



**American  
Accounting  
Association**

Government and  
Nonprofit

# Government & Nonprofit News

Volume 36 Number 1 ■ Spring 2014

**Message from Terry Patton,  
Midwestern State University  
AAA GNP Section President**

Dear fellow GNP colleagues,

I want to thank everyone for making this a great year for the AAA-GNP section. As I enter my last couple of months as president of the section, I realize how fortunate that I have been to work with such a dedicated and hardworking group of officers and members. It is a pleasure to work with people whose primary motivation is to give back to an organization that has been important in their careers. I have gotten to know some of our new members and the future of the section is bright. I would encourage all our members to take advantage of the many opportunities that the section offers. All that you give will be more than repaid through the many friendships you gain.

As summer approaches, I hope that you have a chance to regroup and to think about those projects that you wish to complete this summer. As part of your summer planning, please consider attending the annual AAA meeting in Atlanta, Georgia from August 2-6, 2014. If you are attending, please mark your calendar to attend the GNP Section Lunch from 12:00-1:45 and the Section Business Meeting from 2:00 to 3:30 on Monday, August 4, 2014.

I also would encourage you to attend a couple of interesting GNP sessions on Sunday, August 3, 2014. From 8:00 to 11:00 a.m., Keren H. Deal, Auburn University at Montgomery and Barbara J. Eide, University of Wisconsin - La Crosse will lead a section entitled, *The Governmental and Nonprofit Accounting Classroom: A Framework for Motivating and Teaching Students*. On Sunday afternoon from 1:00 to 4:30 p.m., Alan Styles will moderate a section entitled, *Conducting Governmental and Nonprofit Accounting Research: Policy Implications at Federal, State, and Local Government Levels*.

**2014 GNP Midyear Meeting**

I appreciate all 71 of you who registered for and made the 2014 GNP Section midyear meeting a success. The meeting was held at the offices of the Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board in Norwalk, Connecticut on March 28 and 29, 2014. The generosity and help of the chairman of the GASB, David Vaudt, staff members from both the GASB and the FASB (especially David Bean, Dean Mead, and Greta DeAngelis), and the financial help and sponsorship of KPMG made the meeting possible. Special thanks go to Kathryn Jervis, GNP midyear meeting program chair, for her dedicated service and to all the paper reviewers, paper discussants, and moderators.

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In the tradition of the GNP section, the midyear meeting included a mixture of professional development and paper sessions. On Friday, the meeting began with a welcome by David Vaudt and Kathryn Jervis. Chairman Vaudt also served as our luncheon speaker where he gave an interesting and entertaining presentation.

Christine Botosan, President-Elect of the American Accounting Association, provided an update on AAA activities as well as insight regarding its future. David Bean, GASB Director of Research and Technical Activities, provided an informative update on GASB projects and activities. Jeff Markert, partner in KPMG's Department of Professional Practice in New York City, discussed audit issues related to the new GASB pension standards. Jeff Mechanick, Assistant Director of the FASB, provided an update on FASB not-for-profit activities. Dean Mead, GASB Research Manager, discussed research surrounding the reexamination of GASB Statement No. 34. Finally, the section was fortunate to learn from a panel about the type of research that is valuable to the GASB and FASB and how the GNP section could help. I had the honor of moderating the panel participants, which included Dean Mead; Kim Petrone, Financial Accounting Foundation Post-Implementation Review Director; and Cullen Walsh, FASB Assistant Director.

Saturday began with our fourth annual round-table breakfast session, which included four research papers. The day continued with three concurrent paper sessions, which included the presentation and discussion of 18 papers. The presentations and discussant comments were thought provoking. I believe most people attending left with at least one research idea.

We continue to work on the section's strategic plan. The strategic planning exercise began last year under the leadership of Jackie Reck. During her term as president, the GNP section membership approved a vision and mission statement. This year's task is to agree upon goals and action steps that will help guide the section's future activities. An ad-hoc committee, which includes Suzanne Lowensohn, Jackie Reck, Royce Burnett, Andrew McLelland, Alan Styles, Kathryn Jervis, and myself, met twice to develop preliminary goals and actions steps. These were discussed at the midyear meeting. Based on the feedback received, we will revise the goals and action steps for presentation at the GNP business meeting in Atlanta.

