Texas Society of
Certified Public Accountants

Internal Controls for Non-Profit Organizations

The Case For and Against
Mandatory Rotation
of Audit Firms

Incentive Compensation
Clawback, SEC's
New Promulgation

MARCH | APRIL 2024

THOUGHTS OF CONSTANT DUE DATES MOTIVATING YOU TO...

SELL! SELL! SELL!

With over $1.3 Billion in Practices Sold, We'll guide you every step of the way!

Scan Here

DELIVERING RESULTS - ONE PRACTICE AT A TIME

800-397-0249 www.APS.net

CONTENTS

VOLUME 51, NUMBER 5 MARCH | APRIL 2024

22

18

7

4

12

14

FEATURES

14 Internal Controls for Non-Profit Organizations

18 The Case for and Against Mandatory Rotation of Audit Firms

22 CPE: Incentive Compensation Clawback, SEC's New Promulgation

COLUMNS

3 Chair's Message
Embracing the Future of Audits

4 Accounting & Auditing
The Wild West: The Lasso is Out for Crypto

7 Government Affairs Update
TXCPA Advocacy – A Successful 2023 and a Look Ahead

DEPARTMENTS

8 Spotlight on CPAs: Meet Rubik Yeriazarian, the Visionary Behind Flat Fee Consulting LLC and RuBook Creative

10 Happenings Around Texas

12 Take Note

27 Classified

© 2024, Texas Society of CPAs. The opinions expressed herein are those of the authors and are not necessarily those of the Texas Society of CPAs.

Today's CPA (ISSN 00889-4337) by the Texas Society of Certified Public Accountants; 14131 Midway Rd., Suite 850, Addison, TX 75001. Member subscription rate is $3 per year (included in membership dues). Single issue rate is $5. **To request article reprints, please email** ddeakins@tx.cpa.

SELL YOUR ACCOUNTING FIRM ON YOUR TERMS.

Honor your legacy by exiting with the right buyer. As the industry's leading team of accounting firm intermediaries, Poe Group Advisors has the resources to help you at every stage of your career. Buy, build and sell your practice with knowledge and guidance you can trust.

BUY | BUILD | SELL

Helping accountants write their next chapter.

POEGROUPADVISORS.COM | 888-246-0974 |

POE GROUP ADVISORS | Accounting Practice ACADEMY™

Maximum Savings. Minimum Hassle.

Cost Segregation | R&D Tax Credits | Energy

CAPSTAN
our strength. your tax savings.

> Leveraging technology will help us continue to ensure quality, evolve our work and grow our profession.

Embracing the Future of Audits

Technology is transforming the way we do business almost daily. Recent developments in the audit space are reinforcing how critical it is to leverage new technology to not only ensure accuracy, but also to be responsive to client needs, add value for clients and attract future talent to the audit profession.

The American Institute of CPAs (AICPA) and CPA.com just released the Dynamic Audit Solution (DAS) on a commercial basis. DAS is a single, end-to-end, cloud-based platform solution that integrates processes and methodologies and eliminates the need for multiple audit tools. Opportunities like incorporating DAS in our audit practices shift the role of the CPA in audits and transforms who we hire and the necessary skill sets.

The Department of Labor (DOL) released their Audit Quality Study at the end of 2023. The study focused specifically on the quality of audit work performed on financial statement audits of employee benefit plans for the 2020 filing year. The number of plan audits increased since the last DOL report, but the number of CPA firms performing these audits decreased by more than 3,000. Although there has been some improvement in the percentage of plans with deficiencies noted (39% in 2015 and 30% in 2020), there is still work to be done in this area.

Leveraging technology will help us continue to ensure quality, evolve our work and grow our profession. Leveraging the knowledge available in our membership takes us even further. Stay connected to your member communications, plug in to the learning opportunities available, and engage in member conversations at events and in our online TXCPA Exchange forum.

Tim Pike, TXCPA Chair
CPA-Dallas, CFE

How can we help?

I'd love to hear your feedback and answer your questions. Drop me a note at chair@tx.cpa.

CHAIR
Tim Pike, CPA, CFE, CGMA

PRESIDENT/CEO
Jodi Ann Ray, CAE, CCE, IOM

EDITORIAL BOARD CHAIR
Jennifer Johnson, CPA

STAFF
MANAGING EDITOR
DeLynn Deakins, MBA
ddeakins@tx.cpa
972-687-8550
800-428-0272, ext. 8550

COLUMN EDITOR
Don Carpenter, MSAcc/CPA

WEB EDITOR
Wayne Hardin, CDMP, PCM®
whardin@tx.cpa

CONTRIBUTORS
Melinda Bentley; Kenneth Besserman; Kristie Estrada; Holly McCauley; Craig Nauta; Kari Owen; April Twaddle

CHIEF OPERATING OFFICER
Melinda Bentley, CAE

CLASSIFIED
DeLynn Deakins
Texas Society of CPAs
14131 Midway Rd., Suite 850
Addison, TX 75001
972-687-8550
ddeakins@tx.cpa

EDITORIAL BOARD
Arthur Agulnek, CPA-Dallas; Shivam Arora, CPA-Dallas; Derrick Bonyuet-Lee; Aaron Borden, CPA-Dallas; Don Carpenter, CPA-Central Texas; Melissa Frazier, CPA-Houston; Rhonda Fronk, CPA-Houston; Aaron Harris, CPA-Dallas; Baria Jaroudi, CPA-Houston; Elle Kathryn Johnson, CPA-Houston; Jennifer Johnson, CPA-Dallas; Joseph Krupka, CPA-Dallas; Lucas LaChance, CPA-Dallas, CIA; Nicholas Larson, CPA-Fort Worth; Anne-Marie Lelkes, CPA-Corpus Christi; Bryan Morgan, Jr, CPA-Austin; Stephanie Morgan, CPA-East Texas; Kamala Raghavan, CPA-Houston; Amber Louise Rourke, CPA-Brazos Valley; Barbara Scofield, CPA-Permian Basin; Nikki Lee Shoemaker, CPA-East Texas, CGMA; Natasha Winn, CPA-Houston.

DESIGN/PRODUCTION/ ADVERTISING
Media By Design, LLC
Design: Sherry Gritch

The Wild West: The Lasso is Out for Crypto

The recent financial collapse of FTX Trading Ltd. and the ensuing criminal fraud charges against its founder have brought into focus the inherent risks of cryptocurrency and the inability of the financial system to keep up with its evolution. The scandal has put several members of Congress from both parties whose campaigns accepted sizable contributions from FTX in awkward positions, as well as regulators who were caught unprepared for the fallout.

The crypto market has grown to almost $2 billion annually with approximately 300 million owners in 2021 from its origins when Bitcoin debuted in 2011 at $0.30 and is projected to surpass $32 billion by 2027. But as the market has grown, so has its complexity and the structures within which investments are made.

Regulators determined that as "payment tokens," Bitcoin is not a security subject to regulations that govern other securities such as stocks or bonds. This conclusion was confirmed with the introduction of Ether in 2018. But all crypto assets are not created equal and this has raised issues regarding which assets should be regulated and by whom.

Initially, cryptocurrency was created as an alternative to fiat currency such as the U.S dollar, euro or yen, which are not backed by a commodity such as gold or silver. However, cryptocurrency also lacks the support of a government or alternative institution but rather relies solely on blockchain technology.

The earliest versions were produced as alternatives to traditional currencies being "payment tokens" for goods and services and their value fluctuated against these currencies. More recent crypto assets are categorized as "security tokens" that serve as surrogates for physical assets or earnings streams and as such are entitled to dividends or interest payments similar to stocks or bonds. "Utility tokens" represent claims on goods or services that will be produced by the underlying business or project.

These newer generations of crypto assets are issued in an Initial Coin Offering (ICO), which is the equivalent of an IPO. And it is these tokens that are at the center of the regulatory debate.

The crypto industry has proposed that the market should be regulated by the Commodity Futures Trading Commission (CFTC), which regulates commodity futures and derivatives trading. They argue that cryptocurrencies are commodities whose value changes independent of the underlying venture. However, the SEC has gone on record stating that it considers many of these assets to be securities funding ventures with the expectation of a share of profits. It

DON CARPENTER, MSACC/CPA, is clinical professor of accounting at Baylor University. Contact him at **Don_Carpenter@baylor.edu.**

> If the SEC concludes definitely that a crypto asset is a security, it controls whether the asset can be sold to U.S. investors.

KEY TERMS:

CRYPTOCURRENCY

INITIAL COIN OFFERING (ICO)

SECURITY TOKENS

COMMODITY FUTURES AND DERIVATIVES TRADING

buttressed its position in 2022 by suing nine crypto assets for insider trading under current securities law. More recently, it sued Genesis Global Capital and Gemini Trust with securities violations for not registering their ICOs.

In determining whether a crypto asset is a security and thus under its authority, the SEC relies on the four-prong test emanating from a 1946 Supreme Court case known as the Howey test. The case involved the Howey Company, which sold sections of citrus groves to investors then leased them back. The company sold the produce and the investors shared in the profits. The investors were not knowledgeable with regard to citrus farming but relied on Howey to run the business profitably. The Court decision found that the leasebacks qualified as investment contracts under four criteria:

- An investment of money;
- In a common enterprise;
- With an intent to generate profits;
- While relying on the expertise or effort of others.

In the Howey case, the investors were not involved in the management of the business but relied solely on the investment of funds for their share of the profits. Generally, most crypto assets will satisfy the first two tests of an investment of money and a common enterprise. But what distinguishes "security tokens" assets from "payment tokens" is the expectation of profits generated by the expertise of others.

The SEC has pointed to factors such as maintenance of the network or managerial efforts by the project founders as meeting the last two criteria. Also, the removal of tokens from circulation to support value, known as "token burning," is another example of profit generation relying on the efforts of others. Early cryptocurrencies like Bitcoin do not qualify because they function solely as mediums of exchange and have never sought funding for network development or maintenance. The fact that investors may buy Bitcoin for appreciation is similar to buying euros or yen with an expectation of its appreciation against other currencies.

