

# Welcome



12<sup>th</sup> Annual National  
Labor Union Conference  
~ Annual Update ~

CALIBRE CPA GROUP, PLLC  
JUNE 20, 2024



# Audit & Accounting Update

JESSE C. SARGENT | PRINCIPAL  
CALIBRE CPA GROUP, PLLC



# Agenda

- ▶ ASC 842: Leases
- ▶ ASC 326: Financial Instruments – Credit Losses (CECL)
- ▶ ASC 350-60: Crypto Assets
- ▶ SAS 145: Understanding the Entity and Risk Assessment



# ASC 842: Leases



# Common Oversights

- ▶ Overlook leases contained in other contracts
- ▶ Not factoring in extension/termination clauses or notice periods
- ▶ Not using Practical Expedients
- ▶ Omitting disclosures for short-term leases



# ASC 326: Financial Instruments – Credit Losses (CECL)



## How is CECL Different?

- ▶ Probable vs. Expected
- ▶ Pooling required
- ▶ More subjectivity
- ▶ No (or zero) allowance is extremely unlikely



# In Scope vs. Out of Scope

## In Scope

- ▶ A/R related to ASC 606 Revenue
- ▶ Notes or loans receivable to unrelated parties
- ▶ Assets related to financing leases held by lessor
- ▶ Contributions receivable and withdrawal liability receivables for EBPs
- ▶ Other financial asset not scoped out where the org has the right to rec'v cash

## Out of Scope

- ▶ Contributions or Grants Receivable for NFPs
- ▶ Interest and Dividend Receivables
- ▶ Intercompany notes or receivables
- ▶ Participant loans in an EBP





# Calculating CECL - Loss Rate Method

- ▶ Most common method for calculating the ACL
  - ▶ Step 1: Determine actual historical losses
  - ▶ Step 2: Determine adjustments for current and forecasted conditions
  - ▶ Step 3: Calculate and record Allowance for Credit Losses

# Calculating CECL - Loss Rate Method

	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018
Annual Net Write-Offs	\$ 320,000	\$ 350,000	\$ 375,000	\$ 380,000	\$ 395,000
Annual Average Receivables	22,000,000	24,500,000	26,500,000	27,000,000	28,000,000
<b>ANNUAL LOSS RATE</b>	<b>1.45%</b>	<b>1.43%</b>	<b>1.42%</b>	<b>1.41%</b>	<b>1.41%</b>

**HISTORICAL AVG ANNUAL LOSS RATE:** 1.42%

**ADJUSTMENT FOR CURRENT CONDITIONS:** 5.00%

**ADJUSTMENT FOR FORECASTED CONDITIONS:** -3.00%

**CECL RESERVE %** 3.42%

**CURRENT CONDITIONS:** Provide supportable and reasonable current conditions:

Upward adjustment of 5% for current conditions because the industry in which customers operate is experiencing challenges

**FORECASTED CONDITIONS:** Provide supportable and reasonable forecast conditions:

Downward adjustment of 3% for future conditions because it is expected that the industry will rebound in the next year.



# Current and Future Expectations

- ▶ Have to change the way you think about receivables
- ▶ Current Expectations - What are our “customers” experiencing right now?
- ▶ Future Expectations – How will the current expectations possibly change in the future?



## Calculating CECL - Other Methods

- ▶ Discounted Cash Flow Model – Good for long term notes receivable or programmatic loans
  
- ▶ Financial models
  - ▶ Vintage Analysis
  - ▶ Probability of default
  - ▶ Provision Matrix
  - ▶ Regression Analysis



# ASC 350-60: Crypto Assets



## Crypto Assets Reported at FMV

- ▶ ASU 2023-08: Effective Date - Years Beginning after 12/15/24 (early adoption permitted)
- ▶ Crypto Assets to be reported separately from other Intangibles in SoFP and SoA
- ▶ Disclosures required – reconciliation of FMV and any restrictions



# SAS 145: Understanding the Entity and Risk Assessment



# Inherent Risk

- ▶ New inherent risk factors to consider
- ▶ Spectrum of inherent risk
  - ▶ Low to high
  - ▶ Based on likelihood and magnitude of misstatement
- ▶ Audit Impact
  - ▶ New significant risks could be identified by the audit team resulting in audit testing over different areas





# IT and Internal Controls

- ▶ Great deal more emphasis on understanding IT systems
- ▶ Higher focus on internal controls, particularly related to development of internal controls
- ▶ Audit Impact
  - Additional time needed to understand internal risk assessment processes and IT systems via inquiry, observation, walkthroughs, or other procedures



# Other Changes

- ▶ **Additional changes**
  - ▶ Requiring inherent risk and control risk to be assessed separately;
  - ▶ Enhanced requirements and documentation relating to the exercise of professional skepticism;
  - ▶ Separate focus on understanding the applicable reporting framework;
  - ▶ A new “stand-back” test requiring teams to reconsider when material classes of transactions, account balances, and disclosures are not assessed as significant.



# Best Practice Recommendations

- ▶ Be prepared to explain:
  - ▶ The process for identifying business risks including fraud
  - ▶ The process for assessing the significance of identified risks
  - ▶ Actions taken as a result of the assessment
  - ▶ (Written documentation of this whole process is even better!)
  
- ▶ Have written policies and procedures and have them compiled in one central location



# 2024 National Labor Union Report

JAMES A. POULOS | PARTNER  
CALIBRE CPA GROUP, PLLC



# Background & Methodology

- ▶ **Data compiled from 2023 LM-2s filed with the Department of Labor**
  - ▶ 63 National and International Labor Unions
  - ▶ Grouped into 3 categories:
    - ▶ Group A: Over \$100 million Dues and Agency Fees/Per Capita Tax (13 unions)
    - ▶ Group B: Between \$20-100 million in Dues and Agency Fees/Per Capita Tax (28 unions)
    - ▶ Group C: Less than \$20 million in Dues and Agency Fees/Per Capita Tax (22 unions)
  - ▶ Labor union names have not been disclosed
  - ▶ Analyzed and compared data over previous years



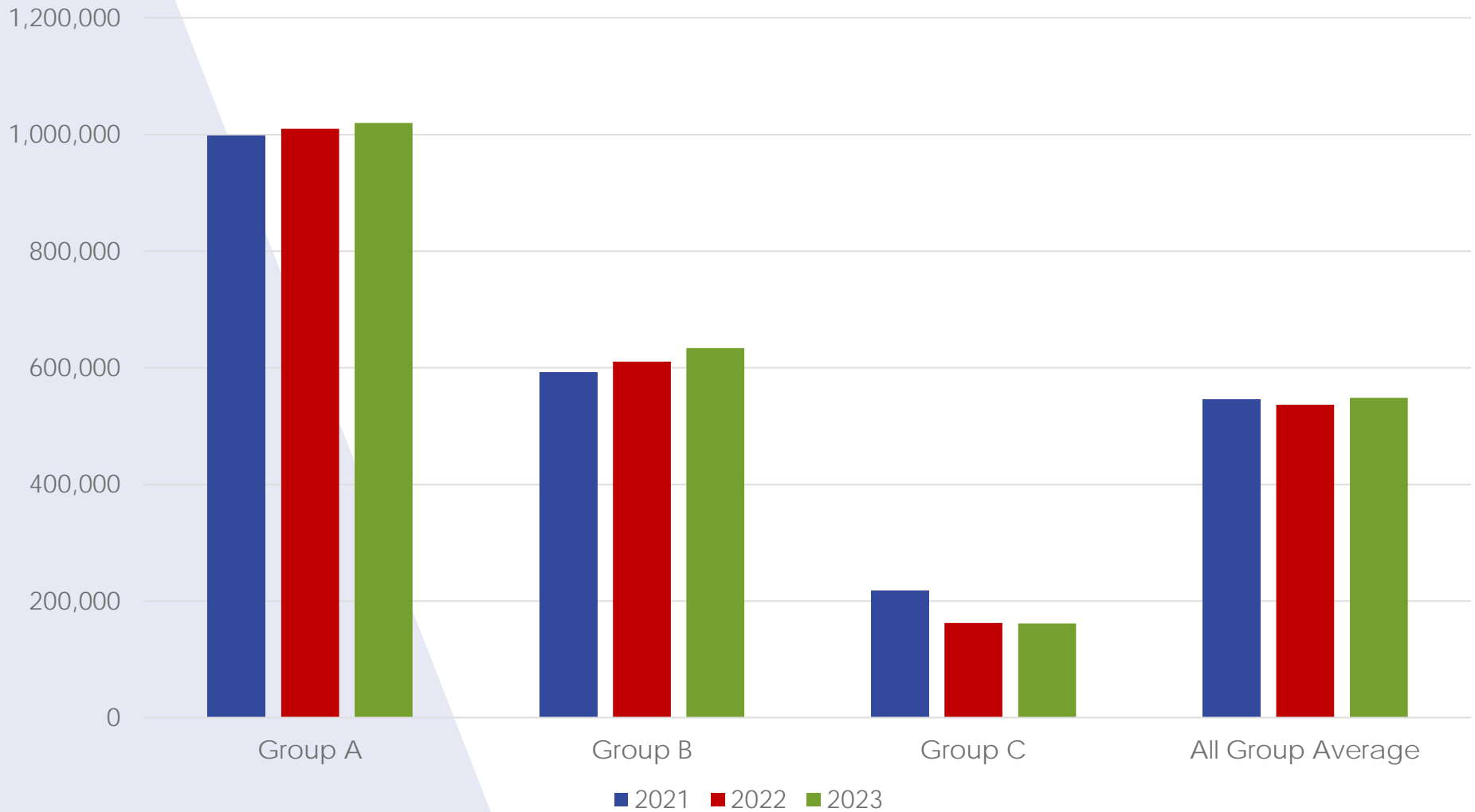
# Background & Methodology

## ▶ Notes and Comments

- ▶ Some unions may be cash basis or modified cash basis of accounting, so Statement A – Assets and Liabilities may not be comparable for all organizations
- ▶ Impact of Multi-employer Plans vs. Single Employer Plans
- ▶ Investments reported at lower of cost or market value
- ▶ Total Receipts – not Revenue
  - ▶ Includes sales of investments, loans obtained, collections on behalf of affiliates and from members
- ▶ Total Disbursements – not Expense
  - ▶ Includes purchases of investments, loan repayments, disbursements to affiliates of funds collected on their behalf to individual members

