or land donations should be accredited by the Land Trust Alliance, and that the Code of Virginia be amended to reduce the threshold for quality reviews by DCR.

Check out more from the audit in the OSIG's full report, available at tinyurl.com/OSIGReport.



New DEI scholarship launches this year

Thanks to the generosity of our donors, the VSCPA Educational Foundation's newest scholarship — the Curtis C. Duke and Dr. Ruth Coles Harris Scholarship Fund — will help change the lives of aspiring Black CPAs in Virginia. The fund will support underrepresented students in pursuit of the CPA profession.

The scholarship is just one of the ways we're continuing to focus on strengthening and diversifying the pipeline of candidates coming into the profession. You can still donate to the Fund! Find out more at <https://www.vscpa.com/duke-harris> and see the list of donors, and visit https://www.vscpa.com/DEI_students to see our other diversity-related student initiatives.

SEEING DOUBLE

Secrets of top-performing firms

Results are in from the 2021 National Management of an Accounting Practice (MAP) Survey by the AICPA Private Company Practice Section (PCPS). And the best firms are doubling up.

The three revelations in survey results, according to the Journal of Accountancy, are that the top performers take in double the revenue per partner, have double the profit per partner, and double the compensation per partner. The top 25% of respondents in terms of net income per partner revealed:

- Median net client fees per partner of nearly \$1.25 million.
- Median net remaining per owner (profit) of slightly above \$490,00.
- Median partner compensation of just under \$400,000.

Check out more results from the 2021 MAP Survey at tinyurl.com/2021MapSurveySummary.

TICKER

98

The percentage of audit committee members who reported that audit quality either increased or stayed the same in 2021, despite the pandemic.

53

The percentage of audit committee members who said that cybersecurity is a key focus.

39

The percentage of American adults with credit card debt.

51 MILLION

The number of American adults who added to their credit card debt balances during the pandemic.

\$30 TRILLION

The amount hit and exceeded earlier this year by America's national debt.

\$7 TRILLION

The amount of federal borrowing since the end of 2019.

66

The number of organizations planning on conducting a pay equity analysis in 2022.

51

The percentage of organizations planning average merit salary increases of more than 5%.

68

The percentage of organizations that have increased the number of employees eligible for cash bonuses.

The new performance culture

If you or your organization wants to inspire an innovative and responsible corporate culture, five factors could help you get there, according to a 2021 whitepaper from the AICPA & CIMA and World Business Council for Sustainable Development.

1. Improve accountability: To ensure decision-makers are held responsible and accountable, "a no-blame culture of empowerment and trust is vital," the paper states.

2. Create a line of sight between individual objectives and strategic objectives: Cascading objectives down to individual employees can create issues with employees not understanding how corporate goals create meaningful personal objectives.

3. Facilitate cooperation: Company strategies cannot be successfully executed without departments and functions working well together.

4. Implement incentives connecting people's performance to business performance: Incentives can fail unless people understand how their goals connect to the business's overall performance.

5. Link HR with finance: Human resources and finance teams must emerge from their silos to work together to drive business performance.

Check out a wealth of information in "Reimagining performance management," available at tinyurl.com/ReimaginePM.



WHAT'S THAT MEAN?

'STAY' INTERVIEW

The reverse of an exit interview, a 'stay' interview is a brief conversation or meeting with an employee to understand what makes them want to stay at an organization — and what may cause them to leave. Companies grappling with the Great Resignation could begin conducting stay interviews to evaluate benefits or other factors important to retaining employees. Find a link to sample stay interview questions in our Future of Work Resource Center: vscpa.com/future-of-work-resource-center.

Virginia General Assembly session: It's *complicated*

While we were pleased with earlier tax conformity date passage this year, other issues, like the SALT cap workaround legislation, caused consternation.

No one said tax advocacy would be a piece of cake.

This year's General Assembly session culminated in adjournment on March 12, but without one key piece of legislation: the budget. At press time, Gov. Glenn Youngkin had announced he wanted lawmakers to return April 4 to hash out the budget and tax cuts. Despite the deadlock during regular session, we believe all other bills that passed and have been sent to the governor will become law July 1, 2022, unless they had delayed enactment or get vetoed.

For the latest information on the General Assembly, watch for our e-communications and follow us on social media.

FIXED-DATE TAX CONFORMITY

HB 971 was signed by Youngkin on Feb. 23, 2022, to advance Virginia's date of conformity with the Internal Revenue Code (IRC) from Dec. 31, 2020, to Dec. 31, 2021.

The legislation includes full conformity to the American Rescue Plan Act, including the Restaurant Revitalization Fund, and allows full deductibility of expenses paid with Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL) for tax years beginning Jan. 1, 2021. The bill also includes a technical amendment to allow fiscal year filers to take advantage of the \$100,000 deduction for forgiven PPP loans and Rebuild Virginia grants received in calendar year 2020.

Despite our best advocacy efforts, the final legislation did NOT include an increase in 2020 PPP deductibility to \$1 million.

Visit the Tax Conformity Resource Center at <https://www.vscpa.com/taxconformity> for more on the legislation, including a list of deconforming provisions.

ROLLING CONFORMITY

As we communicated in the winter 2022 issue of Disclosures, we believe rolling tax conformity should be the law in Virginia. It will eliminate headaches and uncertainty for taxpayers, tax preparers, and the Virginia government.

This year we were able to lay the foundation for what we hope will be a continued conversation and growing interest among legislators to tackle rolling conformity next year. In the House, VSCPA member Del. Joe McNamara, CPA, introduced HB 106 to legislate that Virginia generally conform, with some exceptions, to federal tax laws on a rolling basis when enacted by Congress. The bill was debated by a House Finance Subcommittee, where it saw promising interest but failed to garner enough votes to move forward.

The companion Senate bill, SB 640, was introduced by Sen. George Barker. It was ultimately rolled into the fixed date conformity bill (SB 94) with a commitment to study before the 2023 General Assembly. Its positive reception in Senate Finance demonstrates a growing interest by lawmakers to find a better solution to conformity.

VSCPA leaders, staff, and representatives from our legal counsel Williams Mullen will continue to meet with legislators throughout the year to present our rolling conformity whitepaper, educate them on the benefits, and build support for making this change.

PTE SALT CAP WORKAROUND

If you were frustrated this year by issues surrounding entity-level taxes for pass-through entities, you're not alone.

We successfully helped get HB 1121 and SB 692 unanimously passed with several technical

amendments. The bills adopt the ability to pay entity-level taxes for qualifying pass-through entities (PTE), i.e., the state and local tax (SALT) cap workaround. We also sought amendments to the bill to address the out-of-state credit (OSC) disallowance highlighted by the Virginia Department of Taxation's (TAX) Dec. 28, 2021, ruling.

The OSC will be effective for tax years beginning on and after Jan. 1, 2021. However, the ability to pay entity-level tax will not be available until after-the-fact for 2021 returns because programming cannot be completed in time for the current filing season. That will be available for the 2022–2026 seasons, along with a retroactive mechanism to address 2021.

At press time, the bills were awaiting Youngkin's signature (which is expected) and will go into effect July 1, and TAX will publish guidance and request public comment. The VSCPA will be involved in that process. In the meantime, taxpayers eligible for the OSC should extend their 2021 returns. Taxpayers seeking to pay the entity-level tax should file normally for 2021 and stay tuned for more information later this year.

Looking for more resources on this issue? Visit <http://www.vscpa.com/PTE-tax>.

OTHER BILLS

While we monitored dozens of bills, there were only a few this year that required us to take a stance. We supported all tax conformity and PTE tax bills discussed above, as well as:

- **HB 222:** Requires the tax commissioner to offer tax payment installment agreements. This was continued to 2023.
- **HB 901:** Requires TAX to not assess late payment penalty until the tax due date instead of when the return is received. This was continued to 2023.
- **HB 884/SB 195:** Allows certain trusts to form benefits consortia and be authorized to sell health benefits plans to members of a sponsoring association. The bills passed and await Youngkin's signature. ■

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Carving a *diverse* path

How one CPA firm developed a program to develop and advance a diverse workforce.