If the SEC concludes definitely that a crypto asset is a security, it controls whether the asset can be sold to U.S. investors. As a security, the enterprise marketing the asset would be subject to disclosures such as an offering prospectus and regular financial reporting that are required for any security.

A similar approach has been taken in other jurisdictions. The European Union has adopted rules that are yet to become effective that govern tokens whose value is determined with reference to another asset. And the UK regulates crypto assets that have a right to repayment or a share of profits. Neither jurisdiction regulates "payment tokens" such as Bitcoin.

The current environment of "caveat emptor" may soon be coming to an end for many crypto investments. It remains to be seen how many can weather the increased scrutiny and reporting requirements that other securities have existed under for years.

OUR PASSION IS *DOING GOOD THINGS FOR GOOD PEOPLE.* *WHAT IS YOUR PASSION?*

HERE ARE SOME OF THE PASSIONS WE HAVE HELPED MAKE POSSIBLE FOR OUR CLIENTS

Purchase my dream home
Fund my children's college education
Donate to my favorite charities in a tax efficient way
Gift to my children now so I'm here to see them enjoy it
Retire early and spend quality time with my grandchildren
Ensure my loved ones are in good hands for years to come

713.599.1777
INFO@GOODMANFINANCIAL.COM

This firm is not a CPA firm. Goodman Financial is a fee-only Registered Investment Adviser (RIA). Registration as an adviser does not connote a specific level of skill or training. More detail, including forms ADV Part 2A and Form CRS filed with the SEC, can be found at www.goodmanfinancial.com.

Selling your firm is complex.
Let us make it simple.

AccountingBiz BROKERS®

Experienced | Professional | Confidential

Kathy Brents, CPA, CBI*
501-514-4928
Christy Hudson, CBI
501-499-4357
Office 866-260-2793

kathy@accountingbizbrokers.com*
christy@accountingbizbrokers.com
** Member of the Texas Society of CPAs*

Learn more and get a FREE Market Analysis at
www.AccountingBizBrokers.com

How the TXCPA PAC is Protecting Your Profession

Access and visibility
The TXCPA PAC provides increased access to policy makers and elected officials.

Mitigate potential threats
Members can actively counteract threats and ensure the profession's interests are protected.

Advance our priorities and protect the CPA license
Together, we can have a collective impact on the legislative process and help shape policies that align with the profession's interests and values.

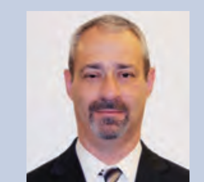
Contribute to the TXCPA PAC
https://bit.ly/txcpapac

TXCPA Advocacy – A Successful 2023 and a Look Ahead

The Texas Legislature ended the 88th regular session on May 29, 2023. Governor Greg Abbott then called four special sessions during the summer and fall, keeping legislators in Austin for much longer than they wanted. The session ended with two very important developments. The first was the House impeachment of Attorney General Ken Paxton, and the second was the passage of the two-year state budget and using much of the $33 billion surplus, but no agreement could be reached during the regular session about the much talked about and promised property tax relief.

During the second called special session in July 2023, the Legislature finally came to an agreement on property tax relief – an increase in the homestead exemption to $100,000 and over $5 billion put directly into public schools. Following the property tax special session, the Senate convened – only for the third time in its history – to hold a Senate trial on the impeachment of the Attorney General.

After more than two weeks, the Senate voted to not remove the Attorney General from office. In the fall, the Legislature was called back for two special sessions to debate the issue of school vouchers – educational savings accounts – the effort to give some state tax money to families to allow them to attend private schools. After much heated debate and political pressure, the school voucher efforts failed.



BY KENNETH BESSERMAN,
Director of Government Affairs and Special Counsel

In the regular session, amidst the debate over the state budget, various social issues and property tax relief, TXCPA was able to pass two significant pieces of legislation to help with the CPA pipeline. The first, Senate Bill 159, now allows CPA candidates to begin to take the CPA Exam after completing 120 hours of education rather than the old requirement of having to complete 150 hours to take the Exam.

Second, working with the Texas State Board of Public Accountancy, House Bill 2217 will allow more accounting students to have access to accounting scholarship funds. By allowing testing to begin earlier and more financial resources available to students, these efforts will help to increase the CPA pipeline in Texas.

These legislative efforts are only possible with the help of the TXCPA PAC. The PAC helps to nurture and cultivate legislative relationships, so TXCPA is in the best position to advocate for issues important to CPAs and the accounting profession. Efforts to diminish the CPA license continue and are slowly gaining an audience in the Legislature.

The PAC is even more important as we move into 2024 and 2025. The large number of legislative retirements, the extreme legislative acrimony that resulted from the Attorney General's impeachment and the fight over school vouchers will make passing meaningful legislation more difficult in 2025.

Consider contributing to the PAC to help us achieve our legislative goals for the accounting profession.

Meet RUBIK YERIAZARIAN, the Visionary Behind Flat Fee Consulting LLC and RuBook Creative

TXCPA member Rubik Yeriazarian, CPA-Houston, CFE, CFF, is the founder of Flat Fee Consulting LLC, a firm offering financial forensic services to small to mid-size businesses, and data consulting services and Excel-based CPE training to accounting firms. In 2020, he also established RuBook Creative, where he practices "Creative Accounting in a Non-Fraudulent Way" by providing unique products for CPAs to share with clients, friends and referral sources. These products aim to challenge the stereotype of accountants being dull, and offer motivational items for CPAs navigating busy seasons, the CPA Exam, Mondays, or stressful work environments.

Rubik demonstrates his commitment to professional development and community engagement through his role on the TXCPA Leadership Council and actively participating in leadership positions and chapter activities within TXCPA Houston. We recently had the opportunity to connect with Rubik and learn more about his career and contributions to the accounting profession.

You are the founder of both Flat Fee Consulting LLC and RuBook Creative. Can you share some insights into your background and career path?

I've been in public accounting for my entire 15-year career, and before I started my own practice I worked in Big 4, a boutique firm, and a mid-market firm that was eventually acquired by a top-10 firm. With all those firms, I've always worked in the forensic field and have always worked with a lot of data. So, when I decided to start Flat Fee Consulting in 2022, I knew I wanted to continue to work in both the forensic field and with data.

What are your responsibilities at Flat Fee Consulting LLC?

Flat Fee Consulting has two primary areas: 1) financial forensics for small to mid-size businesses, and 2) data consulting for other accounting firms.

On the forensic side, I help small to mid-size business owners who have concerns of fraud within their business or just have a suspicion that "something's going on." Oftentimes they reach out to a larger firm, but don't want to pay a large retainer or aren't able to get a clear idea of how much the project will cost them. I found that they're more easily willing to move forward when I can give them an upfront flat fee, so they know how much the project will cost them before signing the engagement letter.

On the data consulting side, I help other accounting firms with their data. I've developed an Excel-based CPE series that's an ideal training for interns and new hires at any accounting firm, which teaches everything from Excel basics and keyboard shortcuts up to more advanced functions like Pivot Tables and the XLOOKUP formula. I also help firms get better internal data out of their practice management systems by offering an Excel-based Dashboard for accounting firm leaders. In a nutshell, I offer easily accessible low-tech solutions to some of the most common challenges that accounting firms face.

Tell us more about RuBook Creative.

Through RuBook Creative, I practice "Creative Accounting in a Non-Fraudulent Way" by selling accounting-themed greeting cards, children's books and gifts.

The inspiration for starting RuBook Creative came in November 2019, when the firm I was working for had a "market day" where employees could bring in goods or products to sell. I had always liked greeting cards and had thought about creating some cards to sell on the side, so I felt this was the perfect opportunity to create an accounting-themed Christmas card and sell it at the firm's market day. I made my card design, printed 20 cards and took the extra step of lining the envelopes with ledger paper. By the end of the day, I sold out of all my cards, so I decided to give it a go and officially start up an Etsy shop and eventually a website (www.RuBookCreative.com).

My biggest accomplishment through RuBook Creative has been writing a children's book – "*General Ledger and the Kingdom of Balance*." My first son was born in 2017 and after reading tons of children's books to him, I thought 1) I could write one of these! and 2) now that I'm a dad, I can fill it with accounting dad-jokes. It took me about 1.5 years to write, illustrate and self-publish the book, but it makes me really happy every time I get to ship out an order, because I know that an accounting parent is able to enjoy reading these accounting jokes and puns to their children. And as for the kids – they'll either love it or it'll put them straight to sleep, so it's win-win!

Left to right:
Joseph, Andrew, Christine and Rubik Yeriazarian

"My biggest accomplishment through RuBook Creative has been writing a children's book – "*General Ledger and the Kingdom of Balance.*""

What guidance do you have for students aspiring to pursue a career in the accounting profession and become CPAs?

Students who see that I'm in the forensic field would often ask "what can I do now to improve my chances to get into forensics?" The number one thing I always tell students and young accountants is that data is the great equalizer. This applies to aspiring forensic accountants, as well as accountants in any other field.

It'll take some years of experience working as an accountant before you can impress your team members with your technical accounting knowledge, but if you're good with Excel then you can still impress your team members with your data skills. I remember I was about 4.5 years into my career when I was sitting in a client meeting and they asked a question, and something clicked in my brain. I felt like I knew what they were asking and how to respond and felt I could confidently speak up and answer the question. Up until that point though, what gave me the opportunity to continue an upward trajectory in my career until I had that "aha" moment was being really good with data.

Your active involvement in various leadership positions within your chapter and for TXCPA is evident. Why does volunteering hold such significance for you?

Volunteering is how we teach current and future accountants all the things they're not going to learn in the classroom. Being in leadership positions gives me an opportunity to advocate for future accountants and CPAs, and also gives me more visibility to aspiring forensic accountants.

I'm a strong believer in paying it forward and everyone has the ability to pay it forward at every point in their lives. I remember as a college student going back to my high school accounting class (which I still do to this day). Then as I began my career, I helped mentor college students. As I was even more experienced, I had the opportunity to help answer questions that less experienced accountants had early on in their careers. And now from all I've experienced over the past 15 years, I'm able to share my experiences with an even wider audience of accountants.