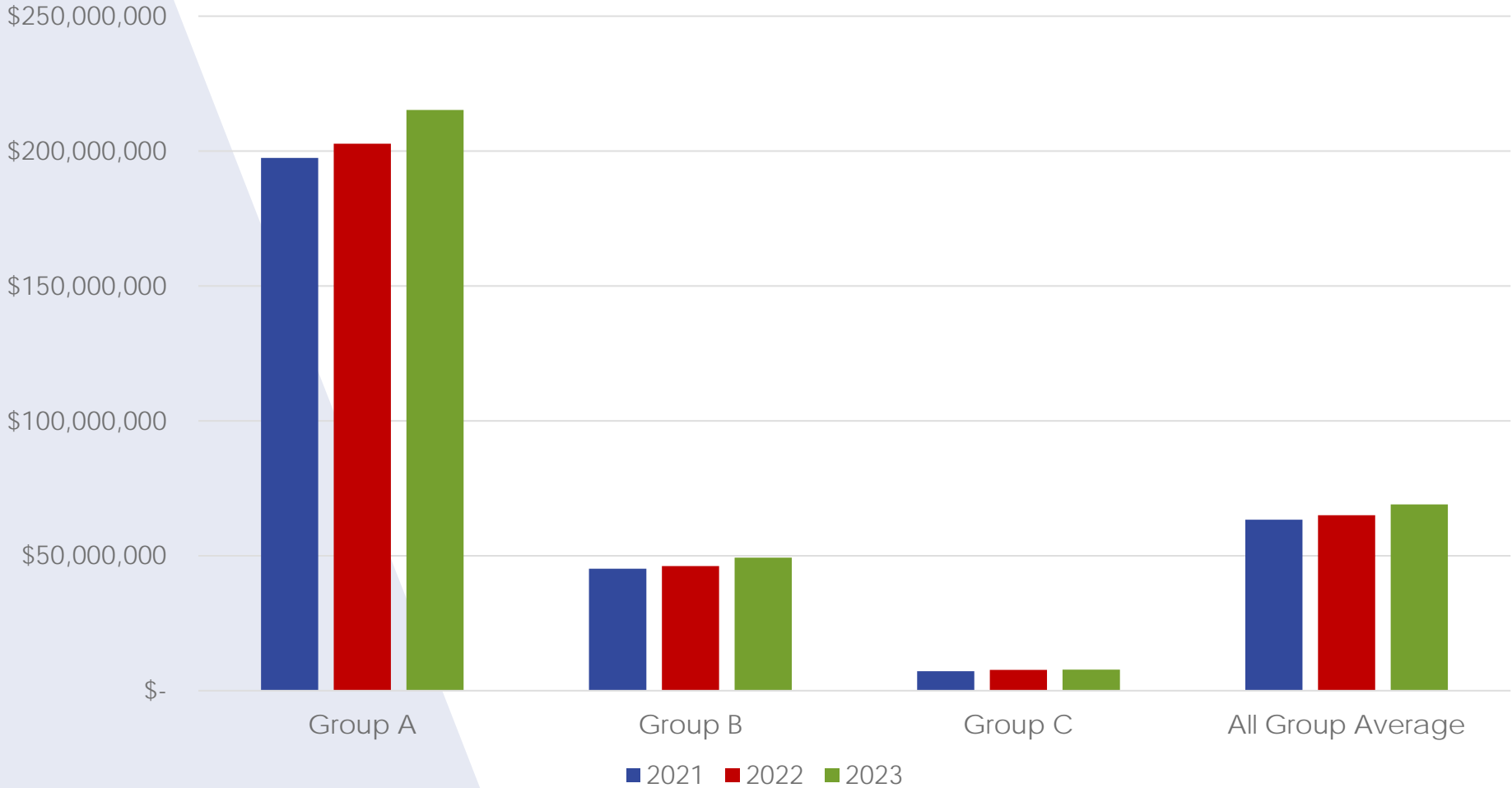


# Union Membership





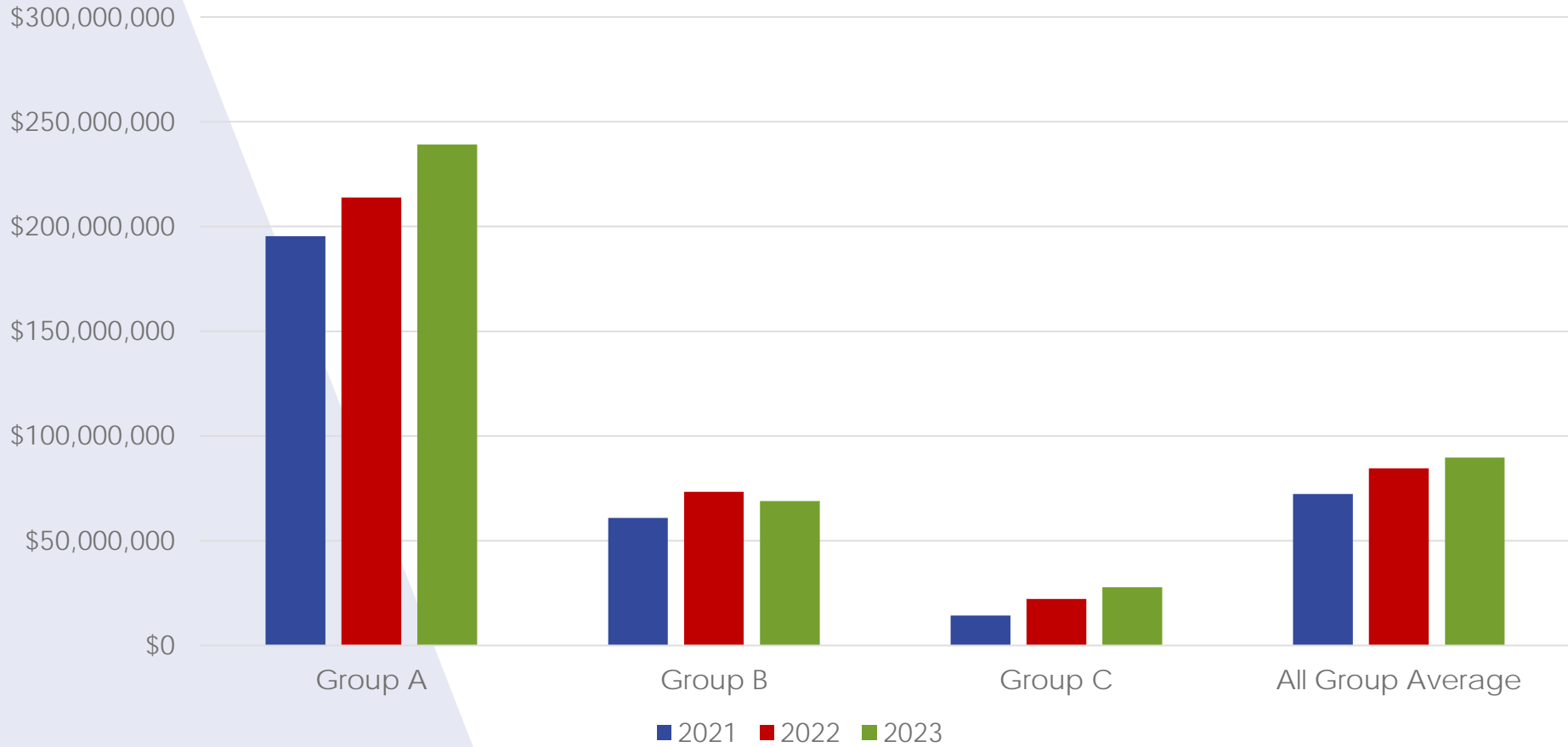
# Per Capita Tax and Dues



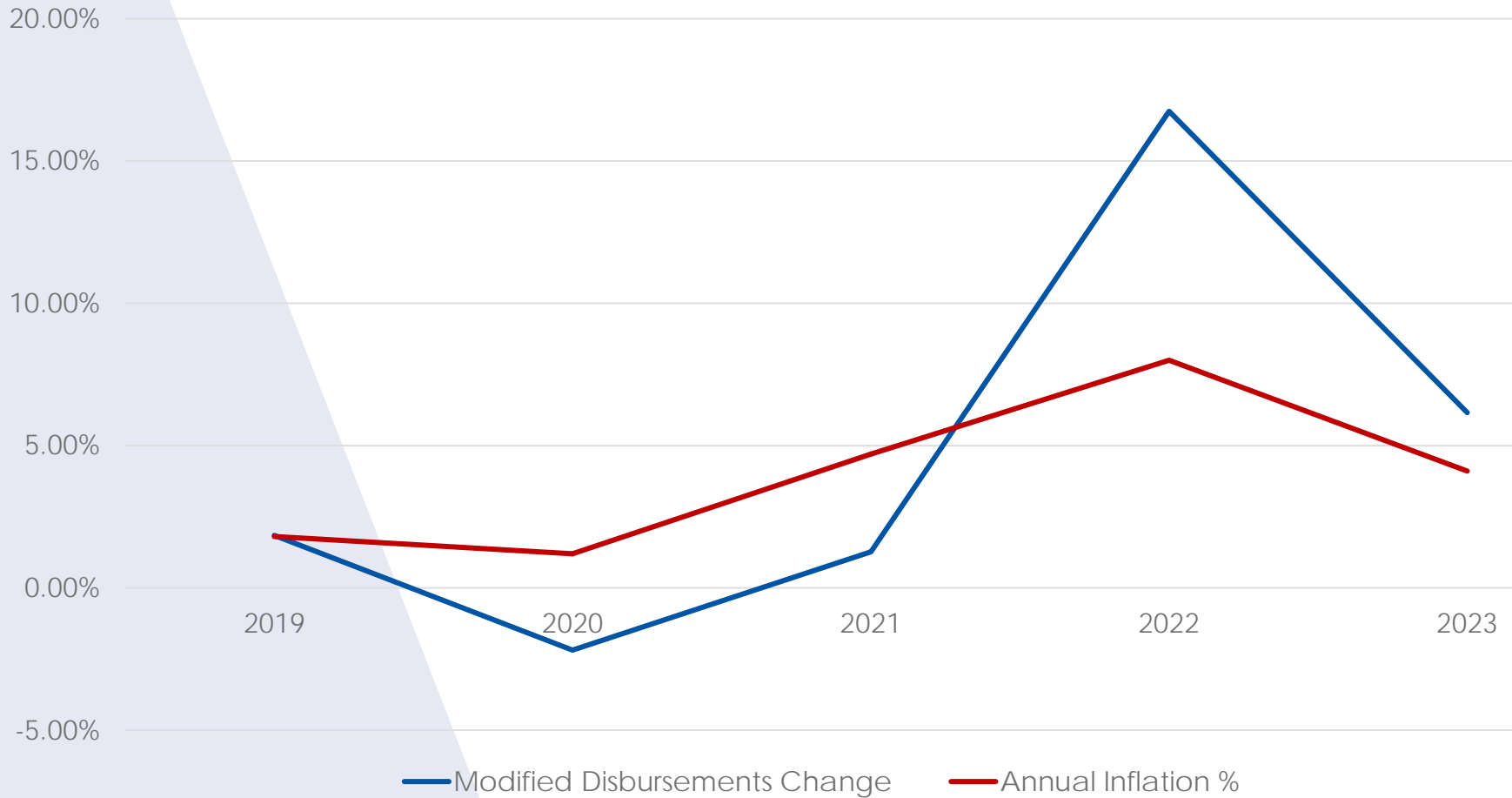




# Modified Disbursements



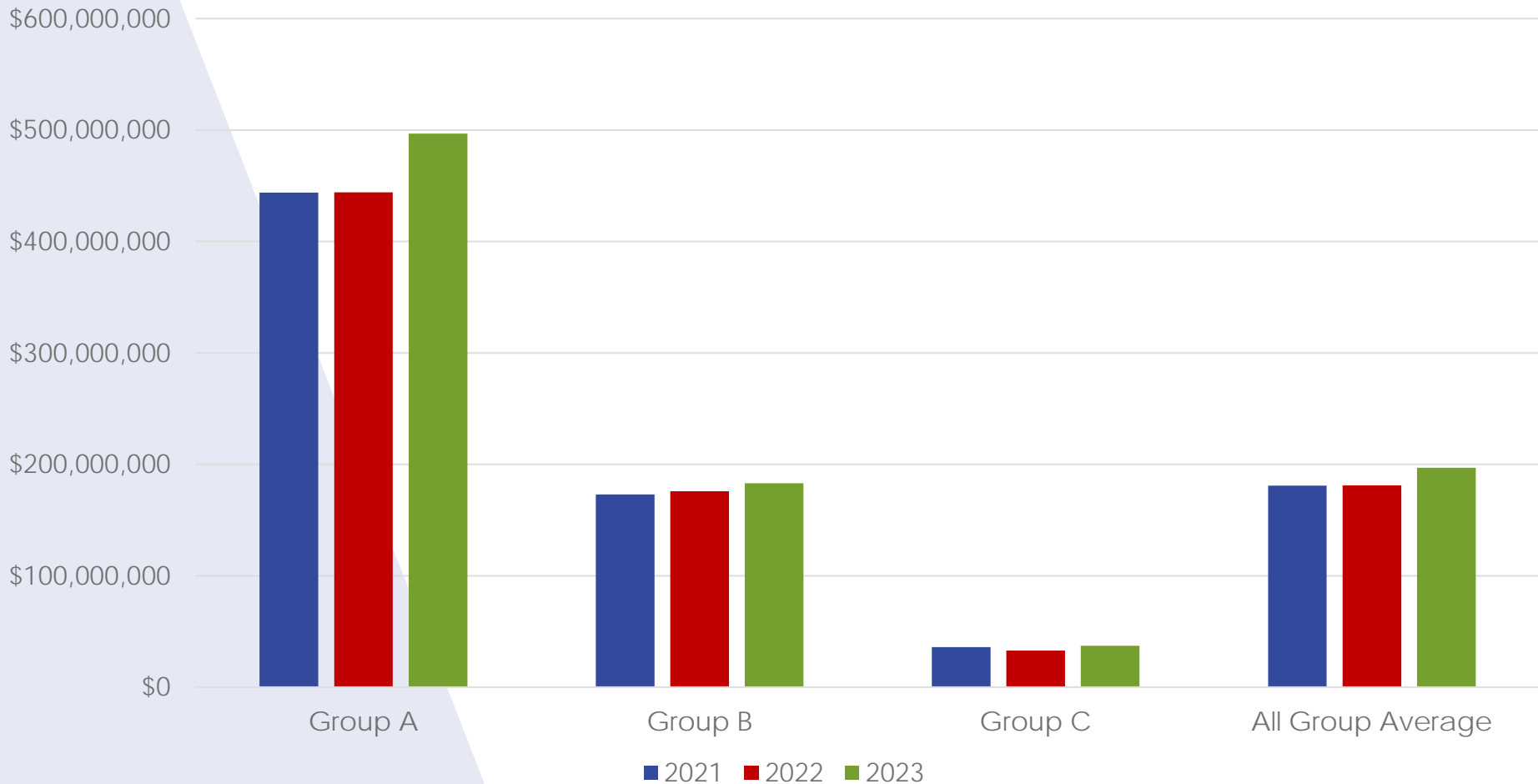
# Modified Disbursements & Inflation Trends



\* U.S. Bureau of Labor Statistics: All items in U.S. city average, all urban consumers, 12-Month Data