Special thanks to Jackie Reck, Kathryn Jervis, Andrew McLelland, Alan Styles, Karen Kitching, Suzanne Lowensohn, Randy Elder, Dwayne McSwain, Tammy Waymire, Don Deis, Barry Marks, Bill Baber, and Royce Burnett for making this year a success!

I look forward to seeing you in Atlanta at the annual meeting!

Terry Patton  
[terry.patton@mwsu.edu](mailto:terry.patton@mwsu.edu)

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## Committee Reports

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### **Nominating Committee Report**

The committee met on Monday, May 5, 2014 and nominated Alan Styles to serve as secretary/treasurer for the 2014-2015 year. The secretary/ treasurer becomes the president elect after serving one term as secretary/treasurer, according to Section VII (A)(6)(b) of the bylaws.

### **Journal of Government and Nonprofit Accounting (JOGNA) Report**

As of the midyear meeting, five articles have been published or accepted in JOGNA using various methods: analytical, archival, and field and case study. Author institutions include George Mason University, Hofstra

University, Naval Postgraduate School, Suffolk University, University of Missouri, University of Texas at San Antonio, University of Virginia, and University of Wisconsin-Milwaukee. Fifty percent of the published authors were at the rank of assistant professor at the time of publication; twenty percent at the rank of associate; and thirty percent were full professors. The titles of the articles and their dates of publication are listed below.

- Nonprofit Resource Allocation Decisions: A Study of Marginal versus Average Spending (2012)
- Are Cost-Plus Defense Contracts (Justifiably) Out of Favor? (2013)
- A Case Study in the Net Reporting of Special Event Revenues and Costs (2013)
- Economic Consequences of Going Concern Audit Opinions in Nonprofit Charitable Organizations (2013)
- The Relative Influence of Fund-Based and Government-Wide Financial Information on Municipal Bond Borrowing Costs (2014)

Acceptance rates of the 35 submissions to the journal as of March 2014 are as follows (excluding seven desk rejections):

Rejected	24
In-process (including R&R)	6
Accepted	5

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## Annual Meeting News

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### GNP Section Luncheon Speaker

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The GNP Section Luncheon will be held on Monday, August 4. Doug Pirkle will be our guest speaker. Mr. Pirkle currently serves as the Director of the Office of Quality Assurance (OQA) for the State of Georgia Department of Audits and Accounts. The OQA is responsible for ensuring the Department has an appropriate internal quality control system in place to provide reasonable assurance that the Department and its personnel maintain independence and comply with applicable professional, ethical, legal and regulatory requirements.

Mr. Pirkle, a native Georgian, graduated from the University of West Georgia in 1988, and began his career with the State Auditor's Office shortly thereafter. He has performed financial audits of state agencies and authorities and local education agencies during his twenty six year tenure with the Department.

Mr. Pirkle's professional affiliations include the American Institute of Certified Public Accountants (AICPA), the Association of

Certified Fraud Examiners (ACFE), and the Association of Government Accountants (AGA).

Mr. Pirkle serves on the National Association of State Auditor's (NSAA) Audit Standards and Reporting, Single Audit, and Peer Review Committees. He also served as the President of the Atlanta Chapter of the AGA for the 2007-2008 program year.

He is a Certified Public Accountant, Certified Fraud Examiner and Certified Government Financial Manager.

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### GNP Teaching Session

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**Sunday, August 3, 2014 – 8:00 am – 11:00 am**

*The Governmental and Nonprofit Accounting Classroom: A Framework for Motivating and Teaching Students.*

Our presenters this year are Dr. Keren H. Deal, CPA, CGFM, Auburn University at Montgomery, and Barbara J. Eide, Ph.D., CPA, University of Wisconsin - La Crosse, who each bring a wealth

of GNP teaching and research experience to make the session one of the best yet.