Tell us about your family. What do you like to do on the weekends?

My wife and I are celebrating our 10-year wedding anniversary this summer, and we have two boys turning five and seven this year. I'm trying to encourage my kids to create a line of children's greeting cards that I can sell for them through RuBook Creative, with all the proceeds going to their Lego and treat habits, but so far, they haven't taken the bait.

I used to never be able to read fiction books – they would put me straight to sleep. But over the past two years, I've read a lot of mystery books, from classics like Agatha Christie, to more modern mysteries like the "Thursday Murder Club" series.

In What's Happening Around Texas, we give you highlights of events and activities happening around the state in the TXCPA chapters.

TXCPA Austin celebrated the kickoff of their 85th anniversary at the chapter's Annual Meeting of Members and Election of Officers. They also held a new year networking and PAC Information Session at Austin Beerworks, supporting the TXCPA PAC.

TXCPA Brazos Valley helped serve their community in the KBTX Food for Families Food Drive in December.

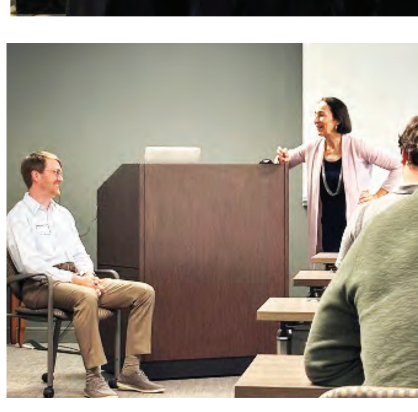
TXCPA Dallas members gathered for their Annual Meeting of Members, where they honored outstanding member contributions, graduated their 2023 Leadership Development Academy class and elected their 2024-25 chapter leadership. They also hosted a Young Professionals Group CPE event and attendees learned insightful tips from their speaker, Dana Garnett, on How to Live a Fulfilling Life.

TXCPA East Texas held their 2023 Leadership Day in November at the Texas Broadcast Museum in Kilgore. The program is designed for young and aspiring CPAs working toward a senior level position in public accounting or business/industry/government.

TXCPA Fort Worth members attended the 2024 Midyear Leadership Council and Members Meeting in Corpus Christi. They heard valuable updates on the profession and TXCPA, networked with peers, connected with leaders from across the state, and enjoyed the attractions of the sparkling city by the sea.

TXCPA Houston Young Professionals (YP) attended the annual vision board event. They shared their visions for 2024 and beyond.

TXCPA San Antonio had a fantastic turnout at their chapter meeting and celebrated their 85th anniversary.



TXCPA

Leaders Convene in Corpus Christi for the Midyear Meeting

More than 200 members connected in Corpus Christi at the end of January for the 2024 Midyear Leadership Council and Members Meeting. Special meetings of chapter leaders and committees were also part of the agenda, maximizing our time with leadership from across the state.

Participants heard an update on the activities completed to date in 2023-2024, with a special focus on state and federal advocacy, progress in growing the CPA pipeline and ways to stay informed on professional issues. Following a financial report from the Society and the Accounting Education Foundation and a report from the Investments Committee, the Leadership Council reviewed and approved a motion to increase CPA dues for the first time in six years.

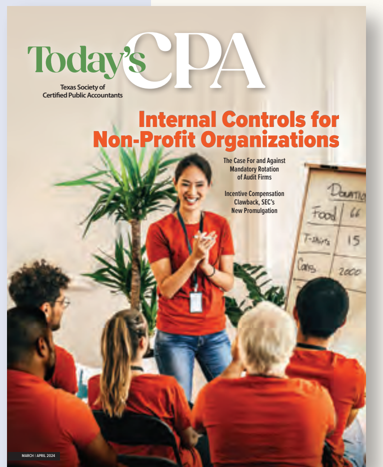
The 2024-2025 TXCPA leadership was introduced, including a special address from 2024-2025 Chair-elect Billy Kelley, CPA-Permian Basin. A panel of members from the Nominations and Board Development Committee shared insights from their recent work, including takeaways from considering more than 150 nominations and completing 32 individual leadership interviews. The future is bright with TXCPA's leadership pipeline and the intentional efforts of this committee.

The majority of the time at the meeting was spent in roundtable discussions to help drive the content of the next TXCPA Strategic Plan, which is scheduled to launch in June 2024. Leaders provided input on topics including change management, where members believe TXCPA should focus their efforts in the next three years, and specific feedback on potential goals for pipeline activities, expanding revenue sources and organizational structure.

The meeting was informative, engaging and most of all, it helped confirm the future direction of the Society and the incredible power and commitment of TXCPA's volunteers.

Mark your calendars and plan to join us in Frisco, Texas in June 2024 for the Annual Meeting of Members!

Submit an Article to *Today's CPA* Magazine



The editor of *Today's CPA* is seeking article submissions for the magazine. *Today's CPA* is a peer-reviewed publication with an Editorial Board consisting of highly respected CPA practitioners.

The publication features articles and columns that focus on issues, trends and developments affecting CPAs in all facets of business. If you would like to submit an article for consideration or to learn more, please contact Managing Editor DeLynn Deakins at ddeakins@tx.cpa.

Accountants Confidential Assistance Network

For over 31 years, the Accountants Confidential Assistance Network has provided support for CPAs struggling with alcohol, substance abuse and/or mental health issues. In that time, they've convened confidential support groups and provided a pathway for hundreds of candidates to enter the accounting profession. If you would like to participate in support meetings with other CPAs in recovery, or talk about your wellness concerns, call 866-766-2226 or visit tx.cpa/resources/acan.

Professional Group Membership – Is Your Organization Included?

Organizations with more than one TXCPA member are eligible for special group membership benefits. Participation in TXCPA's popular Professional Group Membership program ensures that your membership dues investment returns the highest value.

In addition to giving TXCPA members in your organization access to free ethics and other free online CPE programs, you'll benefit from additional savings on the TXCPA Passport on-demand CPE subscription package, a dedicated TXCPA contact for all of your registration and renewal needs, a free job posting in the TXCPA Career Center, one free membership for a non-CPA member on your team, and MORE.

Current participants can review their rosters online and get started on 2024-2025 renewals now! New participants can contact membership@tx.cpa to get added to the program and open up additional benefits today!

INTERNAL CONTROLS FOR NON-PROFIT ORGANIZATIONS

BY MICHAEL S. WILSON, PH.D., CPA

on-profit organizations operate in an environment that is increasingly subjected to public pressure related to their financial statements. The increased level of scrutiny by board members, donors, state charity officials and state legislators is a concern for many management stakeholders including management, the board of directors and auditors.

Although members of management, or contractors under management direction, typically prepare the financial statements, it is the board's responsibility to review and evaluate the statements. Boards often delegate the financial oversight responsibility to a treasurer. This can create lopsided board responsibilities with the heavy lifting being the responsibility of the treasurer. Non-profit organizations (NPOs) should consider forming a committee that can focus on their organization's financial reporting practices, work with external evaluators including auditors, and develop policies to enhance the organization's internal accounting system.

Too often the responsibility for an accounting system is overlooked until a required review, such as an audit. As we know, CPAs have a responsibility to understand a client's system of internal controls either by flowcharts, narratives or a questionnaire. The focus on internal controls center around cash receipts, cash disbursements, payroll and financial reporting at a minimum. Often CPAs will discount the internal control environment by raising the control risk to high and compensate by performing more detection work. This approach can lead to missed opportunities to provide advice on improving internal controls for NPOs.

Internal controls are financial management practices that are systematically used to prevent misuse and misappropriation of assets, such as those that occur through theft or embezzlement. Internal controls are generally described in written policies that set forth the procedures that the NPO will follow, as well as who is responsible. The goal of internal controls is to create business practices that serve as "checks and balances" on staff (and sometimes board members) and/or outside vendors, in order to reduce the risk of intentional or unintentional misappropriation of funds/assets.

The purpose of this article is limited in scope to small NPOs that often struggle with internal controls. This is not an attempt to provide a comprehensive overview of internal controls but rather to highlight some good basic practices organized around financial management policies for small organizations especially those that rely on paper systems.

KEY TERMS:

- NON-PROFIT ORGANIZATIONS (NPOS)
- INTERNAL CONTROLS
- PUBLIC DISCLOSURE
- GOVERNANCE
- FUNDRAISING AND FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT POLICIES

A strong internal control environment includes certain policies and practices. The tone at the top is a key consideration to promote best practices. The following principles of public disclosure, governance, fundraising and financial management represent a framework to organize policies and procedures and evaluate the tone of the organization.

PUBLIC DISCLOSURE

A NPO will comply with federal and state laws and regulations. Examples of this include:

- Maintaining a board-approved Document Retention Policy that outlines clear timelines for retaining governing, legal, audit and financial documents, as well as destruction requirements once documents have exceeded their retention period;
- Registering to solicit with the Attorney General in any state where required;
- Providing donors with written acknowledgment letters as required by law;
- Providing public documents (such as the IRS Form 990, IRS Form 1023/24, and IRS Determination Letter) upon request; and
- Adhering to the regulations on political campaign activities.

Policies that include statements like all journals, notes, budgets and financial records are property of the NPO and will be kept at a site approved by the NPO board. These records are considered open to the public and will be made accessible on-site, within a reasonable time frame, to members, funders and other stakeholders.

GOVERNANCE

The Board of Directors will recognize and discharge their duties in a manner believed to be in the best interest of the organization. Responsibilities can be classified as proper duty of care, the duty of loyalty and the duty of obedience. Board responsibilities should include, but are not limited to, the following:

- Approve an organization-wide program budget for the following year;
- Develop, review, revise and approve financial policies;
- Appoint a treasurer;
- Review and approve periodic financial reports;
- Review and approve year-end financial reports within two months of fiscal year end; and
- Review and approve annual audit or review, and reports to federal and state agencies prior to submission or acceptance.