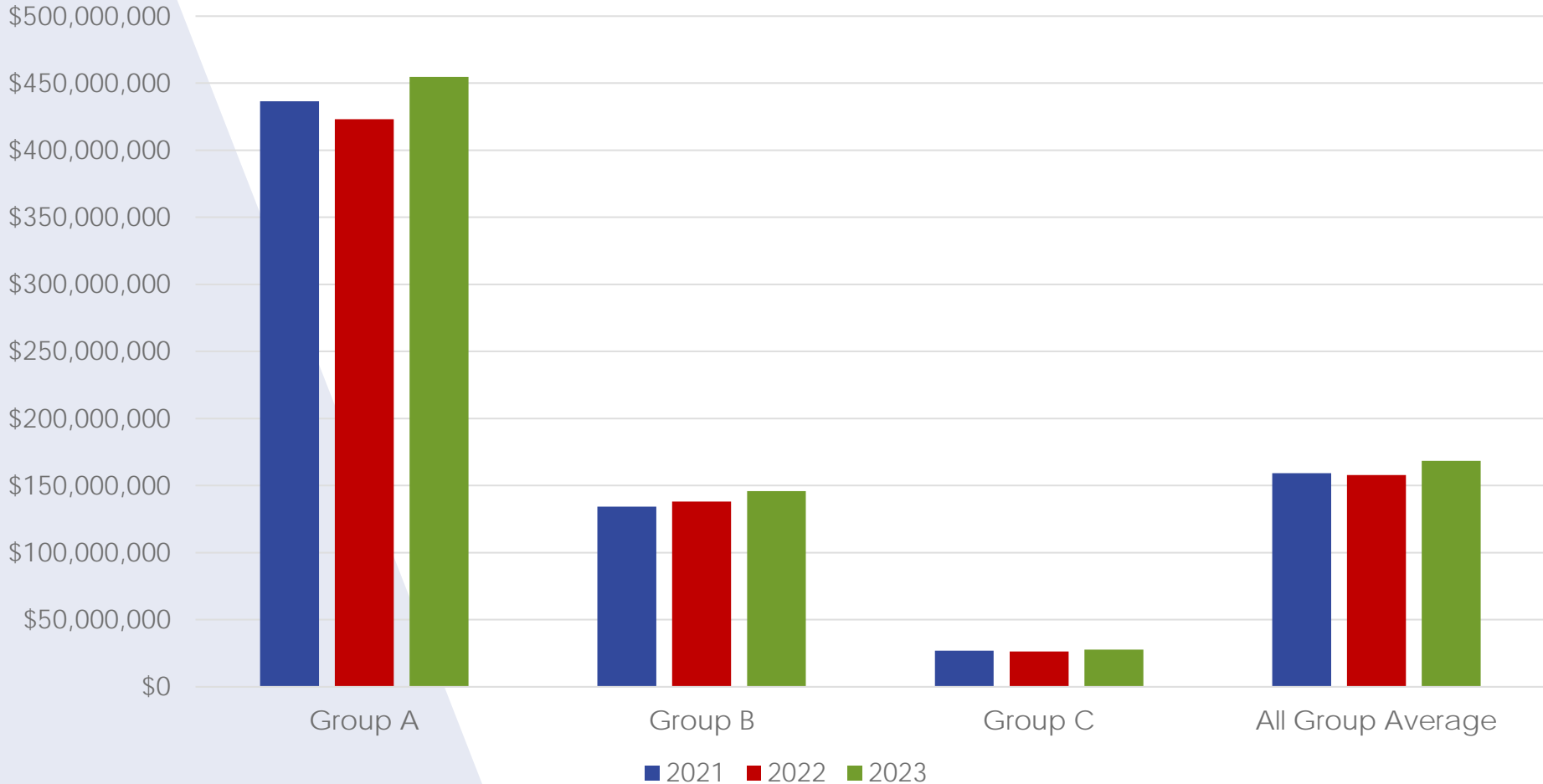


# Net Assets



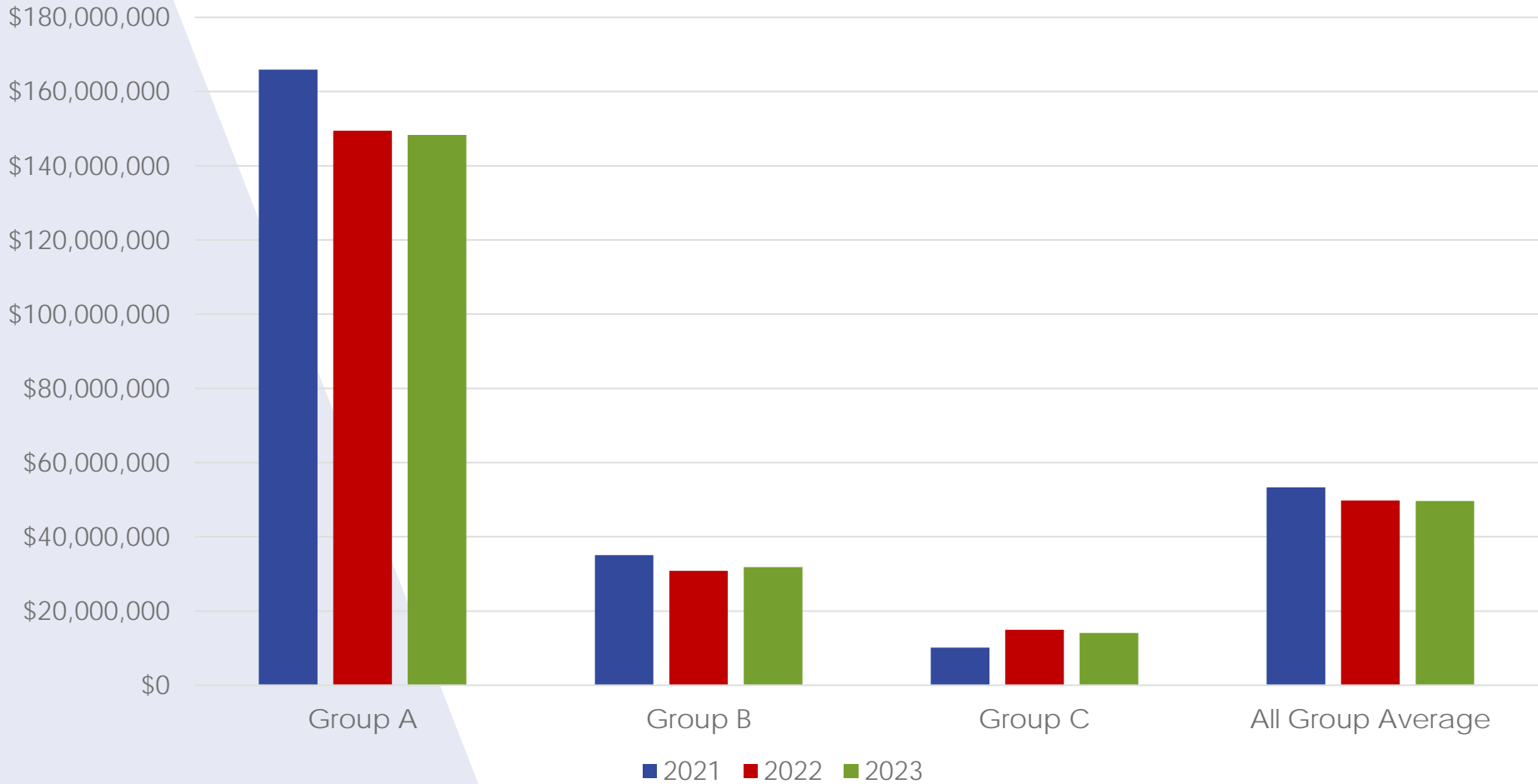


# Investments and U.S. Treasuries

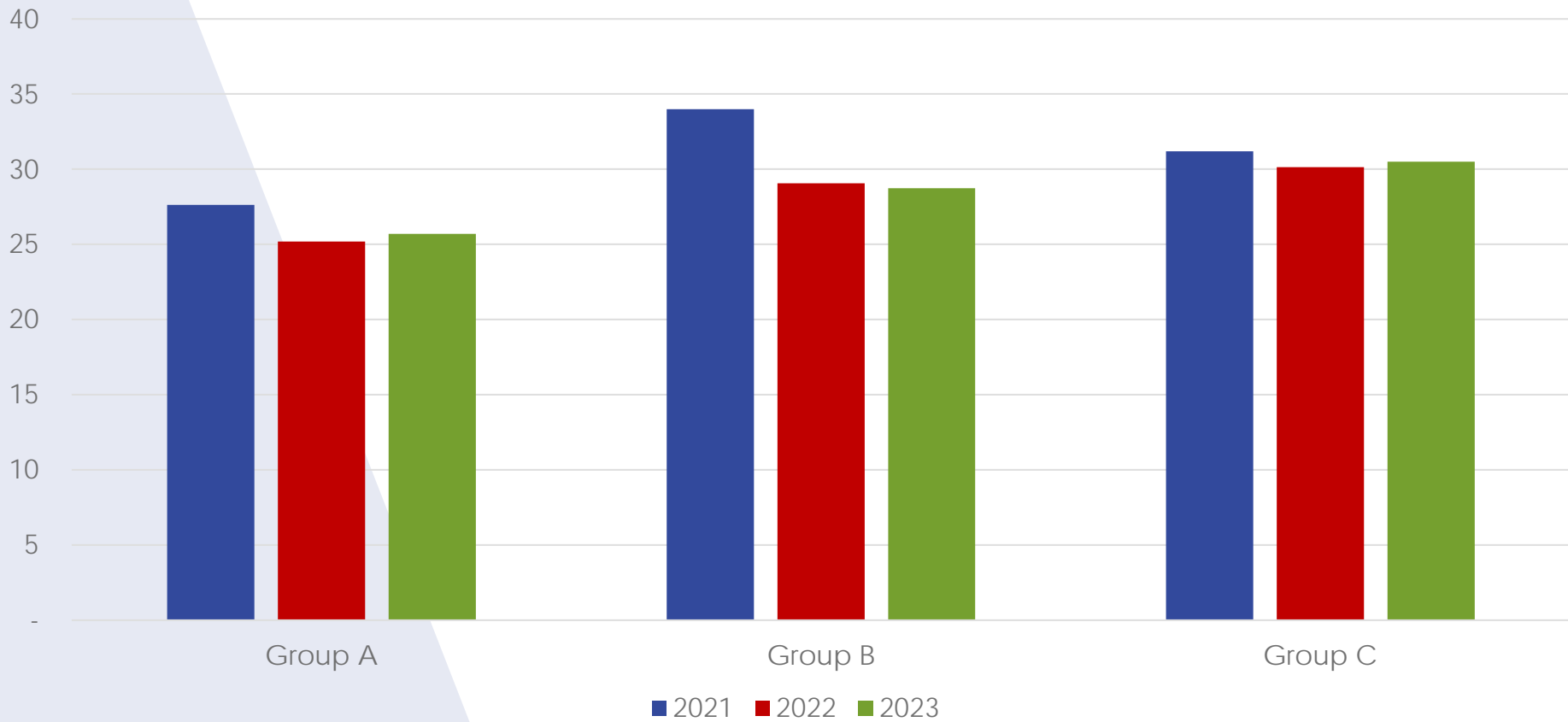




# Liabilities



# Operating Reserves – No. of Months





# Responses to Selected Questions 10-17

	Administers a Trust	Has a PAC	Had an Audit	Pledged Assets	Contingent Liabilities
Group A Average	100%	92%	100%	46%	46%
Group B Average	93%	93%	100%	50%	18%
Group C Average	64%	64%	100%	18%	14%



## Functional Expense Breakdown – Group A

Group A	2021	2022	2023
Representational (15)	47%	46%	49%
Political (16)	13%	12%	11%
Contributions (17)	4%	5%	4%
