



Expertise that Works

Accounting Update

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Accounting Update

- Not-for-Profit Financial Reporting Project
- Accounting for Leases
- Investment Disclosures
- Debt Issuance Costs
- Revenue Recognition
- FASB Update

Not- For- Profit Financial Reporting Project

- Background
- Changes in the ASU
 - Net Asset Classes
 - Investment Return
 - Expenses
 - Liquidity and Availability of Resources
 - Presentation of Cash Flows
- Effective Dates and Transition
- What's Next

Not- For- Profit Financial Reporting Project- Background

- NFP Reporting had not been substantially updated since FASB 117 in 1993
- Accounting Standards Board looking to provide better information to stakeholders
- Work performed by NFP Advisory Committee which began in 2011
- Exposure draft issued in April 2015 after considerable outreach
- Some provisions of original exposure draft were controversial
- Project divided into 2 phases
- Standard issued in August of 2016

Net Asset Classification

- Current Net Asset Section of Statement of Financial Position
 - Unrestricted
 - Temporarily Restricted
 - Permanently Restricted
- New Net Asset Section of Statement of Financial Position
 - Net Assets with Donor Restriction
 - Net Assets without Donor Restriction
- Board Designated Assets
- Underwater Endowment Funds

Investment Return

- Present investment return on statement of activities net of external and internal investment expenses
- Disclosure of expenses no longer required
- Board discussion of internal v. external expenses

Expenses

- Natural v. Functional expenses
- Where the disclosure is acceptable
- Expenses netted in investment gains/losses
- Qualitative disclosure about allocations

Liquidity and Availability of Resources

- Disclosure to assess an entity's liquidity and management of resources to meet cash needs
- Quantitative information of ability to meet cash needs

Presentation of Cash Flows

- Direct Method v. Indirect Method
- Indirect Reconciliation

Effective Dates and Transition

- Effective for fiscal years beginning after December 15, 2017
- Early application is permitted
- Retrospective application once applied

What's Next

- Phase II
 - Intermediate Operating Measure
 - Cash Flows

Accounting for Leases

- ASU 2016-02
- Main Provision
 - No more operating leases
 - All leases will now be on the balance sheet
- Measurement
- Leases with term of 1 year or less
- Finance Lease v. Operating Lease
- Transition
- Effective Dates

Accounting for Leases

- Finance Lease
 - Recognize right of use asset and lease liability initially measured at present value of lease payments
 - Recognize interest on liability separately from amortization of asset
 - Classify principal portion of payments as financing activity and interest as operating activity

- Operating Lease
 - Recognize right of use asset and lease liability initially measured at present value of lease payments
 - Recognize a single lease cost on a straight line basis over the lease term
 - Classify all cash payments as operating activity

Accounting for Leases

- Effective Dates
 - NFP and private entities effective date is fiscal years beginning after December 15, 2019
 - Early application is permitted
- Transition
 - Retroactive to the earliest comparative period presented as if this statement had always been applied
- Practical Expedients
 - No Need to reassess whether expired or existing contracts contain leases
 - No need to reassess lease classifications
 - Operating lease = operating lease
 - Capital lease = finance lease
 - Use hindsight to determine lease term for existing leases

Investment Disclosures

- ASU 2015- 07
- Background
- Changes to fair value hierarchy
- Disclosures
 - Fair value measurement
 - Time period of liquidation for investments which cannot be redeemed
 - Unfunded commitments
 - Terms and conditions of redemption
 - Circumstances in which a redeemable investment may not be redeemed