The session is designed to help those who are currently teaching governmental and nonprofit (GNP) accounting, as well as those who may teach it in the future. Regardless of the structure of the GNP course at your institution (whether it is of traditional length or abbreviated, geared toward undergraduate or graduate students, stand-alone or included within another course), you should expect to gain resources and insight that will assist you in your course. With Keren and Barbara's leadership, participants should walk away with new resources that will help them on their journey and a renewed enthusiasm for teaching GNP. No advance preparation is required

She and Keren will discuss their GNP course research results and will provide some thought provoking and innovative ideas about how to engage students and teach tough course material.

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### **GNP Executive Committee Breakfast**

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Please mark your calendar for the GNP Executive Committee Meeting to be held on Monday, August 4, from 7:15 to 8:30 AM, in the Atlanta Marriott Marquis, Lobby Level, Room 503.

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### **GNP Annual Meeting Sessions**

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#### **Monday August 4, 2014 –10:15 am-11:45 am**

Financial Vulnerability and Disclosure Practices of Nonprofit Organizations, Moderator: Benedikt Quosigk, Kennesaw State University

*Capital Campaign Grants, Nonprofit Efficiency, and Financial Vulnerability*

Arthur Allen, University of Nebraska-Lincoln; Brian McAllister, University of Colorado Colorado Springs; Timothy Yoder, University of Nebraska at Omaha

*Discussant:* Christine Petrovits, Willim and Mary

*Did the Revised Form 990 Change Nonprofit Governance and Disclosure Practices?*

Martha Eining, University of Utah; Kathy Hurtt, Baylor University; Claire Richards, Zayed

University

*Discussant:* Jan R Heier, Auburn University Montgomery

*Doing Too Much? Financial Vulnerability Of Canadian Registered Charities*

Cliff Spyker, Mount Royal University; Harjinder S Deol, Mount Royal University

*Discussant:* Timothy R Yoder, University of Nebraska Omaha

#### **Monday August 4, 2014 –4:00 pm-5:30 pm**

Special Districts Impact on Local Government Debt, Determinants of School District Fund Balance and Derivative Use in US Municipalities, Moderator: Kathryn E Easterday, Wright State University

*The Impact of Special Districts on Local Government Debt: Evidence from "Old Northwest Territory" States*

Dagney Faulk, Ball State University; Larita Killian, Indiana Univ - Columbus

*Discussant:* Rebecca I Bloch, Fairfield University

*Determinants of School-District Fund Balance: An Examination of Overtaxing*

Nina T. Dorata, Saint John's University; Cynthia R Phillips, Saint John's University; John J. Neumann, Saint John's University

*Discussant:* Yuan Ji, The George Washington University

*Why Hedge? Extent, Nature, and Determinants of Derivative Usage in US Municipalities*

Saleha B Khumawala, University of Houston; Tharindra Ranasinghe, Singapore Management University; Claire (Jiniqu) Yan, University of Arkansas at Little Rock

*Discussant:* Zachary T Mohr, University of North Carolina Charlotte

#### **Tuesday August 5, 2014 –10:15 am-11:45 am**

Financial Health of Universities and Investigation of Impact of Government & Nonprofit Accounting Classes, Moderator: Mary Fischer, The University of Texas at Tyler

*Comparison of the Department of Education Financial Responsibility Score with the*

*Composite Financial Index (CFI) Score*  
Dan Hollingsworth, The University of Tennessee  
at Chattanooga; Tewhan Hahn, Auburn University  
Montgomery  
*Discussant:* Royce Burnett, Southern Illinois  
University

*The Effect of Revenue Diversification on the  
Financial and Educational Outcomes of Private  
Universities*  
James C Webb, University of the Pacific  
*Discussant:* Mary Fischer, the University of Texas  
at Tyler

*An Empirical Investigation of the Impact of  
Taking a Stand-Alone Government and Nonprofit  
Accounting Course on Pass Rates for the  
Financial Accounting & Reporting Section of the  
Uniform CPA Examination*  
Richard C. Brooks, West Virginia University;  
Suzanne L. Lowensohn, Colorado State  
University; Donald R. Deis, Texas A&M  
University - Corpus Christi  
*Discussant:* Tammy R Waymire, Northern Illinois  
University