Reema Patel, CPA

Three years ago, Councilor, Buchanan & Mitchell, PC (CBM), created a plan to address what former managing partner Pete Reilly, CPA, CVA, called “pale, male, and stale” — a makeup of firm leadership that he felt needed to change. Pete was a visionary, and he began having conversations as early as 2010 with Dan Weaver, CPA, our new managing partner, to institute dramatic change. Those conversations ultimately became D-PATH, CBM’s diversity initiative founded by now-retired partner Patricia Drolet, CPA.

D-PATH stands for Diverse Professional Accountants & Advisors Transforming the Horizon. I run the program along with and my co-director, Michelle Vance, production, training & database manager; Dan Keefer, CPA, CVA, partner in the automotive dealerships services group; and Tana Papinova, human resources and finance manager.

Not only was it necessary to encourage innovation, growth, and increasingly interesting collaborations internally, but it was becoming clear we needed to demonstrate those initiatives externally as well. Potential clients started asking for statistics and information about the demographic composition of our teams in their requests for proposals. We knew we needed to take a hard look at our efforts and make some changes.

Under Dan’s leadership, D-PATH demonstrates commitment to our core value of diversity and inclusion. D-PATH sets a few simple, attainable goals each year, varying from short-term (such as securing a speaker for our firm’s training related to diversity and inclusion topics) to mid- to long-term (such as implementing steps to evaluate firm efforts and progress in increasing diversity among all ranks of the firm while supporting an inclusive atmosphere). Our current mission statement is: “To cultivate a diverse and collaborative team that embraces the individuality of our professionals and provide a clear path forward to advance and develop women, minorities and LGBTQ professionals throughout the firm.” Each of our

practice groups submit growth plans demonstrating diversity and inclusion and our other core values.

After a decade of working towards that vision, CBM began seeing results and now has been recognized by the Accounting and Financial Women’s Alliance (AFWA) and the Accounting MOVE Project for leadership equity among accounting firms nationwide three years in a row.

One major success that came out of D-PATH was creating randomized groups of colleagues a few times throughout the year to meet and get to know each other via icebreaker questions and free-form discussion. Over the last two years, while we were adapting to working from home, these groups helped people feel connected to each other in an otherwise remote and isolating environment. Without the ‘natural’ run-ins in the office hallway or lunchroom to socialize, we had to be intentional about keeping connected.

As we hired several employees during the pandemic who were fully remote, these groups helped new employees create those ‘natural’ interactions with other people in the firm. It can be challenging to start your career in a remote environment, and this helped get those employees exposure throughout the year to individuals across all levels, including leadership. We found that these groups helped people feel more included during a time when it was difficult to feel it. And when people feel included, the morale of the organization improves overall and contributes to a positive, energizing environment.

Another success over the past two years was launching various donation-matching campaigns to support specific causes. We held successful campaigns in support of Black lives and women, supporting organizations such as National Association of Black Accountants National Scholarship Fund, the Equal Justice Initiative, Southern Poverty Law Center, Thurgood Marshall Fund, etc., as a firm and individually. We plan to continue to do so for other causes that help our community and are important to our employees. We also launched a CBM100



initiative to celebrate our 100th year; employees were encouraged and empowered to volunteer in their communities. We set a goal to volunteer for 100 charities over 100 weeks.

D-PATH also surveyed all employees last year to help us gauge how the firm feels about our efforts and areas of improvement overall. Given the high participation rate, we plan to conduct this survey annually so that our employees are empowered to hold us accountable. Other changes include the creation of a book club exploring race relations in America started by a group of engaged and interested employees. Our executive committee began tracking compensation by demographic to ensure equity in pay. We also made changes to our recruiting and retention strategies, including where and how we recruit and providing visa, green card, and immigration assistance to employees.

It's been challenging, especially over the last two years, to really feel like we're making a difference. There is so much information out there now about what we should and shouldn't be doing. It's amazing to have this compressed push for change. At the same time, it can be overwhelming to try and sort through the data on your own.

We try to start with authenticity first. Everything we do should feel genuine and strive to improve overall morale. Sometimes

that means baby steps. I often have to remind myself that transformative change doesn't happen overnight. It took several years and thoughtful intention to turn our firm from predominantly white men to 65% women and 30% non-white. It may take several more years to continue that trend and expand beyond racial and gender diversity, but with constant focus and intention, that kind of change can transform CBM into a more diverse and inclusive place. ■

Reema Patel, CPA, is co-director of CBM's diversity and inclusion initiative (D-PATH), which provides leadership, networking, and professional development opportunities for women and minority professionals throughout the firm. She has more than 10 years of experience serving the needs of automotive dealership, nonprofit, and professional services clients with audit, review, compilation, and tax planning and compliance expertise. In addition to her CPA, Reema is also on track to becoming a Certified Financial Planner. She enjoys helping young professionals manage their finances in addition to delivering high-quality accounting services.

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Your go-to source for all things ethics

In 2022, the VSCPA has new, cutting-edge courses for CPAs and all business professionals, plus an ethics resource center with articles, whitepapers and more. Anytime you see the Essential Ethics logo or name, you can trust the course is engaging and high-quality, but also meets the annual Virginia Board of Accountancy ethics CPE requirement.

COURSES

All courses are available on demand and upcoming webcasts are listed below. Individual courses are \$59.

NEW! COURSE SPOTLIGHT

• **Tales of Corruption 2022: Ethical Misdeeds**

Our newest course features exciting ripped-from-the-headlines cases. Do good professionals go bad? Unfortunately, sometimes. Law and Order meets Dateline as this ethics course investigates five thrilling, true fraud cases and presents the ethical models that could have prevented them in the first place.

May 25 | June 22 | July 18

• **Ethical Considerations in Diversity, Equity & Inclusion 2022: Foundations for Our Profession**

May 10 | June 14 | July 12

• **Virginia's Regulatory Landscape for CPAs 2022: What You Need to Know**

May 17 | June 21 | July 26

• **Tax Ethics 2022: Navigating Client Needs & the Law**

May 19 | June 15 | July 14

• **Corporate Finance Ethics 2022: How to Ensure Zombie Ethics Won't Kill Your Business**

• **Corporate Finance Ethics 2022: What Virginia CPAs Need to Know**

• **2022 AICPA Regulatory Ethics Update**

• **Government Ethics 2022: Theory & Application**

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8 ways to ethically deal with *difficult* people

Yes, you can navigate difficult relationships without compromising your ethics.



Elizabeth Pittelkow
Kittner

If you have been in the workforce for any amount of time, you most likely have dealt with difficult people. It can be challenging to stay true to your own ethics and values when dealing with these personalities, but the way you behave around difficult people matters to your character and can impact your career. Let's examine ways to be effective in these fraught interactions.

First, how do we define “difficult” people? A 2020 Psychology Today article says: “A personality is difficult when the individual does not honor and engage in the usual rules and social conventions taught by society for fairness and mutual respect. Difficult personalities can take many forms, including: engaging in a passive-aggressive communication style, being overtly hostile or verbally aggressive, having a bad temper, trying to split allegiances and loyalties of those around them, feeling threatened when someone seems too

competent or strong, and getting defensive or even combative when someone holds them accountable for inappropriate behavior.”

Other traits that make for challenging interactions with a coworker, supervisor or client may come to mind, and it is good to be aware of the characteristics you find difficult. Being aware of these characteristics allows you to consider some positive strategies to enable you to keep your cool and maintain your ethical standards even when dealing with difficult people. Here are eight effective techniques:

1. Be calm and collected: A sure way to add fire to a heated interaction is to become agitated. Staying calm enables you to deescalate emotion and move to a place where solutions can be discussed. Think about a duck on the water: Ducks look graceful gliding across the water, but hidden underneath the surface, their feet

are paddling with gusto! Similarly, you may feel tension, irritation and anxiety, but your expressions, tone and body language can be calm and controlled. Use body language tips to reduce stress, such as moving your tongue to the bottom of your mouth and pushing your shoulders back, which can help release dopamine (a happy hormone) and reduce cortisol (a stress hormone).

2. Have generous assumptions: You can ease your own negative emotions by assuming that others are trying their best and that difficult people are acting out because something difficult is happening to them. Since it is unlikely that you will ever fully understand why someone is acting poorly, giving them the benefit of the doubt will help you feel compassion for them.

