

# Preparing for ONE BIG Change: FASB Updates Nonprofit Reporting

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A conversation with:

**Hilda Polanco, FMA and**

**Ruth McCambridge, Nonprofit Quarterly**

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# Today's Presenter



**FISCAL STRENGTH FOR NONPROFITS**



**Hilda Polanco**  
Founder & CEO

# Accounting Standards Update (ASU)



## ASU 2016-14:

Issued in August 2016

First major revision  
since 1993

Effective Date: Calendar  
2018 or Fiscal Year 2019

# ASU 2016-14

## Focus:

How others can better **read**, **understand**, and **make decisions** using nonprofit financial statements

## Key Stakeholders:

**Board of Directors**

**Donors & Funders**

**Financial Institutions**

# What Does the ASU Impact?

Accounting

NO

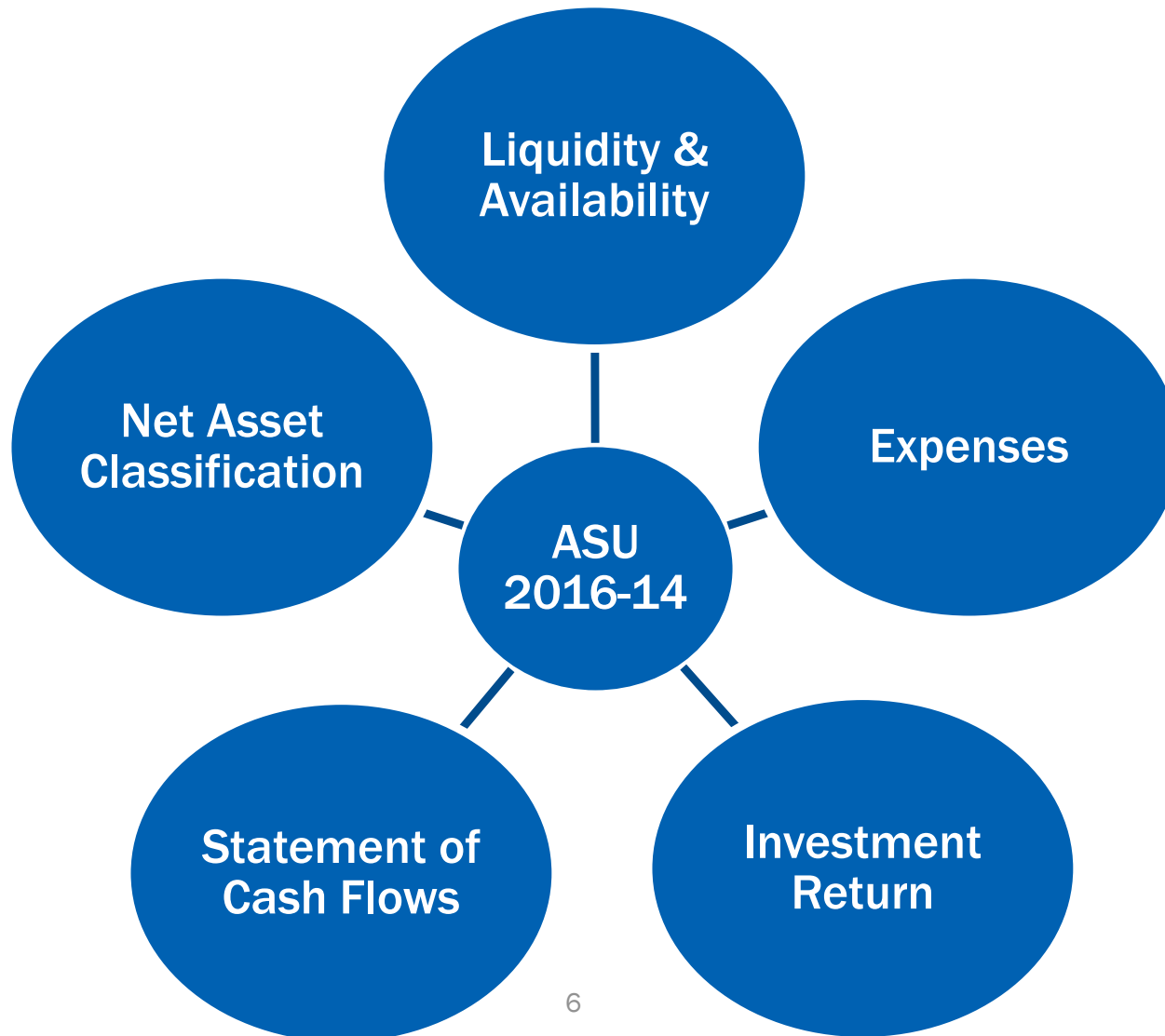
Financial Statement Presentation

YES

Disclosures

YES

# Key Provisions



# Liquidity & Availability of Resources

Future Focused



To Help Stakeholders Assess:

