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What's New in Non-Profit Accounting?

Non-profit organizations and their reporting have been discussed by the Financial Accounting Standards Board (FASB) throughout the years and they continue to be an area of focus. We will outline below some of the current and recent projects, as well as some items that were initially projects but later removed from the FASB's agenda.

- **Not-For-Profit Financial Reporting: Financial Statements** – The objective of this project is to reexamine existing standards for financial statement presentation by non-profit entities, focusing on improving net asset classification requirements and information provided in the financial statements and notes about liquidity, financial performance and cash flows.

  At the February 26, 2014 FASB meeting, the Board continued discussions but made the following decision:

  - NPOs would continue to be allowed to present revenues, expenses and other changes in net assets using a one-or two statement approach.
  - NPOs would be required to present the intermediate measure of current operations, with additional outreach or separate requirements for the healthcare industry.
  - NPOs that report an intermediate measure of operations would not be required to report that measure in a statement that would also report the changes in unrestricted net assets for the period.
  - NPOs would not be required to report a specific subtotal before the intermediate measure of current operations.

- **Accounting for Government Assistance** – This project is to explore whether there is a need to establish explicit guidance for the accounting and disclosure of government assistance to improve the content, quality and comparability of financial information and financial statements. The government assistance that may be considered includes grants related to assets or capital projects, payments for expenditures, certain insurance payments and tax assistance/benefits.

- **ASU 2013-06: Not-For-Profit Entities: Services Received from Personnel of an Affiliate** – These amendments are effective prospectively for fiscal years beginning after June 15, 2014 with early adoption permitted. The amendment requires a recipient NPO to recognize all services received from personnel of an affiliate that directly benefit the recipient NPO. These

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services should be measured at the cost recognized by the affiliate for the personnel providing those services, unless this will significantly overstate or understate the value of the service received.

In that case, the recipient NPO may elect to recognize the service received at either the cost recognized by the affiliate for the personnel providing that service, or the fair value of that service.

- **Not-for-Profit Reporting: Other Financial Communications –** This item was removed from the FASB agenda at the January 2014 meeting. The objective was to study communications other than financial statements for NPOs to tell their financial story. The FASB was cautious about a project beyond the scope of traditional standard-setting activities related to reporting outside the basic financial statements. Speculation was that there would be a Management Discussion & Analysis added to financial statements for NPOs, which will no longer be discussed.

Stay tuned for more updates as the FASB continues to focus on non-profit accounting and reporting. If you have any questions on the above, please contact:

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