



Message from Alan Styles, California State University San Marcos AAA GNP Section President

GNP Members:

I hope you had a productive academic year and are looking forward to the summer. As I was warned by several past-presidents, my time as President of the section has flown by. The term of a President is an opportunity to make an iterative impact. I received support from a wonderful and productive Executive Committee. A number of these individuals stepped into new positions and their accomplishments have laid a solid foundation for the future of the section – thank you to all of you!

I have been fortunate during my Presidential year to host two meetings in my part of the world - Southern California. In March I hosted the Midyear Meeting in Long Beach and in August the Annual Meeting will be in San Diego - “down the road” from my university, California State University San Marcos. Both meetings provide a wonderful opportunity for section members to network, learn and be inspired to further the discipline of government and nonprofit accounting.

We had an enjoyable and constructive Midyear meeting in Long Beach, CA March 9-11. Many of our ongoing members attended the meeting, but we saw a tremendous number of new faces – including ten doctoral students and three non-tenure track accounting faculty. I found it so encouraging to see the growth in participation within our section coupled with the energy and discourse about government and profit accounting. The Friday sessions continued our tradition of speakers from the profession enlightening us on the developments and challenges they face in their day-to-day activities. We also hosted a couple of panel sessions with stimulating discussion of how professionals and academics can further and promote careers in GNP accounting, and how we can increase the opportunities for academic and professional research in GNP accounting. Thank you to our speakers and panelists:

- Bradley Wells, Associate Vice Chancellor, Business & Finance, Chancellor’s Office, California State University.
- Chad Franks, Tax-Principal-Development and Exempt Organizations Tax Practice, KPMG LLP, Los Angeles.
- Tom Scaglione, Assistant General Manager and CFO, Vallecitos Water District, San Marcos CA.
- Faith Raiguel, CFO, Los Angeles Opera.
- Dean Mead, Senior Research Manager at the Governmental Accounting Standards Board

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- Research Panelists - Vaughan Radcliffe, Robert Eger, Linda Parsons, Michelle Higgins, Dana Forgiione and Terry Patton.

In an attempt to provide more opportunities for member participation in GNP governance and promote emerging/developing research studies we experimented with a new day/time for the Executive Committee Meeting and added two interactive poster sessions. You can find more details on the specific sessions and our changes to the program in the Midyear Meeting Recap later in the newsletter. If you attended the meeting, Robert Eger and I are eager to receive your feedback on the changes we made.

If you can attend the AAA Annual Meeting in San Diego, I highly encourage you to do so. Even though I am biased toward the location, I believe many of you will agree with me that a meeting by the waterfront with a cooling ocean breeze represents one of the best settings for an Annual Meeting. The meeting is a celebration of the American Accounting Association and the activities of its sections and members. The GNP section will be hosting a number of fulfilling sessions that provide a combination of professional development, networking and social activities.

Sunday we will have two stimulating workshops. Both of these workshops should invigorate you how GNP teaching and scholarly activities can have a significant impact on our students and the GNP community.

- The morning session, *Bringing Practice into the Classroom*, will allow participants to learn about successful service learning projects at San Diego State University and Seattle University that allow students to work with local GNP organizations and experience the impact of accounting on these organizations and their community.
- The afternoon workshop, *Government and Nonprofit Research Opportunities*, represents a great opportunity to learn how some of our most prolific and relatively younger researchers have successfully built their careers on a solid foundation of GNP publication.

Monday is what I call “GNP Day.” The first GNP concurrent session begins at 10:15am, followed by the Section Luncheon at 12noon. Immediately following our luncheon we will hold the section’s Business Meeting. We round off the day with our second concurrent session at 4pm. In addition to “GNP Day” the section will be hosting a total of six concurrent sessions on Tuesday and Wednesday.

These sessions would not be possible without the hard work of Dan Neeley, GNP Paper Chair for the meeting, the numerous paper reviewers, and the moderators, presenters and discussants in each of our eight concurrent sessions.

In the fall President’s Letter I outlined just a few of the many opportunities to volunteer within the section. I am glad to report that a number of you are helping the committees achieve their objectives – thank you! The committee chairs welcome additional volunteers and I again encourage you to email the relevant chairs and/or contact me directly if you wish to help the section.

I look forward to seeing as many of you as possible this August at the Annual Meeting in beautiful San Diego. If you are coming to the Annual Meeting - a tip from a local, bring a light jacket as evenings by the water can be cooler than you expect.

Alan K. Styles
<mailto:astyles@csusm.edu>

2017 Annual Meeting Information

Section Luncheon and Business Meeting

The GNP Section Luncheon will be held on Monday, August 7, at 12:00 noon. The section business meeting will be held immediately following the luncheon. Please plan to attend.

