

FASB Issues Accounting Standards Update (ASU) on Not-For-Profit Financial Reporting

The Financial Accounting Standards Board (FASB) issued an **Accounting Standards Update (ASU)** on August 18, 2016 that would impact the financial reporting for all not-for-profit organizations nationally. This is a long-awaited change and improvement given the fact that the reporting guidance to date, FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, was originally established in 1993.

Here are the highlights on upcoming changes:

1) Who is Impacted by the New Changes?

- All not-for-profit organizations, donors, grantors, creditors, and others that use their financial statements.

2) What Are the Benefits of Applying the New ASU?

- **Reduced cost** and complexity for a not-for-profit organization in classifying net assets.
- **Better comparability** across organizations in reporting expenses and investment return.
- **More relevant information** on how imposed limits on resources impact the availability of those resources.
- **More transparency** on information regarding a not-for-profit organization's service efforts and the ability to keep providing services.

3) When Will the Amendments in ASU Become Effective?

- They will become 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 in this Update is permitted.

Additional Information & Useful Resources

- [FASB In Focus - Not-For-Profit Entities \(Topic 958\): Presentation of Financial Statements of Not-For-Profit Entities \(PDF\)](#)
- [FASB Understanding Costs and Benefits - ASU: Presentation of Financial Statements of Not-For-Profit Entities \(PDF\)](#)
- [Why a New Not-For-Profit Financial Reporting Standard? \(Video\)](#)
- [IN FOCUS: FASB Accounting Standards Update on Not-for-Profit Financial Statements \(Webinar on Tuesday, 9/13, from 1:00 - 2:15pm Eastern Time\)](#)



If you have any questions or would like to discuss the provisions of this new standard in more detail, please feel free to contact **Rita B. Dela Cruz, CPA, CGMA**, Partner, at rdelacruz@lvhj.com or 415-905-5423.

[Click here to read more about Rita.](#)

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