One of the most important board policies that should be adopted is a conflict-of-interest policy. A board-approved policy that defines a conflicted relationship or transaction by consistently addressing director, officer and key employee conflicts of interest in all facets of the organization by maintaining a board-approved policy that requires full disclosure when conflicts arise, prohibits an interested party from approving or voting on a conflicted transaction. The policy also requires annual written disclosure of real or perceived conflicts and is consistently enforced. Additionally, the NPO will not provide loans to or relieve debts of any of its directors.

FUNDRAISING

By request or on its website, a nonprofit will provide a donor privacy policy that describes:

- What donor information is collected;
- How donor information is collected;
- How that donor information is used by the organization; and
- How to contact the organization to edit their information.

FINANCIAL MANAGEMENT

Strong NPOs strive to efficiently and effectively use funds to achieve their mission while investing in infrastructure. The Board of Directors will approve an operating budget (or draft budget) before the end of the first month of the fiscal year, as well as review quarterly financial reports that compare actual to budgeted revenue and expenses.

The NPO will manage revenue and expenses to demonstrate financial sustainability. The NPO will also maintain a board-approved policy, applicable to both board and staff, that describes acceptable expenses while setting reasonable limits and procedures for reimbursement, including if board members are not reimbursed.

These principles can be further developed by following the controls over transaction processing outlined below.

FINANCIAL PROCESSING PROCEDURES

The treasurer is often tasked with too many oversight responsibilities. Care should be taken to segregate duties among officers to prevent misuse of funds and to ensure adequate oversight. The Board may delegate some of these duties to staff.

The following four areas of cash receipts, cash disbursements, payroll and financial reporting are the most important internal control areas for an auditor. Additional internal controls are listed for additional accounts and processes.

RECEIPTS AND DEPOSITS

The goal is to avoid having one person responsible for all phases of a transaction. Ideally, the same person should not receive checks, make the deposits, and receive and reconcile the bank statements. Deposit activities will be divided as scheduled in "Segregation of Duties: Three Person Model." Duties should include:

- Restrictively endorse all incoming checks immediately, and store in a secure place (such as a locking file cabinet);

- Record all incoming checks and cash (such as donations or grant payments) in the Receipts Journal as soon as they are received; enter in the Receipts Journal the date received, the source, the amount received, and initials of person who received and recorded it;
- Ensure that incoming cash is not spent (as petty cash); instead, deposit it intact;
- Deposit all checks and cash regularly to avoid losses (weekly or monthly, depending on volume; two – three per week should be done weekly); all checks above a $_threshold should be deposited on the same day of receipt;
- Maintain records of all checks and deposits, and attach to the deposit receipt;
- Place the deposit record in the Cash Receipts folder.

DISBURSEMENTS

The goal for disbursements is to demonstrate a bill is approved for payment before a payment is made. The goal is for the Board of Directors to approve major purchases. This process can be completed with a check request form to establish authorization and approval. It is also recognized that control can be

The focus on internal controls center around **cash receipts, cash disbursements, payroll and financial reporting at a minimum.**

established by the board by approving a budget and delegating responsibility to management.

The ability to produce an income statement with budget and actual comparisons that is reviewed by the Board of Directors is an important control.

Vendors should always be paid by invoices, not statements, to avoid double billing. If there is no invoice, use a voucher form to document expenses.

All invoices should be matched to statements to make sure you are getting everything. Stamp or note invoices and bills as "Paid" and the date, check number and amount paid. (Alternately, you may attach a copy of the check - if duplicate check forms are used, attach the duplicate.) After payment, bills and invoices should be placed in alphabetical vendor files.

PAYROLL

Payroll is a critical part of accounting and reporting, especially since payroll is often the single largest expense for an organization. Proper documentation and withholding practices are essential to overall financial well-being. Personnel records should be maintained and used to document job descriptions, wage history, employment letters, benefits, and paid-time-off.

Time sheets are the gold standard for financial reporting with federal government awards and should be prepared whether the employee is exempt or non-exempt. Time sheets are important support documentation for financial and reporting purposes. They should document on a weekly basis hours worked by each employee and a breakdown of time by funding source.

In addition, time sheets should be completed and signed by each employee prior to approval. All time sheets must also be signed by an approved supervisor prior to payment.

FINANCIAL REPORTING

All stakeholders have a responsibility to uphold the integrity of financial reporting and reduce the risks of material misstatements in the financial statements. A material misstatement is information in the financial statements that is sufficiently incorrect that it may impact the economic decisions of someone relying on those statements. For board members, there are a few key considerations related to financial reporting.

NPO board members should recognize the first step for internal controls over financial reporting starts with employing competent CPAs who have the skills to prepare financial statements in accordance with accounting standards generally accepted in the United States. Without competency in the accounting function, the organization by definition has high-risk financial statements.

Board members should also recognize that it is management's responsibility to design and implement programs and controls to prevent, deter and detect fraud, and board members should provide oversight to this responsibility. A board that can recognize where fraud opportunities exist is engaged.

Oversight responsibilities should include a review of the journal entries with close attention paid to transactions that are complex or unusual in nature and that have significant estimates and/or period-end adjustment characteristics.

Cyber security prevention has important elements in basic information technology controls, such as:

- the use of passwords;
- the requirement that passwords are regularly updated;
- warnings/training on phishing emails;
- limiting access to accounting systems, and
- the use of anti-virus programs.

Additional areas of internal control are reflected in policies and procedures, and if board members understand the status of the following:

- Bylaws
- Personnel policies
- Financial policies
- Conflict of interest
- Document retention
- Grievance and whistleblower policies
- Procurement and competitive bidding
- EEO policy

Please go to the TXCPA website at tx.cpa/resources/txcpa-magazine for a set of documents and/or guidelines that can be used to promote solid internal controls.

MICHAEL S. WILSON, Ph.D., CPA, is an accounting educator and a licensed CPA who provides attestation services to non-profit organizations. He may be reached at **michael.ilson@metrostate.edu.**

The author wishes to acknowledge the following resources:

Fiducary duties of directors of charitable organizations. Issued by the Office of the Minnesota Attorney General.

The Accountability Standards Charities Review Council.

Jackson, P.M., Fogarty, T.E. (2005). Sarbanes-Oxley for nonprofits: A guide to building competitive advantage. Hoboken, NJ. John Wiley and Sons.

The Case for and Against MANDATORY ROTATION OF AUDIT FIRMS

BY STEVEN M. MINTZ, PH.D.

KEY TERMS:

AUDIT FIRM ROTATION

AUDITOR INDEPENDENCE

PROFESSIONAL SKEPTICISM

JUDGMENT BIAS

Audit firm rotation can enhance independence. Even though actual independence may not be compromised, the appearance can be that an audit firm is not independent because of a long-standing relationship it has with a client. It is not unusual for major companies to retain the same auditor for decades, building close-knit relationships that may create a familiarity threat to independence that compromises objectivity. After a period of service, say 20 years, the auditors might become too complacent.

A familiarity threat exists when the audit firm is personally close to the client, especially those in a financial reporting oversight position. It could lead the auditor to overlook differences of opinion with management on accounting and financial reporting issues because of the trusting relationship that develops over time.

Long-standing relationships between the audit firm and a client can also compromise professional skepticism. Auditors might not exercise due care in gathering the evidence needed to make judgments on clients' assertions. Instead, they may rely too much on the information provided by the client, thereby compromising objectivity and impartiality.

From an ethical standpoint, an unaddressed threat to independence prevents the audit firm from fulfilling its role as an independent third party to investors and creditors, as well as to protect the public interest. Mandatory rotation of the audit firm after a period enhances the likelihood that the audit will be completed in an unbiased manner, grounded in honesty and integrity.

What follows is an analysis of the costs and benefits in the context of onboarding a new audit firm.

BENEFITS OF AUDIT FIRM ROTATION

The benefits of audit firm rotation include reducing the likelihood of a conflict of interest. According to the AICPA Code of Professional Conduct, an ethical conflict exists when both of the following are present:

- Obstacles to following an appropriate course of action due to internal or external pressures, and
- Conflicts in applying relevant professional standards or legal standards.

Mandatory audit firm rotation enhances objectivity by enabling the new audit firm to gather evidence and evaluate the accounting and financial reporting of the client with a fresh set of eyes, not encumbered by past decisions. The new firm may pick up on things the previous firm missed or overlooked. It is important that the auditor does not accept client assertions at face value and exercises professional skepticism. The watchword is "trust but verify."

Auditors are susceptible to judgment biases that can cloud their objectivity. Research commissioned by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and published in a white paper report, *Enhancing Board Oversight: Avoiding Judgment Traps and Biases*, identifies the following judgment biases. These biases are based on a judgment framework developed by KPMG and include the following:

- Confirmation Bias – The tendency for auditors to seek or interpret evidence in ways that support preexisting beliefs or expectations. This can lead to overweighting confirmation evidence in the information gathering and evaluation steps and to favor conclusions that are consistent with initial beliefs or preferences.
- Anchoring – When estimating a value, auditors might attach too much importance based on an initial amount and adjust insufficiently away from that value in making their final assessments. Auditors are vulnerable to this bias because they typically begin their process with management-provided data.
- Availability Bias – Occurs when decisions are unduly influenced by information that readily comes to mind or is easily accessible.

The failure to rotate audit firms over a lengthy period can affect some or all these biases.

COSTS OF AUDIT FIRM ROTATION

The costs of audit firm rotation are easier to identify than the benefits. Firms develop an expertise and institutional knowledge over a long-term relationship that enables it to better serve client interests.

By rotating audit firms, the client is likely to incur increased costs to get the new auditors up to speed. The firms would have to screen new clients, become familiar with their operations and develop new audit files. The learning curve when a new audit firm is onboarded is steep. Knowledge of the client's business and industry, its information systems, decision-making processes, and the results of previous audits will likely lead to a more costly audit.

Another potential cost is that switching auditors may be difficult because only the Big Four auditors do most of the auditing for large companies since they have the resources to audit multinational companies.