Overhead (18)	23%	23%	22%
Union Administration (19)	13%	14%	14%
Total	100%	100%	100%





## Functional Expense Breakdown – Group B

Group B	2021	2022	2023
Representational (15)	41%	38%	41%
Political (16)	10%	10%	9%
Contributions (17)	2%	3%	2%
Overhead (18)	25%	24%	23%
Union Administration (19)	22%	25%	25%
Total	100%	100%	100%

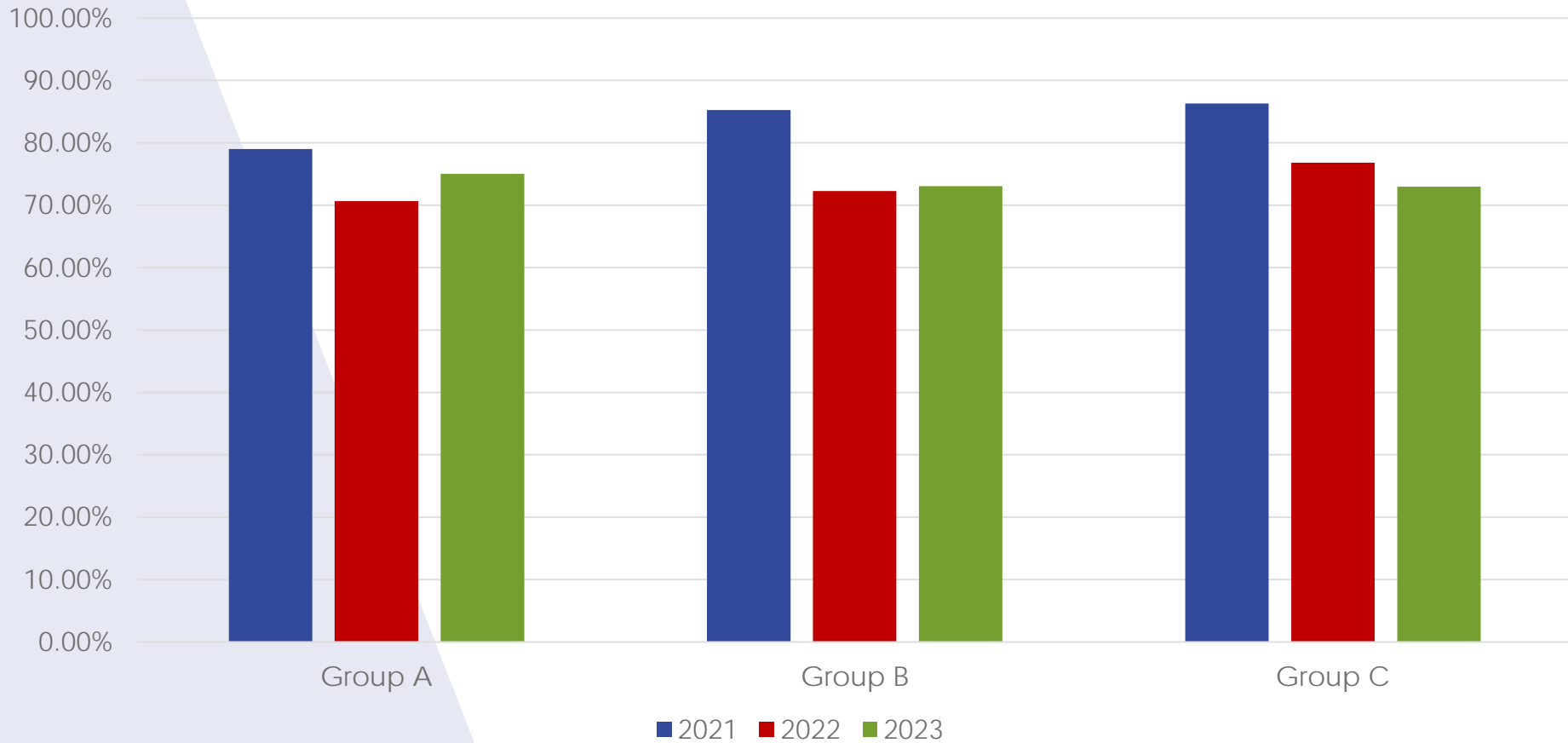


## Functional Expense Breakdown – Group C

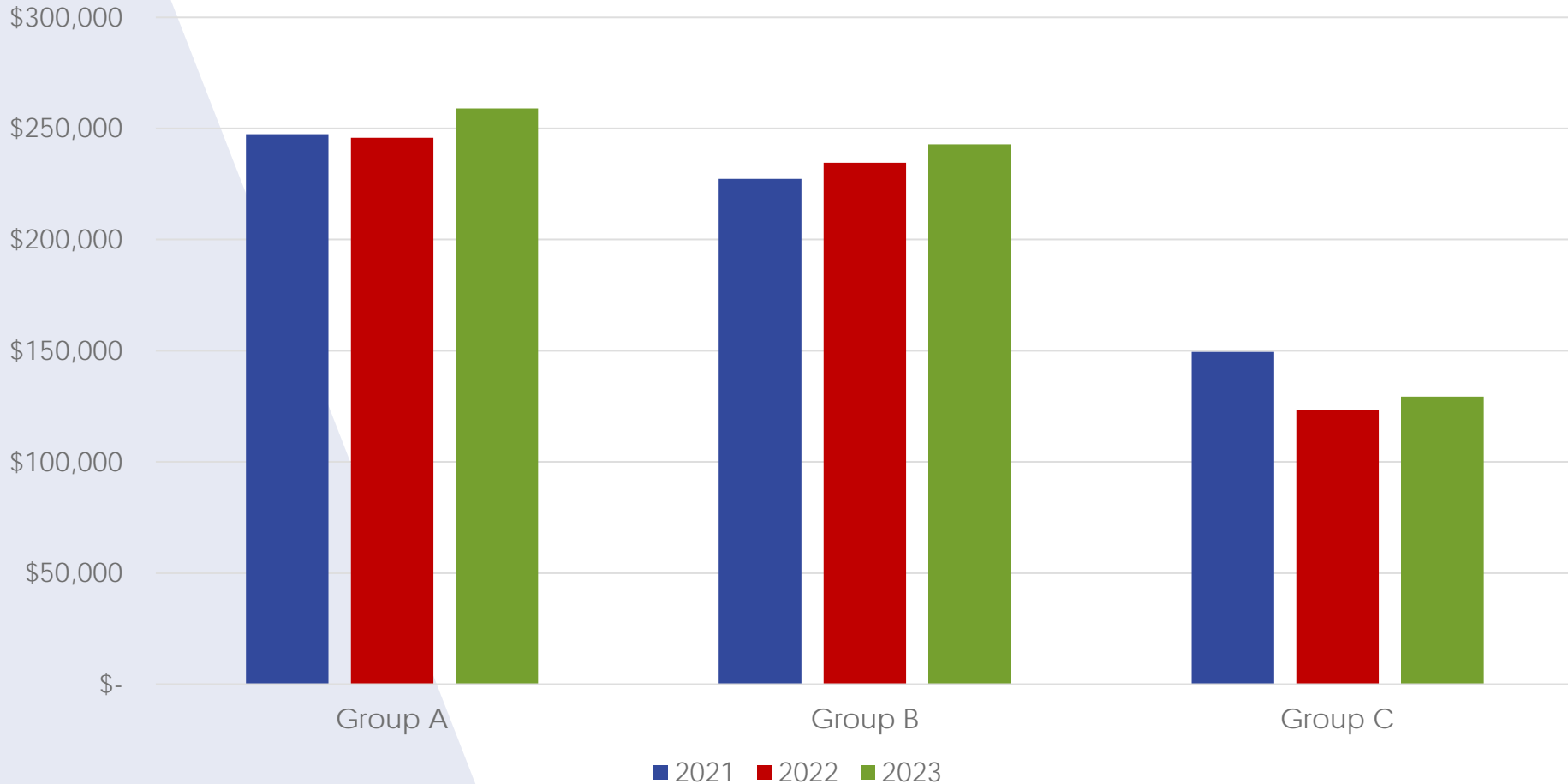
Group C	2021	2022	2023
Representational (15)	41%	38%	38%
Political (16)	5%	4%	4%
Contributions (17)	2%	2%	2%
Overhead (18)	34%	34%	36%
Union Administration (19)	18%	22%	20%
Total	100%	100%	100%



