

# New FASB ASU 2016-14 on Not-For-Profit Financial Reporting and Disclosures: Are You Ready?

TUESDAY, JUNE 26, 2018, 1:00-2:50 pm Eastern

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# **New FASB ASU 2016-14 on Not-For-Profit Financial Reporting and Disclosures: Are You Ready?**

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TUESDAY, JUNE 26, 2018

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Amy Altholz, CPA, CGMA, Partner  
Rubin Brown, St. Louis  
[amy.altholz@rubinbrown.com](mailto:amy.altholz@rubinbrown.com)

Kelly Thompson, CPA, Principal  
The Bonadio Group, Pittsford, N.Y.  
[kthompson@bonadio.com](mailto:kthompson@bonadio.com)

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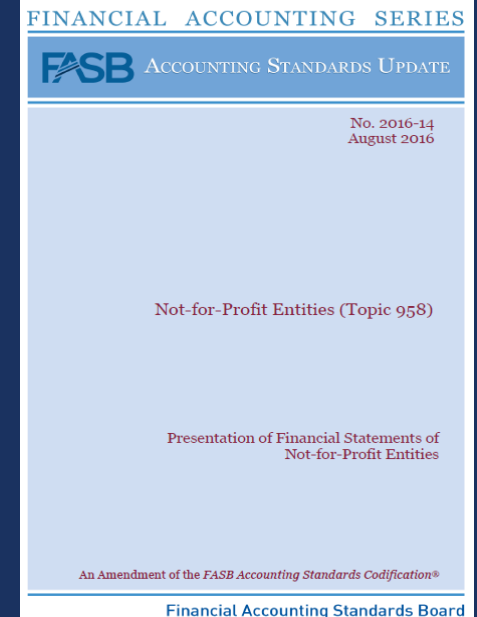
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# ASU 2016-14

## NOT-FOR-PROFIT FINANCIAL REPORTING AND DISCLOSURES

JUNE 26, 2018



# TODAY'S PRESENTERS

Amy Altholz, CPA

Partner, RubinBrown, LLP

[amy.altholz@rubinbrown.com](mailto:amy.altholz@rubinbrown.com)



Kelly Thompson, CPA

Principal, Bonadio & Co., LLP

[kthompson@Bonadio.com](mailto:kthompson@Bonadio.com)



# KEY OBJECTIVE OF THE FASB PROJECT

- Update, not overhaul, the current Not-For-Profit financial statement reporting model
- Improve net asset classification presentation
- Improve information in financial statements and notes about:
  - Financial performance
  - Cash flows
  - Liquidity
- Better enable NFP's to “tell their story”

# KEY AREAS DISCUSSED IN THE ASU

**Net Asset  
Classification**

**Financial  
Performance:  
Operating  
Measure/  
Activities  
Stmt. Format**

**Financial  
Performance:  
Cash Flow  
Statement**

**Reporting of  
Expenses**

**Liquidity**

**NFP Note  
Disclosures**



# FINANCIAL STATEMENTS OF NOT-FOR-PROFIT ENTITIES PROJECT

**Status: After Exposure Draft Issued in April 2015, Divided Into 2 Phases**

Phase I – Of the eight topics, those topics where there was consensus from stakeholders and FASB Board members were included as part of the ASU issued in August 2016.

Phase II – Complex areas where there seemed to be less agreement were delayed as a future project (date to be determined). These areas include: operating measures (whether to require intermediate measures), realignment of certain items within the statement of cash flows (related to adoption of operating measure), and option of segment reporting.