#### **Tuesday August 5, 2014 – 2:00 pm-3:30 pm**

Nonprofit Executive Compensation and  
Measuring Stakeholder Culture for the Nonprofit  
Sector, Moderator: Erica Harris, Rutgers  
University - Camden

*For-Profit Board Members and Non-Profit  
Executive Compensation*  
Andrea Roberts, University of Virginia; Valentina  
Zamora, Seattle University  
*Discussant:* Pamela Smith, University of Texas at  
San Antonio

*Determinants and Consequences of Nonprofit  
Executive Incentive Pay*  
Steven Balsam, Temple University; Erica E.  
Harris, Rutgers University - Camden  
*Discussant:* Karen A Kitching, George Mason  
University

*Consequences of Voluntary Audit Committee  
Adoption by Nonprofit Organizations*  
Randal J. Elder, Syracuse University; Nancy Chun  
Feng, Suffolk University; Daniel Neely,  
University of Wisconsin-Milwaukee;  
*Discussant:* To Be Announced

#### **Tuesday August 5, 2014 – 4:00 pm-5:30 pm**

Local Government Bankruptcy and Audit  
Performance, Voluntary Audits by Nonprofits and  
Sustainability Reporting by Governments and  
Nonprofits, Moderator: Dean Michael Mead,  
GASB

*Local Government Bankruptcy: Outcomes and  
Aftereffects*  
Mary Fischer, The University of Texas at Tyler;  
Treba Marsh, Stephen F. Austin State University;  
Joshua McElroy, Southside Bank, Tyler TX;

*Sustainability Reporting in Governmental and Not  
for Profit Organizations in the U.S.*  
Fatima Alali, California State University  
Fullerton; Zhou Chen, California State University  
Fullerton; Yue (Laura) Liu, California State  
University Fullerton

*The Impact of Municipal Governance on Cities'  
Audit Performance*  
Amanda N. Peterson, East Carolina University

*Assessing the Impact of GASB Statement No. 34:  
A study exploring the determinants of variation in  
MD&A disclosure and assessing the impact of  
MD&A disclosure on default risk and borrowing  
costs*  
Rebecca I Bloch, Fairfield University

#### **Wednesday August 6, 2014 – 10:15 -11:45 am**

Analysis of Off-Balance-Sheet Disclosures by  
Nonprofit Hospitals, Employment of Physicians  
Effect on Hospital Financial Performance and  
Large Sample Evidence of Nonprofit Audit Fees,  
Moderator: Dana A Forgione, University of Texas  
at San Antonio

*An Analysis of the Association of Nonprofit  
Hospitals' Off-Balance Sheet Disclosure  
Management with Contributions*  
Benedikt M Quosigk, Kennesaw State University;  
Dana A Forgione, The University of Texas at San  
Antonio  
*Discussant:* Robert J Eger, Naval Postgraduate  
School

*The Effects of Employing Physicians on Hospital  
Financial Performance*

Richard Priore, Tulane University; Benedikt M Quosigk, Kennesaw State University  
*Discussant:* Melvin Lamboy, Iowa State University

*Large Sample Evidence of Nonprofit Audit Fees: A Resource Dependency Framework*  
Thomas Z Webb, Mississippi State University;  
Tammy R. Waymire, Northern Illinois University;  
*Discussant:* To be announced

**Wednesday August 6, 2014 – 2:00 pm-3:30 pm**

Accountability, Cost Accounting, Governance and Operational Controls for Government and Nonprofits, Moderator: Makila Major, University of Memphis

*Modern Governance, Cost Accounting and Transaction Costs: Why cost accounting is an important new area of research and how it can be studied empirically in the public sector.*  
Zachary Mohr, University of North Carolina Charlotte

*Non-Residual Income Organizations (NRIO) and Business Organizations -The Importance of Budgetary Integrity and Incentive Contracts-*  
Toshiaki Wakabayashi, Waseda University

*Regulating managerial discretion and firm performance: Evidence from the Not-for-Profit Sector*  
Krishnamurthy Surysekar, Florida International University; Elizabeth Turner, University of Southern Mississippi; Clark Wheatley, Florida International University

