

## **10 Tips to Get Ready for the Not-for-Profit Standard**

On August 18, 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) [No. 2016-14](#), which should improve existing standards for financial statement presentation by not-for-profit organizations. For highlights of the new standard, see this edition of [FASB In Focus](#).

Previously proposed changes relating to NFP operating measures will be addressed in a second phase of the project.

The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted.

On September 13, the FASB will host “IN FOCUS: FASB Accounting Standards Update on not-for-profit Financial Statements,” a live webcast taking place from 1:00 to 2:15 p.m. EDT. The webcast will feature FASB Member Larry Smith discussing the ASU with FASB staff and answering questions submitted by viewers. Live broadcast viewers will be eligible for up to 1.5 hours of CPE credit. For more information or to register for the event, [click here](#).

Here are some tips to help organizations you serve get ready for the new standard:

- Communicate with management, internal accounting staff, and independent accountants as necessary regarding process for implementation of the new standard
- Review existing loan covenants and grant/donation agreements to identify any provisions that link compliance by reference to statement of financial position ratios that may be affected by the new standard
- Review agreements, board minutes, and other documents to verify the presence and status of any express or implied restrictions on unexpended gifts and grants, in order to assure proper classification and to meet new disclosure requirements for endowments
- Review board minutes, resolutions, and other documents regarding the existence and status of any board-designated reserves or quasi-endowments that will be subject to disclosure under the standard
- Identify and document cash management practices, including time horizon for which the organization manages liquidity through rolling cash flow projections or other methodologies, to help meet new disclosure requirements
- Identify, review, and document existing practices for the allocation of functional expenses and internal investment expenses in order to satisfy new presentation and disclosure requirements
- Plan for modifications to the chart of accounts to facilitate net asset reclassifications

- Plan for advance communication with donors, creditors, and other users of the financial statements summarizing how the forthcoming changes will affect the organization and how reporting is expected to improve as a result
- Monitor the [ASU project website](#) for future developments involving presentation of operating measures
- Assign specific responsibility for such items

While the costs and challenges of implementing the new standard will vary based on organization type and accounting resources available, these actions can serve a dual-benefit for all NFPs. In addition to getting ready for the new standard, all organizations can benefit from an internal review leading to improvements in governance and financial management policies relating to such items.

And when implementation is complete, an organization should be in a better position to tell its story –an underlying objective of the ASU project.

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