# KEY PHASE I DECISIONS (AMENDMENTS TO CURRENT GAAP)

- Changes to classification scheme and improving disclosures for net asset classes (“with donor restrictions” vs. “without donor restrictions”)
- Enhancing disclosures about underwater endowments
- New disclosures about the liquidity and availability of financial resources
- Reporting of investment return net of investment expenses
- Presenting expenses by nature and function and description of expense allocation methodology
- Allowing free choice between direct method and indirect method in presenting operating cash flows (no change to existing GAAP)

# PHASE II OF FINANCIAL STATEMENTS PROJECT TOPICS

- Requirement and definition of an intermediate measure of operations for all NFPs
- Realignment of certain line items on Statement of Cash Flows
- Exploring option of segment reporting



# NET ASSET CLASSES

Current GAAP

Unrestricted

Temp.  
Restricted

Perm.  
Restricted

Revised GAAP

Without Donor  
Restrictions

With Donor Restrictions\*

+

Disclosures

Amount, purpose,  
and type of board  
designations\*\*

Nature and amount  
of donor restrictions

\* Includes earnings on permanently restricted net assets that have not been appropriated by the Board for expenditure. May disaggregate further

\*\* New disclosure requirement

# NET ASSET CLASSIFICATION - DEFINITIONS

These terms are gone:

~~Temporarily restricted~~  
~~Permanently restricted~~

- **Net Assets With Donor Restrictions:** The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (the term “donors” includes other types of contributors, including makers of certain grants)
- **Net Assets Without Donor Restrictions:** The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (the term “donors” includes other types of contributors, including makers of certain grants)

# PRESENTATION ON THE STATEMENT OF FINANCIAL POSITION

Assets		<u>20xx</u>		<u>20xx</u>
Cash and cash equivalents	\$	4,575	\$	4,960
Accounts and interest receivable		2,130		1,670
Inventories and prepaid expenses		610		1,000
Contributions receivable		3,025		2,700
Short-term investments		1,400		1,000
Assets restricted to investment in land, buildings, and equipment		5,210		4,560
Land, buildings, and equipment		61,700		63,590
Long-term investments		<u>218,070</u>		<u>203,500</u>
Total assets	\$	<u>296,720</u>	\$	<u>282,980</u>
Liabilities and net assets:				
Accounts payable	\$	2,570	\$	1,050
Refundable advance		--		650
Grants payable		875		1,300
Notes payable		--		1,140
Annuity obligations		1,685		1,700
Long-term debt		<u>5,500</u>		<u>6,500</u>
Total liabilities	\$	<u>10,630</u>	\$	<u>12,340</u>
Net assets:				
Without donor restrictions		92,677		73,619
With donor restrictions		<u>193,413</u>		<u>197,021</u>
Total net assets		<u>286,090</u>		<u>270,640</u>
Total liabilities and net assets	\$	<u>296,720</u>	\$	<u>282,980</u>

# PRESENTATION ON THE STATEMENT OF ACTIVITIES

**Not-for-Profit Entity A**  
**Statement of Changes in Net Assets**  
**Year Ended June 30, 20X1**  
(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Revenues and gains without donor restrictions	\$ 20,840		\$ 20,840
Revenues and gains with donor restrictions:			
Contributions		\$ 8,390	8,390
Investment return, net		18,300	18,300
Net assets released from restrictions (Note D)	19,240	(19,240)	-
Total revenues, gains, and other support	<u>40,080</u>	<u>7,450</u>	<u>47,530</u>
Expenses and losses:			
Expenses and losses	32,050		32,050
Actuarial loss on annuity trust obligations		30	30
Total expenses and losses	<u>32,050</u>	<u>30</u>	<u>32,080</u>
Change in net assets	<u>8,030</u>	<u>7,420</u>	<u>15,450</u>
Net assets at beginning of year	84,570	186,070	270,640
Net assets at end of year	<u>\$ 92,600</u>	<u>\$ 193,490</u>	<u>\$286,090</u>

# NET ASSET BREAKDOWN

## With donor restrictions:

Perpetual in nature	\$ 174,382
Purpose restricted	10,601
Unappropriated earnings	<u>8,430</u>
	\$ 193,413

## Without donor restrictions:

Designated by the Board for endowment	\$ 34,628
Undesignated	<u>58,049</u>
	\$ <u>92,677</u>
Net assets	<u>\$ 286,090</u>



