



Providing value with purpose

**Services for Development &
Exempt Organizations (DEO)**

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Development & Exempt Organizations (DEO)

Practice overview

Tax-exempt status brings obvious advantages, as well as significant challenges. Rules and regulations are constantly changing and with increasing oversight. It is more important than ever for organizations to be aware and able to address current requirements and maximize benefits. The situation is similar for funders of charitable programs.

These challenges are becoming even more complex due to globalization, healthcare reform, and technological innovation, as well as increased legislative scrutiny and enforcement activity by the Internal Revenue Service (IRS), state, local, and foreign authorities. Tax-exempt business operations in the United States and around the world are transforming and will likely continue to do so for years to come.

KPMG LLP's (KPMG) Development & Exempt Organizations (DEO) practice can help tax-exempt organizations and their for-profit affiliates manage risks, capitalize on opportunities, and navigate these changing times—both at home and abroad. Our national and international networks of professionals support our clients' priorities across five sectors:

- Healthcare
- Higher education
- Development and government
- Non-governmental organizations (NGOs) and Private Foundations
- Corporate Citizenship Services

Why KPMG DEO?

KPMG's DEO professionals possess a range of technical knowledge and in-depth experience to help organizations navigate through changing regulatory and operational environments. Our compliance and consulting services take a holistic approach to helping manage the opportunities and challenges facing our development and not-for-profit clients.

The cornerstone of our engagements is developing close relationships with our clients and their partners to build an understanding of their strategic and operational goals and challenges. By sharing our insights and keeping apprised of current regulatory updates and business trends, we think beyond the present to deliver lasting value to their organizations.

National coverage

KPMG's DEO practice offers expertise from the most widely recognized authorities in the industry at the local level across the United States. Since KPMG began working in the development and exempt industry over 20 years ago, the response has been overwhelmingly positive.

As a result, the DEO practice includes past top IRS officials, sector leading advisors, accountants, and business people. Our team consists of over 120 dedicated professionals in more than 20 offices throughout the United States. The DEO practice is also strongly connected across KPMG's international network of member firms in more than 150 countries worldwide.





Development & Exempt Organizations (DEO)

Practice service offerings

KPMG DEO professionals understand the rules and regulations that apply to tax-exempt organizations such as: intermediate sanctions and self-dealing, lobbying and political activities, unrelated business activities, tax-sheltered annuities, payroll and excise taxes, information reporting, tax-exempt bonds, charitable gifts, grant making, and more. And beyond the

tax rules, our DEO professionals understand the business opportunities and challenges faced in an increasingly complex environment: transparency, governance, accountability, risk management, domestic and international operations, monitoring and evaluation, virtual workforce, strategy, and project oversight, to name just a few.



Regulatory and Compliance Services



- Federal, state, local, and international tax and information filing requirements
- Review activities in limited partnership investments for unrelated business income (UBI) and other reporting requirements
- Review campus or other facility activities for UBI implications
- Structuring joint ventures and other projects with tax-exempt and for-profit partners
- Entrance into foreign jurisdictions
- Designing and implementing tax compliance structures
- Designing and implementing risk management frameworks
- Bankruptcy
- Restatement
- Employee transitions
- Pass-through entities
- Corporate reorganizations and mergers
- Transfer pricing
- Employment taxes
- Real estate
- Insurance
- Information reporting
- IRS practice and procedure
- Legislative and regulatory development

Grants Advisory Services



- Program, policy, and procedural design
- Risk management
- Governance and oversight
- Portfolio assessment
- KPI metrics/benchmarking
- Strategic and operational assessments
- Assistance with Corporate Social Responsibility programs
- Pre-award and post-funding assessments
- Measurement
- Capacity building
- Work-out arrangements for troubled grants and diverted funds
- Project terminations
- Monitoring and evaluation
- Fund administration

International Tax Exempt Services



- Compliance with local tax and regulatory requirements
- Financial controls
- Internal structure
- Governance
- Intellectual property
- Employment and payroll related issues
- Indirect taxes
- Calculating gains and losses on asset disposals
- Repatriation of cash or other property
- Trapped-asset use and management

Tax Exempt Bonds



- Private business use (PBU) estimation related to bond-financed facilities and equipment
- Streamlined calculation of PBU of bond-financed assets using the KPMG PBU Tracker Tool
- PBU assessment reporting
- Review of management agreements, lease arrangements, and sponsored research agreements related to tax-exempt bond financing
- Interviews with personnel to identify PBU sources

Global Trading Tax



- Compliance with tax withholding and information-reporting obligations
- Analyzing investments for unrelated business income
- U.S. and foreign refund and reclaim opportunities
- Calculating taxes due & preparing returns
- Shepherding delinquent returns through the IRS
- Obtaining penalty abatement
- Limiting the look-back period for tax assessment
- Pre-investment analysis to determine tax cost and reporting requirements

Case studies

Non-profit health care organization



KPMG provides tax compliance services for a nonprofit organization specializing in improving the provision of healthcare around the world with assets valued at more than US\$75 million, annual revenues over US\$40 million and operations in dozens of countries. The DEO practice was initially approached to provide services to the organization in 2006 during an expansion of one of its projects in Africa, in order to take advantage of KPMG's extensive international experience, and has been assisting the organization with its tax compliance for its federal and state tax returns ever since. Services provided include:

- Determination of various foreign filings based on the organization's extensive activities in other countries
- Annual reviews of the organization's exempt status
- Determination of disclosures to include on Federal 990 reporting