*The Challenges of Accountability and Operational Controls Nonprofit Organizations*  
Fabian A Baapogmah, Walden University; Roger W Mayer, SUNY Old Westbury; Wen-Wen Chien, SUNY Old Westbury

**Wednesday August 6, 2014 – 4:00 pm-5:30 pm**

Performance Budgeting in Indonesia, the Role of Accounting in the Performance of Portuguese Municipalities and the Genesis of Efficiency Auditing in Canada, Moderator: Evelyn McDowell, Rider University

*Learning Lessons, Transplanting Policy: The Wilson Committee and the Genesis of Efficiency Auditing*  
Clinton Free, University of New South Wales; Vaughan S Radcliffe, Western University; Mitchell J Stein, Western University  
*Discussant:* George Durler, Emporia State University

*Performance Based Budgeting on the Education Function As An Instrument of National Purposes Attainment in Indonesia*  
Jayu Pramudya, Faculty of Economics Universitas Indonesia; Dwi Martani, Faculty of Economics Universitas Indonesia  
*Discussant:* Bong Kim, Seoul National University

*The role of accounting in the municipal performance: an empirical study in the central region*  
Maria da Conceicao Costa Marques, ISCAC Coimbra Business School; Jose Ferreira Marques, ISCAC  
*Discussant:* Benjamin Rue Silliman, St. John's University

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## **GASAC Update – by Jackie Reck**

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The Governmental Accounting Standards Advisory Council (GASAC) met on March 11 and 12, 2014, in Reno, Nevada in conjunction with the annual meeting of the National Association of State Comptrollers.

Dan Ebersole, secretary and treasurer of the FAF Board of Trustees, noted that the Post

Implementation Review (PIR) process of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, was expected to be completed in May. Mr. Ebersole also stated that David Sundstrom, GASB member, has been reappointed to another five-year term.

With respect to reexamination of GASB Statement 34, the financial reporting model, GASB staff provided an update on pre-agenda research activities. The GASB staff is conducting research to help the Board assess whether the blueprint for the annual financial statements, notes, and supporting information continues to be appropriate for state and local governments. Members of the GASAC described what they perceive as the positive and negative aspects of key features of the financial reporting model. These features include: disaggregating financial information by funds; presenting governmental fund financial statements using the current financial resources focus and modified accrual basis of accounting; and the government-wide financial statements.

The Leases project is reexamining the GASB's existing lease accounting standard, which has been in effect for almost 30 years. The GASAC members' discussion included how the GASB's tentative decisions compare with the proposals made by the Financial Accounting Standards Board and International Accounting Standards Board. At this time the Lease project is in relatively early stages of development and it is expected that a preliminary views document will be issued prior to an exposure draft.

Through the Fiduciary Responsibilities project, the GASB is assessing whether additional guidance should be developed regarding the

reporting of a government's activities as a trustee or agent. This includes addressing the criterion that requires a government to include activities in its basic financial statements when it has a fiduciary responsibility for those activities. Some of the Board's tentative decisions related to fiduciary reporting include: (1) the distinction between trust funds and other fiduciary funds would be based on the presence or absence of a trust agreement or equivalent arrangement; (2) a custodial fund type (this is new) would be established for reporting fiduciary activities that are not administered through a trust or equivalent arrangement; and (3) a government with custodial fund assets meets the proposed definition of a fiduciary and, therefore, should report that fund in the basic financial statements.

The GASB is expected to issue an exposure draft on fair value measurement in the second quarter of 2014.

The GASAC members provided the GASB with input on the prioritization of pre-agenda research activities and potential standards-setting topics included in the GASB's technical plan. Issues considered the highest priorities included: reexamination of the financial reporting model; electronic financial reporting; popular reporting; reexamination of note disclosures required by Statement 38; interim financial reporting; and reexamination of the standards for debt refundings.

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## Have You Seen?

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*Andrew J. McLelland*, Auburn University  
*Alan K. Styles*, California State University - San Marcos

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.

**“Do Donors Discount Low-Quality Accounting Information?”** by Michelle H. Yetman and Robert J. Yetman. *The Accounting Review*: (Volume 88, Issue 3, 2013): 1041-1067.