Availability of resources to meet cash needs

Liquidity and “financial flexibility”

# Liquidity & Availability of Resources

How a nonprofit manages its available liquid resources

**Qualitative**

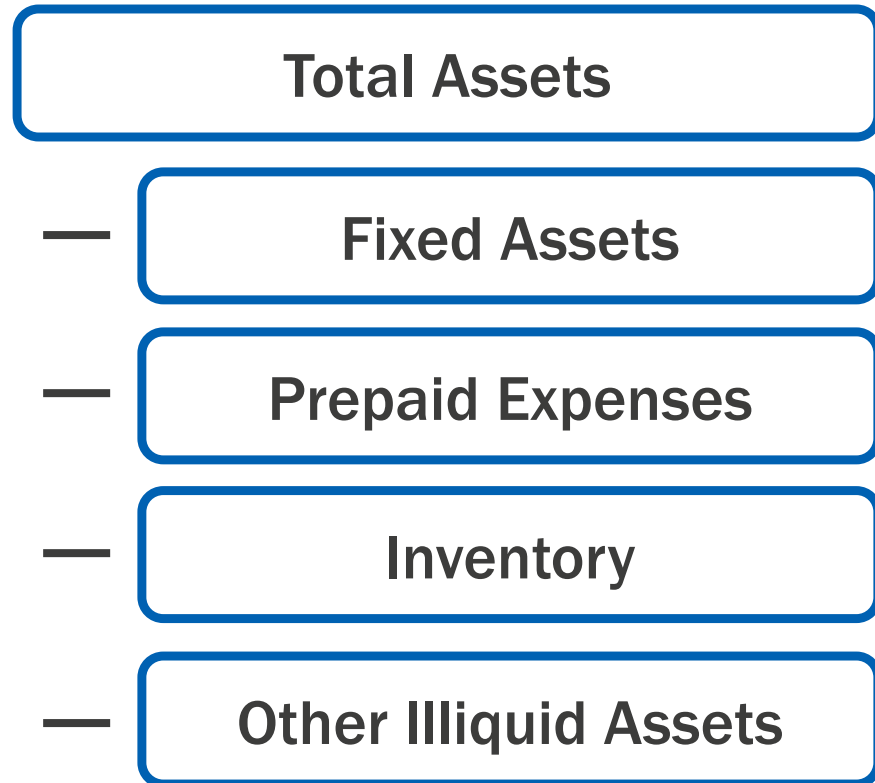
Availability of financial assets to meet cash needs for general expenditures within one year of balance sheet date

**Quantitative**



# Financial Assets

*“Available  
financial assets  
to meet cash  
needs for general  
expenditures  
within one year”*