The DEO practice has also been engaged to provide a variety of services related to the organization's international operations. In New Zealand, KPMG advised on tax requirements and issues related to a partnership with a local institution. In Malawi, using experts from the Grants Advisory Service area, KPMG performed a due diligence assessment on a local health organization. Due diligence services included:

- Face-to-face meetings
- Confirmation of legal status and authority to enter into a partnership
- Determination of outstanding liabilities
- Review of audit and management letter to identify relevant issues
- Preparation of a report of findings

Large university system



KPMG has been providing compliance services to various entities to a large university system for almost 20 years. Beyond assisting with the completion of required annual information and tax returns, the DEO practice routinely provides a variety of tax advisory services as needed. These have included:

- Assistance obtaining public charity reclassification
- Advice on structuring new entities
- Analysis of employee versus independent contractor classification
- Taxability of benefits provided to employees
- Contract review

In addition, KPMG was recently engaged by the university to assist with the institution's overseas initiatives. As part of this work, the DEO group reviewed the university's international projects. This included identifying tax and compliance risks associated with the university's international operations, as well as recommending actions and leading practices to address these risks.

As a result of this review, the university engaged KPMG to provide an independent assessment of its partnership with a health research organization in Zambia. The assessment focused on the partner's financial management practices, governance structure, general operations, and sustainability. KPMG also provided recommendations on forward-looking actions and future avenues of engagement between the partners.



Thought leadership



TaxNewsFlash – Exempt Organizations: a free periodic electronic newsletter that keeps our clients up to date on relevant developments in Congress, in the courts, at the Treasury Department, and at the IRS.



KPMG TaxWatch: a series of Webcasts, live events, and white papers that provides clients with a high-level overview of tax developments and legislative changes and how those changes may affect their operations.



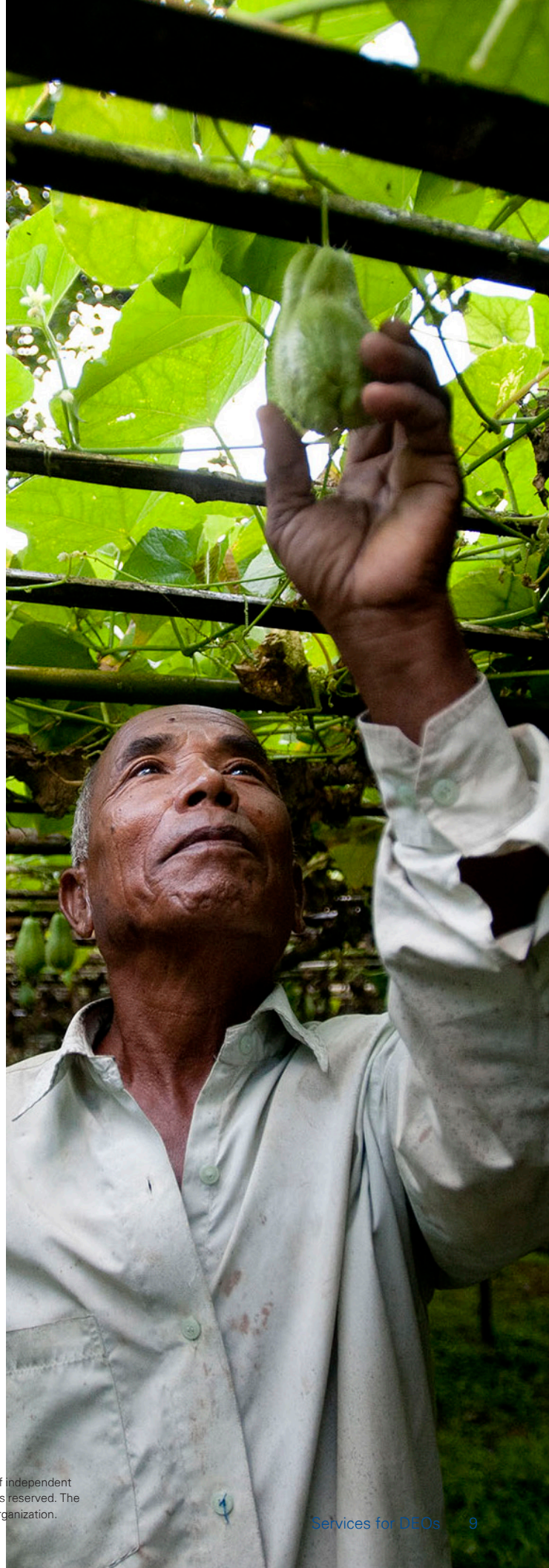
KPMG Issues Monitor: a series of free publications produced by our KPMG international team focused on current trends and issues in the development sector. Past issues have discussed food security, potable water, gender equality, aid effectiveness, and many other topics.



KPMG Change Readiness Index: Now in its third iteration, the Change Readiness Index is based on the hypothesis that a country’s ability to respond to changes and take advantage of the resulting opportunities—its change readiness—will be a key factor in achieving sustained growth and improving the standard of living for citizens.

Enhancing the lives of citizens around the world

Over the next two generations, the world may undergo complex change and transformation. Cultivating opportunities around that change, and making it positive, real, and lasting for governments, institutions, and citizens, requires the active and committed participation of public and private sector stakeholders. Our DEO practice brings together domestic and international experience and insight with hands-on, practical, and collaborative approaches to tailor distinct strategies that help to meet the diverse objectives of our clients and development partners. These professionals bring insight to turn knowledge into value for our clients and the citizens we serve.



Contact us

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