



**American  
Accounting  
Association**

Government and  
Nonprofit

# Government & Nonprofit News

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## Message from Brian McAllister, University of Colorado - Colorado Springs AAA GNP Section President

Greetings GNP Colleagues!

Thank you for this opportunity to serve as your GNP President. I look forward to working with you and moving the section forward for another year. I'm proud to be serving such an esteemed group of government and not-for-profit accounting scholars who also happen to be the friendliest section in the AAA. I'm also proud to say that the GNP section has always been my one and only section home.

The 2023 Midyear Meeting will be held in-person at the historic Oxford Hotel in downtown Denver Colorado on March 10<sup>th</sup> and 11<sup>th</sup>. Our meeting will be less than a block away from Union Station. It's an outstanding location that really gives a true flavor of Denver and the West. Rebecca Bloch from Fairfield University has graciously accepted the Midyear Meeting Program Chair role for the 2023 meeting. Rebecca and I both hope that many of you are planning to attend the meeting next March. It's our best opportunity to catch up with familiar GNP colleagues and meet new ones too.

I'm very thankful to Karen Kitching for her many years of service to our section and for serving as President of the section this past year. Karen has served our section very well, especially in terms of transitioning our Midyear Meeting back to in-person. She did a great job organizing the 2022 Midyear Meeting in Washington DC. It was great to all be back together again! Karen has been a great mentor to me over the past year in "learning the ropes" of the GNP President role. Thank you Karen!

Thank you to our Section's current and new officers. We have two new officers, Corbin Neiberline from KPMG, LLP (Vice President-Practice) and Alan Styles from California State University-San Marcos (Council Representative-Elect). Corbin is a partner in the Washington DC office of KPMG and specializes in audit and risk advisory services for major federal departments and agencies. Alan is a past GNP President and has held many roles in the GNP section.

I also appreciate all the current and new committee chairs, and regional coordinators. The section has three new committee chairs, including Renee Flasher and Jackie Jansheed (Accounting and Auditing Standards Committee Co-Chairs) and Amanda Peterson (Education Committee Chair). The section also has three new regional coordinators, including Xinxin Wang (Mid-Atlantic), Marie Archambault (Ohio), and Paul Wong (Western). Finally, thank you to all of those who submitted GNP papers to the Midyear and Annual Meetings

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and to all the reviewers, discussants, and moderators for sharing your expertise. Our section is so strong only because of the service provided by the many volunteers who make the GNP section the best it can be.

I would also like to thank Vaughan Radcliffe for leading our Section's journal, the *Journal of Government & Nonprofit Accounting* (JOGNA) over the past several years as Editor. Thanks also goes out to Tom Vermeer from the University of Alabama at Birmingham for serving as the next Editor of JOGNA. I encourage all of you to consider JOGNA as an outlet for your government/not-for-profit accounting research.

Thank you again for this opportunity to serve the GNP section.

Take care,

Brian McAllister

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## 2022 Annual Meeting Recap

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By Erica Harris, Annual Meeting Program Chair

The 2022 American Accounting Association (AAA) Annual Meeting was held between July 30<sup>th</sup> and August 3<sup>rd</sup> in San Diego, California. There was also a virtual annual meeting August 11-12<sup>th</sup>. The GNP section resumed its conference luncheon on Monday August 1<sup>st</sup>.

Other highlights and GNP Section events sponsored at the Annual Meeting included:

- PhD student mentoring session & networking lunch
- Section luncheon including guest speaker
- In-person concurrent sessions including 11 manuscripts
- Online concurrent sessions including 9 manuscripts

Many thanks to all the participants as well as reviewers for their help in making for a great meeting!

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## Annual Meeting Best Paper Award

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*The Annual Meeting Best Paper Award* was presented to Anqi Tao, Nichols College; Huimin (Amy) Chen, University of Massachusetts – Lowell; Karen Jingrong Lin, University of Massachusetts - Lowell for the paper titled: “Contracting with the Government: Government Customer Concentration and Financial Reporting Incentive.” The selection committee for the best paper award consisted of Erica Harris, Karen Kitching, Linda Parsons, and Linda Ragland.

