

New FASB Changes to Not-For-Profit Financial Statements: How Will They Impact Your Organization?

In April of this year, the **Financial Accounting Standards Board (FASB)** issued a *Proposed Accounting Standards Update (2015-230, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities)*. The proposed changes to the financial statement format for not-for-profit organizations would be the most significant changes in almost 20 years. The public comment period ended in August, and LvHJ partner Scott Seamands participated in responding to FASB's request for comments on this exposure draft.

Among the changes proposed by FASB are the following. In short, when implemented, your organization will be required to present your operating results/revenues differently to accommodate the new financial reporting requirements.

- Combine temporarily and permanently restricted classes of net assets into one donor restricted category
- Provide more information about an organization's liquidity on the face of the balance sheet, for example by identifying cash subject to donor restrictions or board designations
- Display a subtotal on the statement of activities prior to internal designations of

funds to identify the resources that are available or unavailable for operations of the current period

- Eliminate the option to report expirations of donor restrictions on gifts of cash or other assets to be used to acquire or construct long-lived assets over the estimated useful life of the acquired asset
- Classify cash paid for interest as a financing activity rather than an operating activity on the statement of cash flows
- Use the direct method of presenting operating cash flows

Certain of these proposed changes may be more controversial than others. In the affordable housing industry, for example, the CFO Working Group of **STRENGTH MATTERS®**, a national affordable housing industry collaborative LvHJ is involved with, supported some of the proposals and did not support all (Read more [here](#)).

The next step will likely be for FASB to issue a revised exposure draft given the controversial nature of certain proposals. We will keep you updated as new developments occur.



If you have any questions regarding the upcoming FASB changes or about STRENGTH MATTERS®, please contact **Scott Seamands**, Partner, at sseamands@lvhj.com or 415-905-5408.

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

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