3. Build camaraderie and respect: Some difficult people are easier to work with when you connect with them about what is meaningful to them outside of work. When people feel cared about and respected, they are more likely to do the same for others. If someone does not want to share much about their personal life, think about some topics they might feel comfortable discussing, like their favorite sports team or what they are proud of in their career. Keeping the questions positive and open-ended helps lead to positive and in-depth conversations. Consider your body language here, too: It is good to keep your arms open instead of crossed and your eye contact directed at the person instead of looking elsewhere (like your phone).

4. Understand their position and express empathy: We each have unique experiences and individual personality traits that influence our attitudes and actions. Building camaraderie helps to understand where people are coming from. If you do not understand why someone is acting in a particular way, ask questions in a genuine attempt to understand. Even if you do not agree with or fully understand their position, asking them questions may help them to feel more understood, and may help you answer their opposition or objections. Reflective listening may help in this situation, too. You can incorporate phrases like, “If I may summarize, I believe you said _____, am I understanding that correctly?”

5. Explain your position: Helping someone understand your perspective may help them to understand your intentions. People like to know the rationale or the why behind decisions, which helps with buy-in. You can also explain how their behavior affects you and others. To a large extent, we get the behavior we accept. If we explain that certain behaviors are unacceptable, we are not likely to see them as much in our interactions.

6. Do your work well: When you are dependable and produce high-quality work, you build armor against difficult people who are negative toward you or the work you are doing. Reflect upon how others interact with you and if you are doing anything that can be improved. Perhaps a change to your behavior — like incorporating more reflective and empathic listening — will reduce negative behavior toward you.

7. Bring the issue to the appropriate people: If a difficult person is acting unethically, discuss it with the right authority, which could be HR, a supervisor, an owner or officer, or a governmental agency. Leaders may want to consider if that person is the right fit for the organization or if they need additional coaching or performance improvement to continue moving forward. If this person’s difficult behavior crosses the line into sexual harassment or discrimination, you can report this to the appropriate authority. You can also go to other people if you feel it would be helpful to document it or if someone else could speak with the difficult person to influence their behavior. Additionally, the difficult person may be dealing with challenging circumstances and may need additional support that HR could help facilitate.

8. Ask a trusted mentor to coach you: Discussing problematic interactions you have with other people may help you learn other techniques. Being heard by someone can also help you manage your emotions and find a way forward.

If after trying these strategies the difficult person is still unwilling or unable to change, try to reduce your interactions with them, up to and including leaving the organization. Strive to surround yourself with people who have keen emotional intelligence in their interactions or who are willing to be coached. Regardless of your title or role, you can be a leader within your organization who leads with respect, empathy, and a desire to do well and help others. ■

Elizabeth Pittelkow Kittner is the head of finance for the International Legal Technology Association.

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What's *new* with SAS No. 145?

New standard increases audit profession's focus on risk-based auditing.



Tamara Greear,
CPA

Statement on Auditing Standards No. 145 (SAS 145), *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, supersedes SAS 122, as amended, Section 315, of the same title, and amends various AU-C sections in AICPA *Professional Standards*.

The American Institute of CPAs (AICPA) Accounting Standards Board (ASB) issued SAS 145 as a response to common issues related to auditor's risk assessment identified through practice monitoring programs not only in the United States, but worldwide. Given the results of peer reviews conducted in the United States in 2020 that indicated AU-C Section 315 was the leading source of matters for further consideration (MFCs), the ASB determined issuing SAS 145 would provide relevant guidance to the ever-changing audit environment.

Per the standard itself, "SAS No. 145 does not fundamentally change the key concepts underpinning audit risk, which is a function of the risks of material misstatement and detection risk. Rather, SAS No. 145 clarifies and enhances certain aspects of the identification and assessment of the risks of material misstatement to drive better risk assessments and, therefore, enhance audit quality."

If SAS 145 doesn't "fundamentally change key concepts," what does it change? To say that the standard is voluminous in content is probably an understatement, and therefore covering its changes, even in minimal detail, is not feasible in the span of this article, so I will highlight a few key points. SAS 145's overarching premise is to enhance the following:

- Requirements and guidance related to the auditor's risk assessment, in particular, obtaining an understanding of the entity's system of internal control and assessing control risk.
- Guidance that addresses the economic, technological and regulatory aspects of the

markets environment in which entities and audit firms operate.

In addition to these broader enhancements, the SAS includes the following:

- Revisions to requirements for evaluating the design of certain controls, including IT controls, within the control activities component and whether the controls have been implemented.
- Requirement for the separate assessment of inherent risk and control risk.
- Requirement for control risk to be assessed at the maximum level. So, if the auditor does not plan to test the operating effectiveness of controls, the assessment of the risk of material misstatement is the same as the assessment of inherent risk.
- Revision to the definition of *significant risk*. Guidance on scalability.
- Guidance on maintaining professional skepticism.
- New "stand-back" requirement designed to cause the auditor to evaluate the completeness of their identification of significant classes of transactions, account balances and disclosures.
- Revisions to requirements for audit documentation.
- Conforming amendment for performance of substantive procedures for each relevant assertion of each *significant* class of transactions, account balance and disclosure regardless of the assessed level of control risk.

All of this seems very simple and straight forward, right? Let's take a brief look at just a few of the points to try and make the broader terms a little clearer ►

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for those of us who may think this sounds anything but simple on first glance.

SEPARATE ASSESSMENT OF INHERENT AND CONTROL RISK

While some existing software auditing tools focus many practitioners toward separately assessing inherent risk and control risk, this has never been a requirement of the standards. SAS 145 now requires separate assessment of these two risks at the assertion level. The standard, however, does not require documentation of a combined inherent and control risk.

DEFINITION OF SIGNIFICANT RISK

The newly revised definition of *significant risk* focuses on the risk itself, and more specifically as an identified risk of material misstatement. Previously, *significant risk* was about the response to the risk itself as to whether it required special audit consideration. The new definition indicates the following:

“A significant risk is an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential of the misstatement should that misstatement occur.”

SAS 145’s new definition uses the terms “likelihood” and “magnitude” in conjunction with inherent risk while not referencing control risk. It no longer requires a determination of whether a financial statement risk is a significant risk, but indicates an identified risk of material misstatement at the financial statement level may have impact on assessment of significant risks at the assertion level.

SCALABILITY

As practitioners are already aware, size does not always correlate to complexity. Smaller entities cannot just have the assumption of less complexity. Correspondingly, larger entities are not always

complex. Per SAS 145, complexity, not the entity’s size, determines how to apply the standard. It recognizes that an entity may have a less formalized system of internal control while indicating that system may still be functioning given the complexity of the particular entity. Even if the entity has a less formal internal control system, SAS 145 still allows for methodology for the auditor to perform risk assessment procedures. Auditors should use professional judgment in evaluating risk procedures within the standard in relation to the determination of the complexity of each unique entity.

EFFECTIVE DATE OF SAS 145

The elements discussed here are only a small part of the overall content of SAS 145, and review of the full content of the standard is recommended for successful implementation and application.

SAS 145 is effective for audits of financial statements for periods ending on or after Dec. 15, 2023.

While change is not always easy or enjoyable, if the results of peer reviews are any indication, perhaps it’s time for that change as it relates to audit risk assessment — if for no other reason than a fresh perspective of existing processes.

Henry Ford once said, “If you always do what you’ve always done, you’ll always get what you’ve always got.” ■

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Leadership for the *reluctant* leader

New leaders can become more assertive by assessing their goals in three areas.



Gary Thomson,
CPA

It's not unusual to meet a new managing partner who was chosen to lead but didn't necessarily "look" for the job. They don't doubt their skills as a CPA, rather, they wonder if they're in the right position to effect change and how they should do it. I call them reluctant leaders. Reluctance is not unwillingness — it simply means the leader doesn't see themselves as the "typical" CPA firm leader.

But sometimes, atypical is just what a firm needs.

A reluctant leader might be someone who wasn't seeking out the position of managing partner, but because they are high-trust, high-caring, and conscientious individuals, the role was thrust upon them. They may not have seen themselves as leaders but accepted the role due to their personal commitment to the firm. One of my current clients is such an example. This person exhibits humble leadership, belief in the future of the organization and an unwavering belief in the people for whom he serves. Despite this resolve, there is still uncertainty, especially when it comes to making tough decisions for which there is no consensus. The struggle is going from team member to team leader and not violating the trust that made this person such an obvious choice for managing partner.