GNP Workshops

Sunday, August 6 – 8:00 am – 11:00 am

Bringing Practice into the GNP Classroom

Our presenters for this teaching workshop are Jessica Barlow, San Diego State University, and Valentina Zamora, Seattle University

Sunday, August 6 – 1:00 pm – 4:00 pm

Government & Nonprofit Research Opportunities

Our presenters for this research workshop are Nancy Feng, Suffolk University; Erica Harris, Villanova University; Daniel Neely, University of Wisconsin-Milwaukee; Kevin Rich, Marquette University; Michelle Yetman, University of California at Davis.

Concurrent Session Details

The GNP section will host six concurrent sessions during the three-day meeting. The papers and participants in the sessions are as follows:

Session Title: Nonprofit Reporting and Giving

Monday, August 7, 10:15 am - 11:45 am

Session Moderator: Nancy Chun Feng, Suffolk University

1. Do Donors Respond to Fraud? An Examination of Asset Diversions and Subsequent Giving to Public Charities, Erica Harris, Villanova University; Christine Petrovits, The College of William and Mary; Michelle H. Yetman, University of California at Davis

Discussant: Aleksandra Zimmerman, Northern Illinois University (Confirmed)

2. Determinants and Consequences of Nonprofit Transparency, Erica Harris, Villanova; Daniel Neely, University of Wisconsin-Milwaukee

Discussant: Renee Flasher, Ball State University (Unconfirmed)

3. Are Not-for-Profit Employees More Willing (Or Likely) to Whistleblow? Andrea Scheetz, Radford University; Aaron B Wilson, Ohio University

Discussant: Chevonne Alston, University of Mississippi (Confirmed)

Session Title: Government and Nonprofit Internal Control

Monday, August 7, 4:00 pm - 5:30 pm

Session Moderator: Amy F Holmes, Trinity University

1. Internal Audit and Financial Reporting Quality in the Public Sector, Steven M DeSimone, Univ of Massachusetts Lowell

Discussant: Kevin Rich, Marquette University

2. Linguistic Tone of Municipal Management Discussion and Analysis Disclosures and Future Internal Control Quality, Kevin T. Rich, Marquette University; Brent L. Roberts, Virginia Commonwealth University; Jean X. Zhang, Virginia Commonwealth University

Discussant: Maria da Conceição Marques, Instituto Superior de Contabilidade e Administração de Coimbra (Unconfirmed)

3. Are Nonprofits Punished for Persistent Internal Control Weaknesses and Rewarded for Swift Remediation? Erica E Harris, Villanova University, Stefanie L Tate, Univ of Massachusetts Lowell, Aleksandra B Zimmerman, Northern Illinois University

Discussant: Mary Fischer, The University of Texas at Tyler (Unconfirmed)

Session Title: Government Disclosure

Tuesday, August 8, 10:15 am - 11:45 am

Session Moderator: Mary Fischer, The University of Texas at Tyler

1. Determinants of local government reporting lag: Evidence from Illinois, Shannon N. Sohl, Northern Illinois University; Tammy R. Waymire, Northern Illinois University; Thomas Z. Webb, University of Mississippi

Discussant: Linda Ragland, The University of New Hampshire

2. Determinants of Audit Report Lag in Municipalities, Amanda Peterson, East Carolina University; Rebecca Bloch, Fairfield University

Discussant: Tammy Waymire, Northern Illinois University

3. The Impact of Regulatory Monitoring on Disclosure Practices in the Municipal Securities Market, Yulianti Abbas, Indiana University Bloomington

Discussant: Christine Cuny, New York University

Session Title: Nonprofit Hospitals

Tuesday, August 8, 2:00 pm - 3:30 pm

Session Moderator: Brian McAllister, UCCS

1. Does State Community Benefits Regulation Influence Charity Care and Operational Efficiency of U. S. Nonprofit Hospitals? James Cannon, Iowa State University; Melvin Lamboy-Ruiz, Iowa State University; Olena Watanabe, Iowa State University

Discussant: Dana Forgione, University of Texas at San Antonio

2. The Effect of Board Structure, Board Policies and Financial Position on Charity Care Provided by Nonprofit Hospitals, Linda Ragland, University of New Hampshire; Catherine Plante, Univ of New Hampshire

Discussant: Cathleen Miller, University of Michigan - Flint

3. Do Hospitals Earn Their Nonprofit Status? Catherine Plante, University of New Hampshire; Linda Ragland, University of New Hampshire

