

A&A Alert
By Jeff Sailor

FASB Issues Brand New Guidance for Not-for-Profit Entities

On August 18, 2016 the FASB issued Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This represents the culmination of the first phase of the FASB's project on Not-for-Profit Entities and represents the first major revision since the issuance of FASB 116 and 117 in 1993.

The provisions reflected in this update are effective for annual periods beginning on or after December 15, 2017 and for interim periods within fiscal years beginning on or after December 15, 2018. Please note that this update has a very short fuse!

The most striking component of this update is the reduction of the classes of net assets from three to only two. Net assets will now be classified as either "net assets with donor restrictions" or "net assets without donor restrictions".

An entity will be required to disclose on the face of the statements, on a separate statement, or in the notes the amounts of expenses by both natural and functional classification.

In addition, there are also requirements for various new footnote disclosures, which the FASB felt were necessary for more useful financial reporting, including information about underwater endowment funds.

We will continue to analyze this topic and include it in upcoming presentations here at Western CPE.

You may obtain a full text of the update directly from the FASB's website at fasb.org.