It won't surprise you when I say the "typical" CPA is risk averse. We're trained in risk management and conservativeness, but those qualities, while important in leadership, can often freeze us from effective leadership. Often, when working with reluctant leaders, I address these tendencies and channel their experience toward assertiveness. This can be a challenge if that is not how someone usually operates or is not how they are wired — but taking risks is a necessity of leadership.

So, how do we move a reluctant leader to an assertive leader? Coaching a reluctant leader usually comes down to assessing three areas: leadership goals,

personal goals, and firm goals. When I work with a leader, I ask them to come to me with the top priorities for those three goals, and then together we work through which are the most important for that leader. We prioritize activities for achieving the top goal and employ regular accountability to ensure execution.

Through this process, I ask partners to:

- 1. Find clarity in your role:** Have a clear understanding of what your executive team expects from you. If you believe your role should evolve into something different, an outside consultant can help you broach the subject and assess the steps for action to close the gaps between what is expected and where you would like to take the role.
- 2. Assess your skill sets:** In some cases, you may need different skills than those that helped get you to the position. Assessing your strengths and weaknesses allows you to discover where you need additional training and perspective.
- 3. Build a support team:** Your support team should complement the strengths and weaknesses you outlined in step two. If you are strong in business development, you may need someone who is strong in risk management. If you are a technical expert, you may need a strong human resource professional to lead culture. The stronger your team is, the stronger you and the firm become.

Sometimes we need to go through these processes a few times, tweak our findings, and adapt to the changing needs of the firm — but what's most important is that the reluctant leader finds the confidence to see themselves as the competent and effective leader they are.

If I could give every reluctant leader one piece of advice, it's that you don't have to go it alone. Every leader needs the following people in their court.

1. **Within the firm:** You need someone you can trust with whom to have a candid conversation. It should be a safe and protected environment where you can share and get feedback without the risk of criticism.
2. **Outside the firm:** Consultants who have been there and done that can be invaluable resources. As third-party observers, there is less fear of kickback, and you can be open and honest about your concerns and frustrations. The outside perspective can help you see challenges through a different lens.
3. **In life:** A personal mentor is a must for every leader. Personal mentors are usually not about the ins and outs of the workday, but rather someone who can remind you to find balance and encourage you in your growth.

Leaders want to be successful, and that doesn't change just because they may be reluctant. Where leaders can get caught up

is in what success looks like, how to take the firm to the next level, and how to gain traction with their goals. ■

Gary Thomson, CPA, is founder and managing partner of Thomson Consulting, LLC, where he provides practice management consulting, M&A advisory, leadership development, succession planning, coaching, and more to professional services firms. He served as 2019–2020 VSCPA chair of the board and currently sits on AICPA Council.

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5 WAYS TO ACE TODAY'S *talent* MARKET

Implement these easy post-pandemic strategies for
employee recruitment and retention.





Mark Dow, CPA

As our country begins our “new normal” in the wake of the pandemic, accounting firms and companies must reinvent themselves to match new employee expectations that were reshaped during the lockdown. Potential employees are looking to work for organizations that are focused on providing staff with career empowerment, flexibility in terms of work/life balance, a work environment that promotes diversity, equity and inclusion (DEI), and a more balanced commitment to helping staff grow professionally while simultaneously growing the overall practice.

The hiring landscape is even more competitive than it was pre-pandemic, so organizations must communicate key differentiators as to what makes their company stand out from the rest and make any necessary internal adjustments so that current staff can continue to grow and thrive.

Here are five suggestions on how to satisfy these two very important post-pandemic staffing objectives simultaneously.

1. SEE THE BIG PICTURE.

Often, new graduates aren’t certain what they would like to specialize in upon graduation and some seasoned staff members may wish to pivot slightly and try something new. If your business model allows for it, permit staff to gain exposure to all parts of the business, see the big picture, learn from other staff members, and understand all parts of the engagement process from start to finish. This promotes continued job growth of current staff members and can be appealing to new candidates during the hiring process.

On the job, it is empowering for staff members to know the results of their efforts, how their contributions impact the overall business, and how their hard work affects the client. During an engagement, all members of the team may have their own respective duties — putting their pieces of the puzzle in at exactly the right time to help create the total picture. However, never underestimate the importance of staff understanding the other components that make up the entire puzzle. Knowing the why behind their work gives current staff an increased sense of satisfaction of a job well done at the end of the engagement and potential staff a sense of purpose right from the start.

If service specialization is an important part of your practice, allow current staff and potential candidates the opportunity to work with a variety of clients from a multitude of industries. Staff members may gravitate to an industry that they previously knew nothing about. It is always more fulfilling to work for clients in industries that we personally appreciate, and the quality of work provided will only increase as a result.

2. CREATE A FLEXIBLE WORK ENVIRONMENT.

Candidates are looking to work for companies that allow for flexibility in terms of their remote work policy. Prior to the pandemic, the majority of “work life” was spent physically in the office. Now, work life often extends beyond the office walls, offering more of a balance for employees. In the end, it is important to stress to potential candidates that it is the results that are truly important rather than where work is physically performed. If an employee’s workweek is a road trip and their roadmap has them working at home one day, at a client the next day, and in the office the following day, if the destination includes deliverables that are done well and done right, and there is consistent team collaboration and strong client communication, then this firm/company and employee relationship is mutually beneficial.

Comfort level from both sides is key and the lines of communication must be established and open. What works well for one person may not for another. Schedules can adjust throughout the year depending on a variety of factors, including but not limited to, client workload, employee needs and other requirements. Commitment on both sides to find the best combination and weighing in all the factors is crucial for continued success.

3. GIVE CONSISTENT AND CONSTRUCTIVE STAFF FEEDBACK.

Employee performance improvement is predicated on high-quality, consistent, constructive feedback. Feedback should not just be given incrementally — i.e., every quarter — it should be continuous, and at the very least, at the conclusion of each engagement. Candidates love to hear that organizations have employee feedback programs. In addition to real-time feedback during an engagement, utilize one of the countless software programs dedicated to this type ►



Marianne Badurina, MBA

of communication. Programs create reminders to provide feedback, which helps encourage hard work, while also addressing any issues that may have occurred so they can be avoided in the future.

Staff encouragement and senior staff availability matter to both potential and existing employees. A 10-minute “chat” can go a long way. It’s a selling point to know that staff members’ careers will continue to take shape — not just on an annually or quarterly basis, but on a weekly or even daily basis. This provides a greater feeling of empowerment and less isolation, especially in a world that includes more remote work.

4. TAKE ADVANTAGE OF YOUR ORGANIZATION’S SIZE.

There are unique benefits to small, medium or large organizations. Smaller organizations often have close-knit cultures where employees form strong bonds, celebrate wins together, and have an unmatched level of cohesiveness. They also can make decisions more quickly when necessary and employees do not have to travel up a long chain of command to get the answers they seek. Large firms are often more widely known, work with bigger and more well-known clientele, and can provide employees with a pathway to high earnings potential. Medium-sized firms often offer a combination of both.

The unique benefits provided by a company’s size may be more appealing to some candidates, while the benefits of a different size company may be more appealing to others. Although we can’t generalize completely, demographics often do play a role. New graduates from certain area schools may prefer a larger organization, while more seasoned staff who already have years of experience working for a large company may be interested in exploring the benefits of a smaller one. Therefore, use size to your advantage. Make a list of key characteristics your organization can provide based upon its size and market them to potential candidates. Interview current staff asking them some of the reasons they like working for a company your size. Spend some extra time talking to your staff who have worked for organizations of other sizes and discover what they prefer about a company your size in comparison to their past experiences.