Discussant: Melvin Lamboy-Ruiz, Iowa State University

Session Title: Municipal Bonds and Governmental Reporting

Tuesday, August 8, 4:00 pm - 5:30 pm

Session Moderator: Ryan Leece, University of Alabama at Birmingham

1. Are Investors Fixated on Credit Ratings? Evidence from the Municipal Bond Market, Leo Tang, Lehigh University; Pei Li, Southwestern University of Finance and Economics

Discussant: Makoto Kuroki, Yokohama City University

2. Real Effects of Governmental Accounting Standards: Evidence from GASB Statement No. 53: Accounting and Financial Reporting for Derivative Instruments, Saleha Khumawala, University of Houston; Tharindra Ranasinghe, University of Maryland; Claire Yan, Rutgers University

Discussant: Rebecca Bloch, Fairfield University

3. Trading around Disclosure of Municipal Bond Defeasance, Don Monk, Rutgers University; Ke Xu, SWUFE and Rutgers University

Discussant: Robert Eger, Naval Postgraduate School

Session Title: Nonprofit Reporting

Wednesday, August 9, 10:15 am - 11:45 am

Session Moderator: Cathleen L Miller, University of Michigan - Flint

1. Budget Setting and Ratcheting under Zero-Profit Constraint: Evidence from Private Colleges and Universities, Makoto Kuroki, Yokohama City University

2. Societal trust and the economic behavior of nonprofit organizations, Robert Felix, University of Baltimore; Greg Gaynor, University of Baltimore; Mikhail Pevzner, University of Baltimore; Jan Williams, University of Baltimore

3. Nonprofit Accounting Conservatism, Jennifer L. M. Altamuro, Villanova University; Erica Harris, Villanova University
4. Do Donors React to Advertising Spending, Benedikt Quosigk, Kennesaw State University; Jay Vega, Clarkson University; John Huppertz, Clarkson University

Session Title: Healthcare

Wednesday, August 9, 2:00 pm - 3:30 pm

Session Moderator: Dennis Blin, Bryant University

1. Do non-profit hospitals change the expense shift when faced with law amendment? Implicit tax-motivated expense shifting, Yi-Cheng Ho, National Cheng-Chi University; Jenn-Shyong Kuo, National Taipei University; Huoshu Peng, National Taipei University
2. Factors Associated with Local Governments' Annual OPEB Contributions, Suzanne Lowensohn, The University of Vermont; Laurence Johnson, Colorado State University; Ellen Landgraf, Loyola University Chicago
3. Publication Outlets for Healthcare Financial Research: A Study of Journal Quality Perceptions, Dana A Forgiione, University of Texas at San Antonio; Hanni Liu, University of Texas at San Antonio; Pamela C Smith, University of Texas at San Antonio; Liu Harrison, University of Texas at San Antonio
4. Health Care Reform: Hospital Decisions and Their Impact on the Bottom Line, David

Austill, Union University; Eric Henderson, Deaconess Hospital; Mehmet C. Kocakulah, University of Wisconsin- La Crosse

Session Title: Public Sector Spending and Reporting

Wednesday, August 9, 4:00 pm - 5:30 pm

Session Moderator: Alan K Styles, California State University San Marcos

1. Accountability in Private Prisons: A Case Stud of the Effectiveness of Dialogic Evaluation, Charles Richard Baker, Adelphi University; Linda M. English, University of Sydney
2. Coca-Cola, MacDonalDs and the International Public Sector Standards: the golden halo of globalization, Rachel F. Baskerville, School of Accounting and Commercial Law, Victoria University of Wellington; Giuseppe Grossi , Professor in Business Administration, Section of Health and Society, Kristianstad University, Sweden
3. Officials' Political Expectation and Over – investment, Meng Qiu, Xi'an Jiaotong University; Junrui Zhang, Xi'an Jiaotong University; Chen Feng, University of New South Wales; Beibei Shi, Northwest University (China)
4. The Impact of Compliance with State Service Requirements on Local Budgetary Expenditures across Economic Cycles, Spencer T Brien, Naval Postgraduate School; Robert J Eger, Naval Postgraduate School

AAA Executive Council Activities

By Thomas Vermeer, GNP Section Representative to the AAA Executive Council

Our fall 2016 council meeting was in San Diego, California on Saturday, November 5, 2016. We had two council meetings in spring 2017 (one in Sarasota, Florida on Saturday, March 18, 2017 and a webinar on Monday April 17, 2017). Our summer council meeting will be held on Sunday, August 6, 2017 before the Annual Meeting in San Diego, California.

The 2016 Annual Meeting in New York City yielded record attendance with a 5% increase in the number of paid members compared to last year. The Fall meetings went well and saw the addition of the Institute of Management Accountants and the Management Accounting Section Teaching Case Conference and the Teaching, Learning and Curriculum Section

Colloquium. There was also the second Journal of Information Systems (JIS) Research Conference. The second Accounting IS Big Data Meeting was also a success and all the “Big 4” sponsored the event.