The abstract of the best paper follows: We propose that government contractors strike a balance between minimizing political costs from governmental scrutiny (which predicts downward biased earnings) and maximizing the prospect of

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## FASB Not-For-Profit Advisory Committee

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GNP member Brian McAllister, Professor, University of Colorado, Colorado Springs, and current president of our GNP section has been appointed to the Financial Accounting Standard Board’s (FASB) Not-for-Profit Advisory Committee (NAC), effective January 1, 2022. The NAC serves as a standing resource for the FASB. Its role is to obtain input from the not-for-profit sector on existing financial reporting guidance, current and proposed technical agenda projects, and longer term or pervasive financial reporting matters affecting those organizations. Brian will serve on the board for four years. For more information about the NAC and its activities, visit [www.fasb.org](http://www.fasb.org).

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## GASB Task Force Appointment

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GNP member, Amanda Beck, has been appointed to the Governmental Accounting Standards Board (GASB) Going Concern Uncertainties and Severe Financial Stress Disclosures Task Force. The task force is focused upon enhancement of governmental disclosure of municipal entities in severe financial stress.

contract continuity (which predicts upward biased earnings). With these contradictory reporting incentives, suppliers may dampen the volatility of earnings through smoothness. We find positive association between government customer concentration and earnings smoothness, supporting the prediction. Using government units’ visits of the EDGAR database as a proxy for governmental scrutiny, we find that more smoothed earnings for government contractors with high governmental scrutiny. Moreover, government contractors with more smoothed earnings have longer duration of supply chain relationship. Further analysis shows that government customer concentration is positively associated with earnings persistence and accrual quality, suggesting that earnings facilitates assessment of future performance.

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## **AAA GNP Section Response to the Exposure Draft for Maintaining the Relevance of the Uniform CPA Examination – Aligning the Exam with the CPA Evolution Licensure Model**

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**Response:** The Government and Nonprofit (GNP) Section of the American Accounting Association (AAA) has faculty members who teach in the specialized areas of government and nonprofit accounting. We agree that the inclusion of not-for-profit (NFP) and governmental accounting topics within the exam blueprints is essential knowledge for the profession.

The exposure draft version of the exam blueprints appears to be highly correlated with the model curriculum drafts that were released during 2021. The current proposed distribution of GNP material spans both the Core and the Business Analysis and Reporting (BAR) Discipline. We strongly believe that the coverage should be maintained as stated in the blueprints, at a minimum.

We emphasize the importance of including coverage of both government and NFP content in the Core section (i.e., FAR) of the CPA examination. Many newly licensed CPAs (nlCPAs) are employed by CPA firms that are involved in government and NFP attestation engagements. Others are employed directly with governments and NFP organizations. As a result, familiarity with governmental and NFP topics is again essential for many nlCPAs.

We are concerned that the basic governmental content in the Core will not lead to sufficient preparation to be familiar with a set of governmental financial statements. There is limited attention given to addressing the unique accounting procedures used by governmental bodies for accurately reporting for the public sector. Having knowledgeable CPAs that can interpret and understand governmental entities' financial statements is critical as every business interfaces with governmental entities within the United States. Over time, this lack of knowledge may undermine the perceived competence of the profession, potentially leading to a lack of public trust as fewer accounting professionals will understand governmental accounting.

We are encouraged with the coverage of NFP content in the Core section blueprints. The Financial Accounting and Reporting (FAR) Core Examination Section includes accounting for contributions under revenue recognition and the NFP financial reporting model (e.g., statement of financial position, statement of activities). We suggest similar coverage of the governmental financial reporting model in the Core section blueprints.

We believe that the Auditing and Attestation exam requirements only minimally include government and NFP related auditing standards. The exam would benefit from the inclusion of additional material on the foundations and principles of government auditing standards and their applications. As the pandemic resulted in many different entities spending significant federal dollars, a broad swath of government and NFP entities are now required to have their first Single Act audit. This highlights the reality of application of this knowledge to the job. Also, the specific ethical and objectivity considerations when auditing public sector entities must be considered to maintain public trust.

We have a skill level concern for the Business Analysis and Reporting discipline for the governmental accounting section. The skill levels tested on the governmental financial part of BAR are currently focused on the two lower-level skills, which are insufficient. It's the higher order skills that need to be included, at a minimum for the government-wide financial statements (BAR, Area III, A.1). The skill level needs to be elevated to have the degree of impact anyone with a CPA license should have to better understand governmental accounting and work toward increased transparency in reporting to enhance accountability in

the public sector. Without the evaluation for at least government-wide statements, there lacks a bridge between the government financial reporting and the impacts that government has on citizen lives.