# EXAMPLE FOOTNOTE DISCLOSURE: COMPOSITION OF NET ASSETS WITH DONOR RESTRICTIONS

	<u>20xx</u>
Subject to expenditure for specified purpose:	
Program A Activities:	
Purchase of equipment	\$ 1,530
Research	2,128
Educational seminars and publications	760
Program B Activities:	
Disaster relief	1,120
Educational seminars and publications	1,079
Program C Activities:	
General	1,484
Buildings and equipment	1,075
Annuity trust agreements for research	1,425
	<u>10,601</u>
Subject to passage of time	<u>3,140</u>
Subject to NFP spending policy and appropriation:	
Investment in perpetuity, the income from which is expendable to support:	
Program A activities	27,524
Program B activities	13,662
Program C activities	13,662
Any activities of the organization	119,534
	<u>174,382</u>
Subject to appropriation and expenditure when a specified event occurs:	
Endowment requiring income to be added to original gift until fund's value is \$2,500	2,210
Paid up life insurance policy that will provide proceeds upon death of insured for an endowment to support general activities	80
	<u>2,290</u>
Not subject to appropriation or expenditure:	
Land required to be used as a recreation area	3,000
	<u>\$ 193,413</u>

## NET ASSET CLASSIFICATION (CONTINUED)

- Example disclosure for net assets without donor restrictions:
  - Amount and purpose of board designations

### Sample Disclosure Under New Guidance:

Note C: The Organization's governing board has designated \$37,000 of net assets without donor restrictions for the following purposes as of June 30, 2019:

Board-designated endowment	\$ 31,000
Capital projects reserve	<u>6,000</u>
	\$ <u>37,000</u>



# NET ASSET CLASSIFICATION – BENEFITS FROM CHANGES

- Reduces the complexity in financial reporting
- Increases the understandability of the information provided
- Enhanced disclosures provide information about the limits placed on net assets by governing boards and donors



# ACTION ITEMS - NET ASSETS

- Review and understand purpose of Board-designated funds.
  - Are designations still necessary and desired?
  - Are Board-designated funds actually funded?
  - Are amounts shown as Board-designated endowments treated as such and are endowment policies described in footnotes applicable?



# UNDERWATER ENDOWMENTS

- FASB has now provided an official definition of underwater endowment:

A donor-restricted endowment fund for which the fair value of the fund at the reporting date is less than either the original gift amount or the amount required to be maintained by the donor or by law that extends donor restrictions.

## UNDERWATER ENDOWMENTS (CONTINUED)

- Underwater endowments are now to be recorded in net assets with donor restrictions rather than in net assets without donor restrictions
- Enhanced disclosure requirements include:
  - Aggregate amounts by which funds are underwater
  - Aggregate of original gift amounts or level required by law
  - Fair value of underwater endowments
  - Board policy to spend or not to spend funds

# UNDERWATER ENDOWMENTS (CONTINUED)

## Current Statement of Financial Position Presentation:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Due from Unrestricted		\$ 150,000
Investments		850,000
Due to Permanently Restricted	<u>(\$150,000)</u>	<u>-</u>
	<u>(\$150,000)</u>	<u>\$1,000,000</u>



# UNDERWATER ENDOWMENTS (CONTINUED)

## New Statement of Financial Position Presentation:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Investments	<u>\$0</u>	<u>\$850,000</u>
	<u><u>\$0</u></u>	<u><u>\$850,000</u></u>

## UNDERWATER ENDOWMENTS (CONTINUED)

- Example Disclosures: Spending Policy and How the Investment Objectives Relate to Spending Policy

*NFP B has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end in which the distribution is planned. NFP B considered the long-term expected return on its endowment. Accordingly, over the long-term, NFP B expects the current spending policy to allow its endowment to grow an average of 3% annually. NFP B has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board appropriated for expenditure \$75 from underwater endowment funds during the year, which represents 3% of the 12-quarter moving average, not the 5% it generally draws from its endowment.*

## UNDERWATER ENDOWMENTS (CONTINUED)

- Example Disclosures: Underwater Endowment Funds

*From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires NFP B to retain as a fund of perpetual duration.*

*Deficiencies of this nature exist in 3 donor-restricted endowment funds, which together have an original gift value of \$3,500, a current fair value of \$3,300, and a deficiency of \$200 as of December 31, 2015. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.*

# GIFTS FOR CAPITAL PURPOSES “PLACED-IN-SERVICE” APPROACH

- Without donor restrictions:
  - Recorded within operations when received
- With donor restrictions:
  - Recorded as revenue with donor restrictions
  - Release donor restrictions when assets are placed into service
  - No longer released over depreciable life



# ACTION ITEMS - ENDOWMENTS

- Review endowment policy and update, as necessary, for policies regarding underwater endowments.
- What does your Board want to do if funds are underwater?
  - Stop spending,
  - Reduce spending rate for underwater endowments, OR
  - Continue to spend at the same rate?