5. SOCIAL RESPONSIBILITY IS YOUR SUPERPOWER.

The business world is shifting, in part because of the changes brought upon by the pandemic, but also

because many candidates are reprioritizing what they deem to be truly important when it comes to their own careers. Social responsibility, workplace duties and work-life balance used to live comfortably in their own distinct buckets. Now, these items are merging and are no longer mutually exclusive. The concept of “having it all” and working for an employer who cares about its employees’ well-being, is concerned about the world in which it operates, and is interested in promoting DEI, is becoming just as attractive to prospective candidates as salary, bonuses and 401k plans. Organizations that effectively showcase these social initiatives are the ones that will find success in this next chapter.

Cement your company’s commitment to change with trainings, identifying unconscious bias on all levels, encouraging networking and attending seminar events focused on diversification. Supporting events and initiatives that are centered around diversity outside of your organization will likely bring diverse candidates to your company.

Times are changing and sometimes an effective hiring strategy for one company may not be the same for another. Information sharing among peers is key and networking in-person or virtually with other professionals in the industry is more important now than ever. Encourage your leaders to become members of industry organizations on both the local and national levels. Have them take it a step further and join committees at outside organizations like the VSCPA. Every interaction is a networking opportunity.

Communicate to your entire organization that just like client service is part of everyone’s job, so is promoting the company and recruiting its newest members. Interview current staff as to why they enjoy about working for your company and you may find key differentiators you haven’t even thought of yet. Best of luck during this exciting time of growth and possibility for our organizations and our industry. ■

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CRYPTOCURRENCY: THE *future* OF NONPROFIT GENEROSITY

Donating cryptocurrency can be as simple as a few clicks and in many ways just as simple as traditional online giving, but nonprofits can only accept cryptocurrency if they're ready.





Justin Greene,
CPA

Today's world can be defined by constant change driven forward by technological advances. Artificial intelligence, Web3 and the metaverse were fairly fringe topics of discussion not long ago, and none more so than cryptocurrency. Bring up the word “crypto” in any conversation these days and you’ll get polarizing answers ranging from a criminal’s tool to the future of money, from pure speculation to the perfect store of value rivaling gold.

No matter what your position, cryptocurrency is being recognized by governments, accepted as a form of payment, added to balance sheets, bundled with traditional investment options, and used as a method for charitable giving. Just like electronic giving altered the charitable giving landscape over the last decade or so, digital assets have the potential to do that exponentially faster.

Fidelity Charitable, a 501(c)3 that manages one of the largest donor-advised funds in the United States, reported cryptocurrency donations to their fund increased from \$28 million in 2020 to more than \$331 million in 2021 — an almost 1,100% increase. A 2021 study by Fidelity Charitable on Cryptocurrency and Philanthropy stated that 35% of millennials now own cryptocurrency and another 33% indicated they were somewhat likely to consider it in 2022. While we have seen adoption across all age groups, this indicates a higher likelihood for digital methods of generosity with future generations.

According to James Lawrence, cofounder and CEO of Engiven, a leading cryptocurrency donation management platform, “Cryptocurrency philanthropy is quickly becoming the fastest growth segment in the digital giving space and one of the most compelling. In 2021 on the Engiven platform, we saw an average cryptocurrency donation of \$15,000+ and many crypto gifts in the six and seven figure range, and the number of nonprofits added to the platform increased by 1,650%. We’ve been fortunate to have helped many nonprofits such as The Salvation Army, U.S. Figure Skating, and Compassion International reach new donors in an innovative way. We’re now seeing donors with appreciated crypto assets making impactful donations across the full spectrum of nonprofit missions.”

For many nonprofits, the uncertainty surrounding cryptocurrency is a major drawback to accepting

it for their organization. As leaders, gaining an understanding is an important first step, not only for your own level of comfort in the technology but also so you can be knowledgeable when communicating with donors. Here is a very brief overview of blockchain and cryptocurrency before we dive into what nonprofits should do to get started.

WHAT IS BLOCKCHAIN?

To understand cryptocurrency, you need to understand the technology behind it. A blockchain is a digital ledger made up of records called blocks. Each block contains data, such as financial transactions, that has been verified, and references the block before it. These blocks are connected via a cryptographic hash, which is what puts the “crypto” in cryptocurrency. Through cryptography, a chain of blocks (records) are created that are immutable or extremely difficult to alter. Blockchains can be decentralized (not controlled by a central organization) and also distributed (every node has a copy of the ledger and verifies new entries). Industries such as health care, supply chain, and finance are using the advantages of this technology, bringing trust and accountability to their data, lowering costs of transactions, and providing faster settlement of payments.

WHAT IS CRYPTOCURRENCY?

Cryptocurrency is a fungible, digital asset that acts as a store of value and a medium of exchange. Fungible means they are mutually interchangeable and able to be replaced by identical items, so you can swap one token for another, and you still have one token of the same value. There has been a lot of buzz today around non-fungible tokens (NFT), which represent unique, one-of-a-kind digital assets such as music or artwork. Cryptocurrency is created through the process of verifying or validating data and adding blocks to the chain. Nodes are rewarded with an uncirculated asset for helping to keep the blockchain healthy and functioning.

Wallets are an important component of transacting cryptocurrency. A cryptocurrency wallet is simply where a related pair of keys (key pair) are stored, while the actual record of your cryptocurrency resides on the blockchain. The key pair consists of a private key and its derived public key. The public key is used to send and receive cryptocurrency and your private ►

key is needed to unlock them. Think of your private key as proof of ownership. There are many different types of wallets used to hold cryptocurrency. Hot wallets are connected to the internet whereas cold wallets are not. Custodial wallets are where your keys are held by someone else, whereas non-custodial means you hold your own keys. Paper wallets are just keys printed on paper, hardware wallets can be USB devices, software wallets can be applications on your computer, and mobile wallets are applications on your mobile device. Most people end up using a combination of wallets. As you can see, there are many options, so it's important to do your research first.

The first and largest cryptocurrency by market cap is bitcoin. Created in 2009 by an anonymous person or group named Satoshi Nakamoto, bitcoin was the first real use of blockchain. At the time of this article, bitcoin was ranked No. 9 in terms of global value across all assets by total market cap. There are thousands of coins/tokens available today, many of which have legitimate use cases, and many of which do not, so do your research. The use of the word "currency" is a misnomer as cryptocurrency has many functions. Some tokens can be used as governance tokens (making decisions), utility tokens (providing functionality), and of course, as a means of transferring value. It's clear though that what was once a fringe idea championed by tech-savvy enthusiasts is now being recognized by banking institutions, corporations, and governments.

GETTING A NONPROFIT READY FOR CRYPTOCURRENCY

As someone who has spent many years in nonprofit financial leadership, I am always looking for ways to support the mission of the organization. Once I understood what cryptocurrency was, the question for me was not if we should accept cryptocurrency donations, but how. Let's look at what this means for a nonprofit and its donors, and how a nonprofit can prepare.

CRYPTO AND THE IRS

The IRS has classified crypto as property, not a currency or security. This means we treat it like a non-

cash asset for donation purposes. There are, however, many similarities to how stock donations are handled.

WHAT ARE THE BENEFITS TO DONORS?

Donors are looking for creative ways to give that both supports their charitable organization and minimizes their tax liability. If a donor sells crypto that has appreciated in value, they will have to recognize a capital gain on the sale. If, instead, the donor decides to donate that crypto, they will get the double benefit of receiving a charitable contribution deduction while also avoiding capital gains.

For example, if a donor sells cryptocurrency for \$100,000 with a \$30,000 cost basis, they'll have a gain of \$70,000. If they then donate the proceeds after tax (assuming a 20% tax rate) to a nonprofit, the nonprofit would receive \$86,000. If the donor had donated the crypto directly to the nonprofit, the nonprofit would have received \$100,000 ... maximizing their gift to the nonprofit and increasing their charitable contributions deduction.

DETERMINING THE COST BASIS

If a cryptocurrency is sold or traded, this creates a taxable event, and the difference in value results in a capital gain or loss. Short-term gains (losses) result from the profit or loss from the sale of cryptocurrencies held one year or less. Long-term gains (losses) result from the profit or loss from the sale of cryptocurrencies held longer than one year. When purchasing (or trading) cryptocurrency, the purchase price, less any associated fees, is your cost basis. When selling (or trading) cryptocurrency, the sales price, less any associated fees, is your adjusted sales price.