The AAA Professional Staff moved into their new headquarters building at 9009 Town Center Parkway Lakewood Ranch, Florida in early December 2016. The old headquarters building on Bessie Drive was sold and the AAA plans to lease part of the new building in the coming year.

The Academy of Accounting Historians (AAH) will officially become a section of the AAA in June 2017 with their journal, Academy of Accounting Historians’ Journal, joining the AAA library. AAH will be formally welcomed in August at the Annual Meeting.

The Center for Advancing Accounting Education and its Director, Susan Crosson, has been working on a number of initiatives and events. In December 2016, the Accreditation Conference took place where participants discussed the current state of higher education, the key issues for accounting programs, and the opportunities/challenges faced. In September 2017, the next Accounting IS Big Data Conference will be held in Brooklyn, New York. The theme is “See. Think. Transform.”

The Sections of the AAA are beginning to work on updating existing bylaws and operating manuals. Pat Poli, Director – Focusing on Segments, and AAA staff will work with the

segments to update bylaws with a particular emphasis on what should be included in the bylaws, moved to operating manuals, or discarded.

In fall/early spring, there were delays in interim financial reporting to the segments because of an interface issue between the management information system and accounting system for the realization of deferred membership revenues. This issue has been resolved, financial reports have been corrected and have been distributed to the sections. Additional controls have also been implemented to ensure that this does not occur again.

Finally, AAA national is embarking on a formal strategic planning process. AAA has hired a consulting firm, Spectrum Nonprofit Services, LLC that specializes in nonprofit planning to assist in this endeavor. The purpose is to perform a strategic overview and introduce a sustainability mindset to the association. Specifically, AAA national wants to address how they can serve their members in the most comprehensive manner with their available resources.

I hope this information provides you with a good sense regarding recent activities at AAA National and the Executive Committee. If you have any questions regarding these or other items at the AAA national level, please touch base with me. I appreciate the opportunity to represent the GNP section on the AAA Executive Council.

Call for Papers

Journal of Governmental and Nonprofit Accounting

By Vaughan S. Radcliff, Editor

The Journal of Governmental & Nonprofit Accounting (JOGNA) is the academic journal of the American Accounting Association’s Government and Nonprofit Section. JOGNA’s objectives are to promote, publish, and build the community of those conducting research in governmental and nonprofit accounting, and to create new knowledge in this field.

To this end, the role of the editorial board is to identify promising manuscripts and to advise and

support authors of these manuscripts toward publication.

Appropriate topics for the journal include, but are not limited to:

- Financial reporting by Governmental and Nonprofit Organizations
- Governance practices in Governmental and Nonprofit Organizations

- Audit markets for Governmental and Nonprofit Organizations
- Financing Governmental and Nonprofit enterprises
- Budgeting and financial management in Governmental and Nonprofit Organizations
- Evaluating charitable organizations
- Performance audits
- State oversight of local governments
- The role of accounting in political markets
- The use of accounting information in markets for philanthropic resources
- Financial and nonfinancial performance metrics in Governmental and Nonprofit Organizations
- Compensation in Public Sector and Nonprofit Organizations
- Regulation of reporting requirements for Governmental and Nonprofit Organizations
- Federal Accounting Standards
- Evaluating the public policy objectives, consequences, and performance of Governmental and Nonprofit Organizations
- Government Auditing Standards
- Government Cost Accounting Standards and the CASB

Appropriate methodologies include, but are not limited to:

- Empirical studies using archival data
- Laboratory studies
- Theory-based analysis
- Case studies

- Ethnography and field research
- Accounting history

Submission and Review Process

The manuscript submission/review process is completed online using the American Accounting Association online submission and peer review system at: <http://jogna.allentrack.net>

The nonrefundable submission fee in U.S. funds is \$70 for members of the AAA Government and Nonprofit Section and \$100 for nonmembers of the AAA Government and Nonprofit Section, payable online by credit card (VISA or MasterCard only). The payment form is available online at: <http://aaahq.org/Research/AAA-Journals/Section-Journal-Home-Pages/Journal-of-Governmental-Nonprofit-Accounting>. If you are unable to pay by credit card or have any questions, please contact the AAA Member Services Team at (941) 921-7747 or info@aaahq.org.

Submitted manuscripts should be original research not previously published and not under consideration at another journal. After screening by the editorial board for suitability, submissions will be reviewed by qualified reviewers under the direction of the editor. Revisions not resubmitted within 12 months from notification will be considered new submissions. *JOGNA* is an online journal. Accepted articles will be published (posted online) shortly after their acceptance.