Michelle and Robert Yetman investigate the ability of donors to adjust their donations based on interpretation of program accounting ratios and availability of financial data through the Taxpayer

Bill of Rights 2 (TBOR2) and GuideStar after 1997. Specifically, they test hypotheses on donors discounting of suspected low quality program ratios, whether TBOR2 and GuideStar increased donors' identification and discount of low quality program ratios, and the relative ability of more sophisticated donors to discount low quality program ratios. They test their hypotheses using a donations' demand model on a sample of over

37,000 Form 990 observations from the Internal Revenue Service Statistics of Income (SOI) database for the period 1992 to 2007. Yetman and Yetman find that the average donor is only able to discount the simplest signal of low quality program ratios – zero fundraising expenses. The average donor seems unable to discount more sophisticated signals of low quality program ratios. The results of their study lead them to assert that the access to financial data provided by TBOR2 and GuideStar enabled the average donor to identify the impact of zero reported fundraising on program ratios – identifying low quality program ratios. They also find that sophisticated donors are more able to identify and discount low quality program ratios than average donors.

**“How Does the Incentive Effect of the Charitable Deduction Vary across Charities?”**

by Michelle H. Yetman and Robert J. Yetman.  
*The Accounting Review*: (Volume 88, Issue 3, 2013): 1069-1094.

In this study, Yetman and Yetman examined the effect of the charitable contribution tax deduction on donations to different types of nonprofit organizations. They study the tax elasticity of donors when making the donation decision. Underlying their explanation of donations theory for donors responding to tax incentives are the “tax incentive effect” and the “donor preference effect.” The tax incentive effect relies on the average donor having a tax incentive to give; while the donor preference effect is based on that the donor considers the tax incentives in their donation decision. They develop a model that combines individual donation tax elasticity and the public donations across public charities and private foundations. Yetman and Yetman test this model on a sample of over 135,000 financial reports provided to the IRS by 501(c)(3) organizations for the period 1991 to 2007. This sample included both private foundations and public charities. The result of their tests indicate an overall tax elasticity of approximately -1.0 and leads them to assert that the charitable contribution deduction does increase charitable donations when compared to donations without a tax deduction. Partitioning of the data highlights how tax elasticity varies by type of nonprofit. For seven types of nonprofits, private foundations, arts and culture, private education, environmental protection, animal welfare, primary healthcare,

and philanthropy charities, the tax elasticity is -2.0 or larger. This indicates how donors to these nonprofits make donations more strongly based on the tax incentives.

**“Accounting restatements, governance and municipal debt financing”**

by William R. Baber, Angela K. Gore, Kevin T Rich, and Jean X. Zhang. *Journal of Accounting & Economics*: (Volume 56, Issue 2, 2013): 212-227.

The authors investigate associations between municipal accounting restatements and debt costs. In addition, they analyze the relationship between restatements and two municipal governance characteristics; audit and voter oversight. Instead of using individual municipal characteristics the authors construct indices to measure the intensity and efficacy of audit and voter governance. The primary sample consists of 207 cities and towns with populations greater than 50,000. Findings indicate that municipal debt costs are substantially higher after annual financial reports are restated. Municipalities who restate also issue less debt and more secure debt in the future periods. The higher debt costs occur when audit oversight is low and managers are entrenched.

**“Relevance of GASB No. 34 to Financial Reporting by Municipal Governments”**

by Annette K. Pridgen and W. Mark Wilder.  
*Accounting Horizons*: (Volume 27, Issue 2, 2013): 175-204.

Pridgen and Wilder investigate the accrual-based financial reporting model created by the Governmental Accounting Standards Board when it issued Statement No. 34. The authors extend the work of Plummer et al. (2007) to municipal governments examining if information from this model is associated with default risk. In addition, they examine if this information is incremental to that provided by the fund-based, modified-accrual reporting model. A sample of 409 municipalities that participated in the Government Finance Officers Association award program is used. The study provides evidence of the relevance of three other financial indicators (change in net assets/total net assets; total liabilities/total assets; and current assets/current liabilities) not examined by Plummer et al. (2007). In summary, the findings indicate the accrual based accounting is a better measure of the economic costs of running a



government than the traditional fund-based model, yet the modified-accrual accounting also provides information incremental to the accrual measures.