> Public companies are required to rotate engagement partners every five years. **There is no requirement in the U.S. to rotate audit firms.**

VIEWS OF REGULATORS AND PROFESSIONAL ORGANIZATIONS

Regulators and professional bodies also consider costs and benefits in determining whether to mandate audit firm rotation. Differences of opinion exist as discussed next.

Audit Analytics recently reported that 18 companies have had the same auditor for 100 years or more. The longest tenure for an audit firm in the U.S. is Deloitte, which has audited Proctor & Gamble for 153 years. The question is whether auditors can maintain their professional skepticism and avoid relationships that may create a familiarity threat to independence when auditing the same client for so long.

The Sarbanes-Oxley Act requires mandatory rotation of the lead audit engagement partner every five years. However, the Act does not mandate audit firm rotation.

Congress considered audit firm rotation in developing Sarbanes-Oxley. The issue was shelved for more study and a 2003 report from the U.S. General Accounting Office concluded that rotation might not be the best way to strengthen auditor independence.

According to a GAO survey, "79% of larger audit firms and *Fortune* 1000 companies that responded believed that "changing audit firms increases the risk of an audit failure in the early years of the audit and most believed that mandatory firm rotation 'would not have much effect on the pressures faced by the audit engagement partner.' Nearly all the larger firms that responded estimated that initial year audit costs would increase by more than 20 percent."

In 2011, the Public Company Accounting Oversight Board issued a *Concept Release on Auditor Independence and Audit Firm Rotation* that revisited the issue by soliciting feedback on mandatory audit firm rotation. According to Lynn Turner, former chief accountant for the SEC and head of the PCAOB subcommittee that recommended mandatory rotation, rotation could "take pressure off the auditors, who would not have to worry as much about losing their firms' long-standing clients" since mandatory rotation would alleviate the pressure to conform to clients' desires.

The U.S. Congress got into the mix in 2013 when the House of Representatives

EXHIBIT 1

ARGUMENTS FOR AND AGAINST MANDATORY AUDIT FIRM ROTATION

Benefits of Rotating at Set Time Periods:

- Reduces potential conflicts of interest because of a familiarity threat to independence.
- Provides a check against the lack of independence in appearance because of the long tenure of an audit firm.
- Enhances objectivity, impartiality and professional skepticism by getting fresh eyes after a long period of time.
- Counteracts the professional judgment biases that develop over time, including confirmation bias, anchoring and availability bias.
- Reduces the incentive to gain favor with client's management in order to retain the firm.
- Lessens the pressure to support client decisions because of impending rotation.
- Counteracts audit decisions to smooth over problem areas to retain the client over the long term.
- Encourages competition and can help to maintain the public's trust.

Costs of Rotating at Set Time Periods:

- Increased costs for the client to get the new audit firm up to speed since firms develop an expertise and institutional knowledge over a long-term relationship.
- Reduced time horizon over which an audit firm can recover the benefits from acquiring client-specific knowledge.
- Potential reduction in effort during the final year of the audit because rotation is imminent.
- Steep learning curve for the new audit firm to gain knowledge about the client's business and industry dynamics.
- Limited choices of audit firms that have the resources to audit large public companies.
- Possibility of unintended consequences, including an adverse impact on audit quality.

passed *H.R. 1564, the Audit Integrity and Job Protection Act*, legislation that prohibits mandatory audit firm rotation in response to the PCAOB's concept release statement.

The board received a great deal of pressure from the Big Four firms and AICPA opposing mandatory rotation. AICPA argues that mandatory rotation was costly and could have unintended consequences, including an adverse impact on audit quality. AICPA believes that "mandatory audit firm rotation could limit the audit committee's ability to hire the most qualified firm to perform the company's audit. Moreover, they believe that audit committees are in the best position to evaluate the desirability of changing auditors."

PCAOB received hundreds of comment letters arguing that audit rotation would leave companies with inexperienced auditors and harm audit quality. As a result, the board dropped the issue of mandatory rotation.

Exhibit 1 summarizes the arguments for and against mandatory rotation.

MANDATORY AUDIT FIRM ROTATION OUTSIDE THE U.S.

The European Union mandated audit firm rotation in 2016. One goal was to coordinate the 30-member country rules and eliminate the patchwork of different regimes across European countries.

Public interest entities (PIEs) must rotate audit firms every 10 years, although member states have the option to extend the mandatory rotation period to 20 years provided that a public "tender" (i.e., IPO) is conducted at the conclusion of the 10-year period or 24 years if a "joint audit" is performed (i.e., two audit firms sharing responsibility, though not necessarily equally, to produce a single joint auditor's report). Member states also have the option to set a shorter mandatory rotation period.

The rules are designed to strengthen the independence of auditors and improve public trust in the audit/client relationship. There is still a requirement for key audit partners to rotate after a maximum of seven years, although member states can require a shorter period.

Complying with the new requirements may pose problems for U.S. companies, especially if EU statutory audits are being conducted by the same firm or by a member of that firm's network performing the audit of the U.S. parent's consolidated statements.

If a U.S. parent has subsidiaries in the EU, the U.S. parent would not be required to rotate audit firms. However, any U.S. parent company's EU subsidiary that falls within the definition of a PIE in the member state in which it resides will have to comply with that state's rotation requirement.

AUDIT QUALITY

One of the most important questions in evaluating the pros and cons of mandatory audit firm rotation is whether it could lead to an increase in audit quality. The research studies cited below were conducted in EU countries, because of their requirement for mandatory rotation.

In research conducted that was published in the Spring 2023 issue of the *Journal of International Accounting Research*, the authors surveyed clients listed on the Frankfort, Germany, Stock Exchange, DAX, to determine whether the anticipation of mandatory auditor rotation creates additional incentives to supply high-quality audits. The authors found that audit quality improves for first-year audits after an auditor change. They level off in the years following the first-year audit for companies not listed on the exchange. However, they do materialize in the second year for listed companies. One conclusion is that competence effects exist following the rotations that may be attributable to the fresh look and enhanced independence.

In another research study that was published in the February 2015 issue of the *Auditing: A Journal of Practice & Theory*, the authors examined companies in Italy, where mandatory rotation has been required since 1975, using private data on audit fees and engagement hours provided by the Big 4 accounting firms in the country. The authors looked at audit costs, finding that they were 7% higher in the final year before rotation and lower by 16% for incoming auditors. However, subsequent fees were abnormally higher and exceeded the initial discount. The authors determined that higher costs were not acceptable after rotation because it did not improve audit quality.

In another study that was published in the July 2015 issue *Auditing: A Journal of Practice & Theory*, on mandatory rotation and audit quality, the authors determined

that focusing auditors on a skeptical assessment frame rather than mandating auditor rotation may be a less costly way to reduce low-effort audits and aggressive reporting.

In its concepts statement, PCAOB cautioned in drawing the conclusion that audit quality suffers following an auditor change. The report notes that at the end of the mandatory fixed-term appointment, the outgoing auditor may not have incentives to perform high-quality audits since they cannot be reappointed.

These and other research results are mixed regarding whether audit quality improves following mandatory rotation. Some research suggests that a strengthening of the audit committee responsibilities can enhance audit quality without the need to rotate auditors. Others suggest that focusing on professional skepticism, which would include objectivity and impartiality, can mitigate low-effort audits.

RESULTS ARE MIXED

An important consideration in evaluating the arguments for and against the mandatory rotation of audit firms is whether it would lead to an increase in audit quality. The research results are mixed.

An important question is: Does the attempt to assure greater independence and objectivity outweigh the cost of switching? While audit firm rotation may strengthen the appearance of independence among financial statement users, evidence to support it is lacking.

PCAOB should carefully review the experiences of European Union countries to assess the costs and benefits of rotation. After all, if it is working in the EU then perhaps it can also work in the U.S as well.

FOOTNOTES

[1] https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf.

[2] https://www.researchgate.net/publication/258340692_Elevating_Professional_Judgment_in_Auditing_and_Accounting_The_KPMG_Professional_Judgment_Framework/link/00b7d527e7fa6f1e4f000000/download.

[3] https://blog.auditanalytics.com/audit-firm-tenure-trends-in-long-lasting-relationships/.

[4] https://www.gao.gov/assets/gao-04-217.pdf.

[5] https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-issues-concept-release-on-auditor-independence-and-audit-firm-rotation_348.

[6] https://www.govinfo.gov/content/pkg/BILLS-113hr1564eh/pdf/BILLS-113hr1564eh.pdf.

[7] https://egrove.olemiss.edu/cgi/viewcontent.cgi?article=1090&context=aicpa_assoc#:~:text=In%20brief,%20mandatory%20audit%20firm,client's%20business,%20operations%20and%20controls.

[8] https://www.accountancyeurope.eu/wp-content/uploads/Audit-Rotation-2022_Accountancy_EU.pdf.

[9] https://publications.aaahq.org/jiar/article/22/1/59/10886/The-Anticipation-of-Mandatory-Audit-Firm-Rotation.

[10] https://publications.aaahq.org/ajptarticle/34/1/1/5925/Are-There-Adverse-Consequences-of-Mandatory.

STEVEN M. MINTZ, PH.D., is a professor emeritus from California State University, San Luis Obispo. He may be contacted at: **smintz@calpoly.edu.**

TXCPA Member INSURANCE

Helping You Protect What Means Most: Association-endorsed insurance you can count on for value and dependability to help protect your family, property and career.

Visit txcpainsure.org to learn more or call TXCPA at 800-428-0272.

CURRICULUM:
Accounting and auditing; management

LEVEL:
Basic

DESIGNED FOR:
CPAs in industry and public practice

OBJECTIVES:
To provide a summary of the new SEC promulgation for incentive compensation clawback rules and describe the accounting implications of 17 CFR §240.10D-1, *Listing Standards Relating to Recovery of Erroneously Awarded Compensation.*

KEY TOPICS:
Clawback policies; executive officers who are subject to clawback; incentive compensation and financial measures; financial statements subject to restatement; tax implications; and changes and corrections identified in ASC 250.