GASAC Update

By Jackie Reck

The largest single project on the GASB agenda right now is the financial reporting model. The Invitation to Comment deadline for the reporting model was March 31, 2017. However, the GASB will be holding a series of public hearings on the reporting model over the next month or so. If you did not comment during the Invitation to Comment period you may want to consider signing up

for a public hearing. The dates and locations can be found at the following URL:

<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176156622019>

This is a standard on which the GNP section can and should have an impact. The different measurement focuses and bases of accounting being considered for governmental fund reporting are quite different and present

different conceptual issues for financial reporting.

GASAC Meeting Held March 6 and 7

The first GASAC meeting of the calendar year always has the Council members reviewing and making recommendations for the GASB Technical Plan. This is accomplished by ranking various projects being considered by the GASB. The top five priorities of the GASAC this year were:

- Statement 56 on Going Concern Disclosures
- Note Disclosures and how they might be consolidated and/or simplified (although the last time this was examined, I believe we ended up with more disclosures)
- Statement 60 on Public-Private Partnerships
- Conduit Debt
- Information Technology Arrangements – including cloud computing

Coming in at number six was a topic near and dear to those of us who research – electronic

financial reporting. This has been on the top 10 list for as long as I've served on the GASAC but we don't seem to be making much headway. However, it was heartening to hear more of the representative members identifying this as an increasingly important issue.

Two other major topics addressed at the March meeting were leases and note disclosures. The lease standard is getting closer to finalization. At the March meeting the GASAC discussed lessor provisions that the GASB is considering. At this time it is expected the new lease standard will be effective for periods beginning after December 15, 2018. The new standard when issued will address capital asset lease agreements, there will be no category called operating leases.

The GASAC members spent the first afternoon of our meeting reviewing and giving feedback on individual note disclosures. As mentioned earlier this was one of the items identified as a GASB Technical Plan priority by GASAC members.

The next GASAC meeting will be on June 26 and 27.

Have You Seen?

Andrew J. McLelland, Auburn University

GNP research is published in a wide range of journals. Since you cannot read them all, this feature of the newsletter highlights some recent research that you may have missed.

“Large Sample Evidence of the Determinants of Nonprofit Monitoring Costs: A Resource Dependence Framework” by Thomas Z. Webb and Tammy R. Waymire, *Journal of Governmental & Nonprofit Accounting*, Vol. 5, Issue 1, 2016: 22-52.

Despite the importance of audit and accounting services in nonprofit organizations, few studies have examined determinants of these monitoring costs in this setting. This study provides large sample evidence (n = 32,283 nonprofit entity-years) that reliance on external resources in the form of government grants is associated with higher monitoring costs, and that this effect is increased for large nonprofit organizations. In contrast, reliance on direct contributions, which

are more likely to comprise smaller amounts from a more diverse group of resource providers, is associated with lower monitoring costs. We also find that, for larger nonprofits, reliance on internal resources (e.g., investment income) is associated with lower monitoring costs. These results are consistent with the tenets of resource dependence theory, i.e., reliance on certain external support that is hard to replace results in increased monitoring costs, and reliance on internal resources can reduce monitoring costs. These results demonstrate the implications of resource dependence on monitoring and offer practical benefit from the predictive models.

“Infrastructure Asset Reporting and Pricing Uncertainty in the Municipal Bond Market” by

Rebecca I. Bloch, Justin Marlowe, and Dean Michael Mead, *Journal of Governmental & Nonprofit Accounting*, Vol. 5, Issue 1, 2016: 53-70.

We examine the infrastructure provision of the GASB's Statement No. 34 to determine whether there is unique information content in the modified approach versus traditional depreciation, both allowable under this provision. Using a dataset containing investor bid spreads on secondary market bond auctions from states using the modified approach as well as those from states using traditional depreciation, we find bonds from modified approach states have significantly narrower bid spreads than bonds from traditional depreciation states, indicating the modified approach provides unique information about governments' financial condition. Findings suggest the modified approach reduces uncertainty about infrastructure condition, improving market efficiency.

“Unfunded Public Pension Liabilities and Local Citizen Oversight” by Kevin Rich, Jean X. Zhang, *Accounting Horizons*, Vol. 29, Issue 1, 2015: 23-29.

We examine whether unfunded public pension liabilities are associated with citizen oversight through legislative and electoral means in local governments. Our focus on municipal pension plans is timely and relevant, given the prevalence of underfunded pension plans and the GASB's recently issued statements on state and local pension reporting. Using a sample of 84 locally administered municipal defined benefit pension plans in 2009, we find evidence that the level of unfunded pension obligations is negatively associated with both provisions allowing direct citizen participation in the legislative process and electoral voter activism in the form of recent recall attempts. Overall, our empirical evidence is consistent with citizen oversight mechanisms playing an important role in the pension funding decisions of municipal governments.