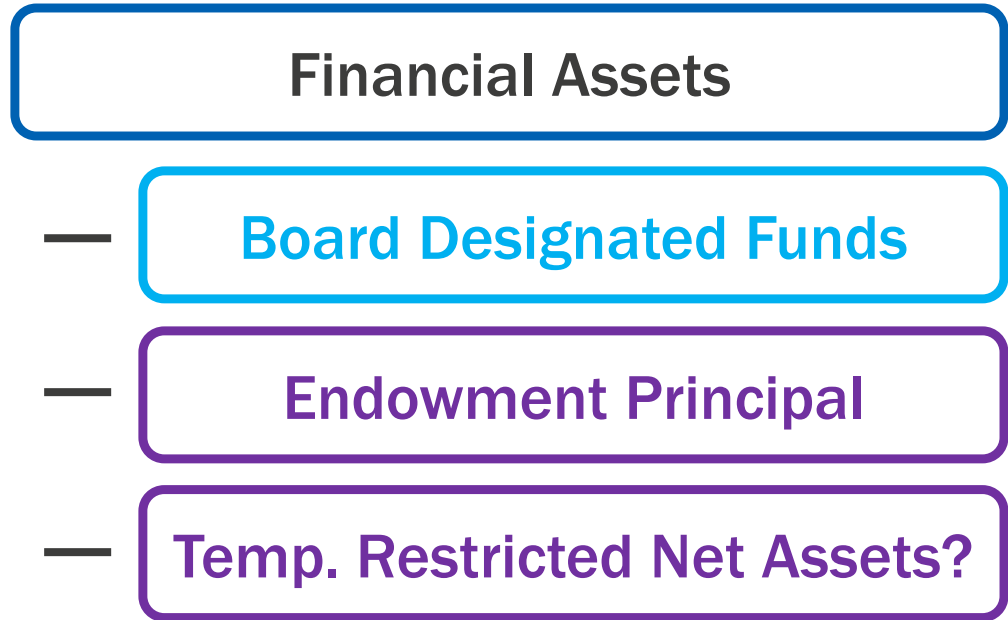


**Financial Assets**

# Available Financial Assets

**“Available**  
*financial assets*  
*to meet cash*  
*needs for general*  
*expenditures*  
*within one year”*

*Availability can be*  
*based on either*  
*internal or*  
*external limits*



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**Available Financial Assets**

# Financial Assets Available w/in 1 yr

*“Available financial assets to meet cash needs for general expenditures within one year”*

Available Financial Assets

— Time Restricted TRNA > 1 year

— Receivables > 1 year

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Financial Assets Available w/in 1 yr

# Liquidity Disclosure: Quantitative

	<u>2016</u>	<u>2015</u>
Cash	\$ 778,497	\$ 729,622
Accounts Receivable	87,559	22,819
Pledges Receivable	184,260	168,037
Investments	<u>2,055,230</u>	<u>2,040,563</u>
<b>Total Financial Assets</b>	<b>3,105,546</b>	<b>2,961,041</b>
Receivables scheduled to be collected in more than one year	(15,321)	(9,558)
Donor-imposed restrictions:		
Endowment fund	(2,055,230)	(2,040,563)
Add back: amounts available for expenditure in one year	102,762	102,028
Other donor restrictions	(514,755)	(243,885)
Add back: amounts available for expenditure in following year	264,755	243,885
Board designations:		
Operating reserves and other	<u>(225,000)</u>	<u>(225,000)</u>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b><u>\$ 662,757</u></b>	<b><u>\$ 787,948</u></b>

# Liquidity Disclosure: Qualitative

## Note X – Liquidity and Availability of Financial Assets

Organization ABC's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for subscriptions and a concentration of contributions received near calendar year end. To manage liquidity the Organization maintains a line of credit of \$100,000 with a bank that is drawn upon as needed during the year to manage cash flow and is then repaid in full by the end of the fiscal year. See note Y for a description of this line.

The Organization has \$897,000 in financial assets as of the balance sheet date, reduced by amounts not available for general use within one year because of donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action.

# Effective Date

## When will the new rules take effect?

Effective for annual financial statements issued for fiscal years beginning after **December 15, 2017**



# Preparing for the Change

Educate members of the board and leadership on the new requirements

Clarify and document your board's intentions as they relate to available unrestricted resources

Seek professional advice

Use 2017 as a “dress rehearsal”

*Questions?*



# Resources

## StrongNonprofits.org

In collaboration with the Wallace Foundation, FMA has created a library of tools and resources to help organizations become “fiscally fit”

Four Topic Areas: [Planning](#) | [Monitoring](#) | [Operations](#) | [Governance](#)



The Wallace Foundation / Knowledge Center / Resources for Nonprofit Financial Management

Share | Print | Email

## Resources for Nonprofit Financial Management

Search Financial Management Resources

Overview | **Planning** | Monitoring | Operations | Governance | All Resources

**SHOW:**

- General Resources
- Tools and Templates
- Case Studies

### Planning Resources for Nonprofit Financial Management

Good planning finds the most effective ways to deploy your organization's resources – and meet your overall objectives. Materials here include help with budgeting, cost calculations and cash projections.

[Strengthening the Budget Development Process](#)

**FMA**

# Resources

## Online Tutorials for StrongNonprofits.org

FMA offers complimentary orientation one-hour webinars that feature an overview of the website and drill down on several of its key resources

Upcoming webinar dates:

- September 12, 2017 at 2:00pm ET
- November 14, 2017 at 2:00pm ET

*To register, or see upcoming webinar dates:*

<http://fmaonline.net/strongnonprofits>

*For a 15-minute, on-demand webinar tour of the site:*

<http://fmaonline.net/SNPonDemand>



- Established in 1999 to serve not-for-profit organizations around the country
- Provides customized financial management, accounting, software, organizational development, and other consulting services
- Works directly with organizations or through funder-supported management and technical assistance programs

***FMA exists to build a community of individuals with the confidence and skills to lead organizations that change the world***

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# Thank you for joining us!

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