We disagree that the exam should include only remembering/understanding and application levels of understanding for the NFP and governmental information. The current blueprints focus on mechanics of accounting and creation of financial statements for these types of entities – work that is essentially automated. The higher order skills are more important as every CPA relies on governmental entities beginning with licensing. One way to demonstrate a broader financial reporting and auditing proficiency is to open nCPAs minds to alternative accounting bases and reasons for the differences in basis of accounting between for profit and governmental entities. Specifically, for state and local government reporting, the reconciliation between modified and accrual accounting shows that accounting is dynamic and socially constructed. Knowing the differences between modified and accrual accounting can help CPAs to understand governmental financial statements better.

Similarly, the skill level testing of the NFP material (B. General-Purpose Financial Reporting: Nongovernmental Not-for-Profit Entities) is also lower order. This contrast is striking when the prior section (A. General-Purpose Financial Reporting: For-Profit Business Entities) invokes these higher order skills in the same core for the other statements. Therefore, it could be interpreted as it's only important to really learn and understand the general-purpose financial statements for a for profit business and not-forprofit entities equivalent financial statements are less important. Also, it's the proprietary funds of a government that are required to have a direct cash flow statement (and reconciliation) but the direct cash flow is tested on the exam with the nongovernmental, not-for-profit, entities and the for profit entities. In real life, these entities are more likely to use the indirect method the majority of the time.

We are concerned that the governmental material is concentrated in the BAR section of the examination. Many universities don't offer a separate government and nonprofit course, but instead include a GNP module within their advanced accounting courses. However, in-depth coverage of governmental materials is unlikely when they are only included as a GNP module. Meaningful coverage of GNP content is only possible with a separate government and nonprofit course. With the focus of BAR on data analytics and advanced financial topics, it makes a separate course a lower probability as compared to when all the GNP material was in a “main” section of the exam. An increasing portion of the U.S. economy is derived from the governmental, 47.8% of GDP in 2020 (OECD, 2022), and NFP sector with 10% of overall employment (Prosper Strategies, n.d.). Decision makers at all levels (private businesses and governments) need better information on the GNP sector for their decision making, and the exam should reflect the growing importance of this sector. Being that GNP is not a significant part of the core and with a lower chance of course exposure, students are bereft of a comprehensive understanding of this important sector of the economy, the viable career paths that it contains, and the extension of their accounting knowledge base that is critical to the profession.

Respectfully submitted as individuals with contributions from members of the American Accounting Association's Government and Nonprofit Section

Brian McAllister, Ph.D., CPA, Wilcox Endowed Professor of Accounting and Department Chair for Accounting, Finance and Business Law, University of Colorado - Colorado Springs, President of the GNP Section

Renee Flasher, Ph.D., CPA, CMA, CFE, Assistant Professor of Accounting, Pennsylvania State University – Harrisburg, Co-Chair Accounting and Auditing Standards Committee

Jackie Jamsheed, DBA, CPA, Assistant Professor of Accounting, Elms College, Chicopee, MA, Co-Chair Accounting and Auditing Standards Committee

#### References

Organization for Economic Co-operation and Development (OECD). 2022. General Government Spending. Available at: <https://data.oecd.org/gga/general-government-spending.htm>

Prosper Strategies. (n.d.) 2020 Nonprofit Stats: A Few Things That Might Surprise You About the Nonprofit Sector. Available at: <https://prosper-strategies.com/2020-nonprofit-stats/>

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## Comments in Response to the Exposure Draft Certain Risk Disclosures

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The comments in response to the Certain Risk Disclosures Exposure Draft are from a perspective of teaching and researching governmental accounting and auditing issues. In addition, for those that are privileged to teach government and non-profit accounting as a three-credit elective course, we are often in close contact with professionals in the public sector and those accounting firms that hire students for their interest in providing professional services to the governmental sector. We speak as individuals serving on the Standards Committee for the Governmental and Nonprofit Accounting Section of the American Accounting Association (AAA) and do not represent an official position of the AAA. In addition, the comments are representative of the consensus of the committee and not the view of every signatory on the letter.

We agree, in principle, that additional risk disclosure could help to enrich the information environment around the financial reporting for governmental entities.

Our concerns and responses to the questions are listed below:

G.1. Which of the proposals in the Exposure Draft, *Certain Risk Disclosures* (the Exposure Draft), do you agree with? Why?

In general, additional specific information about a governmental entity helps to increase the overall transparency with the public and let others know the risk realities facing their governmental unit. Also, it helps to prepare the public for mitigating response actions that might be needed if the probability of these events occurring increases.

G.2. Which of the proposals in the Exposure Draft do you disagree with? Why?