“College and University President Pay and Future Performance” by Linda M. Parsons & Austin L. Reitenga, *Accounting Horizons*, Vol. 28, Issue 1, 2014: 125-142.

Just as with executive compensation in the corporate environment, the pay of university

presidents has come under scrutiny. In this study, we examine the link between the level of abnormal compensation for university presidents in the current period and the subsequent performance of the university. We find that private schools awarding "excess" compensation (relative to schools with similar characteristics) improve their reputation and resources to a greater extent in the next two years than private schools not awarding "excess" compensation. Our results suggest that some portion of what appears to be excess pay in private schools is related to differences in the president's ability to deliver performance changes that would be valued by the university's stakeholders. Specifically, we find that private schools reward improvements in academic quality, but do not reward improvements in the academic environment such as reductions in class size. Conversely, what appears to be excess compensation in public schools is not related to performance metrics that are commonly used by the business press to rank universities, suggesting that performance metrics differ significantly between private and public schools.

“Developing a Government Reporting Taxonomy” by Neal M. Snow, and Jacqueline L. Reck, *Journal of Information Systems*, Vol. 30, Issue 2, 2016: 49-81.

The municipal bond market is a \$3.7 trillion market with approximately 75 percent of the market held by private investors (SEC 2012). Municipal bondholders and potential buyers do not have the same level of information as those investors choosing to invest in public companies. This inequity is, in part, the result of poor data accessibility. Frequently the data provided are in a format that does not allow easy comparison across governments or over time. To increase comparability and consistency in government reporting we build a government financial reporting taxonomy using the empirical approach. The completed taxonomy has 194 terms that cover financial statements filed by municipalities. Expert analysts and preparers in government reporting reviewed the completed taxonomy. This study has implications for the municipal reporting market and those entities that regulate them by providing a validated municipal government financial reporting taxonomy.

“The Impact of CEO Compensation on Nonprofit Donations” by Steven Balsam & Erica E. Harris, *The Accounting Review*, Vol. 89, Issue 2, 2014: 425-450.

In this paper we show that supporters reduce donations to nonprofits subsequent to disclosure of high executive compensation. We find evidence consistent with large, sophisticated donors actively seeking out and reacting to compensation information made available in IRS Form 990, while smaller donors react to compensation disclosures in the media. Additional analysis indicates that these results vary systematically across nonprofits, as we find a stronger negative relation in nonprofits classified as more charitable, and a weaker relation in nonprofits that provide services to their donors. In contrast neither grantors nor patrons appear to react to executive compensation disclosures.

"Organizational Form and Accounting Choice: Are Nonprofit Or for-Profit Managers More Aggressive?" by Thomas E. Vermeer, Christopher T. Edmonds, and Sharad C. Asthana. *The Accounting Review*, Vol. 89, Issue 5, 2014: 1867-1893.

Although recent academic studies on nonprofits have documented aggressive accounting behavior, these studies have primarily examined the sector in isolation and have not reached definitive conclusions regarding the relative aggressiveness of the nonprofit and for-profit sectors. Using actuarial assumptions for defined benefit (DB) pension plans as a proxy for discretionary accounting choices, we examine whether nonprofit managers respond through their actuarial choices to incentives to manage DB pension assumptions, and whether differences exist in the aggressiveness of these assumptions for nonprofits and for-profits. We find evidence consistent with nonprofits managing pension assumptions when incentives and less monitoring exist. Comparing our nonprofits to a sample of for-profits, we find evidence consistent with nonprofits utilizing more aggressive pension assumptions and making stronger responses to incentives to manage these assumptions. Our findings are consistent with the premise that nonprofits are more aggressive than for-profits when using actuarial estimates that deflate pension obligations and inflate performance.

“Executive Compensation and Regulation-Imposed Governance: Evidence from the California Nonprofit Integrity Act of 2004” by Sandip Dhole, Khumawala B. Saleha, Mishra Sagarika, and Ranasinghe Tharindra, *The Accounting Review*, Vol. 90, Issue 2, 2015: 443-446.

This study examines the impact of the California Nonprofit Integrity Act of 2004 on CEO compensation costs in affected organizations. Contrary to the stated objective of the Act that executive compensation is "just and reasonable," we find that CEO compensation costs for affected nonprofits during the post-regulation periods have increased by about 6.3 percent when compared with a control group of comparable unaffected nonprofits. In addition, the relative increase in CEO compensation appears to come from nonprofits that have experienced greater regulatory cost increases. We do not find evidence that the Act resulted in a change in CEO pay performance sensitivity. The observed CEO pay increase is not systematically different across nonprofits that underpaid versus those that overpaid their CEOs during pre-Act periods. Overall, this paper highlights the unintended consequences of regulatory attempts to enhance governance in the not-for-profit sector.