PREREQUISITES:
None

ADVANCED PREPARATION:
None

TAKE THE ONLINE CPE QUIZ

Today's CPA offers the self-study exam for readers to earn **one hour of continuing professional education credit.** The questions are based on technical information from the following article. If you score 70 or better, you will receive a certificate verifying you have earned one hour of CPE credit in accordance with the rules of the Texas State Board of Public Accountancy (TSBPA).

Take the CPE quiz online on TXCPA's website at https://www.tx.cpa/resources/txcpa-magazine.

Incentive Compensation Clawback, SEC's New Promulgation

BY JOSEF RASHTY, CPA, PH.D. (CANDIDATE)

On July 21, 2010, President Barack Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, which deals with numerous aspects of corporate governance – including executive compensation. The Dodd-Frank Act modified and improved on the executive compensation and clawback provisions of Section 304 of the Sarbanes-Oxley Act of 2002.

A summary of 2010 Dodd-Frank Act's clawback provisions is as follows:

- Its scope is to provide for accounting restatement due to material noncompliance with any financial reporting requirements under securities laws;
- It provides for the erroneously awarded incentive-based compensation (including stock awards) in excess of the amount that companies would have paid under the accounting restatement;
- It applies to all current and former executive officers rather than CEOs and CFOs;
- It covers the past three years.

In October 2022, the SEC promulgated the final clawback rule (Rule or the Rule) that Section 954 of the Dodd-Frank Act mandated. The Rule added Section 10D to the Securities Exchange Act of 1934. The final rule directs U.S. stock exchanges and securities associations to adopt listing standards requiring all listed companies, including foreign private issuers, emerging growth companies and smaller reporting companies, to adopt and comply with a written clawback policy. However, the author expects changes and modifications to the clawback rules. Thus, *Today's CPA* will monitor these changes and inform its readers of any new developments in the coming year.

This article summarizes the new SEC promulgation for incentive compensation clawback rules and expounds on the accounting implications of 17 CFR §240.10D-1, *Listing Standards Relating to Recovery of Erroneously Awarded Compensation*. This article benefits most public business entities (PBEs) registered under Section 6 of the Securities Exchange Act of 1934 and voluntarily to all privately held companies. This article incorporates an example of clawback of stock awards and cash bonuses to an executive of a company due to the restatement of financial statements.

CLAWBACK POLICIES

An issuer triggers a clawback process if it determines the need to restate previously issued financial statements due to material

The final rule directs U.S. stock exchanges and securities associations to adopt listing standards requiring all listed companies, including foreign private issuers, emerging growth companies and smaller reporting companies, to adopt and comply with a written clawback policy.

noncompliance. The clawback policy must require companies to recoup any equity or cash compensation award that they have paid to any current or former Section 16 officer under the following circumstances:

- If they have calculated the incentive compensation based on restated financial statements due to material noncompliance with financial reporting requirements, without regard to any fault or misconduct;
- If the above noncompliance has resulted in an overpayment of incentive compensation within the preceding three fiscal years.

The SEC requires that issuers comply with the following:

- Filing copies of their clawback policy as an exhibit to their Form 10-Ks.
- Disclosing the amount of compensation recovery if there are restatements.

Registrants may be subject to delisting if they do not comply with the SEC guidance.

EXECUTIVE OFFICERS SUBJECT TO CLAWBACK

Regulation 10D-1 has intentionally adopted a broad definition of "executive officer" and modeled it after the Securities Exchange Act of 1934 in Rule 16a-1(f). Under the final rule, executive officers include the registrant's president, principal financial officer, principal accounting officer (if the issuer does not have one, the controller), vice presidents in charge of business units or divisions, and any officer who performs policy-making decisions.

Companies' recovery policy of incentive compensation is not "fault-based;" thus, the registrants should recover any paid incentive-based compensation regardless of the fault of executive officers. The rule does not require the direct involvement of the officer in the occurrence of the accounting error that triggers the recovery policy.

INCENTIVE COMPENSATION AND FINANCIAL MEASURES

Incentive compensation subject to clawback policy includes any equity-based (within the scope of ASC 718, *Compensation – Stock Compensation*) or cash-based incentive compensation (within the scope of ASC 710 *Compensation – General*) that the registrant has granted, earned, or vested – based completely or partially upon the attainment of financial reporting measures.

The incentive compensations subject to SEC promulgation are as follows:

- Cash awards;
- Restricted stocks;
- Restricted stock units (RSUs);
- Performance-based restricted stock units (PSUs);
- Stock options (incentive or non-qualified);
- Stock appreciation rights (SARs).

Incentive compensation excludes base salary, time vesting and cash awards not based on achievement of financial accounting measures. The incentive compensation employees have received during the preceding past three completed fiscal years is subject to the SEC's clawback provisions.

Table 1. CHANGES AND CORRECTIONS IDENTIFIED IN ASC 250	
Accounting principle	A change from one generally accepted accounting principle to another generally accepted accounting principle. It applies to two types of changes: • Mandatory changes required by a newly issued; or • Voluntarily changes from one acceptable accounting principle to another based on preference.
Accounting estimates	A change that adjusts the carrying amount of an existing asset or liability or alters the subsequent accounting for existing or future assets or liabilities.
Reporting entity	A change in reporting entity is generally limited to the following types of changes: • Presenting consolidated or combined financial statements in place of financial statements of individual entities; • Changing specific subsidiaries that make up the group of entities for which consolidated financial statements are presented; and • Changing the entities included in combined financial statements.
Correction of an error in previously issued financial statements	An error in recognition, measurement, presentation or disclosure in financial statements resulting from mathematical mistakes, mistakes in the application of GAAP, or oversight or misuse of facts that existed when companies prepared those financial statements.

The following are not all-inclusive examples of the SEC's financial measures in its final rule:

- Revenues;
- Net or operating income;
- Earning measures (e.g., earnings per share);
- Financial ratios (e.g., accounts receivable turnover and inventory turnover rates);
- Non-GAAP measures (e.g., EBITDA and adjusted EBITDA).

FINANCIAL STATEMENTS SUBJECT TO RESTATEMENT

The SEC defines financial statements as any of the following that it requires as part of the 10-Qs and 10-Ks filings:

- Statement of financial position (commonly referred to as balance sheet);
- Statement of comprehensive income;
- Statement of cash flows;
- Statement of stockholders' equity;
- Related schedules;
- Accompanying footnotes.

U.S. STOCK EXCHANGES

The NYSE and NASDAQ amended their proposed clawback listing standard to provide October 2, 2023, as the effective date and as a result, companies had until December 1, 2023, to adopt their clawback policies.

Registrants are subject to delisting from their national security exchange and may not apply for relisting on a different U.S. Stock Exchange before compliance with their clawback policy that Rule 10D-1 requires.

ERRORS AND CORRECTIONS

ASC 250, *Accounting Changes and Error Corrections*, identifies the changes and corrections included in Table 1.

OUT-OF-PERIOD ADJUSTMENTS

Companies can correct an error within the current period as an "out-of-period adjustment" when it is immaterial to both the current and prior period(s). Companies are not required to disclose immaterial out-of-period adjustments. However, there are circumstances that the out-of-period adjustment stands out (e.g., it appears as a reconciling item in the roll-forward of an account balance) that may warrant consideration of disclosure about the item's nature.

RESTATEMENT OF FINANCIAL STATEMENTS

The restatement can occur due to "Big R" or "little r." Reporting the correction of the error(s) depends on the materiality of the error(s) to both the current period and prior period financial statements. Companies can correct the errors by restatement through one of the following methods:

- "Big R Restatement" – Companies can correct an error through a "big R restatement" (also referred to as re-issuance restatements) when the error is material to the prior period financial statements and requires filing of Form 8-K. A Big R restatement requires the entity to restate and reissue its previously issued financial statements to reflect the correction of the error.
- "Little r restatement" – Companies can correct an error through a "little r restatement" (also referred to as a revision restatement) when the error is immaterial to the prior period financial statements. However, correcting an error in the current period may materially misstate the current period financial statements (e.g., this often occurs due to an immaterial error that has been uncorrected for multiple periods and has aggregated to a material number within the current year). Under this

approach, the entity would correct the error in the current year comparative financial statements by adjusting the prior period information and adding disclosure of the error. Companies usually do not need to file Form 8-K for their "little r restatements."

TAX IMPLICATIONS

Companies calculate the amount of clawback recovery on a pre-tax basis (i.e., they do not subtract the portion of the taxes that executive offices had paid in taxes). Collecting clawback compensation on a pre-tax basis can be punitive in some cases – particularly if the executives are in high tax brackets. Companies may consider providing some protections in their grant agreements to minimize the impact of the taxes in case of any clawback event. For example, companies may allow the executive officers to defer a portion of their incentive compensation to hedge against a potential future clawback.

EFFECTIVE DATE

The final rule became effective on October 11, 2022. Compliance with the final rule is required in proxy and information statements that require executive compensation disclosures (under Item 402) for fiscal years ending on or after December 16, 2022.

The final rule requires five years of pay versus performance disclosures in a tabular format. However, for purposes of transition, registrants will only be required to include information for the three most recently completed fiscal years in the first year of compliance (two years for small reporting companies), with an additional year of information required in each following year to phase-in to the full five-year (or three-year for small reporting companies) tabular disclosure.

LATEST DEVELOPMENT

In 2022, the SEC adopted rules and directed U.S. securities exchanges to establish standards to require listed issuers to develop and implement a written policy providing for the recovery of incentive-based compensation received by current and former executive officers if there are accounting revisions and restatements.

The listing standards have been approved and took effect on October 2, 2023. However, companies will have until December 1, 2023, to adopt a compliant recovery policy. Companies must also apply their recovery policy to erroneously awarded compensation received on or after October 2, 2023. For annual reports filed after adopting a recovery policy, companies must file their policy as an exhibit and disclose any actions taken under the policy. Additionally, companies will need to indicate on the cover page of Form 10-K (or Form 20-F) whether the financial statements included in the filing reflect the correction of an error and whether the error correction required an incentive-based compensation recovery analysis.