# REPORTING OF EXPENSES – KEY CHANGES

- Operating expenses shown by both nature and function
  - Nonoperating expenses do not have to be shown by function
  - Expenses included in other line items should be included
- Disclosure of allocation methodology
- Investment expenses now shown net



# REPORTING OF EXPENSES – EXAMPLE PRESENTATION

	Program A	Program B	Program C	Program	M&G	Fundraising	Total Expenses
Salaries	\$ 502,000	\$ 447,000	\$ 224,291	\$ 1,173,291	\$ 204,255	\$ 50,000	\$ 1,427,546
Fringe benefits	82,000	71,000	31,205	184,205	30,542	10,000	224,747
Total Personnel	584,000	518,000	255,496	1,357,496	234,797	60,000	1,652,293
Rent	60,000	350	—	60,350	—	—	60,350
Contracted services	16,034	10,067	74,525	100,626	55,588	—	156,214
Utilities	11,634	26,702	—	38,336	3,634	1,000	42,970
Interest and mortgage fees	—	—	—	—	3,514	—	3,514
Supplies	32,088	12,963	986	46,037	8,112	2,000	56,149
Food	1,094	62,155	466	63,715	1,144	500	65,359
Insurance	8,273	19,689	—	27,962	1,256	—	29,218
Repairs and maintenance	6,221	2,357	—	8,578	—	—	8,578
Telephone	1,115	1,978	1,369	4,462	2,414	—	6,876
Depreciation	46,250	39,575	15,600	101,425	12,570	—	113,995
	\$ 766,709	\$ 693,836	\$ 348,442	\$ 1,808,987	\$ 323,029	\$ 63,500	\$ 2,195,516

# REPORTING OF EXPENSES – ADDITIONAL GUIDANCE

- Enhanced guidance on allocations of management and general expenses
  - Management and general activities include the following: a) oversight, b) business management, c) general recordkeeping and payroll, d) budgeting, e) financing (including unallocated interest costs), f) soliciting funds other than contributions and membership dues, g) administrating government, foundation, and similar customer-sponsored contracts, including billing and collecting fees and grant and contract financial reporting, h) disseminating information to inform the public of the NFP's stewardship of contributed funds, i) making announcements concerning appointments, j) producing and disseminating the annual report, k) employee benefits management and oversight (human resources and I) all other management and administration except for direct conduct of program services.
  - Key concept: *direct conduct or direct supervision*



# REPORTING OF EXPENSES – EXAMPLE FOOTNOTE DISCLOSURE

- Per ASC 958-720-55-176:

*The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Those expenses include depreciation and amortization, the president's office, communications department, and information technology department. Depreciation is allocated based on a square footage basis, the president's office is allocated based on a time and cost study of where efforts are made, certain costs of the communications department are allocated based on the benefit received, and the information technology department is allocated based on a cost study of specific technology utilized.*

# REPORTING OF EXPENSES - BENEFITS FROM CHANGES

- Adds information useful to donors, grantors, creditors and others in assessing the degree to which a not-for-profit's expenses are fixed or discretionary, how the related resources are being allocated, and the costs of the services provided



## ACTION ITEMS - EXPENSES

- For organizations that don't currently present a Statement of Functional Expenses or a Schedule of Functional Expenses in the supplementary information, ensure recordkeeping systems will facilitate preparation of schedule/statement of expenses by function and nature.



## ACTION ITEMS - EXPENSES (CONTINUED)

- Review enhanced guidance on allocation of expenses to management and general (M&G) and determine impact on your NFP.
  - M&G expenses were clarified to include payroll functions, grant and contract financial reporting, and employee benefits, management and oversight (Human Resources).
  - Direct conduct or direct supervision (by CEO, CFO, etc.) of programs or other supporting activities is necessary to allow allocation from M&G.