# Payments to Officers, Employees & Benefits as % of Total Functional Expenses

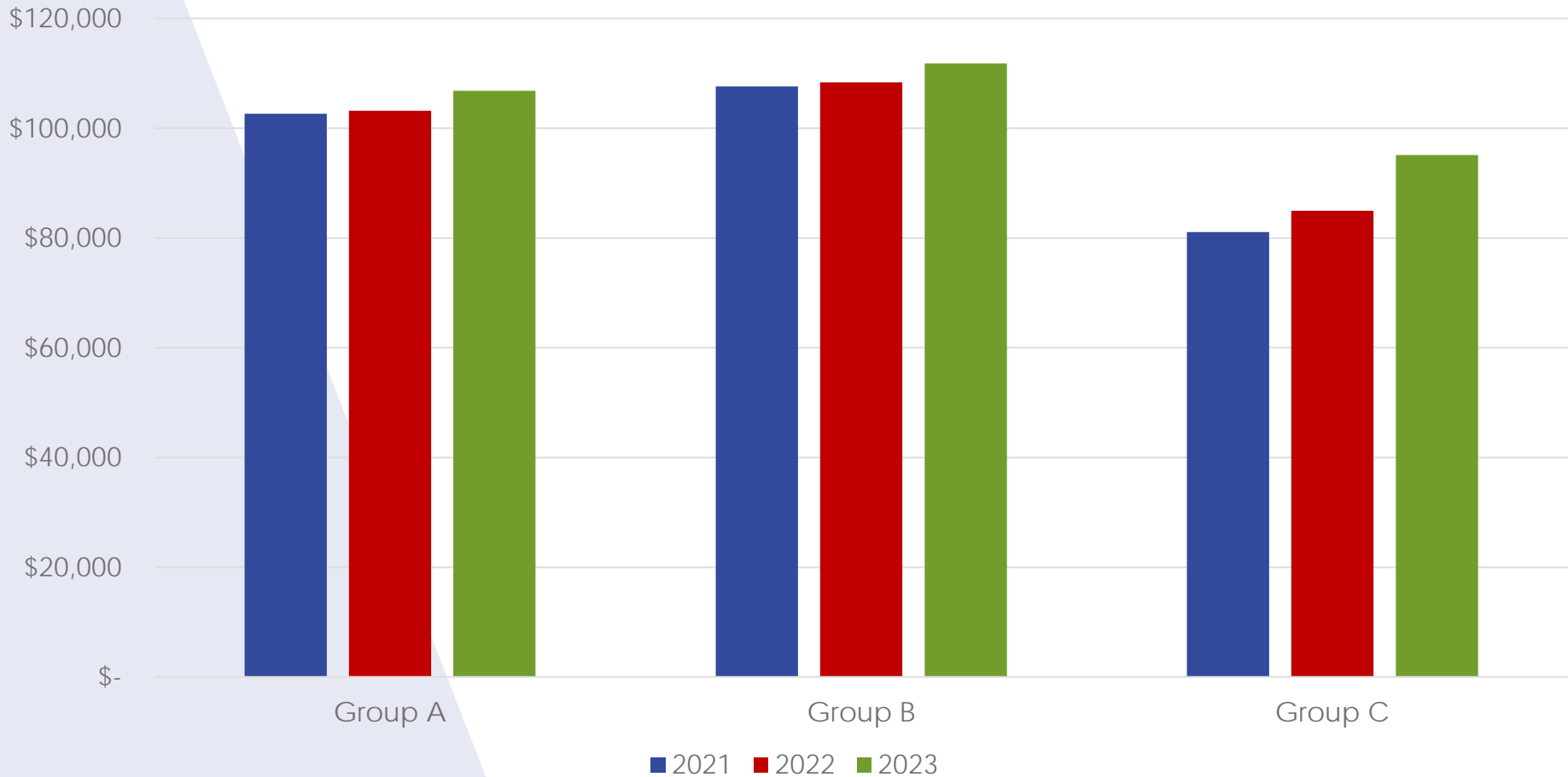


# Average Officers Salary > \$100,000



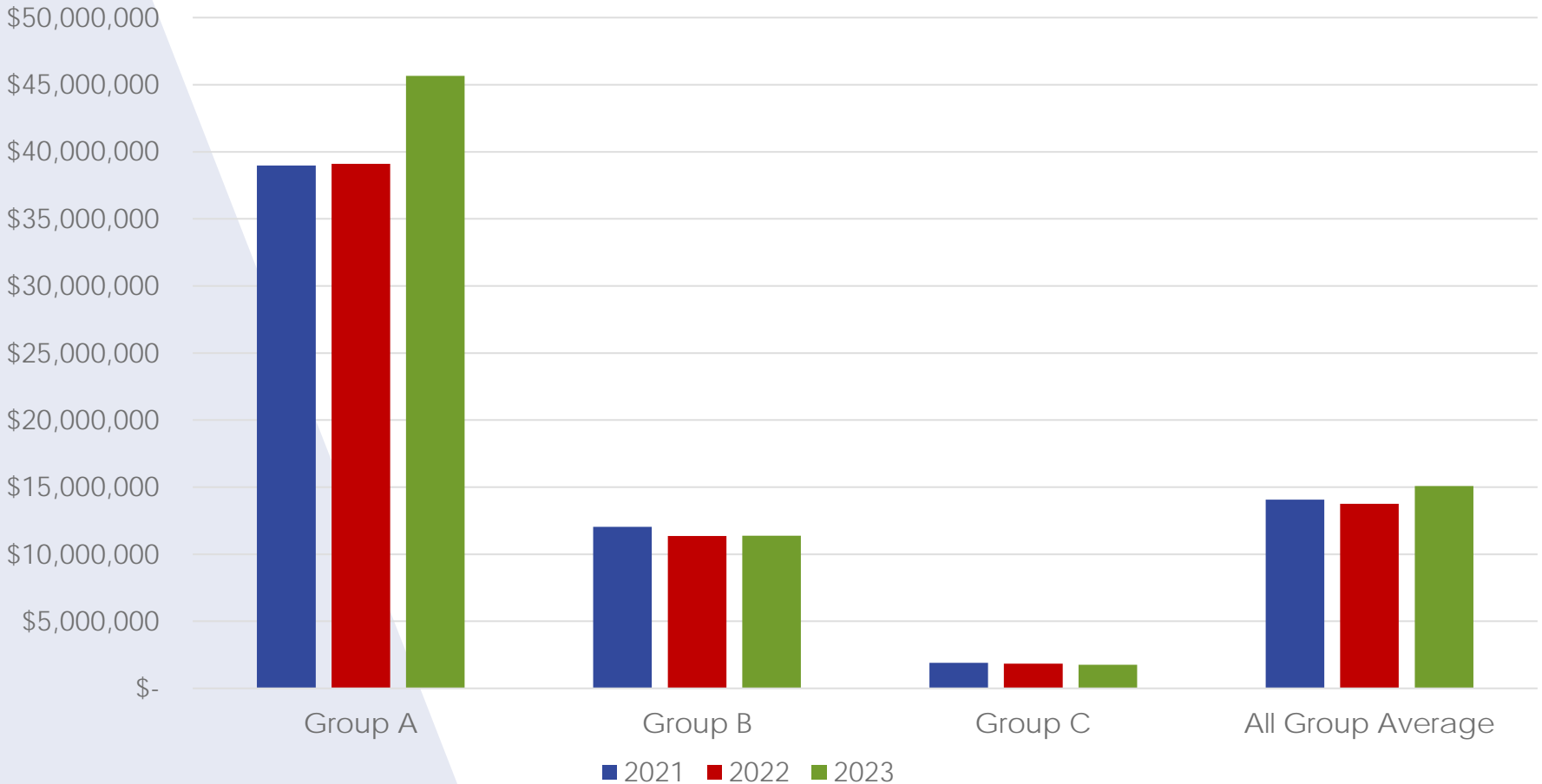


# Average Employee Salary





# Benefits Cost



# UNION POLITICAL ACTIVITY: CAMPAIGN FINANCE AND TAX REGULATION AND PUBLIC REPORTING

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## CALIBRE CPA GROUP NATIONAL LABOR UNION CONFERENCE 2024

**LAURENCE E. GOLD**  
**TRISTER, ROSS, SCHADLER & GOLD, PLLC**  
**[LGOLD@TRISTERROSS.COM](mailto:LGOLD@TRISTERROSS.COM)**

# MAJOR LAWS THAT PROTECT, RESTRICT AND CHANNEL UNION POLITICAL ACTIVITY

40

- **Internal Revenue Code:**
  - all political activity - federal, state and local
- **Federal Election Campaign Act:**
  - federal elections
  - some aspects of state/local elections
- **State campaign finance laws:**
  - state/local elections



# BASIC UNION POLITICAL LEGAL RULES

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**CONTRIBUTIONS:** In federal elections and 13 states plus Puerto Rico, a union may *only* use a *voluntarily* funded PAC (“hard money”), not general-treasury funds



**CONTRIBUTIONS:** In elections in 37 states plus DC, a union may instead use a *treasury*-funded PAC (“soft money”)



**PUBLIC COMMUNICATIONS:** Union may use *any* funds, *but* federal tax rules effectively compel use of a regular federal PAC, a federal “super” PAC, or a non-federal PAC



**MEMBER MOBILIZATION:** a union may use *any* funds, but General Fund is best

# BEST SOURCES OF OUTGOING CONTRIBUTIONS

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**REGULAR FEDERAL PAC** to: federal candidates; national political party committees; federal PACs; state party “federal” accounts; state/local candidates/party committees/PACs in “hard money” states



**NONFEDERAL PAC** to: state/local candidates/parties/PACs in “soft money” states (or in “hard money” states if voluntary-funded); other nonfederal 527 organizations; 501(c)(4)s if earmarked for partisan political uses



**GENERAL FUND** to: unions and central labor bodies; 501(c)(4)s if not earmarked for political uses; 501(c)(3)s; ballot measure committees

# FEDERAL TAXATION OF UNION “DIRECT” POLITICAL ACTIVITY

43

- **IRS classifies partisan political activity (called “exempt function activity”) as “direct” or “indirect”**
- **IRS may tax union *spending* on “direct” political activity**
- **“Direct” political activity:**
  - **Public political communications**
  - **Contributions** to candidates, political parties, federal and state PACs, other “527” political organizations
  - **Donations** to other groups *if* earmarked for partisan political activity

# FEDERAL TAXATION OF UNION “DIRECT” POLITICAL ACTIVITY

44

- **21% federal tax** on *lesser* total amount in a tax year of *either* union's:
  - direct political activity *spending* **or**
  - net investment *income*
- **Net investment income** = interest, dividends, capital gains, rents and royalties, *minus* direct expenses incurred to produce that income
- **All accounts sharing same IRS EIN** treated as one account (regardless which was spent)
- **Paid with IRS Form 1120-POL** (April 15 for CY FY)

# “INDIRECT” UNION POLITICAL ACTIVITY IS NOT TAXED

45

- Management and administrative personnel
- Rent and utilities
- Legal and accounting services
- Candidate and incumbent record research
- Polling and focus groups
- Acquisition and enhancement of voter lists
- Contacts with voters to determine their issue attitudes

*AVOID THE TAX:*  
USE “SEPARATE SEGREGATED” POLITICAL FUND

46

- Federal PAC, state PAC or unregistered PAC
- Separate bank account with its own IRS EIN
- Funded with either **voluntary contributions** or “**prompt and direct**” transfers of union dues or per capita tax
- Can’t spend more than “insubstantially” for anything other than direct/indirect partisan political activity (**IRS term: “exempt function activity”**)
- Taxed at 21% on its *own* net investment income

# “PROMPT AND DIRECT” UNION TREASURY FINANCING OF SEPARATE SEGREGATED POLITICAL FUND

47

- *Best practice*: direct-deposit incoming dues/PCT (may be via holding account)
- *Second-best practice*: transfers from General Fund immediately after receipt
- *Third-best practice*: regular, pre-scheduled transfers from General Fund
- *In all cases*: demonstrate that any interest earnings were incidental and due to administrative convenience

