

ASU 2016-14 and its impact on Not-for-Profit entities

Summary of changes

TOPIC	PRIOR GUIDANCE	UPDATED GUIDANCE
Categories of net assets	Classified into three categories: <ul style="list-style-type: none"> • Unrestricted • Temporary • Permanent 	Classified into two categories: <ul style="list-style-type: none"> • Without donor restriction • With donor restriction
Restricted underwater funds	<ul style="list-style-type: none"> • Accumulated losses presented within unrestricted net assets 	<ul style="list-style-type: none"> • Accumulated losses presented within net assets with donor restriction • Disclose fair value of fund compared to original amount required to be maintained • Disclose board's interpretation of how to spend from such funds • Disclose policy and actions taken during period regarding appropriation from such funds
Statement of cash flows	<ul style="list-style-type: none"> • Utilize direct or indirect method to present operating cash flows • If indirect method chosen, present a reconciliation to direct method 	<ul style="list-style-type: none"> • Utilize direct or indirect method to present operating cash flows • No requirement to prepare reconciliation
Reporting of expenses	<ul style="list-style-type: none"> • Present expenses by function 	<ul style="list-style-type: none"> • Present expenses by function • Present expenses by nature
Enhanced disclosures	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Effects of restrictions on resources • Types of resources used and how they're utilized for activities • Methodology for allocating costs among program/support activities • How entity manages its liquidity to meet short-term demands for cash • Effects over spending policies as a result of underwater funds
Restrictions on long lived assets	<ul style="list-style-type: none"> • Released from restriction over the useful life of the asset 	<ul style="list-style-type: none"> • Released from restriction when placed in service
Equity transfers (i.e. service received from personnel of an affiliate, but not charged to the NFP)	<ul style="list-style-type: none"> • Recorded as a change in net assets at fair value 	<ul style="list-style-type: none"> • Recorded as a change in net assets at fair value • Presented as a separate line item on the statement of activities