## ACTION ITEMS - EXPENSES (CONTINUED)

- Review illustrative examples in the ASU and start drafting the footnote explaining your organization's functional expense allocation methodology.



# INVESTMENT RETURN – KEY CHANGES

- Investment return will be reported net of external and direct internal investment expenses.
  - May report net return in multiple, appropriately labeled lines (e.g., from different portfolios, in different net asset classes, or in operating versus nonoperating)
- Netted expenses are no longer required to be disclosed.
  - If reported, carefully label and don't include in expense analysis.
- Components of investment return are no longer required to be disclosed.

# INVESTMENT RETURN - BENEFITS FROM CHANGES

- Provides a more comparable measure of investment return across all not-for-profits, regardless of whether their investment activities are managed internally or externally
- Eliminates the difficulties in identifying embedded fees in the investment return of certain investment vehicles and the resulting inconsistencies in the reported amounts of investment expenses



## ACTION ITEMS - INVESTMENT RETURN

- Direct internal investment expenses will need to be tracked, aggregated and disclosed.
- Even though external investment expenses will not be disclosed for GAAP, these investment expenses will still be disclosed on the Form 990. You should continue to track them for tax purposes.







# LIQUIDITY – KEY CHANGES

- Required to provide:
  - **Qualitative** information on how a NFP manages its liquid available resources and its liquidity risk (in the notes)
  - **Quantitative** information that communicates the availability of a NFP's financial assets at the balance sheet date to meet cash needs for general expenditures within one year (on the face and/or in the notes)

# LIQUIDITY – QUALITATIVE DISCLOSURE

- Qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditure within one year of the balance sheet date.
- NFP will be required to disclose qualitative information, such as:
  - Its strategy for addressing entity-wide risks affecting liquidity, including lines of credit
  - Its policy for establishing reserves

# LIQUIDITY – QUANTITATIVE DISCLOSURE

- NFP will be required to disclose the following quantitative information:
  - Total amount of financial assets
    - Total assets, less nonfinancial assets (e.g. PP&E, inventory, prepaids)
  - Amount unavailable within one year due to external limits
  - Amount unavailable within one year due to board action

# LIQUIDITY DISCLOSURE EXAMPLE I

NFP Entity A has \$395,000 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of **cash of \$75,000, contributions receivable of \$20,000, and short-term investments of \$300,000**. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year.

# LIQUIDITY DISCLOSURE EXAMPLE I (CONTINUED)

NFP A has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$275,000. NFP A has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition, as part of its liquidity management, NFP A invests cash in excess of daily requirements in various short-term investments, including certificate of deposits and short-term treasury instruments. As more fully described in Note XX, NFP A also has committed lines of credit in the amount of \$20,000, which it could draw upon in the event of an unanticipated liquidity need.

## LIQUIDITY DISCLOSURE EXAMPLE 2

Financial assets, at year end*	\$ 234,410
Less: Financial assets unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(11,940)
Subject to appropriate and satisfaction of donor restrictions**	(144,500)
Investment held in annuity trust	(4,500)
Amounts held by bond trustees	(30,200)
Board designations:	
Quasi-endowment fund, primarily for long-term investing**	(36,600)
Amounts set aside for liquidity reserve	(1,300)
<hr/>	
Financial assets available to meet cash needs for general expenditures within one year	<hr/> <hr/> \$ 5,370

\* Total assets, less nonfinancial assets (e.g. PP&E, inventory, prepaids)

\*\* Excludes amounts that have been appropriated for next 12 months that do not have purpose restrictions

## LIQUIDITY DISCLOSURE EXAMPLE 2 (CONTINUED)

*Not-for-Profit Entity A is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Not-for-Profit Entity A must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Not for-Profit Entity A's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Not-for-Profit Entity A invests cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was \$1,300 as of June 30, 20X1. There is a fund established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, Not-for-Profit Entity A also could draw upon \$10,000 of available lines of credit (as further discussed in Note XX) or its quasi-endowment fund.*