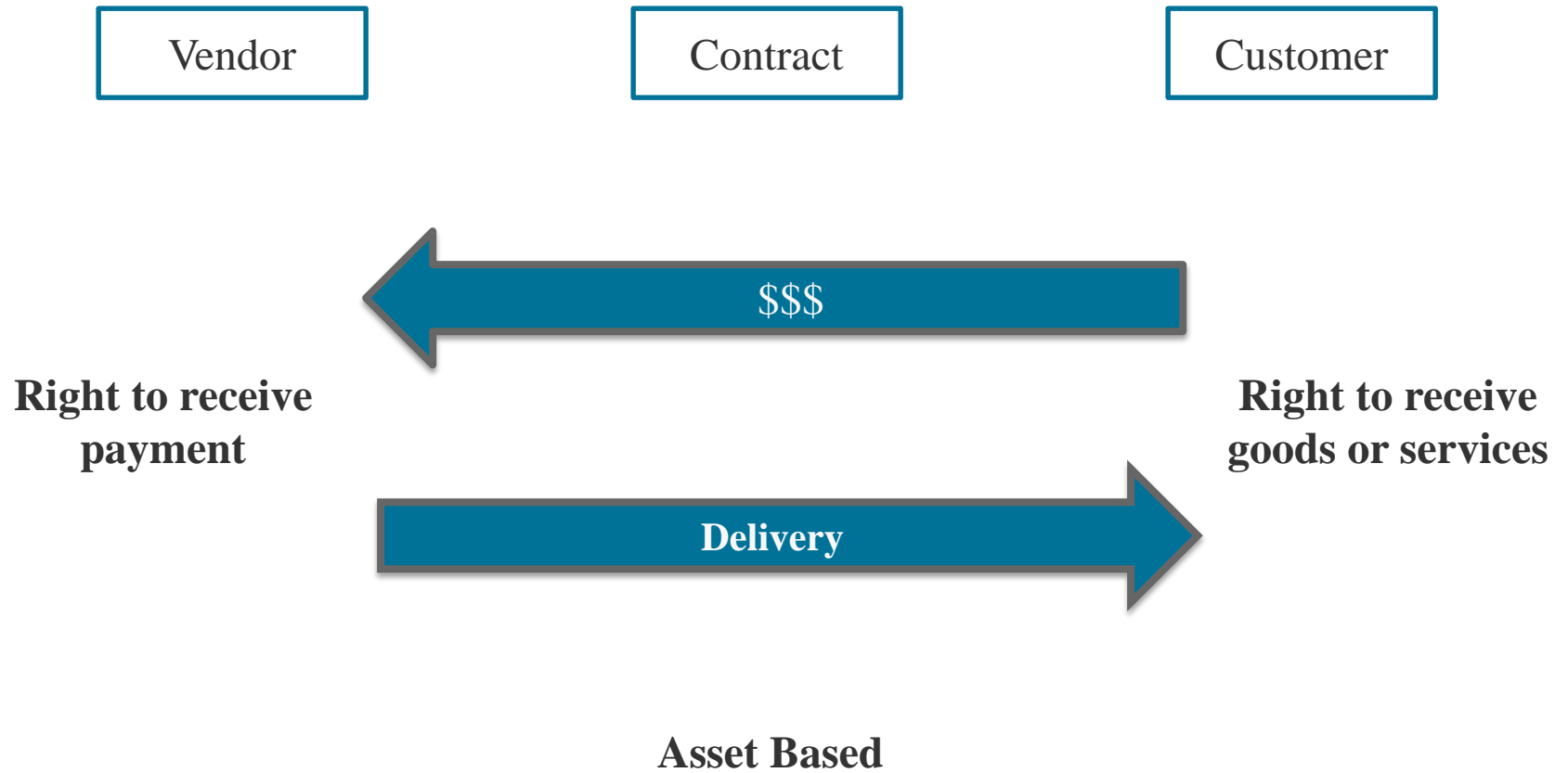
Investment Disclosures

- Effective
 - Fiscal years beginning after December 15, 2016
- Transition
 - Apply retrospectively
 - Early application is permitted

Debt Issuance Costs

- ASU 2015- 03
- Current Practice
- Why Change
- New Standard
- Effective date
 - For fiscal years beginning after December 15, 2015
- Transition
 - Retrospective basis
 - Early adoption permitted

Revenue Recognition – New Approach – Contracts



Five Step Model

1. Analyze the Contract
2. Identify performance obligations
3. Determine transaction price
4. Allocate transaction price among deliverables
5. Recognize revenue as items delivered

Transition and Effective Date

- Effective for periods beginning after 12/15/2017
 - Capture of data in system

- Two transition methods
 - Retrospective to each prior reporting period
 - Retrospective with cumulative effect recognized at date of initial application

Revenue Recognition

- NFP Revenue Streams which could be impacted
 - Memberships
 - Subscriptions
 - Products and Services
 - Royalties
 - Sponsorships
 - Conferences and Seminars
 - Tuition
 - Advertising
 - Licensing
 - Grants and Contracts

Revenue Recognition

- Steps to Prepare
 - Become familiar with new standard
 - Inventory current revenue streams
 - Evaluate differences between current practices and the new standard
 - Evaluate systems, process and controls for required improvements

FASB Update

- Extraordinary and Unusual Items
- Going Concern
- Discontinued Operations
- Revenue Recognition

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