**“Are Cost-Plus Defense Contracts (Justifiably) Out of Favor?”** by Chong Wang and Joseph G. San Miguel. *Journal of Governmental & Nonprofit Accounting*: (Volume 2, Issue 1, 2013): 1-15.

Wang and San Miguel compare cost-plus and fixed-price contracts in the context of Major Defense Acquisition Programs (MDAPs). Specifically, they highlight the growing policy preference for fixed-price contracts over cost-plus based on perceptions that cost-plus contracts contribute to cost overruns. After providing background information on the unique contracting environment of MDAP, the authors explain three unintended negative consequences of fixed-price contracts to caution policy makers on the movement away from cost-plus contracts – 1) reduced risk-sharing benefits; 2) higher government payments; and 3) promotion of inefficient industry structure. In the second half of the paper Wang and San Miguel outline how to design a more optimal cost-plus contracting approach.

**“Economic Consequences of Going Concern Audit Opinions in Nonprofit Charitable Organizations?”** by Nancy Chun Feng. *Journal of Governmental & Nonprofit Accounting*: (Preprints).

Feng investigates the economic consequences of going concern audit reports (GCARs) using a sample of 405 nonprofit charitable organizations (NPOs) who received initial GCARs between 1998 and 2003. Using a matched pair control group she finds GCARs are negatively correlated with subsequent government grants and contributions. However, there is no evidence of a significant correlation between a GCAR and the NPO's subsequent public support. Therefore, the decrease in contributions is attributable to a decline in government grants rather than public support. This suggests either that the government utilizes GCARs as a screening criterion in its funding decisions or that affected NPOs voluntarily withdraw their grant applications. In conclusion, GCARs have detectable adverse economic consequences in the nonprofit sector.

**“A Case Study in the Net Reporting of Special Event Revenues and Costs?”** Daniel Gordon Neely and Daniel Tinkelman. *Journal of Governmental & Nonprofit Accounting*: (Preprints).

Neely and Tinkelman examine how the Susan G. Komen for the Cure accounted for fundraising walks. From 2003-2009 the nonprofit organization recorded its share of the net proceeds (revenues less expenses) as a contribution in the year the cash was received. Normally, a walk's gross revenues and fundraising expenses are shown separately in its financial statements. The case highlights the potential impact of net reporting of special events on a nonprofit's financial ratios. The authors found that this accounting treatment helped Komen meet the Better Business Bureau's standards for accountability and achieve a top rating from Charity Navigator.

**“Charities in Competition: Effects of Accounting Information on Donating Adjustments”** by Hans van der Heijden. *Behavioral Research in Accounting*: (Volume 25, Issue 1, 2013): 1-13.

Van der Heijden extends the donor behavior literature by examining how accounting information influences donors' giving decisions when the donor has a choice of several charities. This study uses an experiment to test four hypotheses on donor giving adjustments based on the relative program ratios for a selection of charities. The method for the experiment will be of interest as it was conducted entirely online, with 251 participants recruited using the crowd-sourcing platform, Amazon Mechanical Turk. Participants initially allocated \$300 to three charities. Van der Heijden tested his hypotheses through provision of accounting information to participants and recording their subsequent \$300 donations to the charities. Results of the experiment provide support for the “flight-to-extremes” theory – the donors only adjust their donations for the best and worst charities.

**Also check out:**

**“The Issuance of State and Local Debt During the United States Great Recession”** by Ronald

Fisher and Robert Wassmer. *National Tax Journal*: (Volume 67, Issue 1, 20114): 113-150.

**“Revenue Cycles and Risk-Sharing in Local Governments: An Analysis of State Rainy Day Funds”** by Erick Elder and Gary Wagner. *National Tax Journal*: (Volume 66, Issue 4, 2013): 939-959.

**“Changing Needs, Sticky Budget: Evidence from the Geographical Distribution of U.S. Federal Grants”** by Valentino Larcinese, Leonzio Rizzo, and Cecilia Testa. *National Tax Journal*: (Volume 66, Issue 2, 2013): 311-341.

