Financial Statements of Not-for-Profit Entities
Tentative Board Decisions to Date during Redeliberations
As of March 30, 2016

The Tentative Board Decisions to Date is provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Accounting Standards Update.

The Board is currently in the process of redeliberating significant issues raised through feedback received regarding the April 2014 proposed Accounting Standards Update, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities*. The summary below provides only the Board's tentative decisions reached to date during redeliberations.

Topic	Decisions Reached	Meeting Date(s)
Redeliberation Plan	The Board decided to divide its redeliberations of the proposed Update into two phases, as follows: <u>Phase 1</u> • Net asset classification scheme and related issues o Two classes of net assets o Disclosure of amounts and purposes of board-designated net assets o Underwater endowments • Modified classification • Enhanced disclosure. o Placed-in-service option and elimination of over-time option for expirations of capital restrictions. • Expenses o Expenses by nature and analysis of expenses by function and nature	October 28, 2015

Topic	Decisions Reached	Meeting Date(s)
Redeliberation Plan (Continued)	○ Netting of external and direct internal investment expenses against investment return ○ Disclosure of netted investment expenses ○ Enhanced disclosures about cost allocations. • Operating measure: Improved disclosures for those not-for-profit entities (NFPs) that choose to present such a measure • Information useful in assessing liquidity • Statement of cash flows: Methods of presenting operating cash flows. <u>Phase 2</u> • Operating measure: All other elements of the proposal not addressed in Phase 1, including: ○ Whether to require intermediate measure(s) ○ Whether and how to define such measure(s) and what items should or should not be included in the measure(s). • Statement of cash flows: Realignment of certain line items.	
Statement of Cash Flows: Methods of Presenting Operating Cash Flows	• NFPs would no longer be required to provide the indirect reconciliation when choosing to use the direct method of presenting operating cash flows. • NFPs would be allowed to use either the direct method or indirect method of presenting operating cash flows.	December 11, 2015
Net Asset Classification and Related Disclosures	• As proposed, the temporarily and permanently restricted classes of net assets would be combined into net assets with donor restrictions. • As proposed, unrestricted net assets would be renamed *net assets without donor restrictions*.	December 11, 2015

Topic	Decisions Reached	Meeting Date(s)
Net Asset Classification and Related Disclosures (Continued)	• As proposed, consistent with the current generally accepted accounting principles (GAAP) requirement, NFPs would continue to provide relevant information about the nature and amounts of donor restrictions on net assets (either on the face of the statement of financial position or in notes). • As proposed, NFPs would be required to disclose the amounts and purposes of board-designated net assets either on the face of or notes to financial statements. • As proposed, the aggregate amount by which endowment funds are underwater would be classified within net assets with donor restrictions rather than the current unrestricted category. • As proposed, NFPs would be required to disclose the following for endowment funds that are underwater, if any: o The NFP's policy to either reduce expenditure or not spend from underwater endowment funds o The aggregate fair value o The aggregate original endowment gift amount or level required by donor stipulations or by law to be maintained o The aggregate of the amount of the deficiencies. • As proposed, in the absence of explicit donor instructions, NFPs would be required to reclassify *net asset with donor restrictions* that are for the acquisition or construction of long-lived assed as *net assets without donor restrictions* when the long-lived asset is placed-in-service, eliminating the alternative of recognizing the expiration of the donor restriction over-time (as the asset is used/consumed).	

Topic	Decisions Reached	Meeting Date(s)
Information Useful in Assessing Liquidity	• The Board decided to modify the proposal to clarify the objectives of providing information useful in assessing an NFP's liquidity and the type of information that financial statements are capable of providing for that purpose. The Board decided to require NFPs to provide: o Qualitative information in the notes that communicates how an NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date o Quantitative information either on the face of the balance sheet or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of an NFP's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date. Availability of a financial asset may be affected by (a) its nature, (b) external limits imposed by donors, laws, and contracts with others, and (c) internal limits imposed by governing board decisions. • The Board directed the staff to include in the final Accounting Standards Update examples illustrating different ways entities might report such information.	March 2, 2016 December 11, 2015
Investment Return	• As proposed, NFPs would be required to present investment return net of external and direct internal investment expenses. The Board directed the staff to provide implementation guidance to illustrate what activities constitute direct internal investing activities. • Unlike the proposal, NFPs would not be required to disclose internal salaries and benefits that are netted against investment return. • NFPs would be permitted but no longer required to disclose any investment expenses that are netted against investment return. • As proposed, NFPs would no longer be required to display the investment return components in the endowment net assets rollforward.	February 3, 2016

Topic	Decisions Reached	Meeting Date(s)
Investment Return *(Continued)*	• As proposed, NFPs would not be required to include external and direct internal investment expenses that have been netted against investment return in the functional expense analysis. • The Board directed the staff to add implementation guidance for the reporting of net investment return for NFPs that present a performance indicator.	
Expenses by Function and Nature	• As proposed, NFPs would be required to disclose expenses by natural classification either on the face of the statement of activities or in the notes to the financial statements. • The Board decided to retain the current requirement for NFPs to report expenses by their functional classification either on the statement of activities or in the notes to the financial statements. • The Board decided to require NFPs to report all expenses (other than netted investment expenses) by function and nature in one location. That information can be reported on the face of the statement of activities, in a separate statement, or in the notes to the financial statements. In reporting its expenses, an NFP would be required to show the relationship between its functional and natural classification by disaggregating its functional categories by their natural classification. The Board directed the staff to explore, in Phase 2 of the project or in a future project, whether business-oriented health care NFPs should provide disaggregated information by segments instead.	March 23, 2016 February 3, 2016

Topic	Decisions Reached	Meeting Date(s)
Enhanced Disclosures about Cost Allocations and Improved Guidance on Management and General Activities	• As proposed, NFPs would be required to provide enhanced disclosures about the method(s) used to allocate costs among program and support functions. • The Board affirmed the proposal to refine the *FASB Accounting Standards Codification*® definition of *management and general activities* and directed the staff to provide additional implementation guidance to better depict the types of costs that can be allocated among program and/or support functions and those that should not be allocated.	February 3, 2016
Disclosures about Operating Measures by those NFPs that Choose to Present Such a Measure	• The Board decided to enhance the current reporting requirements for those NFPs that present a self-defined operating measure in a statement of activities (or changes in net assets) that also presents internal board designations, appropriations, and similar actions on the face of the financial statements affecting that measure. Those NFPs would be required to report these types of internal transfers appropriately disaggregated and described by type, either on the face of the financial statements or in the notes. The Board directed the staff to include in the final Accounting Standards Update examples illustrating different ways entities might report such information.	March 2, 2016
Transition Method and Effective Date	<u>Transition Method</u> • The Board decided that not-for-profit entities (NFPs) should apply the amendments on a retrospective basis for all years presented. However, if presenting comparative financial statements, NFPs would have the option to omit the following information for any years presented before the year of adoption: o Analysis of expenses by both functional and natural classification o Disclosures around liquidity and availability of resources. • The Board decided that NFPs would not be required to apply the amendments to interim financial statements in the year of adoption, but information for those interim periods would be required to be restated if reported with financial statements for that fiscal year.	March 30, 2016

Transition Method and Effective Date (Continued)	Effective Date • The Board decided that the amendments would be effective for financial statements for fiscal years beginning after December 15, 2017, and for interim financial statements for periods after that date. The Board also decided to permit early adoption subject to the transition method above.	