

NONPROFIT FINANCIAL REPORTING

This August, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update ASU 2016-14 (ASU), **Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities**.

While the ASU presents an opportunity for nonprofits to make their financial statements more informative, transparent and useful to readers, many organizations are overlooking the communication and implementation challenges that accompany this new standard.

THE TIME FOR DISCUSSING HOW THESE CHANGES WILL IMPACT YOUR NONPROFIT IS **NOW.**

Armed with the roadmap below, nonprofit leaders can navigate the changes, dodge accounting gridlock and better articulate their financial stories.

START YOUR ENGINE

The final ASU, which marks Phase 1 of the FASB's nonprofit financial reporting project, includes changes to:

- ← Net asset classification
- Statement of cash flows
- ↻ Disclosures related to expenses and investment return
- ↶ Enhanced liquidity disclosures
- ↑ Operating measures, if used

CONSTRUCTION ZONE

The 2nd phase includes:



Operating measures

including intermediate measures and alternative disaggregation approaches.



Statement of cash flows

including realignment of certain line items within various classes of cash flows to articulate the statement of activities.

TIMING



EXPRESS LANE:



Consider the impact of adoption early to avoid wrong turns well ahead of the final deadline.

Best practices for early adopters:

- Educate those charged with governance on the changes to financial presentation.
- Prepare a mock-up of the changes to get feedback from internal users and board members.
- Be prepared to apply all provisions to all years presented.
- If you present comparative financials, the following provisions do not need to be shown comparatively in the year of adoption:
 - Analysis of expenses by nature and function and/or
 - Disclosures around liquidity and availability of resources

ESTIMATED TIME OF ARRIVAL:

Nonprofits are required to implement the phase 1 changes for fiscal years beginning after December 15, 2017. Timing for phase 2 TBD.

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For more information on the FASB's new ASU, visit BDO's [Nonprofit Financial Reporting Resource Center](#) on the Nonprofit Standard blog.

To discuss your questions, contact [Lee Klumpp](#), National Assurance Director, Nonprofit & Education, at lklumpp@bdo.com or at 703-336-1497.