# UNION TREASURY FINANCING OF SEPARATE SEGREGATED POLITICAL FUND

48

- **Don't** transfer investment income (interest, rent, royalties, dividends, capital gains)
- **Don't** transfer union funds that *earned* investment income (except incidentally, since checking account may)
- Ensure transfer procedures comply with federal and state campaign finance laws



# GENERAL FUND: Best Political Uses

49

- Membership political communications
- Release staff to AFL-CIO member mobilization
- Nonpartisan voter registration and GOTV
- Fundraising for a union PAC
- Administrative support for a union PAC
- Donations to AFL-CIO central labor bodies (beyond PCT)
- Donations to 501(c)(4)s and 501(c)(3)s for *nonpartisan* electoral work

# MEMBER POLITICAL COMMUNICATIONS

50

## Who are “Members”

- **active dues-paying members**
- **retirees who retain union membership**
- **Salaried professional, policymaking, managerial, upper-supervisory staff of the union *and affiliates***
- **Their immediate-family householders**

# MEMBER POLITICAL COMMUNICATIONS

51

## Who are NOT “Members”

- **Workers being organized who haven't joined a union**
- **Agency fee-payers represented by a union**

# MEMBER COMMUNICATIONS: FEC Form 7

52

- Potentially due *only from the union about its own spending*, not from any kind of PAC
- *Covers only federal election year*: due April 15, July 15, October 15 (quarters) and October 24, 2024 (Oct. 1-16) and January 31, 2025 (Oct. 17 – Dec. 31)
- Covers any communication at least half of which contains federal “*express advocacy*”
- Only *specially incurred* costs count – not regular staff, not overhead
- Triggered when such spending in *all* races exceeds \$2,000 in all primaries, then in all general elections

# AFL-CIO MEMBER MOBILIZATION

53

- An AFL-CIO-affiliated union may “release” staff – regular and specially employed – for AFL-CIO national, state, local central body outreach to members of AFL-CIO affiliates
- Union may keep/put release staff on the union payroll
- Central labor body solely directs release staff
- All members contacted by AFL-CIO mobilization treated as *AFL-CIO* members
- Union does **not** have to report associated expenses on FEC Form 7 – no special reporting at all

# UNION REGULAR FEDERAL PAC

## Best Political Uses

54

- **Federal contributions:** to federal candidates, national political parties, state party “federal” accounts, regular federal PACs, and political party convention delegate candidates and delegates
- **State contributions** to candidates, political parties and contributing PACs in 13 “**hard money**” states and **PR**
- May also contribute in all other states and DC, *but difficult to do so in soft-money MA, CT, RI*
- ***Coordinated* public communications** with federal candidates and parties

# FEDERAL CONTRIBUTIONS BY UNION REGULAR FEDERAL PAC

55

- Candidate: **\$5,000/primary, \$5,000/general**
- National political party: **\$15,000/yr. plus \$45,000/yr. each to convention, legal and building accounts**
- State party federal account: **\$5,000/yr.**
- Regular federal PAC: **\$5,000/yr.**
- Federal “super” PAC: **unlimited**
- National party convention delegate or delegate candidate: **unlimited**

# UNION REGULAR FEDERAL PAC: REGISTRATION WITH FEC

56

## Completing FEC Form 1, “Statement of Organization”

- **At least 2 email addresses (avoid junkmail receipt)**
- **PAC is “separate segregated fund”**
- **If union is LDA registrant, then PAC is “Lobbyist/registrator PAC”**
- **Union is “connected organization”**
- **All other federal PACs within union are “Affiliated committees” – list them**
- **Pick Assistant Treasurer – list with that title at “Designated Agent”**
- **Use *office* address and phone numbers for Treasurer, Assistant Treasurer, Custodian of Records**

***Keep Form 1 current***



# UNION REGULAR FEDERAL PAC: REPORTING to FEC

57

- **Form 3X:** Choice of 2 schedules – may switch once during each calendar year
- **Quarterly**
  - **2024:** April 15, July 15, October 15 (quarterly), and Oct. 24 (Oct. 1-16), Dec. 5 (Oct. 17 – Nov. 25), & Jan. 31, 2025 (Nov. 26 – Dec. 31)
  - **2025:** July 31 (Jan.-June) and Jan. 31, 2026 (July-Dec.)
- **Monthly**
  - **2024:** 20<sup>th</sup> of every month, except October 24 (Oct. 1-16), Dec. 5 (Oct. 17 – Nov. 25), & Jan. 31, 2025 (Nov. 26 – Dec. 31)
  - **2025:** 20<sup>th</sup> of every month

# UNION REGULAR FEDERAL PAC and IRS

58

- No registration (**except for EIN**)
- No periodic or annual reporting
- If earns net investment income over \$100:
  - Pay 21% tax with **IRS Form 1120-POL**  
(April 15)

# UNION REGULAR FEDERAL PAC FUNDRAISING: MAY ONLY SOLICIT “RESTRICTED CLASS”

59

- Same members and staff discussed earlier
- PLUS: Must be a US citizen or lawful permanent resident
- Solicitation methods must not reach anyone else, except minimally/incidentally
- \$5,000/year limit

# UNION REGULAR PAC PAYROLL DEDUCTION

60

- Contributions must be deducted from pay, *not from dues*
- PAC and dues check-off authorization forms *must be separate and separately voluntarily signed* – signing one can't be dependent on signing the other
- Union or PAC must pay **employer's actual costs** to administer deduction
- *Better*: Agree with employer to **treat costs as incorporated** in overall economic provisions of CBA – and say so in CBA

# OTHER WAYS MEMBERS MAY CONTRIBUTE TO UNION PAC

61

- **Automatic deductions outside of payroll:**
  - Credit card
  - Bank account
  - Vacation fund
- **Checks**
- **Cash (limit: \$100/year)**

***Solicitations must include all FEC/IRS-required disclaimers (include on payroll deduction form)***

# UNION AFFILIATES AS PAC “COLLECTING AGENTS”

62

## Remitting payroll-deducted contributions to PAC

- Best for employer to send directly, with back-up info
- Can send with dues in same check, with back-up info
- If union affiliate receives contributions from employer, it's PAC's “collecting agent” – responsible for sending contributions and back-up info and keeping records

Remittance deadlines: 30 days per contribution, except 10 days for >\$50

Checks: forward directly to PAC

Cash: forward to PAC via money order or cashier's check, with back-up info

# UNION SPONSORSHIP OF FEDERAL “SUPER” PAC: What *IS* a “Super” PAC?

63

- Federal PAC that makes public communications, *not federal* contributions
- Can accept unlimited contributions
- Same registration and reporting requirements to FEC as for regular federal PAC
- No registration or reporting to IRS (**except EIN**)
- Must file **IRS Form 1120-POL** if has net investment income over \$100

# FEDERAL SUPER PAC: LAWFUL USES

64

- Federal “independent expenditures” (unlimited)
- Other federal political communications (unlimited)
- Contributions to other federal “super” PACs (unlimited)
- State political communications (unlimited)
- Contributions to state candidates/PACs **per state law**



# FEDERAL SUPER PAC: UNLAWFUL USES

65

- Contributions to federal candidates, national political parties, state party “federal” accounts, regular federal PACs, and party convention delegate candidates and delegates
- In 13 “hard money” states and PR, contributions to state candidates, political parties and contributing PACs
- *Coordinated* public communications with federal candidates and political parties

# UNION'S SUPER PAC MAY BE “SEPARATE SEGREGATED FUND” OR “NON-CONNECTED”

66

- FEC accepts registrations both ways, though law unclear
- **SSF:** Union can make tax-protected prompt/transfers of dues/PCT (described earlier)
- **Non-connected:**
  - Union may be subject to tax on General Fund transfers
  - But union may *externally* fundraise
    - ✦ Unions, PACs, Individuals
    - ✦ *But not most employers* (currently represented, being organized or within union's organizing jurisdiction)

# ADMINISTRATIVE COSTS OF UNION-CONTROLLED FEDERAL PAC

67

- **SSF Regular or Super:** Union may pay all administrative and fundraising costs
  - Not a “contribution” to the PAC
  - Not separately itemized on union’s DoL LM-2 and IRS Form 990 – reported with other administrative costs
  - PAC instead/also may pay its own costs
- **Non-connected Super:**
  - PAC may pay own administrative costs
  - Union may pay, *but* it’s an **in-kind contribution** to PAC – lawful, unlimited, subject to 21% federal tax and reported as contribution on LM-2 and 990

# FEDERAL INDEPENDENT EXPENDITURES

68

- **Express advocacy, not other message content**
- **General public audience, not a union members**
- **Independent, not “coordinated”**
- **Unlimited spending by regular or super PAC**

# FEDERAL INDEPENDENT EXPENDITURES: Special Reporting

69



Until **20 days pre-election** (primary or general): **48-hr. report** of each increment of \$10,000 in particular race



From **19 to 2 days pre-election** (primary or general): **24-hr. report** of each increment of \$1,000 in particular race

- “Increment” means amount either spent, incurred, invoiced or estimated, *when a communication is publicly disseminated*
- If joint federal/state candidate piece, allocate costs per relative space and time (*and comply with state reporting rules*)

# UNION NON-FEDERAL ACCOUNT: Best Political Uses

70

- Contributions to state candidates, political parties and contributing PACs in 37 “soft money” states and DC
- If voluntary-financed, then same contributions in other 13 “hard money” states and Puerto Rico
- Contributions to other non-federal “527” political organizations
- Public political communications in all jurisdictions
- Contributions to federal super PACs

# IRS REGISTRATION & PERIODIC REPORTING BY UNION NON-FEDERAL POLITICAL ACCOUNT

71

- Register with IRS on Form 8871 when gross receipts reached \$25,000/yr
- *Either:*
  - **Report regularly to IRS** on Form 8872 if gross receipts reach \$25,000/yr *or*
  - **Exemption from Form 8872 reporting** if must register with and report everything spent everywhere to *at least one* state campaign finance authority
  - **But loses exemption if makes federal election communications or federal super PAC contributions**
- IRS Form 8872 schedule is identical to FEC Form 3X: “monthly” or “quarterly”

# IRS ANNUAL REPORTING BY UNION NON-FEDERAL POLITICAL ACCOUNT

72

- *If state PAC*, must file **IRS Form 990 or 990-EZ** if gross receipts reach \$100,000/year
- *If not state PAC*, must file **IRS Form 990 or 990-EZ** if gross receipts reach \$25,000/year
- *Either way*, must file:
  - **IRS Form 990 (not 990-EZ)** if either gross receipts reach \$200,000/year *or* end-of-year gross assets reach \$500,000
  - **IRS Form 1120-POL** if net investment income exceeds \$100 (and pay 21% tax on that income)



# PRO-/ANTI-CANDIDATE PARAPHERNALIA FOR *MEMBERS OR PUBLIC*

73

- Clothing, buttons, bumper stickers, posters, yard signs
- **Independent-expenditure** *if* uncoordinated *plus* either express advocacy or candidate's name
- **48/24-hour FEC reporting** triggered when either:
  - Received from vendor
  - Distributed to members or affiliates
  - Authorized for dissemination
  - Actual dissemination (at latest)
- ***So, usually best to use a PAC account***

# STATE/LOCAL BALLOT MEASURE COMMITTEES

74

- State/local ballot measures: amend constitution and statutes, approve public bonds and decide other governmental matters
- **General Fund should contribute/spend**, subject to state registration/reporting
- **Union political accounts should *not* be used**, because these are *not* deemed partisan political activities by IRS
- Even if state labels ballot measure groups as “political committees,” they are *not* IRC 527 “political organizations” – they are usually 501(c)(4)s