ILLUSTRATION

Entity A enacts the following incentive compensation plan for its chief marketing executive on January 2, 2024, if she can meet the revenue metrics at the end of the grant's first-year anniversary:

- It grants 1,000 PSU (performance-based stock units) at $10 per share vested in one year.
- It awards $400 cash bonus payable at the end of the first-year grant.

The executive meets her incentive compensation goal on January 2, 2025, and receives the stock grant and stock compensation.

Entity A establishes the following incentive compensation plan for 2025 since the executive met her incentive compensation goal in 2024:

- It grants an additional 1,000 PSU at $24 per share vested in one year.
- It awards $1,000 cash bonus payable at the end of the first-year grant.

On July 3, 2025, Entity A encounters a material error in its previously published financial statements that requires "Big R restatement." Thus, it issues a Form 8-K to disclose the forthcoming restatement. The announcement causes the stock to plunge to $11 per share. Entity A recoups the stock and cash incentive compensation to its executive.

The journal entries for the above transaction are as follows (ignoring the tax implication):

Account	Debit	Credit
2024		
Stock compensation	$10,000	
APIC (additional paid-in capital)		$10,000
Recognition of PSU expenses in 2024		
Bonus compensation	$400	
Bonus accrual		$400
Estimate of bonus compensation in 2024		
January 2, 2025		
APIC	$10,000	
Common stock		$10,000
Vesting of 2024 PSU grant		
Bonus accrual	$400	
Cash		$400
Recognition of 2024 bonus compensation		
2025 - from January 2, 2025 through July 2, 2025		
Stock compensation	$12,000	
APIC		$12,000
Recognition of PSU in 2025		
Bonus compensation	$500	
Bonus accrual		$500
Estimate of bonus compensation in 2025		
July 2, 2025 Restatement		
Common stock	$10,000	
APIC	$1,000	
Stock compensation		$11,000
To recoup the equity incentive grant		
Cash	$400	
Bonus compensation		$400
To recoup the cash incentive compensation		
APIC	$12,000	
Stock compensation		$12,000
To reverse 2025 journal entry		
Bonus accrual	$500	
Bonus compensation		$500
To reverse 2025 journal entry		

Continued on page 28

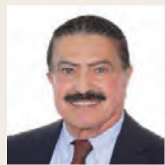
This example reflects clawback of 2024 equity and cash incentive compensation and the retraction of unvested 2025 equity and cash incentive compensation grant.

CLAWBACK RULE

Clawback is the recoupment of incentive-based compensation that executive officers have received based on erroneous data – an amount over what they should have obtained based on the restated financial statements. This difference is the "recoverable amount" subject to clawback rules. The SEC's clawback rule requires issuers to recoup excess compensation for the preceding three fiscal years regardless of whether an executive officer was involved or responsible for the restatement.

The SEC mandate also requires an issuer to disclose its recovery policy in an exhibit to its Form 10-K. Under the SEC's final rule, both "Big R" and "little r" restatements trigger an analysis of whether companies need to claw back any executive incentive compensation. Companies need to review their existing clawback policies and employment agreements while planning to implement this rule.

This rule mainly applies to the SEC registrants; however, many private companies may voluntarily adopt the rule for several reasons – in particular, privately held companies preparing for an initial public offering (IPO) or are planning for one in the future.



JOSEF RASHTY, CPA, PH.D. (CANDIDATE) is a member of the Texas Society of CPAs and provides consulting services in Silicon Valley, California. He can be reached at j_rashty@yahoo.com.

TXCPA's Upcoming 2024 Conferences

Mark your calendar now and plan to attend TXCPA's conferences this spring and summer!

Technology Conference
May 6-7 | Webcast Only

Energy Conference
May 13-14 | Webcast Only

Nonprofit Organizations Conference
May 20-21 | Richardson and Webcast

Texas School District Accounting and Auditing Conference
June 3-4 | San Antonio and Webcast

CPE By the Sea
June 11-13 | League City

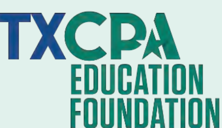
OTHER CPE OPPORTUNITIES

Complimentary On Demand Ethics Course
CPE Hours: 4 | On Demand Webcast

TXCPA Passport
The Passport offers a one-year subscription with unlimited access to more than 100 CPE hours and a variety of topics. Hours and titles are constantly added and refreshed.

Webcast Pass
This exclusive webcast bundle gives you unlimited access to nearly 300 live webcasts for one year.

View the complete schedule and register now in the Education area of our website at tx.cpa/education/cpe or call the TXCPA staff at 800-428-0272 (972-687-8500 in Dallas) for assistance.



Practices For Sale

$345,000 gross. Central Texas CPA firm. 66% tax, 20% write-up, no audits, 14% bookkeeping, very proficient staff, loyal client base with great opportunity for growth. Owner will assist with transition. Contact bestorcpa@aol.com.

ACCOUNTING BIZ BROKERS offers the following listings for sale:
Eastern Brazos Valley gross $730k (New)
NW Dallas County gross $1.2M (New)
Permian Basin area gross $248k (New)
S Amarillo area gross $400k (New)
Ark-La-Tex area gross $1.2M
North San Antonio gross $594k
Texas County, OK gross $390k (Reduced)

Contact Kathy Brents, CPA, CBI
Office 866-260-2793 - Cell 501-514-4928
Kathy@AccountingBizBrokers.com
Visit us at www.AccountingBizBrokers.com
Member of the Texas Society of CPAs
Member of the Texas Association of Business Brokers

BUYING SELLING PRACTICES throughout Texas for over 40 years ... Offering 95% conventional bank financing to buyers, so our sellers can cash out at closing! We only get paid for producing results! Confidential, prompt, professional. Practices available throughout Texas ... Contact Leon Faris, CPA ... PROFESSIONAL ACCOUNTING SALES ... 972-292-7172 ... and visit our website: www.cpasales.com for the latest listings and information.

TEXAS PRACTICES CURRENTLY AVAILABLE THROUGH ACCOUNTING PRACTICE SALES
North America's Leader in Practice Sales | Toll Free 1-800-397-0249. See full listing details and inquire/register for free at www.APS.net.

NEW: $840,000 gross. East Texas (Near I20) CPA practice for sale. First-rate client base of mostly businesses, business owners and high-net worth individuals. Exceptional cash flow to owner of 70%. Lots of room for expansion and flexible owner willing to aid in transition. TXN1630

NEW: $285,000 gross. Brazoria County CPA practice. Revenues derived from 94% tax work and 6% accounting. Knowledgeable staff in place for smooth transition with new owner. TXS1326

NEW: $1,303,000 gross. Midland-Odessa CPA practice. Revenues derived from 40% tax, 40% bookkeeping, 4% franchise reports, and 16% payroll. Cash flow to owner 57% of gross. One owner retiring, one owner staying full-time and all staff will assist in transition. TXW1034

NEW: $146,600 gross. Johnson County CPA practice. Revenues derived from tax services and caters to quality, loyal individual and business clients across a variety of industries. Has strong fees and minimal overhead yielding cash flow to owner above 50% gross. Officed at home with clients faxing, emailing and mailing in info for easy transition for new buyer just in time for tax season! TXN5075

NEW: $831,000 gross. Bryan-College Station CPA firm. Owner looking to sell to focus on consulting business. 2023 gross revenue estimated over $900K! The service mix includes tax (57%), accounting (38%) and other (5%). Solid reputation in the community with growth opportunities. Knowledgeable staff in place for smooth transition. Buyer can lease or buy building. TXS5067

NEW: $120,000 gross. The Woodlands CPA firm. The seller is retiring and is willing to transition with the buyer as agreed. 77% of revenue is from income tax work and 23% from accounting/bookkeeping work. Solid reputation in the community brings many referrals. Great practice for first-time owner or an existing owner looking to add revenues. TXS5038

$410,000 gross. Brownwood, TX CPA practice. High-quality client base made up of large businesses, providing room for growth. Balanced revenues of tax work (66%), accounting (14%) and other services (14%). TXN1638

$354,500 gross. Corpus Christi area tax practice. Highly reputable firm with continued growth expected. 100% income from tax work, both individual and business. Staff and owner willing to transition sale of firm. TXS1318

$486,000 gross. Amarillo CPA practice. Single owner CPA in vibrant community. Desirably made up of 67% tax preparation and 33% bookkeeping for year-round income. Cash flow is over 61% gross revenues and has knowledgeable staff ready to assist in transition. TXW1032

$209,600 gross. Plano CPA practice. Located in a desirable community. Nice mix of revenues for year-round cash flow. 80% tax prep, 10% accounting services, 10% consulting/payroll/other services. Seller assisted transition. TXN1624

$513,000 gross. Heart of Texas CPA firm. 80% tax, (78% inv., 13% bus., 9% other), 11% bkkpng, 9% audits/reviews, cash flow around 43%, staff in place, owner available to stay on as employee after sale if needed. TXC1078

$480,000 gross. Houston CPA firm. Service mix includes tax (57%), accounting (42%) and other (1%). Year-round cash flow with experienced staff in place to continue with new owner. Wonderful reputation in the community that brings in constant referrals. Ideal opportunity for either an individual looking to get into practice or an existing firm. TXS1315

$717,000 gross. NE of Houston CPA firm. Owner looking to semi-retire and will assist buyer as agreed. Great service mix of tax, bookkeeping and payroll/consulting. Turn-key opportunity with experienced staff in place and office available for lease. TXS1283

$347,000 gross. Galveston County CPA. Service mix includes 67% tax, 14% audit/review and 6% other. Year-round work provides excellent cash flow. Prime location with loyal clients. TXS1287

$2,380,000 gross. West Texas firm. Highly motivated multi-owner CPA firm. Revenue mix is 14% accounting services, 29% tax preparation (49% individual, 41% business, 10% other and 57% attest services.) Large tenured staff and long assisted transition by owner. TXW1030

$750,000 gross. West of Houston CPA firm. Primarily tax 88% with desirable year-round income from accounting and other work 12%. Great cash flow and knowledgeable staff ready for an owner assisted transition. TXS1319

$363,500 gross. Wichita Falls CPA tax and accounting practice. Revenues derived from 25% bookkeeping, 32% payroll and 43% tax work. Strong fee structure and yields cash flow to owner of 56% of gross. TXN1639

$1,200,000 gross. East Texas CPA practice. Loyal client base of individuals and businesses. High referral rate to generate additional business and nice mix of services for year-round income. Strong, tenured staff and owner assisted transition. TXN1631

$354,000 gross. South Plains CPA practice. Single owner CPA firm with loyal clients. Revenues derived from 66% tax and 34% bookkeeping. Solid cash flow to owner of almost 60% gross. Full-time staff and leased office space available. TXW1033.