Concerns exist around auditing and providing attestation to such a subjective item is very hard. It's challenging to teach concepts relating to auditing when there is an extensive agreement among audit professionals for an action standard. With something that requires auditing the underlying assumptions, who and where would an auditor find expertise in this area to do this well?

Along similar lines, it seems that risk estimation associated with a government's effectiveness within the rubric of the estimations considered can be impacted by 1- the profile of the event impacting the nature of the risk, 2- the extent of the source, 3- the chain of events and processes that caused the risk, 4- the relationship between actions that caused the inputs and the thinking behind the input nature, and 5- the effect of the input decision on the risk profile. Each of these elements requires judgments that factor into the elements discussed in the exposure draft. This highlights an underlying complexity to the disclosure requirement.

Also, actions taken by the government prior to the issuance of the financial statements to mitigate the effect of risk requirement seems to be dependent on a level of predictive foresight that even the top hedge fund managers lack. How does the GASB think that the finance management of the impacted entities can develop and retain the skills to engage in this predictive and mitigating behavior? Especially for smaller governmental units, there also is a concern that preparers of financial statements do not have sufficient expertise to make these judgment calls.

In addition, there is some risk that entities will standardize the response across tiers of government (i.e., prepare boiler-plate disclosures) so that any information value will dissipate fast if litigation risks are part of the environment.

G.3. Do you believe that the information resulting from the proposed disclosure requirements in the Exposure Draft would be utilized by users in their analyses for decision making or assessing accountability?

- Yes  
 No

G.3 (a). If you answered "Yes" to question G.3. What types of users would utilize the information and how would they utilize it?

Academic researchers have the ability to examine the impact of financial statement disclosure pre-adoption versus post-adoption of a new standard. Researchers can also examine the impact of different levels of disclosure assuming the disclosures across governmental entities have a sufficient amount of variation. However, the reality of access to usable data (i.e, there is no central collection of data or the lack of software to automate the data collection) means that this pool of researchers is very small. This is especially true with qualitative disclosures.

Caveats to the “early warning” system of risk disclosures revolves around the required accuracy of the risk estimation and mitigation procedures. We are uncertain that entities with such differing profiles and staff expertise can support the effective implementation of this guidance.

G.3 (b). If you answered "No" to question G.3. Why would it not be useful?

G.4. Do you believe that the proposed provisions in the Exposure Draft would be operable and auditable? If not, why?

The quantification of items (time and probability thresholds) makes a typical conservative auditor want to wait that long to make sure nothing happens – and audited financial information is already suffering from a timeliness problem. Moreover, the time frame seems long given the rate and velocity of external changes in the municipal setting. COVID? Inflation? War in Ukraine? Or is the GASB’s intent for more longer term, systemic risks?

### **Other Feedback**

O.1. What other feedback, if any, would you like to provide about the proposals in the Exposure Draft? Is there any way that some of this information could be included in another part of the report i.e. MD&A instead that would help reduce auditability requirements but still allow for this information to be presented to users?

While the Board considered cyber security and climate change, these items highlight how broadly risks can be envisioned. Each of these risks have an entirely unique profile and coming to industry expectations of the “correct” level to write these particular disclosures would take time and significant education.

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## Journal of Governmental and Nonprofit Accounting (JOGNA) Update

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*By Thomas Vermeer, Editor*

We are excited about our call for submissions of survey articles and literature reviews concerning any substantive area of governmental and nonprofit accounting for a special topic section to be published in an annual issue of the journal. Our goal is that these articles become reference works for the field and a source for readers concerned with the development and course of GNP literature in accounting research. We encourage a wide range of topics and hope to receive articles concerning a breadth of GNP literature. All submissions should offer ideas for future research to fill the gaps in the literature that emerge from the reviews. Articles should conform to the posted submission and length guidelines for standard JOGNA submissions. Please indicate in the opening paragraph of the letter to the editor accompanying the submission that your piece is for the special topic section on survey articles and literature reviews. **Submissions are due by December 31, 2022.** Earlier submissions are welcome and will be put into the review process.

Vaughan Radcliffe is completing the manuscript process for the special topics section on the future of governmental and nonprofit accounting research. A number of these papers are available on JOGNA's website as online early accepted manuscripts at <https://meridian.allenpress.com/jogna/publish-ahead-of-print>. These are excellent papers that are very informative, could help develop ideas for future GNP manuscripts, and could be useful if you are working on a literature review for the current call for special topics.