“The Effect of Nonprofit Governance on Donations: Evidence from the Revised Form 990” by Erica Harris, Petrovits M. Christine, and Yetman H. Michelle, *The Accounting Review*, Vol. 90, Issue 2, 2015: 579-610.

We examine whether donors reward nonprofit organizations that report better governance. From a sample of 10,846 organizations from 2008 to 2010, we first identify seven nonprofit governance dimensions using factor analysis. We then test whether the quality of governance influences donor decisions by including the seven governance factors in the standard donor's demand model. We find consistent evidence that donations and government grants are positively associated with six of the seven factors that capture good governance, including formal written policies (e.g., conflict of interest), independent audits and audit committees, review and approval of executive compensation, board oversight (e.g., board independence), management characteristics (e.g., no related parties), and accessible financial information. Our results have implications for

nonprofit managers and regulators. Moreover, mandatory disclosure of governance policies for nonprofit organizations provides an interesting contrast to mandatory adoption of governance policies for publicly traded companies.

“State Liability Regimes within the United States and Auditor Reporting” by Divya Anantharaman, Jeffrey A. Pittman, and Nader Wans, *The Accounting Review*, Vol. 91, Issue 6, 2016: 1545-1575.

We examine how state liability regimes within the United States affect auditor reporting decisions. We exploit variation across state-level common law in two aspects of auditor liability: the extent to which auditors can be held liable by third parties for negligence, and rules for apportioning liability across multiple defendants. We find that auditors are more likely to issue a modified going-concern (GC) report to financially distressed clients from high-liability states than to those from low-liability states. We sharpen inferences using a natural experiment that examines the causal effects of two exogenous shocks to auditor third-party liability standards, which dramatically restricted auditors' liability in New Jersey in 1995 and in California in 1992. Results from difference-in-differences tests imply that auditors' propensity to issue a modified opinion for client firms in New Jersey and California decreases significantly after the decline in auditors' litigation exposure, relative to control firms from other jurisdictions. These findings add to our understanding of how litigation risk affects auditor behavior and highlight an important source of variation in litigation risk within the U.S. that has seldom been studied to date.

“The Impact of Balanced Budget Restrictions on States' Fiscal Actions” by Anna M. Costello, Reining Petacchi, and Joseph P. Weber, *The Accounting Review*, Vol. 92, Issue 1, 2017: 51-57.

Although balanced budget rules are widely used throughout the world, there is considerable debate on whether and how they impact fiscal outcomes. Existing research shows that states with strict balanced budget rules address deficits by raising taxes and curbing expenditures. However, little is known about whether politicians can meet budget rules by shifting resources inter-temporally or by transferring revenues from funds not subject to balanced budget rules into funds that are required to meet a balanced budget. We show that, in addition to increasing taxes and cutting expenditures, states with strict balanced budget rules sell public assets and transfer resources across government funds to close the budget shortfall. Our findings suggest that current budget deficits not only influence the current-period taxpayers, but also impact future taxpayers and other funds within the government. The results complement existing research by expanding our understanding of the effects of balanced budget restrictions on politicians' fiscal actions.

Reports recently issued by the GAO that may be of interest:

Government Auditing Standards 2017 Exposure Draft - GAO-17-313SP, Apr 5, 2017. The GAO invites comments on the proposed changes to Government Auditing Standards, commonly known as the Yellow Book.

The Nation's Fiscal Health: Action is Needed to Address the Federal Government's Fiscal Future - GAO-17-579T, May 3, 2017.

If you have seen any published research papers you think would be of interest to our members, please send them to Andy mclelaj@auburn.edu or Alan astyles@csusm.edu.

Midyear Meeting Recap

We had an enjoyable and constructive Midyear meeting in Long Beach, CA March 9-11. Many of our regulars attended the meeting, but we saw a tremendous number of new faces. We had 73

attendees, of which 10 were doctoral students and 3 non-tenure track accounting faculty. It was encouraging to see the growth in participation

within our section and the discourse about government and profit accounting.

The Friday sessions continued our tradition of speakers from the profession enlightening us on the developments and challenges they face in their day-to-day activities. We started the day with an inspiring presentation, *Imagining Our Future: Envisioning Our Second Century* by Audrey Grambling, Past AAA Council Chair. Professor Grambling shared with us how the AAA is engaged in a number of initiatives to advance accounting and the Association in the areas of research, education, practice and the public interest. Our first GNP speaker was Bradley Wells, Associate Vice Chancellor, Business & Finance, Chancellor's Office, California State University. The California State University is the largest university system in the U.S. Consisting of twenty-three campuses the CSU faces many unique challenges. Dr. Wells outlined a number of the challenges and the importance and difficulties of communicating the financial reports to the system's many stakeholders.