Continued on page 30

$1,208,000 gross. Heart of Texas CPA firm. Tax preparation is 85-90% of revenue each year. Approx. 2/3 of this is individuals. The rest is business and trust returns. Bookkeeping is 10-15% of revenue. Owner's discretionary cash flow is 48% of revenue. 5 employees staying and seller will transition for agreed time. AVAILABLE AFTER 4/15/24 TXC1077

$472,000 gross. Fort Worth CPA practice. Loyal client base. 70% tax work and 30% accounting services. Rapid, consistent growth combined with an experienced staff make this an exceptional opportunity. AVAILABLE AFTER 4/15/24. TXN1626

$800,000 gross. Northeast Dallas suburb CPA practice. Revenues nicely balanced between tax work (72%), monthly/quarterly/annual accounting services (22%) and payroll services (5%) providing steady, year-round income. About 60% revenue from businesses and strong fees yield solid cash flow to owner of about 50% gross. Experienced and dedicated staff in place and seller is willing to work after closing if desired. AVAILABLE AFTER 4/15/24 TXN5084

$460,000 gross. Frisco CPA practice. Clients are loyal individuals and a mixture of businesses that should continue to provide referrals and offer plenty of opportunity for expanding services. Strong fees should generate cash flow to the owner above 50% gross. With no long-term lease and many clients accustomed to remote/virtual service, these clients would make a profitable addition to another firm around Frisco. AVAILABLE AFTER 4/15/24 TXN1642

ACCOUNTING PRACTICE SALES

For more information, call toll free 1-800-397-0249. See full listing details and inquire/register for free at www.APS.net.

Practices Sought

SEEKING CPA FIRM SELLERS

Selling your firm in 2024? Accounting Biz Brokers has GREAT NEWS for you! Accounting Biz Brokers has been selling CPA firms for over 18 years and we know your market. Selling your firm is complex. We can simplify the process and help you receive your best results! Our "**Six Steps to Success**" process for selling your firm includes a personalized, confidential approach to bringing you the "win-win" deal you are looking for. Our brokers are the only Certified Business Intermediaries (CBI) specializing in the sale of CPA firms in the nation! When you are ready to sell, we have the buyers, financing contacts and the experience to assist you with the successful sale of your firm! Contact us TODAY to take the first step!

Kathy Brents, CPA, CBI
Office 866-260-2793 - Cell 501-514-4928
Kathy@AccountingBizBrokers.com
Visit us at www.AccountingBizBrokers.com
Member of the Texas Society of CPAs
Member of Texas Association of Business Brokers

BUYING OR SELLING? First talk with Texas CPAs who have the experience and knowledge to help with this big step. We know your concerns and what you are looking for. We can help with negotiations, details, financing, etc. Know your options. Visit www.APS.net for more information and current listings. Or call toll-free 800-397-0249. Confidential, no-obligation. We aren't just a listing service. We work hard for you to obtain a professional and fair deal.

ACCOUNTING PRACTICE SALES, INC.
North America's Leader in Practice Sales

Miscellaneous

MICHAEL J. ROBERTSON, CPA
Texas Sales and Mixed Beverage Tax Solutions

Client audited, liability, needs a review, we have found errors and changed the liability. Does your client have a compliance issue or general question about sales tax? Call our team of sales tax experts. Our team provides over 100 years of experience with the Comptroller of Public Accounts as former auditors and supervisors. We work to ensure a fair audit. Should your client need a payment plan, we'll negotiate with the Comptroller of Public Accounts.

Call 817-478-5788 or 214-415-4333
Texas Sales and Mixed Beverage Tax Solutions

CLARUS PARTNERS - NATIONAL SALES TAX COMPLIANCE AND ADVISORY FIRM
Do you have questions about sales tax? Need help with multistate compliance after Wayfair? Taxability issues? Audit defense? Refunds? Business registration and licensing compliance? Voluntary disclosure?

Let us be a resource for your firm and your clients. Clarus Partners is a national sales tax compliance and advisory firm. With offices across the U.S., our four partners have a combined 100+ years of experience in this arena.

Let us know any way we can help.

Steve Hanebutt, CPA
Clarus Partners | This firm is not a CPA firm
972-422-4530 | claruspartners.com | stevehanebutt@claruspartners.com

Classified Advertising in *Today's CPA*

TXCPA offers opportunities to advertise in the Classifieds section of *Today's CPA* magazine. For more information and to place a classified ad, please contact **DeLynn Deakins at ddeakins@ tx.cpa or 800-428-0272, ext. 8550, 972-687-8550 in Dallas.**

CPACHARGE
AN AFFINIPAY SOLUTION
+
TXCPA
Texas Society of Certified Public Accountants
Member Benefit Provider
"CPACharge has made it easy and inexpensive to accept payments via credit card. I'm getting paid faster, and clients are able to pay their bills with no hassles.
– Cantor Forensic Accounting, PLLC
Trusted by accounting industry professionals nationwide, CPACharge is a simple, web-based solution that allows you to securely accept client credit and eCheck payments from anywhere.
22% increase in cash flow with online payments
PAY
65% of consumers prefer to pay electronically
62% of bills sent online are paid in 24 hours
PAYMENT RECEIVED
YOUR FIRM LOGO HERE
Client Invoice #0123-A
Your Client
**** **** **** 9995
***
TOTAL: $3,000.00
VISA
AM EX
eCheck
DISCOVER
POWERED BY CPACHARGE
PAY CPA
Get started with CPACharge today
cpacharge.com/txcpa
866-327-0321
CPACharge is a registered agent of Synovous Bank, Columbus, GA., Fifth Third Bank, N.A., Cincinnati, OH, and Wells Fargo Bank, N.A., Canadian Branch, Toronto, ON, Canada
AffiniPay customers experienced 22% increase on average in revenue per firm using online billing solutions

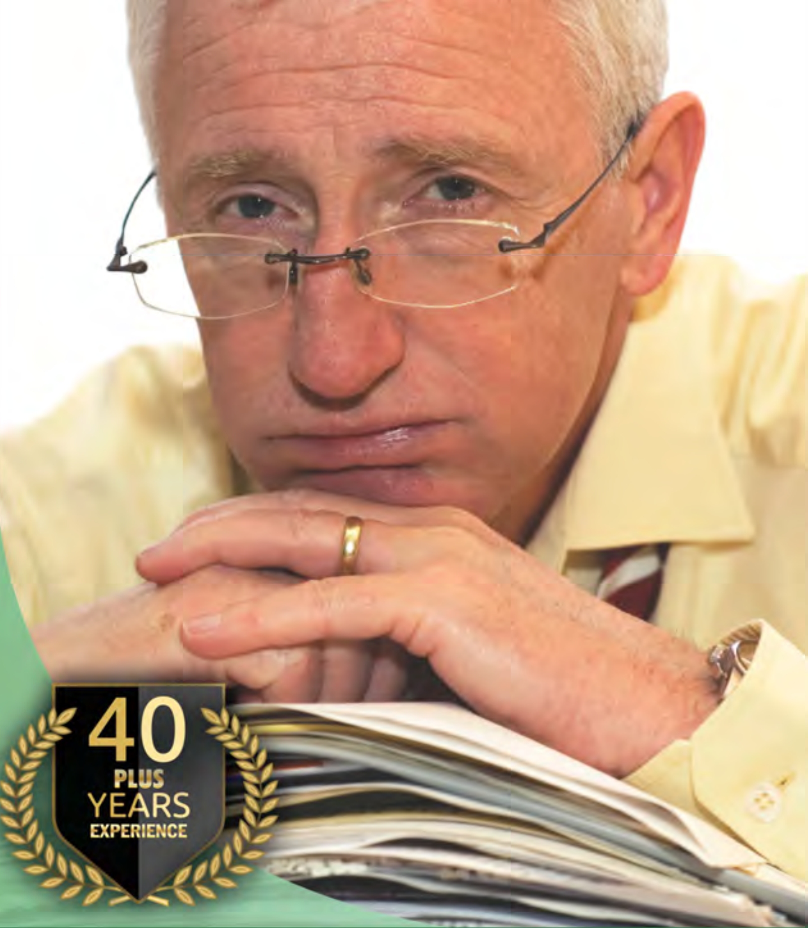
Tired? Over-worked?

Ready for a Change?

PRACTICE SALES

Buy / Sell / Merge

Confidential/Prompt/Professional



Cash Buyers Waiting!

Leon W. Faris, CPA

Sell your practice in 90 days for CASH

- OVER 45,000 QUALIFIED BUYERS WAITING!
- 40 YEARS SELLING PRACTICES
- CONSULTING FROM LISTING TO CLOSING
- SAMPLE PURCHASE AND SALE AGREEMENTS PROVIDED
- BANK FINANCING AVAILABLE
- CASH OUT AT CLOSING
- NO LONG TERM LISTING AGREEMENTS
- RECENT REFERENCES AVAILABLE
- FOLLOW UP ASSISTANCE DURING TRANSITIONING
- YOUR CONFIDENTIALITY ASSURED

RECENT SALES

Dallas Metroplex
Gross $2 Million
Sale Price $3.5 Million Cash

Dallas North
Gross $1 Million
Sale Price $1,450,000 Cash

972-292-7172 • www.cpasales.com