# NATIONAL PARTY CONVENTIONS

75

- **Only regular federal PAC** may contribute to DNC's **convention account** (same for RNC's convention account): \$45,000/year
- **Only regular federal PAC** may pay for **convention delegates' expenses**: political activities, travel, lodging, food, *including to/at/from convention*
- **Union General Fund** may pay for **officers/staff** to attend convention and related events
- **PAC/Union** must **allocate** payment for **officers/staff who are also delegates**

# NATIONAL PARTY CONVENTION HOST COMMITTEES

76

- **DNC: “Development Now for Chicago”**
  - **501(c)(6) “business league” (a stretch)**
  - **May receive unlimited contributions**
  - **Any union account permissible, no tax risk**
- **RNC: “170 Freedom Milwaukee 2024 Host Committee”**
  - **501(c)(3) “charity” recognized by IRS (seriously?)**
  - **May receive unlimited contributions**
  - **Any union account permissible, no tax risk**
  - **Tax-deductible for individuals, businesses (seriously)**

# REPORTING ON USD<sub>o</sub>L FORM LM-2

77

- Say “yes” to Q. 11(a) (*‘sponsor a PAC?’*) and list PACs at Item 69
- PAC transactions are *not* included on LM-2
- Internal union “political” ledger accounts *are* included on LM-2 but are not “PACs” unless state-registered (*shouldn’t be*)
- Include dues/PCT that are “promptly and directly” transferred to SSF with all other dues/PCT on Statement B, Line 36, “Dues and Agency Fees” (receipts)
- List prompt and direct transfers to SSF on Schedule 16, “Political Activities and Lobbying” (disbursements) (*better than Schedule 17, “Contributions, Gifts and Grants”*)
- List all other General Fund political spending on Schedule 16

# UNION REPORTING ON IRS FORM 990

78

- **Part IV, Line 3:** “Did the [union] engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office?”
- If “yes,” then complete **Schedule C, “Political Campaign and Lobbying Activities”**:
  - Poorly designed, confusing, features undefined and contradictory terminology

# IRS FORM 990, SCHEDULE C FOR UNIONS

79

- Uses phrases “direct and indirect political campaign activities” and “section 527 exempt function activities” and “political campaign activity expenditures”: no way to distinguish them, so treat them the same way
- So, include both “direct” and “indirect” political spending in providing total “political campaign activity expenditures”
- “Direct” expenses for political activities are subject to the 21% tax.
- “Indirect” expenses for political activities are *not* subject to 21% tax.

# IRS FORM 990, SCHEDULE C FOR UNIONS

80

- Requires total “amount directly expended...for section 527 exempt function activities”
  - Include only *taxable “direct”* political expenditures
- Also requires total “amount contributed...to other organizations for section 527 exempt function activities”
  - Include only *taxable “direct” political contributions*
  - *Do not* include union’s prompt/direct transfers of dues/PCT to union’s own SSF
- **Form adds these two “amounts” and subjects them to Form 1120-POL and 21% tax**



# IRS FORM 990, SCHEDULE C FOR UNIONS

81

- Separately requires list of all 527 political organizations to which union made payments
- Separately requires total “prompt and direct” transfers of dues/PCT to union’s own SSFs -- *ignore misleading phrase “political contributions received [by the union]”*

# Break



12<sup>th</sup> Annual National  
Labor Union Conference  
~ Annual Update ~

CALIBRE CPA GROUP, PLLC  
JUNE 20, 2024



# Enhancing Technology & Effective Cybersecurity

BRIAN ISENSTEIN | DIRECTOR OF INFORMATION TECHNOLOGY  
CALIBRE CPA GROUP, PLLC



Let's talk AI and  
Hardware



# The Rise of Artificial Intelligence

- ▶ AI trained on Large Language Models has learned how we talk.
- ▶ Be skeptical of its authoritative tone
  - ▶ AI can hallucinate facts
  - ▶ AI is willing to consider it's wrong when told so.
- ▶ Surprising better at art than science



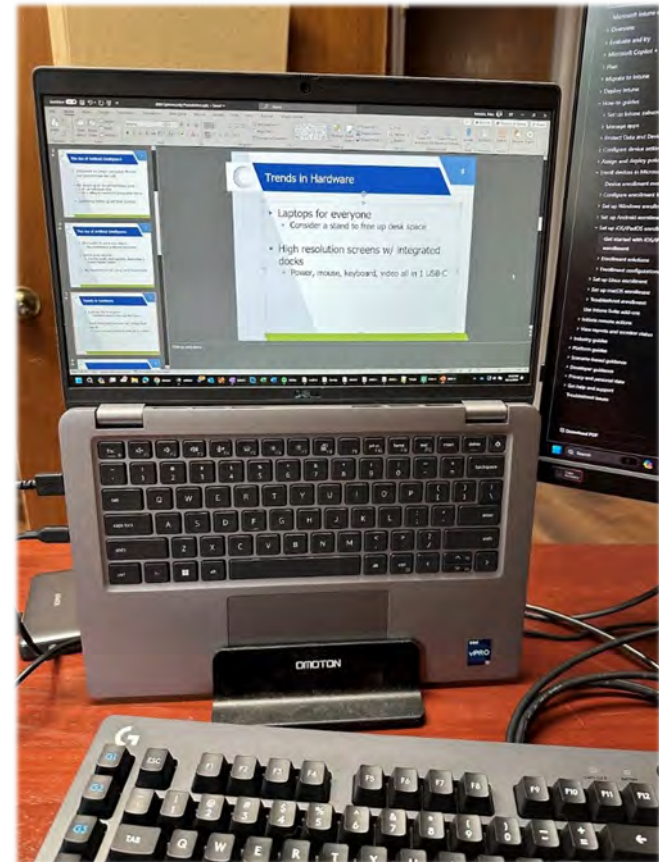


# The Rise of Artificial Intelligence

- ▶ Be careful in what you share
  - No confidential or protected information
- ▶ Verify your output
  - Test the results, when possible, always have a trusted human review.
- ▶ My experiences w/ Excel and Powershell

# Trends in Hardware

- ▶ Laptops for everyone
  - ▶ Continuity enabling
  - ▶ Consider a stand to free up desk space
  - ▶ Improved processors increasing lifespan





# Trends in Hardware

- ▶ High resolution screens w/ integrated docks
  - ▶ Power, mouse, keyboard, video all in 1 USB-C cable
  - ▶ More screen real estate = more productivity



# Trends in Hardware

- ▶ Conference Rooms designed for mixed presence
  - ▶ Support users onsite and remotely to collaborate





# Trends in Hardware

- ▶ Dual Internet Service Providers wherever possible
  - ▶ Many routers can bundle 2 WAN connections
  - ▶ Consider 2 providers who take different paths into your buildings
  - ▶ Remote workers should have home internet and the ability to hotspot on their phones



# Cybersecurity Time

AI Art generated by [firefly.adobe.com](https://firefly.adobe.com)



# Current State of Cybersecurity

- ▶ \$4.45M – Average total cost of a breach<sup>1</sup>
  - ▶ Inflated by healthcare industry attacks
  - ▶ Industrial, Transportation, Prof Services less than half that
- ▶ FBI's ICCC reports a 10% increase in complaints and 22% increase in losses from 2022 - 2023<sup>2</sup>

# Current State of Cybersecurity

- ▶ 68% of all breaches involved a non-malicious human element<sup>1</sup>
- ▶ Median time to fall for a phishing email is under 60 seconds<sup>1</sup>
- ▶ 31% of all breaches involve stolen credentials<sup>1</sup>



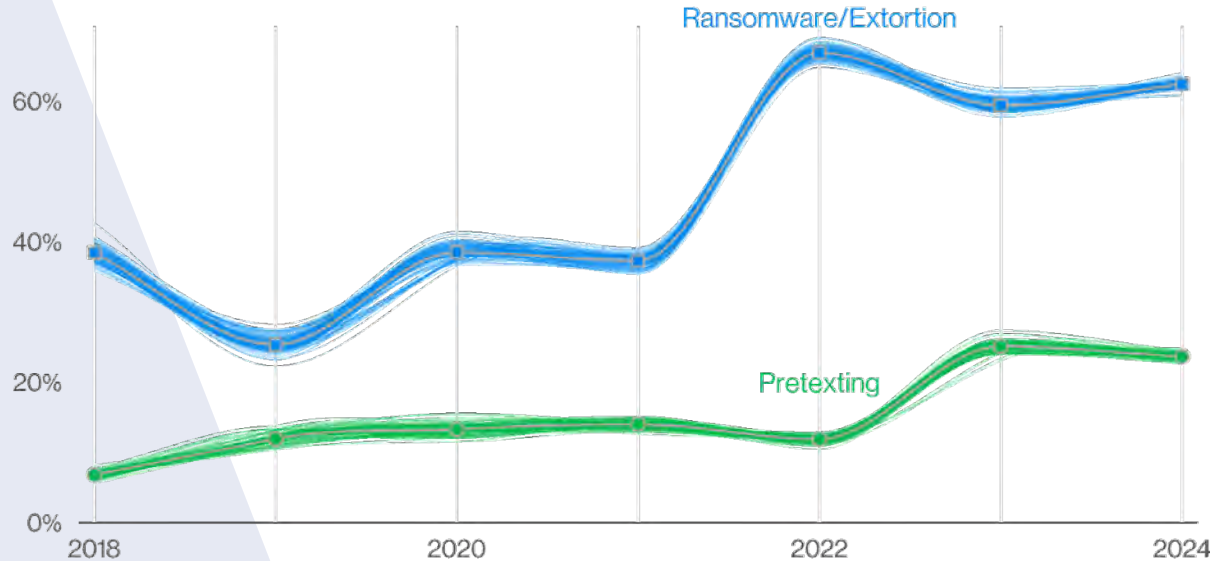
# Types of Threats

- ▶ Ransomware locks you out from your data, potentially exfiltrating it as well
  - ▶ Patch vulnerabilities regularly and quickly
  - ▶ Implement verbose logging and alert on anomalies
  - ▶ Consider backup solution w/ immutable storage
  - ▶ Principle of least privilege to limit spread




# Types of Threats

- ▶ Business Email Compromise (BEC) is on the rise
  - ▶ Pretexting lowers friction





# Types of Threats

- ▶ Phishing is evolving to include
  - ▶ Quishing: QR Code based phishing
  - ▶ Vishing: Voice phishing 
    - ▶ AI voice generators
  - ▶ SMiShing: Text message phishing
    - ▶ Attackers can impersonate caller ID
- ▶ When in doubt, look up the number yourself and call directly
- ▶ Design methods for user verification

A circular logo composed of small blue and green dots arranged in a ring, with a white center.

