

NEW STANDARD ON NOT-FOR-PROFIT FINANCIAL STATEMENT PRESENTATION

ACCOUNTING STANDARD UPDATE (ASU) 2016-14

WHY A NEW STANDARD?

- Improve usefulness of the information provided to the users of a NFP financial statements
 - Reduce complexity in net asset classification
 - Eliminate diversity in financial reporting & enhance comparability among Not for profits
 - Increase transparency in NFP's liquidity & availability of financial resources



EFFECTIVE DATE

- ▶ ASU 2016-14 is effective for fiscal years beginning after December 15, 2017.



NET ASSET CLASSIFICATION

Replaces current 3 classes of net assets with 2 classes of net assets.

NET ASSET CLASSIFICATION

Current GAAP

- Classifies net assets as "unrestricted," "temporarily restricted," & "permanently restricted" net assets
- Provide information about the nature & amounts of different types of donor-imposed restrictions on the face of the statement of financial position or in the notes

Updated GAAP

- Classifies net assets as "with donor restrictions" or "without donor restrictions"
- Disclose amounts & purposes of board designations other self-imposed limits on the use of resources without donor-imposed restrictions on the face of the statement of financial position or in the notes
- Disclose composition of net assets with donor restrictions & how the restrictions affect the use of resources on the face of the statement of financial position or in the notes

ENDOWMENT FUNDS

- ▶ Expands disclosures on endowment funds, including underwater funds.

ENDOWMENT FUNDS

Current GAAP

- The underwater amount is disaggregated within the overall endowment fund & separately reported in unrestricted net assets
- Disclosure about the aggregate amount of underwater funds

Updated GAAP

- The amount of donor-restricted endowment funds, including any amounts underwater, are classified within net assets with donor restriction
- Disclosure about underwater funds, including the NFP's interpretation of the ability to spend from those funds, its policy relating to spending of those funds (e.g. reduce or eliminate spending of such funds), whether the policy was followed, & any actions taken concerning appropriation of funds

ENDOWMENT FUNDS

Current GAAP

Updated GAAP

- Disclosure, in the aggregate for all underwater funds:
 - Fair value
 - Amount of original gift or amount required to be maintained by law or by the donor
 - Total amount of deficiencies that are classified as part of net assets with donor restrictions

INFORMATION ABOUT AVAILABLE RESOURCES & LIQUIDITY

- Requires quantitative & qualitative information about liquidity.

INFORMATION ABOUT AVAILABLE RESOURCES & LIQUIDITY

Current GAAP

- No disclosure required about availability of resources & liquidity

Updated GAAP

- Quantitative information, either on the face of the financial statement or in the notes, & add'l qualitative notes, as necessary, about the availability of financial assets at the date of the statement of financial position to meet cash needs for general expenditures within one year of the date of the statement of financial position

INFORMATION ABOUT AVAILABLE RESOURCES & LIQUIDITY

Current GAAP

- No disclosure required about available resources & liquidity

Updated GAAP

- Qualitative information in the notes about how the NFP manages its available liquid resources to meet cash needs for general expenditures within one year of the date of the statement of financial position

INFORMATION ABOUT FINANCIAL PERFORMANCE

- ▶ Requires reporting of expenses by both nature & by function in one location.

INFORMATION ABOUT FINANCIAL PERFORMANCE

Current GAAP

- Present of expenses by functional or natural classification on the face of the statement of activities, provided that disclosure is made by functional classification
- Voluntary health & welfare organizations required to present a statement of functional expenses that reports expenses by nature & by function

Updated GAAP

- Report expenses by functional and natural classification on the face of the statement of activities, in the notes, or as a separate statement
- Voluntary health & welfare organizations are permitted to present natural & functional expenses in the statement of activities, in the notes, or as a separate statement

OTHER ITEMS

- Required to disclose methods used to allocate costs among programs.
- Eliminates the over-time approach for the expiration of restrictions on long-lived assets in favor of the placed-in-service approach, in the absence of explicit donor restrictions.

IMPLEMENTATION OF NEW STANDARD

- Implementation of ASU 2016-14 is required on a retrospective basis.
- If comparative financial statements are presented, the following disclosures are not required for the year prior to implementation:
 - Disclosures regarding natural & functional expenses
 - Disclosures relative to liquidity & availability of resources
- Early adoption is permitted.