UPDATE THE GIFT ACCEPTANCE POLICY

Once leadership has made the decision to accept cryptocurrency donations, it's a best practice to adjust the gift acceptance policy to acknowledge that the nonprofit is now accepting cryptocurrency and to specify whether it will be either held or sold immediately.

No matter your position on cryptocurrency, it's being recognized by governments, accepted as a form of payment, added to balance sheets, bundled with traditional investment options, and used as a method for charitable giving.

SHOULD A NONPROFIT HOLD CRYPTOCURRENCY?

For most charitable organizations, liquidating cryptocurrency immediately is recommended. Crypto values can swing wildly, potentially reducing the impact of the gift, and most donors intend for their gift to benefit the mission immediately. By liquidating the donation immediately, a nonprofit is protected from any significant swing in value.

DOES IT MATTER HOW LONG A DONOR HOLDS CRYPTO BEFORE DONATING IT?

Yes. Donated crypto held less than one year disallows the capital gains tax benefit and only allows a deduction on the cost basis instead of the total value of the donation.

REPORTING REQUIREMENTS FOR CRYPTO DONATIONS

For crypto donations valued over \$250, a standard noncash donation receipt is required for the donor. For crypto donations valued over \$500, the donor must file Form 8283 (Noncash Charitable Contributions). For crypto donations valued over \$5,000, the donor must receive a qualified appraisal prepared by a qualified appraiser. Form 8283 must be signed by the charitable organization and the qualified appraiser. A qualified appraisal is not required to be submitted to the IRS unless the donation value is above \$500,000. If sold within three years of receiving it, the charitable organization must complete Form 8282 and provide a copy to the donor.

WHAT IS THE EASIEST WAY TO GET STARTED?

To receive cryptocurrency donations, a nonprofit needs to have a crypto wallet at the ready. This can be done through various means such as setting up a manual wallet (Metamask), through an exchange (Coinbase), or through a cryptocurrency donation platform (Engiven). Manual wallets are not recommended because there are no internal controls in place to safeguard assets

and you need to have a fair amount of experience transacting cryptocurrency. Exchanges are not ideal because you have to manually liquidate the gift, they're not designed to support the processing of donations, and they provide little to no support.

For most nonprofits, the best option is a cryptocurrency donation platform. Using Engiven as an example, when a donor makes a donation, the cryptocurrency is transferred and liquidated on behalf of the nonprofit, and then an ACH deposit is made to the nonprofit's bank account. The nonprofit never has to interact with cryptocurrency but can still provide a means of giving for their donors. If desired, the nonprofit can also configure their account to hold cryptocurrency when donated and not liquidate it. Upon receipt of the cryptocurrency, the platform will issue an automated gift acknowledgement to the donor and notification to the nonprofit. The IRS Forms 8283/8282 are auto-generated, and the qualified appraisal prepared when applicable. The goal of a platform like Engiven is to do the heavily lifting for nonprofits so they can focus on their mission.

Donating cryptocurrency can be as simple as a few clicks and in many ways just as simple as traditional online giving, but nonprofits can only accept cryptocurrency if they're ready. In the past year alone we've seen a significant shift and adoption of digital assets, and now more and more people are making them a part of their portfolio. Let's get ready to meet our donors where they already are! ■

Justin Greene, CPA, is the CFO for Engiven, a cryptocurrency donation management platform, and also CFO for Liberty Live Church, a large multi-site church based in Hampton Roads. Serving 20 years in nonprofit administration and specializing in the economics of blockchain and digital assets, Justin has become a leading voice in helping faith-based and nonprofit organizations step confidently into the cryptocurrency space. He also sits on the VSCPA Innovation Advisory Council.

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LEASES ON THE *balance* SHEET: ASC 842 IS HERE

Don't delay! Private companies should be implementing the new lease standard now and learning from the experiences of public companies.





Genevieve
Hancock, CPA

During the pandemic, ASC 842, the lease standard for private companies, was delayed to a 2022 implementation deadline. Even though private companies have had since the standard's release in 2016 to prepare, a large population of companies are still not fully ready or have not implemented the new lease standard.

The lease standard is not new for public companies; it was required for implementation for interim periods beginning after Dec. 15, 2018. One of the key takeaways from the process was to **not wait until the very last second**. Data gathering and review takes a long time for this implementation — in some cases, this has been a larger undertaking than the revenue recognition standard depending on the size and composure of the organization.

This article will mostly concentrate on best practices for small companies from a project management perspective around implementation, but first let's refresh our understanding quickly on the lease accounting changes.

SUMMARY OF LEASE CHANGES

Why is the accounting for leases changing? Simply put, because leases are one of the last long-term liabilities, and correlated rights-to-use the asset under lease, which are not always accounted for on the face of the financials. Everyone has heard how all leases are going on the balance sheet now — not just capital leases as under ASC 840 (the prior lease standard).

We will mostly concentrate on the lessee position within the article, as lessor accounting was largely unchanged. Operating leases will now be accounted for on the balance sheet as a lease obligation and a right-to-use asset. Finance leases, previously known as capital leases, will be accounted for in a similar way as under the prior guidance. The key difference between the two treatments on the income statement will be that the difference between the liability (which is present-valued) and the cash paid will be booked to interest expense.

PROJECT MANAGEMENT

This cannot be emphasized this enough: **Start early with data gathering**. Not all lease signature or real estate processes have been centralized within private,

or even public, entities. Take a step back and think about the existing data. In many cases, a commitments and contingencies schedule is a required footnote within private financial statements. This is a great place to start to look for leases for assessment. Other key areas are to review the rent expense detail and deferred rent balance sheet detail, and the audit support provided to your auditors for straight-line rent expense. Often over-looked leases include equipment leases, vehicle leases, and sometimes even smaller building leases. These will likely require partnership with departments and individuals across the company to identify in order to ensure completeness of the lease listing for transition.

Ensure that you have identified all key stakeholders, have briefly trained everyone that touches a lease in the process of being signed, and have implemented controls around the process to ensure that both the accounting is correct — specific to decentralized environments — and that the lease contracts get to the correct professional to be accounted for under ASC 842. The legal department may be a key internal customer to partner with in this update, as many organizations have requirements for lease or real estate contracts to be reviewed by internal legal counsel. If your organization does not have this process set up, and does not have a real estate finance department, then discuss with procurement and sourcing departments to understand the contract review process and identify key signers and what the thresholds for signing are. Authorized signing criteria can be either position-based or amount based.

Make sure that the continuous improvement around this process of data gathering and key stakeholders continues as you move forward. New amendments, early terminations, and new leases after the transition also need to be considered for ensuring the information gets to the right place.

TAKEAWAYS FROM IMPLEMENTATION

Private companies can learn from some of the challenges and difficult implementation areas experienced by public companies that have already tackled the lease standard.

One of the more difficult and complex considerations under ASC 842 is the concept of an embedded lease. ASC 842 changed lease accounting to a more ►

principles-based approach, rather than the rules basis that most accountants who use U.S. Generally Accepted Accounting Principles (GAAP) are used to operating under.

Under the principles-based approach, we look at the substance of the transaction and not the legal terminology within the contract — for example, a contract can say “revenue contract” as a title, but as long as the counter party gets access to a tangible asset and has the right to direct the use of that asset for a specified period of time in exchange for consideration, then this is really a lease contract based on the principle. Embedded leases are the right to use and direct the use of an asset that is embedded within another type of contract — vendor agreements, IT service contracts, revenue contracts, or any type of other contract.

There are a few key places to look for embedded leases. Inquire with different departments to find out whether there are any tangible assets or personal protective equipment that your company gains access to through a contract. IT and printer service agreements are common areas in which embedded leases are normally found. If your company is paying for data retention services, and within that IT service contract a specified space on a server (and you can identify that specific server), then that contract needs to be assessed for whether that embedded lease needs to have an allocation to rent expense.

Another takeaway that has been common across public company implementations are the systems, tools, and outsourcing of lease tracking projects. Organizations and financial systems for ASC 842 are abundant — whether hiring a consultant or firm to assess and document the lease change for the organization or signing up to outsource the accounting and then reviewing internally prior to booking adjustments. Certain systems also have integration or modules within your existing enterprise resource planning (ERP), which can be turned on the account for the leases. Make sure that the individuals reviewing and inputting the data have been fully trained on **both** the system and the updates to lease accounting prior to starting to use the system of choice.