# LIQUIDITY - BENEFITS FROM CHANGES

- Provides more transparent information that will enable financial statement users to have a better understanding of how a not-for-profit entity manages its liquid available resources and its liquidity risks



# ACTION ITEMS - LIQUIDITY

- Review illustrative examples in the ASU.
- Consider/discuss/document how your NFP manages its liquid available resources and liquidity risks.
- Evaluate whether these procedures and/or policies are adequate and adjust as necessary
  - Does your NFP have short-term unrestricted investments?
  - Does your NFP reserve funds for liquidity needs?
  - Does your NFP have a line of credit?
  - Does your NFP have a quasi-endowment fund from which it can draw?



## ACTION ITEMS - LIQUIDITY (CONTINUED)

- Review illustrative example in ASU, but understand there is no prescribed format.
- Insert your NFP's year-end asset amounts in example disclosure format to determine what financial assets your NFP has available to meet cash needs for general expenditures within one year.
- Evaluate results to determine if presentation is meaningful and accurately reflects liquidity.
- Evaluate impact of board designations on liquidity presentation.



## OPERATING MEASURE – KEY CHANGES

- Reinforces current GAAP requirement about transparency of components of any operating measures presented:
  - NFPs utilizing an operating measure that reflects governing board designations, appropriations, and similar actions (internal transfers) must report these types of internal transfers appropriately disaggregated and described by type (either on the face of the statement of activities or in the notes)

# OPERATING MEASURE – DETERMINING WHAT TO DISCLOSE

## ■ Two approaches

- Define specifically what is in the operating measure OR
- Start with the change in net assets without donor restrictions (previously unrestricted) and say what is not included in the operating measure

*"Operating results in the consolidated statements of activities reflect all transactions increasing or decreasing unrestricted net assets except those items associated with long-term investment, actuarial adjustments to self insurance liabilities, changes in postretirement benefit obligations, changes in the fair value of the derivative instruments, and other infrequent gains and losses."*

## OPERATING MEASURE – EXAMPLE DISCLOSURE

*NFP A's operating revenues in excess of expenses and transfers include all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from Board-designated and other nonoperating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions designated for long-term investment (the donor-restricted and quasi –endowment) according to NFP A's spending policy, which is detailed in Note X. The measure of operations excludes investment return in excess of (less than) amounts made available for current support, gains and losses on extinguishment of debt, and changes in fair value of the interest rate swap. Included in the line items net transfer of funds to operations and net transfer of funds from operations is investment return appropriated from the quasi-endowment to operations of \$1,025, contributions designated by the Board of Trustees for capital projects from operations of \$3,000, and contributions and bequests designated by the Board of Trustees for quasi-endowment from operations of \$5,000.*

# CASH FLOW STATEMENT – KEY CHANGES

- Allows free choice between the **Direct Method** and the **Indirect Method** in presenting operating cash flows
- Indirect reconciliation no longer required for Direct Method



# EFFECTIVE DATE, ADOPTION AND TRANSITION

- **Effective Date:** For fiscal years beginning after December 15, 2017 (i.e. 2018 calendar year ends and 2019 fiscal year ends)
  - Interim financials the following year
- **Early Adoption:** Permitted, but must apply the regular transition provisions