My overall goal as Editor is to promote, publish, and build the community of those conducting research in governmental and nonprofit accounting, and to create new knowledge in this field. Thus, please consider JOGNA as an outlet for your research papers. Your papers will be reviewed by fellow members of our section that understand your papers, understand the mission of JOGNA, and want to help you succeed in your research activities.

If you have any questions or concerns regarding JOGNA, please contact me at [tvermeer@uab.edu](mailto:tvermeer@uab.edu)

Thanks, and I hope your semester is going well and you are enjoying the fall weather.



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## Report on the Governmental Accounting Standards Advisory Council Meetings

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*By Suzanne Lowensohn, University of Vermont*

Suzanne Lowensohn attended a GASAC meeting on October 10-11, 2022 in NYC. Highlights included:

The FAF, FASB, and GASB moved into their new headquarters in September 2022.

GASB Chair Joel Black highlighted the GASB's accomplishments for the second quarter of 2022: Statement No. 99, *Omnibus 2022*, Statement No. 100, *Accounting Changes and Error Corrections*, Statement No. 101, *Compensated Absences*, Concepts Statement No. 7, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*, and Exposure Draft, *Certain Risk Disclosures*. The Board also continued work and deliberations on the Revenue and Expense Recognition and the Financial Reporting Model projects. Associated research will push the timing of any potential release of a final Statement into late 2023. Deliberations have begun on Nonfinancial Assets, Going Concern Uncertainties, and Severe Financial Stress; research activity has begun on reexamining existing standards on Subsequent Events.

GASAC member feedback was sought on the following GASB projects: 1) Classification of Asset Types, 2) Implementation Guidance Update (primarily on lease guidance), 3) Financial Reporting Model Improvements, and 4) Going Concern Uncertainties and Severe Financial Stress.

Special thanks to the GNP Section's Standards Committee - Renee Flasher, Jacqueline Jamsheed, Brian McAllister – for submitting a response to GASB's Exposure Draft, *Certain Risk Disclosures*. If you are interested in participating in future section responses, please reach out to Renee at [rflasher@psu.edu](mailto:rflasher@psu.edu). It should also be noted that comments on GASB due process documents can now be submitted online in lieu of a formal letter submission. (Both forms accepted.)

The next GASAC meeting is scheduled for April 3 and 4, 2023. If you have any special interests in any of the topics noted, please contact Suzanne at [Suzanne.Lowensohn@uvm.edu](mailto:Suzanne.Lowensohn@uvm.edu).

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## 2023 Government & Nonprofit Section Midyear Meeting Mark Your Calendar

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**Date:** March 10-11, 2023

**Location:** The Oxford Hotel in Denver, CO.

**General Information** - about the Meeting & Location can be found at:

<https://aaahq.org/Meetings/2023/Government-and-Nonprofit>

Here are **SIX GREAT REASONS** you should consider attending the 2023 GNP Midyear Meeting:

- **KPMG!** Show KPMG the value of its support for our meeting. Corbin Neiberline from KPMG will be presenting on federal government accounting and reporting. Come meet Corbin!
- **GASB Update!** Alan Skelton from GASB will continue our tradition of presenting a GASB Update. Come meet Alan too!
- **New and emerging GNP research!** Present your research to those with GNP research expertise. Learn about new and emerging GNP research.
- **Wynkoop!** Join old and new friends for dinner on Friday evening at Colorado's first brewpub, Wynkoop Brewing Company.
- **It's Colorado!** Visit the *real* Denver Colorado. The historic Oxford Hotel is in downtown Denver and just 34 steps from Union Station.
- **The GNP Section is the friendliest section of the AAA!**

The GNP Midyear Meeting also offers a great opportunity to remain current on issues in the GNP area, gain ideas for your GNP classroom, and to network and collaborate with GNP colleagues.

**Call for Submissions:** The formal call for submissions is open. We welcome theoretical, practical, pedagogical and case-study papers on any government or nonprofit accounting research topic. We encourage the submission of completed studies, emerging studies (studies that are in the early stages of development), as well as dialogue studies (studies that are approaching completion). Papers not accepted for concurrent sessions will be considered for the research roundtable session. Papers accepted for concurrent sessions will be considered for the best paper award.

**Submission Deadline:** Please submit your paper by the revised deadline, **Monday, December 12, 2022 at 11:59 pm EST.**

The submission portal can be found at:

<https://aaahq.org/Meetings/2023/Government-and-Nonprofit/Submissions>

We gratefully acknowledge KPMG Foundation for its generous support in sponsoring the 2023 GNP Section Midyear Meeting. If you have questions regarding midyear paper submissions, please contact Rebecca Bloch at: [rbloch@fairfield.edu](mailto:rbloch@fairfield.edu)

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## Have You Seen?