AMENDMENTS AND SPECIAL CONSIDERATIONS

While the International Accounting Standards Board’s IFRS 16, effective for periods on or after Jan. 1, 2019,

and ASC 842 are very close in changes, there are still differences between the two standards. If there are statutory reporting requirements outside of the United States that need to be considered, then make sure the reporting differences under the new standards are understood and adjusted for — or at minimum, documented that they are immaterial in total if that argument can be made.

One of the amendments issued after the standard change had been announced is the impact on easements. A right-of-way or easement needs to be assessed for lease accounting if there is consideration (generally cash) transferred for that easement. Luckily, there is a practical expedient to make this easier as you can elect prior accounting for easements, but your organization must make this election for *all easements* within the portfolio.

Additional special considerations for lease accounting transition that will require additional attention include subleases, sale leaseback transactions (both existing and new), and existing leveraged leases.

PRIVATE COMPANY ELECTIONS

During 2021, one very positive amendment issued by the Financial Accounting Standards Board in relation to ASC 842 was the option for private companies to elect to use the risk-free rate in order to cut the burden of costs related to 842 implementations for small companies. The election of this rate eliminates the time-heavy burden of determining the rate per lease or any updates to the rate when attempting to calculate the present value of minimum lease payments around the transition of operating leases.

CONCLUSION

First, if your company is subject to the new lease standard implementation, which it likely is, start your assessments now. Data gathering, training and documentation can all take a lot of time and effort from both accounting and other departments. Leverage existing processes to gather data prior to creating a separate one, but keep in mind that you will likely have to set up new processes to manage new information going forward. If your company does not have quarterly reporting requirements under GAAP, you may have some additional time but that does not

mean that your organization should put off the implementation until the last possible second.

Second, ask for support — whether that is in the form of an additional ERP lease module, a separate system, or entirely outsourcing the lease transition process to consultants. There is assistance out there with experts in the field who have now had years of practice to hone their abilities since the 2019 transition for public companies.

Third, ensure that you train all individuals touching leases in your organization around the updates to the standard that are relevant to their areas, tailor the training to the audience, and ensure that they know who to contact with questions.

This transition may not seem like a lot of differences from an accounting perspective for implementation, especially after many of us remember the horrors that came with ASC 606 — *Revenue*

from Contracts with Customers. For project management and data gathering exercises, it can be a lot more than 606, and extremely time consuming. ■

Genevieve Hancock, CPA, is the global corporate controller and chief accounting officer for Exactech, Inc. Genevieve began her career in internal audit and public accounting, and moved into technical accounting specializing in accounting policy, compliance, and implementations of accounting standards for both private and public companies. She is passionate about developing technical accounting, research, and leadership in colleagues. She is currently on the VSCPA Young Professionals Advisory Council, the Disclosures Editorial Task Force, and the Innovation Advisory Council.

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The VSCPA congratulates new 40-year *members*

The VSCPA welcomes 61 new 40-year members this year. This designation is bestowed upon members in their 41st year of consecutive membership. These members will be celebrated at the in-person annual business meeting on May 12 at the VSCPA Learning & Innovation Center.

Roy Alexander, CPA, PFS, Springfield

Arthur Auerbach, CPA, CGMA,
Atlanta, Ga.

Franklin B. Austin III, CPA, CGMA,
Chesapeake

Steven Biegler, CPA, Richmond

Robert T. Bishop, CPA, PFS,
Fredericksburg

Stanley G. Boatwright Jr., CPA, Roanoke

Debra Y. Bradshaw, CPA, Richmond

Richard O. Bunce Jr., CPA, CGFM,
Glen Allen

Robert W. Cadd, CPA, Salem

Denise A. Carroll, CPA, Boone, N.C.

Allen S. Cohen, CPA, Virginia Beach

Robert A. Cope, CPA,
Rehoboth Beach, Del.

David L. Cotton, CPA, CFE, CGFM,
Alexandria

Daniel C. DeBoissiere, CPA,
Rehoboth Beach, Del.

Ruth T. Dickerson, CPA, Roanoke

William H. Goodman, CPA, Vienna

Mark A. Graham, CPA, Harrisonburg

Margaret A. Greene, CPA, Montross

Merlin T. Grim, CPA, CGMA, Midlothian

Gary R. Hall, CPA, Montpelier

Anne H. Heacock, CPA, Mechanicsville

Franklin R. Johnstone, CPA, Richmond

Thomas E. Koren, CPA, Richmond

James Sharber Kovarik, CPA,
Leland, N.C.

Kee H. Lee, CPA, Suwanee, Ga.

David R. Legge, CPA, Springfield

Cheryl P. Ligon, CPA, CGMA,
Raleigh, N.C.

Michael L. Locher, CPA, Virginia Beach

E.J. Love, CPA, Richmond

Daniel B. Martin, CPA, Rockingham

Robert W. Masincup, CPA, Staunton

Claude M. Mayer, CPA, Chesapeake

Mark McCauley, CPA, Charlottesville

John B. Montoro, CPA, CGMA,
Midlothian

William F. Nagle, CPA, Portsmouth

Thomas E. Owen Jr., CPA, Glen Allen

William T. Patchett Jr., CPA, Warrenton

Mark D. Payne, CPA, CGFM, CITP,
CISA, Temecula, Ca.

Robert D. Powell, CPA, Roanoke

Maynard Jerry Reynolds, CPA,
Lynchburg

Glenn N. Rhodes, CPA, CGMA,
New Baltimore

David T. Richardson, CPA,
Holmes Beach, Fla.

Robert E. Rigsby, CPA, M.S., MBA,
Richmond

Stephen W. Rippard Jr., CPA,
Virginia Beach

Bruce W. Robinette, CPA, Herndon

Elsie L. Rose, CPA, CGMA, Beaverdam

Harry P. Sakellaris, CPA, Danville

Darryl P. Samsell, CPA, Greensboro

Lawrence D. Samuel, CPA, Midlothian

Philip W. Small, CPA, Virginia Beach

Larry E. Smith, CPA, Vienna

Thomas P. Smith, CPA, MBA,
Charlottesville

Sylvia G. Tate, CPA, CGMA, Ashland

Douglas R. Taylor, CPA, CGMA, Roanoke

Gary J. Thacker, CPA, CGMA, Forest

David H. Tikkala, CPA, CGMA,
Oriental, N.C.

Kenneth E. Tilman, CPA, Rockville

Forrest S. Wagoner II, CPA, Midlothian

Keith L. Wampler, CPA, Fredericksburg

Richard A. Weinberg, CPA, CGMA,
Washington, D.C.

Douglas E. Ziegenfuss Sr., CPA, Ph.D.,
Virginia Beach

Congratulations to the following *members!*



Pictured left to right: Tracey Morey, CPA, David Nazari, CPA, Mike Edwards, CPA, CFE, Gary Thomson, CPA, Bob Baldassari, CPA

Erin Meredith, CPA, CFE, CGFM, was named a partner at Cotton & Company, LLP, in Alexandria.

APPOINTMENTS & AWARDS

Bob Baldassari, CPA, principal at Matthews, Carter & Boyce, PC, in Fairfax, was named to the board of directors for the Northern Virginia Therapeutic Riding Program.

The following members were named to Washingtonian's Best Financial Advisors list: **Kendall Coleman, CPA**, CST Group; **Mary Ann Dougherty, CPA**, Renner and Company; **Gary Fitzgerald, CPA, CFF**, Fitzgerald & Co.; and **Krystal McCants, CPA**, YHB CPAs & Consultants.

Prior to the Gov. Glenn Youngkin's inauguration, Gov. Ralph Northam re-appointed **Craig Giese, CPA**, manager at Dehnert, Clarke & Co., PC, in Irvington, to the Virginia Soybean Board.

Carissa Malone, a doctoral student at Virginia Tech, received an AICPA Minority Doctoral Fellowship.

Megan Meador, CPA, a director at Brown Edwards in Bristol, was named to the 40 Under Forty class selected by The Business Journal of Tri-Cities Tennessee/Virginia.

Gary Thomson, CPA, managing partner at Thomson Consulting, LLC, in Richmond, was named to the LifeSpire of Virginia Board of Trustees.