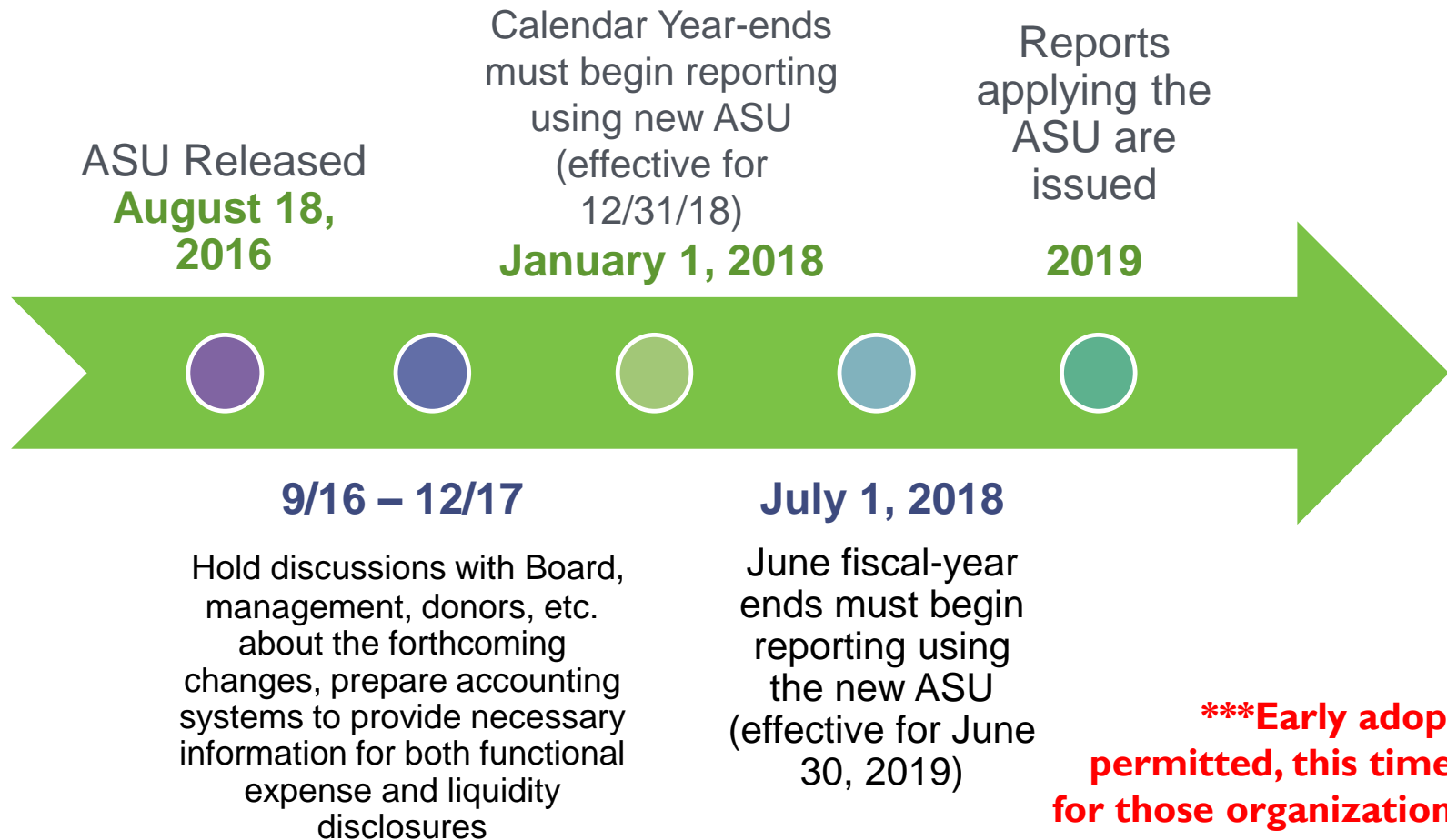
# EFFECTIVE DATE, ADOPTION AND TRANSITION (CONTINUED)

- **Transition:**
  - In the year of adoption, apply all the provisions.
  - For comparative years presented: apply all provisions, except can choose not to present:
    - Analysis of expenses by nature and function, and/or
    - Disclosures around liquidity and availability of resources

# EFFECTIVE DATE, ADOPTION AND TRANSITION (CONTINUED)

- **Considerations:**
  - NFPs are already permitted to incorporate many of the changes in the ASU
  - The changes that **cannot** be done without formally adopting the ASU are:
    - Presenting one class of restricted net assets (consolidating temporarily and permanently restricted)
    - Underwater endowment accounting
    - Eliminated disclosures of investment return components and netted expenses
    - Eliminated requirement to provide indirect reconciliation if using direct method for operating cash flows

# EFFECTIVE DATE - TIMELINE



**\*\*\*Early adoption is permitted, this timeline is for those organizations who choose NOT to early adopt.**