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

DOD Financial Management: Actions Under Way Need to Be Successfully Completed to Address Long-standing Funds Control Weaknesses - GAO-14-94, Apr 29, 2014.

Improvements Needed in SEC's Internal Controls and Accounting Procedures – GAO-14-416R, May 12, 2014.

Government Efficiency and Effectiveness: Views on the Progress and Plans for Addressing Government-wide Management Challenges-GAO-14-436T, Mar 12, 2014.

Financial Audit: U.S. Government’s Fiscal Years 2013 and 2012 Consolidated Financial Statements-GAO-14-319R, Feb 27, 2014.

**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](mailto:mclelaj@auburn.edu) or Alan [astyles@csusm.edu](mailto:astyles@csusm.edu).**

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## Annual Meeting Reviewers

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- Arthur Allen, Univ. of Nebraska - Lincoln
- Joshua D. Anderson, MIT Sloan School of Management
- Rebecca I Bloch, Fairfield University
- Colleen Boland, Michigan State University
- Richard C. Brooks, West Virginia University
- Harjinder Deol, Mount Royal University
- Pat Derrick, Drexel University
- Kathryn E. Easterday, Wright State University
- Robert J Eger, Naval Postgraduate School
- Nancy Chun Feng, Suffolk University
- Mary Fischer, the University of Texas at Tyler
- Steve Flynn, Thomas More College
- Erica Harris, Rutgers University - Camden
- Jan R Heier, Auburn University Montgomery
- Mary Ann Hofmann, Appalachian State University
- Bambi Hora, University of Central Oklahoma
- Pei Hsu, California State University, East Bay
- Laurence Johnson, Colorado State Universtiy
- Denise Silva Ferreira Juvenal, Prefeitura da Cidade do Rio de Janeiro
- Saleha B Khumawala, University of Houston
- Larita Killian, Indiana Univ at Columbus
- Bong Kim, Seoul National University
- Karen A Kitching, George Mason University
- Melvin Lamboy, Iowa State University
- Dongkuk Lim, Idaho State University
- Barry Marks, University of Houston-Clear Lake
- Treba A. Marsh, Stephen F. Austin State University
- Brian McAllister, University of Colorado – Colorado Springs
- Andrew McLelland, Auburn University
- Dean Michael Mead, GASB
- Cathleen L Miller, University of Michigan Flint
- Zachary T Mohr, University of North Carolina Charlotte
- William A Morehead, Mississippi College
- Stephanie D Moussalli, Rhodes College
- Daniel Neely, University of Wisconsin - Milwaukee
- Amanda N. Peterson, East Carolina University
- Christine Petrovits, William and Mary

- Catherine Plante, University of New Hampshire
- Benedikt Quosigk, Kennesaw State University
- Linda Ragland, University of New Hampshire
- Sunita S. Rao, Park University
- Kevin T Rich, Marquette University
- Claire Richards, Zayed University
- Andrea Roberts, University of Virginia
- Marc Rubin, Miami University
- Pamela Smith, University of Texas at San Antonio
- Charles W Stanley, Baylor University
- Catherine Staples, Randolph-Macon College
- Mitchell Stein, Western University
- Nicole Thibodeau, Willamette U
- John M. Trussel, University of Tennessee at Chattanooga
- Thomas Vermeer, University of Delaware
- Tammy R Waymire, Northern Illinois University
- Thomas Z Webb, Mississippi State University
- Jinqiu Yan, University of Arkansas
- Timothy R Yoder, University of Nebraska Omaha
- Jean X Zhang, Virginia Commonwealth University
- Aleksandra Zimmerman, Case Western Reserve University

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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 1, 2014. Submit newsletter items (maximum of 350 words per item) to:

Karen Kitching, Editor, Government & Nonprofit Newsletter  
 George Mason University  
 4400 University Drive, MSN5F4  
 Fairfax, VA 22030  
 Phone: (703) 993-9038  
**E-mail:** [kkitchin@gmu.edu](mailto:kkitchin@gmu.edu)