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By Alfred Yebba, Binghamton University

GNP research is published in a wide range of academic journals. Since you cannot read them all, this section of the newsletter provides a **sample** of recent research you might have missed. If you have recently had a paper accepted for publication and would like it mentioned in the newsletter, please feel free to notify the newsletter editor.

**“Accounting policies in the public sector: Characteristics and consequences of accounting for capital assets”** by R. McDonough and C. Yan. *Journal of Accounting and Public Policy*. (early online).

**Abstract:** We study the evolution of American state and local governments’ capital asset accounting policies from the initial adoption of Governmental Accounting Standards Board Statement No. 34 through the fiscal year ending in 2016. We document substantial cross-sectional and time-series variation in capital asset accounting policies, which potentially diminishes the comparability of capital asset accounting information across governments and over time. We also explore the economic implications of those policies in terms of capital investment decisions and capital asset condition ratios, as reported in governments’ annual financial reports. Our findings, which are relevant to the Governmental Accounting Standards Board and its constituents, extend prior research examining the adoption and application of generally accepted accounting principles in the public sector.

**“Deferred outflows of resources and deferred inflows of resources and municipal bond borrowing cost”** by J. Reck, and L. Ragland. *Journal of Accounting and Public Policy*. 2022.

**Abstract:** The Governmental Accounting Standards Board (GASB) under Concepts Statement No. 4, *Elements of Financial Statements* (2007a) introduced two new elements to government financial reporting: deferred outflows of resources and deferred inflows of resources. Given the large size of the municipal bond market, and the debate surrounding the GASB’s development of financial reporting requirements for these new elements, we

investigate the associated changes to governments’ financial statements and the extent to which these changes may have influenced municipal borrowing costs.

Our findings indicate that many governments were impacted by the introduction of the new financial statement elements, and the amounts reported as deferred outflows (inflows) of resources are negatively (positively) associated with interest costs on newly issued general obligation bonds. These findings should be informative to the GASB and users of municipal financial reports, such as bond market participants. Overall, our findings counter arguments made that the new financial statement elements would create needless complexity and confusion by suggesting a potential benefit of the financial statement changes.

**“Municipal net revenue, economic activity, and the cost of borrowing”** by A. Hickey and J. Dorminey. *Journal of Governmental and Nonprofit Accounting*. (early online).

**Abstract:** We investigate the effects of state economic activity on the association of changes in the general fund (i.e., net revenue) and borrowing cost. Extant literature has established that net revenue is associated with municipal bond market metrics (e.g., true interest cost, bond yield spreads). Little is known, however, regarding the relationship between net revenue and borrowing cost when state economic activity is considered. Based on a sample of 1,970 general obligations bonds issued across 20 years by U.S. counties, we test whether the association between net revenue and borrowing cost is conditioned on state economic activity. We provide evidence that a state’s economic activity moderates the

association between net revenue and borrowing cost among county governments.

**“The influence of regulatory change on hospital Medicare cost reporting”** by B. Harrison, C. Braymen, and M. Hoag. *Journal of Governmental and Nonprofit Accounting*. (early online).

**Abstract:** Hospitals function within an environment in which regulation influences their daily operation, reporting, and reimbursement. This study tests whether regulatory reporting is affected by significant regulatory change. To examine whether this relationship exists, we utilize a comprehensive sample of more than 22,000 Medicare cost reports (MCRs) and corresponding MCR status changes spanning 2007-2014, surrounding the passage of the Patient Protection and Affordable Care Act of 2010 (“ACA”). We find that hospitals restate more Medicare cost reports in the post-ACA (2012-2014) period suggesting that regulatory reporting accuracy declines overall. The analysis is expanded to examine reporting accuracy across hospital types. There is an increase in MCR restatements by all hospitals following the ACA, but the timing varies. Further analysis reveals that the increase in restatements following the ACA is due to an increase in amended returns that outweighs a decline in MCRs that are reopened following their settlement.

**“Municipal OPEB contributions: The roles of governance structure, fiscal, and socioeconomic factors during and after the great recession”** by R. Eger, L. Johnson, S. Lowensohn, and A. Styles. *Journal of Governmental and Nonprofit Accounting*. (early online).