# 2021 DOL Whitepaper

- ▶ Set of general best practices you should all be following including
  - ▶ Documented cybersecurity program
  - ▶ Encryption of data wherever possible
  - ▶ Regular risk assessments
  - ▶ Periodic cybersecurity training
  - ▶ Business continuity
  - ▶ Disaster recovery
  - ▶ Third party security reviews



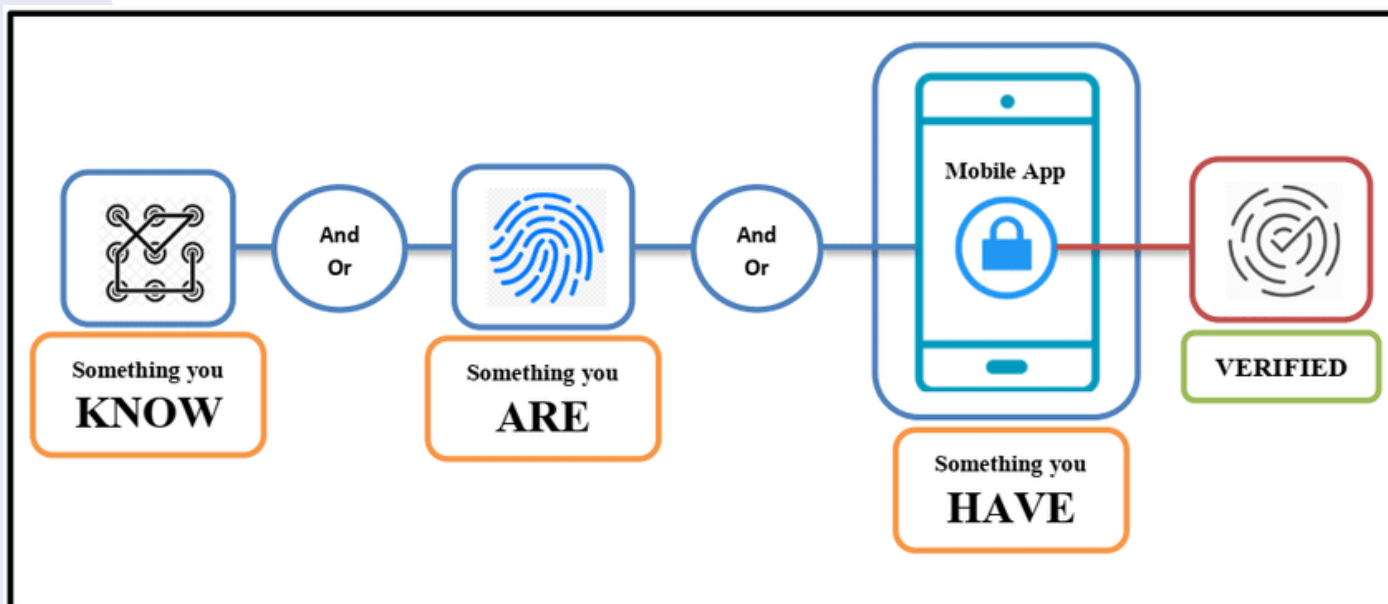


# Evaluate Your Security Stack

- ▶ Cybersecurity training is non-negotiable
  - ▶ 68% of attacks include a non-malicious human element
  - ▶ Include a testing element
- ▶ Content needs to be engaging, relevant and current
  - ▶ Consider regular training, not just annual to keep users fresh and security top of mind
- ▶ Implement remedial training for users who fail tests

# Evaluate Your Security Stack

- ▶ Multi Factor Authentication is a must across the board
  - ▶ Make sure everyone is well trained





# Evaluate Your Security Stack

- ▶ Does your security incorporate behavioral evaluation?
- ▶ Protect against novel threats, BEC
  - Looks at what's happening in context, not just reputation and known risks



# Tax Update

KRISTIN A. JACQUELIN, CPA | DIRECTOR  
CALIBRE CPA GROUP, PLLC



# Updates & Reminders



# Changes to Returns

- ▶ Form 990
  - ▶ No changes to return
  - ▶ Small clarifications in the instructions for supporting organizations
  
- ▶ Form 990T
  - ▶ Alternative minimum tax now applies to corporate filers as well as trusts
  - ▶ Expanded lines for tax due and payments made



# Changes to Returns

## ▶ Form 5500

- ▶ Threshold for filing as a small plan changed
  - ▶ If participants with account balances at the beginning of the year are less than 100, can file as a small plan (no audit required)
- ▶ Schedule H
  - ▶ Requires more detailed breakout of administrative expenses

### **i** Administrative expenses:

(1) Salaries and allowances .....	2i(1)	
(2) Contract administrator fees .....	2i(2)	
(3) Recordkeeping fees .....	2i(3)	
(4) IQPA audit fees .....	2i(4)	
(5) Investment advisory and investment management fees .....	2i(5)	
(6) Bank or trust company trustee/custodial fees .....	2i(6)	
(7) Actuarial fees .....	2i(7)	
(8) Legal fees .....	2i(8)	
(9) Valuation/appraisal fees .....	2i(9)	
(10) Other trustee fees and expenses .....	2i(10)	
(11) Other expenses .....	2i(11)	
(12) Total administrative expenses. Add lines 2i(1) through (11) .....	2i(12)	

# Changes to Returns

- ▶ Form 5500 – Schedule R
  - ▶ Part V (changed 2022)
    - ▶ Required to report top 10 highest contributing employers (even if not over 5%)
  - ▶ Part VI – added additional categories of investments

- 19** If the total number of participants is 1,000 or more, complete lines (a) and (b):
- a** Enter the percentage of plan assets held as:  
 Public Equity: \_\_\_\_\_ % Private Equity: \_\_\_\_\_ % Investment-Grade Debt and Interest Rate Hedging Assets: \_\_\_\_\_ %  
 High-Yield Debt: \_\_\_\_\_ % Real Assets: \_\_\_\_\_ % Cash or Cash Equivalents: \_\_\_\_\_ % Other: \_\_\_\_\_ %
- b** Provide the average duration of the Investment-Grade Debt and Interest Rate Hedging Assets:  
 0-5 years    5-10 years    10-15 years    15 years or more

- ▶ Part VII – added section for IRS Compliance

## Part VII IRS Compliance Questions

- 21a** Does the plan satisfy the coverage and nondiscrimination tests of Code sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules?  Yes  No
- 21b** If this is a Code section 401(k) plan, check all boxes that apply to indicate how the plan is intended to satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under Code sections 401(k)(3) and 401(m)(2).
- Design-based safe harbor method
- "Prior year" ADP test
- "Current year" ADP test
- N/A
- 22** If the plan sponsor is an adopter of a pre-approved plan that received a favorable IRS Opinion Letter, enter the date of the Opinion Letter \_\_\_/\_\_\_/\_\_\_ (MM/DD/YYYY) and the Opinion Letter serial number \_\_\_\_\_.



# Changes to Returns

- ▶ Form 5500
  - ▶ Schedule MEP for Multiple-Employer Plans
    - ▶ Same information, new format
      - ▶ Type of plan
      - ▶ Participating Employer Information
      - ▶ Pooled Employer Plan Information



## Other Reminders

- ▶ New Officers – need to complete form 8822-B to update “responsible party”
- ▶ DC Exemption
  - ▶ OTR implemented a 5-year renewal in 2019
  - ▶ FR-164 must be completed through MYTAXDC
- ▶ Group Exemptions – Annual Update
  - ▶ Must be mailed to IRS at least 90 days before the end of the central organization’s year end
  - ▶ Report changes to affiliates (terminated, disaffiliated, added, or change of names or addresses)
  - ▶ If no changes are required, a statement confirming this must be submitted



# 1099 Overview



# Forms 1099-NEC and 1099-MISC

	Form 1099-NEC	Form 1099-MISC
<b>What is it?</b>	A tax form that reports nonemployee compensation may be subject to self-employment tax.	A tax form that reports miscellaneous income, not subject to self-employment tax.
<b>Who typically files it?</b>	Businesses paying a contractor who perform services but is not an employee.	Business paying miscellaneous items such as rent, prizes, awards, or legal settlement payments paid to attorneys, broker payments, or royalties.
<b>Who typically receives it?</b>	Independent contractors, freelancers, sole proprietor, attorneys, etc.	Landlords, attorneys, prize winners, etc.
<b>Who does not receive it?</b>	Corporations (except for certain medical/health care and attorney payments) LLC's only if it indicates it is taxable as corporation (C or S) on Form W-9	
<b>Filing threshold</b>	\$600	\$10 for royalties or broker payments, \$600 for all others
<b>Filing method</b>	Electronic filing required – if organization files 10 or more information returns for the calendar year	
<b>Filing deadline</b>	January 31 <sup>st</sup>	March 31 <sup>st</sup> if e-filing, February 28 <sup>th</sup> if paper filing



# Electronically Filing Information Returns: FIRE System

- ▶ **Filing Information Returns Electronically** (FIRE) system is the online tool used to transmit information returns and automatic extension requests to the IRS.
  - ▶ Supports Form 1099 series as well as additional information returns. (Forms 1098, 1095, 1042-S and others)
  - ▶ Uploaded files must be in .efd format, which requires special software.
  - ▶ A Transmitter Control Code, TCC, is required to access the FIRE system.
    - ▶ The TCC is a 5-character code that identifies the business submitting the electronic files
    - ▶ The TCC and login will be unique to the entity, each individual user does not have to create an account
    - ▶ A new TCC code was required as of January 2024 for any code issued prior to September 25, 2021
  - ▶ Many believe the FIRE System will eventually be replaced by the IRIS System, but no official announcement has been made by the IRS.



# Electronically Filing Information Returns: IRIS System

- ▶ The **Information Returns Intake System (IRIS)** is a free platform that businesses can use to electronically file forms in the 1099 series (e.g., 1099-NEC).
  - ▶ IRIS launched in January 2023.
  - ▶ E-file the states that participate in the Combined Federal/State Filing (CF/SF) Program.
  - ▶ Currently only supports the Form 1099 series.
  - ▶ Must obtain a new Transmitter Control Code (TCC) to file returns in IRIS. You cannot leverage existing FIRE TCCs for filing in IRIS.
  - ▶ More user friendly
    - ▶ Manually create 1099s in IRIS
    - ▶ Upload up to 100 records at a time via .csv file formats
    - ▶ The IRS is working with software filers to develop a system-to-system process for submitting large volumes of information returns





# Inflation Reduction Act of 2022 Clean Energy Tax Incentives



# Clean Energy Tax Incentives Summary

- ▶ Can non-profits take advantage – YES!
- ▶ What type of purchases are applicable:
  - ▶ Commercial clean vehicles
    - ▶ EV acquired for use or lease by the organization
  - ▶ Clean Energy Investment
    - ▶ Solar, wind, energy storage, geothermal, etc.
  - ▶ Alternative Fuel Refueling Property
    - ▶ EV charging stations
- ▶ If you don't have taxable income or otherwise file a 990T, you can still take advantage of the credits!



# FinCen Beneficial Owner Information (BOI) Reporting



# What is BOI?

- ▶ Effective January 1, 2024, the Corporate Transparency Act (CTA) requires certain organizations to file a beneficial ownership information (BOI) report with a division of the Department of Treasury called the Financial Crimes Enforcement Network or FinCEN.
- ▶ The purpose of the report is to identify all individuals who are beneficial owners of an organization.
- ▶ Affects LLC's, corporations, statutory trusts, or any entity formed by state filings.
- ▶ A beneficial owner is:
  - ▶ An individual who directly or indirectly exercises substantial control over the reporting company or who owns or controls at least 25 percent of its ownership interests.
  - ▶ Individuals with substantial control include senior officers, individuals with the authority to appoint or remove senior officers or a majority of the governing body, and important decision makers.
  - ▶ Even if a reporting company has no individual owners, it will still have individuals exercising substantial control.



# BOI Reporting

- ▶ Organizations Exempt from Filing Requirements
  - ▶ Unincorporated associations
  - ▶ IRC Sec. 501(c) organizations
  - ▶ IRC Sec. 527 political organizations
  - ▶ Wholly-owned subsidiaries of a BOI exempt organization
    - ▶ Example: A 501(c)(5) labor organization owns 100% of an LLC or taxable corp. Because the 501(c)(5) is exempt for BOI reporting, the LLC or corporate subsidiary is also exempt.

# Questions & Answers

12<sup>th</sup> Annual National  
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~ Annual Update ~





Washington, DC

(202) 331-9880

Chicago, IL

(312) 655-0037

New York, NY

(212) 695-1300

Los Angeles, CA

(213) 341-4684