FIRM NEWS

Charlotte, N.C.-based **DHG**, the fifth-largest accounting firm in Virginia with offices in 13 states, is merging with **BKD CPAs & Advisors** from Springfield, Mo., to form a top 10 accounting firm. At press time, the new name had not been announced.

Keiter in Glen Allen has created a new data science and analytics service called Innovative Data Solutions (IDS). IDS will assist clients with using data science and analytical services to help drive revenue growth, solve business challenges, and make informed business decisions.

The following accounting firms were named to the 2022 Best Places to Work list from Virginia Business:

- **Kearney & Co., PC**, Alexandria
- **KWC Certified Public Accountants**, Alexandria
- **Wall, Einhorn & Chernitzer, PC**, Norfolk
- **WellsColeman**, Richmond

NEW HIRES

Maria Grinkug, CPA, has joined Dembo Jones in Rockville, Md., as a tax manager.

Thomson Greenspon in Fairfax is expanding its nonprofit practice group with new hires **Tracey Morey, CPA**, as principal and nonprofit practice leader and **David Nazari, CPA**, as supervisor.

PROMOTIONS

Lindsay Dean, CPA, was promoted to partner at GRF CPAs & Advisors in Bethesda, Md.

At Meadows Urquhart Acree & Cook, LLP, in Richmond, **Mike Edwards, CPA, CFE**, has been named a partner and **Jacob Mauney** an in-charge accountant.

SEND US YOUR NEWS

Email disclosures@vscpa.com and we'll announce members' new positions, promotions, awards and appointments.



Congrats to the VSCPA's newest Virginia CPA licensees

Grayson Albers, CPA , Ashburn	Adriel Henriquez Baires, CPA , Leesburg	Noa Rudisin, CPA , Tysons
Manleen Bajaj, CPA , Midlothian	Oakleigh Hogg, CPA , Mechanicsville	Siera Sass, CPA , Toano
Amin BouHabib, CPA , Alexandria	Yahan Hsu, CPA , Reston	Mark Schreiber, CPA , Richmond
Alexander Brennan, CPA , Tysons	Delmas Lake, CPA , Rockville, Md.	Kelly Sheehan, CPA , Woodbridge
James Cabrera, CPA , Falls Church	Monique Mohammed, CPA , Falls Church	Jianwen Shi, CPA , Vienna
Katie Christopher, CPA , Richmond	Tracy Morey, CPA , Churchton, Md.	Kelci Simonsen, CPA , Richmond
Russell Clemmer, CPA , Winston-Salem, N.C.	David Nazari, CPA , Montgomery Village, Md.	Marc Simpson, CPA , Washington, D.C.
Lindsay Dean, CPA , Alexandria	Deborah Nganga, CPA , Dumfries	Abigail Smith, CPA , Richmond
Courtney Dye, CPA , Accokeek, Md.	Kathleen Nguyen, CPA , Philadelphia, Pa.	Emily Sturgis, CPA , Eastville
Allison Edwards, CPA , Fredericksburg	Clark Osterheld, CPA , Vienna	Asad Syedain, CPA , Roanoke
Chen Fang, CPA , Chantilly	Elizabeth Painter, CPA , Richmond	Lynn Williams, CPA , Norfolk
Katherine Gaouette, CPA , Warrenton	Spencer Pfundstein, CPA , Glen Allen	Deborah Zelen, CPA , Charlottesville
Peter Garrison, CPA , Arlington	Thomas Rackoski, CPA , Richmond	
Arielle Greenspan, CPA , Tysons	Alicia Ramsey, CPA , Alexandria	
Dylan Hendrickson, CPA , Richmond	Samantha Roggekamp, CPA , Tysons	

List from Nov. 1, 2021, through Jan. 31, 2022.

IN MEMORIAM

Frederick Malvin, CPA, from Newport News. Following a 22-year career in naval aviation, in which he was commanding officer of Navy bases in the Bahamas and Norfolk, he sat for the CPA Exam. In 1986, he co-founded Malvin, Riggins & Co. and served as board chairman until his retirement. Named a Super CPA by Virginia Business magazine several times over, he was named a Virginia Small Business Military Veteran of the year in 2014 and received the alumni medallion from The College of William & Mary in 2017. He was past president of the Virginia Peninsula Boys and Girls Clubs and served in several other volunteer leadership positions, many related to William & Mary. Along with his wife, Donna, he escorted World War II veterans on honor flights to Washington, D.C.

Ronald Daugherty, CPA, a Life member from Roanoke. A Virginia Tech graduate and Navy veteran, he joined Kennett & Kennett CPAs in 1964, where he continued to manage clients until his death. He was a longtime member of Lynn Haven Baptist Church, where he served in many capacities.

A. Ellett Fields Jr., CPA, a Life member and sole proprietor from Virginia Beach. He was a lifetime member and Melvin Jones Fellow of the Bayside Lions Club, and a member of the Lynnhaven Kiwanis Club. An avid fisherman, he was a member of the Virginia Beach Anglers Club. He served on various VSCPA CPE committees in the 1990s.

VSCPA Annual Meeting and 2022–2023 Board of Directors

The VSCPA's Annual Meeting will be held at 1 p.m. on Thursday, May 12, at the VSCPA Learning & Innovation Center in Richmond. During the meeting, the Nominations Committee will present the following members for election as 2022–2023 officers and directors:

CHAIR

George Forsythe, CPA, CGMA,
WellsColeman, Richmond

CHAIR-ELECT

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Hantzmon Wiebel LLP, Charlottesville

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Accounts, Richmond

Andrew Martin, CPA, Corbin & Company,
PC, Chesapeake

Neena Shukla, CPA, CFA,
CGMA, PBMares, LLP, Fairfax

Lauren Soles, CPA, BDO USA LLP,
Richmond

Gary Wallace, CPA, Keiter, Glen Allen

Gregory Wallig, CISA, CGEIT, Grant
Thornton LLP, Arlington

John Waters, CPA, Wall, Einhorn
& Chernitzer, PC, Norfolk

Staff news

ANNIVERSARIES

April 1: **Emily Walker, CAE,** vice
president, advocacy, 19 years

May 15: **Maureen Dingus, CAE, COO,**
15 years

June 5: **Janie Medley,** employer outreach
specialist, 16 years

June 6: **Doris Pennington,** member
services assistant, 8 years

June 19: **Diane Jones,** senior manager of
finance & administration, 16 years

NEW HIRES

Richard Lesko has joined the VSCPA
as learning technology specialist.
Welcome, Richard!



Maureen Dingus,
Celebrating 15 years



Richard Lesko
New hire

INCREMENTAL MATURITY



CPA WEDDINGS

Jessica McClain, CPA: One smart cookie

Jessica McClain, CPA, CISA, PMP, CITP, CGFM, is currently CFO of the Girl Scout Council of the Nation's Capital in Washington, D.C. Before transitioning to the nonprofit industry, she spent 11 years in public accounting, performing and overseeing financial and information technology audits. She received her undergraduate degree from Towson University and graduate degree from George Washington University.

Jessica is passionate about the accounting profession. She serves on several American Institute of Certified Public Accountants (AICPA) volunteer committees, is an AICPA Council member-at-large, and is a graduate of the AICPA Leadership Academy. In addition to being a VSCPA member, she is also involved with the Maryland Association of CPAs and the Greater Washington Society of CPAs.

I am passionate about... Helping women and people of color in the accounting profession achieve their definition of success.

If I weren't an accountant, I would be... A world traveler. Our world has so many amazing places to visit, and I want to see as many of them as I can.

My advice to fellow CPAs is... Get comfortable with being uncomfortable. I have a poster in my office that says, "Great things never come from comfort zones."

I never leave home without... A positive attitude and confidence.

I'm a CPA because... The trust, prestige and respect that CPAs command in the accounting profession.

How my life changed because of the pandemic... The pandemic made me appreciate my time with loved ones. It was an opportunity to re-evaluate my priorities to redefine what was important to me. As a result, I have a new norm of what matters to me.

In my free time... I love spending time with my family and friends, traveling, reading and volunteering.

The most important thing to me is... My family and me. I work hard and put in 110% every day for us. ■



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