**Abstract:** Many governments offer other postemployment benefits (OPEB) to their employees, and discretionary contributions to OPEB plans are important to plan financial well-being. This paper reports a study of municipalities' actual annual contributions to their OPEB plans from fiscal year 2008 through 2015, a time span encompassing the Great Recession and subsequent gradual recovery. Giving effect to cities' governance structure (form of organization and extent of employee unionization) and certain fiscal and socioeconomic variables, we estimate a

model of plan contributions normalized by the related actuarially required contributions. We find that Mayor-Council (MC) cities are associated with comparatively higher OPEB plan contributions relative to Council-Manager cities. We control for MC cities' discount rates to address the consequences of optimistic rate assumptions. The effect of unionization on contributions is evident directly, but unionization is not noteworthy when conditioned on form of government. This suggests that MC cities manage their OPEB plans in a fiscally accountable manner.

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The *Journal of Governmental and Nonprofit Accounting* is completing the review process for articles submitted under the special topic call addressing the future of governmental and nonprofit accounting research. The following articles are being included within the special topic section of JOGNA.

**“Accounting and the U.S. Constitution: The evolution of federal financial accounting and reporting practices”** by R. McDonough and J.D. Warren. *Journal of Governmental and Nonprofit Accounting*. (early online).

**Abstract:** This study surveys and provides insights into the arc of federal government financial reporting developments, including the reporting mandate contained in the Constitution of the United States. Federal financial reporting has recently surpassed several significant milestones. The U.S. Government Accountability Office and Office of Management and Budget celebrated the 100th anniversary of their founding in 2021. Meanwhile, the Chief Financial Officers Act of 1990 and the Federal Accounting Standards Advisory Board have reached the 30-year mark. Progress during the last 20 years has focused on extending the requirements of the Chief Financial Officers Act, improving federal financial reporting standards, and increasing transparency through easily accessible open data.

**“Measuring municipal audit quality: Focus, findings, avenues”** by A. Yebba. *Journal of Governmental and Nonprofit Accounting*. (early online).

**Abstract:** It is often difficult to establish determinants of governmental audit quality. This discussion explores the motivations of municipalities to invest in auditing and for auditors to deliver quality services within this specialized market. This paper provides a review of governmental audit quality research findings, including measurement of audit quality proxies. The paper also discusses potential future research avenues and suggests several lines of audit-focused research remain open for exploration.

**“The growing field of nonprofit accounting research: 21<sup>st</sup> century data sources, topics, and opportunities”** by J. Mercado, L. Parsons, and K. Smith. *Journal of Governmental and Nonprofit Accounting*. (early online).

**Abstract:** We document trends in nonprofit accounting research during the past two decades, specifically identifying data sources used, research topics investigated, and journals that published this work. Accessibility to new data sources has allowed scholars to broaden the overall scope of research questions examined and better understand the ramifications of a wide variety of factors on organizational performance, managers’ behavior, and donor decision making. Our findings indicate that accessible and affordable digitized data opened the field to scholars who may have previously perceived data collection as a barrier to entry in the field. Nonprofit accounting research has increased significantly and is now published broadly in a wide array of journals. As the field has developed, those who conduct nonprofit research have diversified the data sources and research methods in their research designs. Overall, the trends in availability and variety of data bode well for the future of nonprofit accounting research.

**“Healthcare accounting research: An analysis, review, and suggestions for future work”** by S. Yonce and B. Barnes. *Journal of Governmental and Nonprofit Accounting*. (early online).

**Abstract:** This paper analyzes and reviews healthcare-related accounting literature, with a focus on research published between 1990 and 2020. We systematically collect a global sample of 413 papers and categorize each paper along several dimensions, including accounting sub-discipline, research methodology, journal quality, and geographic origin. We find that high-quality accounting journals publish healthcare-related research throughout the period, but publication in the most elite (i.e., “top 3”) journals is declining. Further, we find that archival accounting research in healthcare is primarily a North American undertaking, while field studies and case studies are more popular internationally. We review the sampled research along with additional (pre-1990 and post-2020) literature in an inclusive summary of extant healthcare-related accounting research, organized by topic and focused on identifying avenues for additional research. We then discuss several healthcare-related public data sources.

**“Nonprofit performance measurement and reporting: Looking forward”** by E. Harris, D. Neely, and L. Parsons. *Journal of Governmental and Nonprofit Accounting*. (early online).

**Summary:** The primary challenge in identifying useful nonprofit performance measures is determining what stakeholders value in terms of information from charitable organizations. The authors feel there are numerous opportunities to improve nonprofit performance measurement and reporting going forward. The paper highlights two paths for improvement: better measurement with a focus on nonprofit outcomes, and improved reporting with an enhanced Form 990. Both opportunities will move the sector toward providing stakeholders with much improved measures of nonprofit performance.