For our second session of the day, Chad Franks, Tax-Principal-Development and Exempt Organizations Tax Practice, KPMG LLP, Los Angeles, outlined some of the latest changes in taxation for nonprofits. He also provided an outline of the potential changes currently discussed in Washington, D.C. with the new administration. The Friday professional speakers participated in a one-hour panel session before lunch, *Academics and Practice Working to Further and Promote Government and Nonprofit*. All agreed on the need to increase the number of our accounting graduates entering a career in the GNP arena; each speaker discussed how their organizations promote and recruit for positions. Many of the speakers also teach GNP related classes so were able to provide their perspective on introducing students to the opportunities for public service. They also discussed the challenges of explaining to the non-accounting community the importance of GNP accounting and educating users on the basics of financial reporting by governments and nonprofits.

During lunch the audience were entertained by Tom Scaglione, Assistant General Manager and CFO at Vallecitos Water District. Tom provided an informative and humorous presentation, *California Water Politics and Pricing*, in which

he explained the many unique features of water resource allocation in California and how water districts such as Vallecitos set water prices for their customers and promote water conservation.

After lunch Faith Raiguel, CFO at the Los Angeles Opera, spoke on *What Keeps the Not-For-Profit CFO Up at Night: Issues and Uncertainties*. Faith provided a fascinating overview of the logistical and financial challenges faced by the internationally renowned opera led by Plácido Domingo. Her presentation provided many insights into the fundraising as well as the operational needs of the modern opera.

Dean Mead, Senior Research Manager at the Governmental Accounting Standards Board updated us on the activities of the Board. As is usual, Dean provided a professional information-packed presentation focused significantly on the need for comment on the GASB's Invitation to Comment, *Financial Reporting Model Improvements-Governmental Funds*; this project represents a significant development in the history of governmental financial reporting. Dean also solicited proposals for the Gil Crain Memorial Research Grants due by end of June 2017.

Our last panel session, *Promoting and Facilitating GNP Academic and Professional Research*, moderated by Vaughan Radcliffe, Editor of the section's Journal of Governmental & Nonprofit Accounting, engaged prolific GNP researchers in a discussion of how to further research into the GNP field. The panelists have published in a wide-range of academic and professional journals in accounting, finance, management and public administration; they discussed the challenges they have faced and the importance of developing an array of publication outlets for GNP research for the careers of junior accounting professors.

In a break with tradition, we ended the Friday sessions with the Executive Committee meeting. As is usual we invited all attendees to participate in the meeting. The meeting provided an opportunity for committee members to discuss their objectives for the year and outline how members can enhance the section's activities by volunteering in the sub-committees.

After such an action-packed day, the GNP Section Friday Dinner allowed members to relax in Gladstone's restaurant at the Long Beach Harbor. An evening with great food, new section members

as well as the regulars, overlooking the water – a wonderful way to finish an insightful day!

Saturday sessions represent an opportunity for the section to promote and facilitate academic research. This year we introduced a new format to further the discourse for our attendees – an interactive breakfast poster session and an interactive luncheon poster session. Our aim was to increase the number of attendees visiting multiple presenters. In an attempt to further the

dialogue between presenters and session attendees we provided each of the presenters a poster board. The room contained cocktail tables by each poster board where attendees could eat, drink and discuss the merits of the paper. We believe that this new interactive format did provide an enhanced discussion for the presenters, and we encourage submitters to future midyear meetings to consider participating in this format as it represents an intimate interaction with fellow researchers.

Call for Nominations: JOGNA Editor Nominating Committee

The Editor Nominating Committee will select the Editor for approval by the Executive Committee. The Vice-President/Director of Education and Research will serve as ex officio member and chair of the editor nominating committee.

All full section members are eligible for the Editor Nominating Committee, except for the current editor and members of the current Nominating Committee. The election of the Editor Nominating Committee will occur during the

Section business meeting at the Annual Meeting. The three nominees receiving the most votes will be deemed the voting members of the Editor Nominating Committee.

Submit names of nominees and a brief explanation of how the candidate meets the desired qualifications of JOGNA Editor to Alan Styles, President of the GNP Section (astyles@csusm.edu) no later than August 4, 2017. Still waiting on article from Robert Eger.

Let Us Hear From You

The deadline to submit items for inclusion in the next issue of **Government & Nonprofit News** is tentatively set for September 15, 2017. Submit newsletter items (maximum of 350 words per item) to:

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