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The *Journal of Accounting and Public Policy* recently published a special issue on “Nonprofits and Public Policy” and the following articles were included within the special issue.

**“Does it pay to pray? Religious nonprofits and funding”** by J. Altamuro, J. Bierstaker, L. Chen, and E. Harris. *Journal of Accounting and Public Policy*. 2022.

**Abstract:** This study examines whether religious identity has an impact on two types of funding, donations and government grants, received by nonprofit organizations. We argue that religious nonprofits attract more donations because (1) donors feel an affinity or special tie to religious organizations and/or (2) donors regard religious organization as having good stewardship. Using 54,917 organization-year observations we find that 18% of the largest U.S. nonprofit organizations have some religious identity and that these organizations receive more donations than their non-religious counterparts. We further find that the association is more pronounced for nonprofits in more religious geographic areas, those with unrestricted donations, and organizations with better stewardship. Conversely, we find that government grants are negatively associated with religious identity, a result consistent with the separation between church and state established under U.S. law and tradition. This negative relationship, however, is mitigated for nonprofits with better stewardship. Our results should be of interest to donors and policymakers who seek to understand the impact of religion on nonprofit funding as well as the role of donor affiliation and stewardship in the fundraising process.

**“Credit unions and earnings management to mitigate political scrutiny over tax-exempt status”** by J. Brushwood, C. Hall, and S. Lusch. *Journal of Accounting and Public Policy*. 2022.

**Abstract:** In this paper, we examine whether credit unions manage earnings to mitigate political scrutiny. In particular, we study whether credit unions increased loan loss provisions to decrease earnings around a 2005 congressional hearing on

the efficacy of credit unions’ tax-exempt status. On average, we find evidence consistent with credit unions managing earnings downward via the loan loss provision in the quarters leading up to and surrounding the congressional hearing. In addition, we find that credit unions with higher earnings before the loan loss provision engaged in more downward earnings management than credit unions with lower earnings before provision. Our findings contribute to the literature examining the use of downward earnings management to avoid political scrutiny and the banking literature. Likewise, our results inform the continued debate as to whether credit unions should be tax-exempt.

**“Payments in lieu of taxes (PILOTs): How characteristics of requests for PILOTs impact nonprofits’ fairness perceptions and likelihood of compliance”** by T. Potsaid, S. Venkataraman, and H. Zhou. *Journal of Accounting and Public Policy* 2022.

**Abstract:** Despite the growing importance of PILOTs for cities and nonprofits, little is known about how characteristics of requests for PILOTs influence fairness perceptions and compliance. We examine how PILOT frame (*carrot* versus *stick*) and procedure (*systematic* versus *ad hoc*) jointly influence the fairness perceptions of requests for PILOTs and whether these perceptions, in turn, influence the likelihood of compliance. We conduct an experiment and find that requests framed as a carrot, rather than a stick, are perceived as more fair. Requests that are administered in a systematic, rather than *ad hoc* manner, are perceived as more fair, but only when the request is framed as a carrot. Perceptions of fairness, in turn, increase the likelihood that nonprofits will comply with the request for PILOTs. A follow-up survey of senior nonprofit executives confirms that PILOT frame and procedure affect their perceptions of fairness similar to our experimental participants. Importantly, survey participants indicate that perceptions of fairness are a significant determinant of their cooperation with the city, not only on the request for PILOTs, but also on future collaborative initiatives. We discuss the implications of our study for entities affected by PILOTs.

**“Director compensation and foundation performance”** by R. Yetman. *Journal of Accounting and Public Policy*. 2022.

**Abstract:** In this paper I conduct the first empirical analysis of the relationship between director compensation and private foundation performance. Using compensation data for over 17,000 private foundations across the period 1993 to 2017 I find that private foundations which choose to compensate their directors make smaller charitable distributions each year, and are also more likely to minimize their charitable

distributions to the legal minimum over time. I also examine the association between compensated directors and foundation investment returns and find no relationship. Finally, I find that foundation director compensation is not a substitute for either employee compensation or outside professional fees.

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If you have seen any published research papers you think would be of interest to our members, please send them to Fred at: [aayebba@binghamton.edu](mailto:aayebba@binghamton.edu)

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## Let Us Hear from You

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The deadline to submit items for inclusion in the next issue of **Government & Nonprofit News** is tentatively set for October 15, 2022. Submit newsletter items (maximum of 350 words) per item to:

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