

**BLUEPRINT FOR  
GROWTH**  
THE RAINMAKER SUPERCONFERENCE

# **Financial Standards Update and Emerging Services for Nonprofits**

Bob Reynolds, CPA, CGMA



# Financial Standards Update



# ASU No. 2016 – 14

## Presentation of Financial Statements of Not-for-Profit Entities

Effective –

Fiscal years beginning after December 15, 2017

Changes Presentation of Net Assets

- Without Donor Restrictions
  - Undesignated / Available for Operations
  - Board Designated
- With Donor Restrictions
  - Purpose Restrictions
  - Time Restrictions
  - To Be Maintained in Perpetuity



# ASU No. 2016 – 14

## Presentation of Financial Statements of Not-for-Profit Entities

### Liquidity Disclosures

Disclose How Management Manages

#### Liquidity Risks

- Money to cover expenses
- Sources Available to Overcome Cash Shortages

Disclose the Amount of Financial Assets

Available for General Expenditures



# ASU No. 2016 – 14

## Presentation of Financial Statements of Not-for-Profit Entities

### Presentation of Expenses

Must Present Expenses on a Functional Basis

- Separate Statement
- Note Disclosure



**ASU No. 2014-09**

**Revenue from  
Contracts with  
Customers (Topic 606)**

Effective –

Years Beginning After December 15, 2018

Core Principle – Recognize Revenue to  
Depict the Transfer of Goods / Services  
That Reflects the Consideration Expected  
to be Entitled to in Exchange for the  
Goods / Services



# ASU No. 2014-09

## Revenue from Contracts with Customers (Topic 606)

Five Step Process –

- Identify the Contact
- Identify Performance Obligations
- Determine Transaction Price
- Allocate the Transaction Price
- Recognize Revenue as Performance Obligations are Met



# ASU No. 2014-09

## Revenue from Contracts with Customers (Topic 606)

Contributions are Exempt from The Standard

Other Sources of Nonprofit Revenue

- Membership Dues (Donation or Not)
- Grants from Government Agencies and Foundations

*ASU 2018-08: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*





# ASU No. 2014-09

## Revenue from Contracts with Customers (Topic 606)

Contributions are Exempt from The Standard

Other Sources of Nonprofit Revenue

- Membership Dues (Donation or Not)
- Grants from Government Agencies and Foundations

*ASU 2018-08: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*



# ASU 2018-08

## *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*

- Applies to Resource Providers and Recipients
- Do Both Parties Directly Receive Commensurate Value?

If the transaction is reciprocal follow ASU 2014-09, if nonreciprocal it is a contribution and ASU 2018-08. Guidance explicitly states even if the societal benefit furthers the resource provider's mission - - it does not provide commensurate value.



# ASU 2018-08

## *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*

### Conditional Contributions

- Does the contributor Retain a Right of Return or Release From its Promise to Give?
- Is There a Barrier the NFP must Overcome to be Entitled to the Resources Provided?



# ASU 2018-08

## *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*

Indicators that a barrier may exist:

- The not-for-profit is required to achieve a measurable outcome (e.g., help a specific number of beneficiaries or produce a certain number of units)
- The not-for-profit is required to overcome a barrier related to the primary purpose of the agreement. (Note: This excludes trivial or administrative requirements)
- The not-for-profit has limited discretion over how the resources are spent (e.g., a requirement to follow specific guidelines about incurring qualifying expenses)



# ASU 2018-08

## *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*

Conditional contributions are recognized as liabilities if assets are transferred in advance or not recognized at all until the conditions have been substantially met or explicitly waived by the donor, at which point the contributions are recognized as unconditional and classified as net assets with or without donor restrictions.

Unconditional contributions are recognized immediately and classified as net assets with or without donor restrictions.



# ASU 2016-02

## *Leases (Topic 842)*

Effective –

Years Beginning After December 15, 2019

All lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less.

All other leases will fall into one of two categories: Financing Leases, similar to capital leases, or Operating Leases



# ASU 2016-02

## *Leases (Topic 842)*

Financing leases, similar to capital leases, will require the recognition of an asset and liability, measured at the present value of the lease payments.

Interest on the liability will be recognized separately from amortization of the asset.

Principal repayments will be classified as financing outflows and payments of interest as operating outflows on the statement of cash flows.



# ASU 2016-02

## *Leases (Topic 842)*

Operating leases will also require the recognition of an asset and liability measured at the present value of the lease payments.

A single lease cost, consisting of interest on the obligation and amortization of the asset, calculated such that the amortization of the asset will increase as the interest amount decreases resulting in a straight-line recognition of lease expense.

All cash outflows will be classified as operating on the statement of cash flows.







# Emerging Services



# Emerging Services

## Strategic Planning Services

- Strategic Planning Process Development
- PESTELC Marco-Environmental Analysis
  - Political, Economic, Social, Technological, Environmental, Legal, Competitive
- Retreat Facilitation
- Strategic Plan Mentoring / Oversight
- Development of Collaboration, Social Enterprise and Shared-Service Strategies



# Emerging Services

## Board Governance Consulting Services

- Board Education and Training Programs
- Board Meeting Process Improvement
- Board Member Recruitment Strategies
- Board Composition and Committee Strategies



# Emerging Services

## Management and Succession Planning Services

- CEO Goals and Performance Expectation Plans
- Leadership Succession and Executive Search Process Development



# Emerging Services

## Financial Oversight and Monitoring Services

- Internal Control Systems Design
- Accounting Policies and Procedures Development
- Budgeting and Financial Management Development
- Financial Training for the Board and Management
- Development of KPIs and Financial Performance Reporting



# Emerging Services

## Accounting Services

- Bookkeeping / Outsourced  
Controllship Services
- Bookkeeper Training and Oversight
- Agreed-Upon Procedures Projects



**BLUEPRINT FOR  
GROWTH**  
THE RAINMAKER SUPERCONFERENCE

# Thanks!



Bob Reynolds, CPA, CGMA

Director and Nonprofit Practice Leader

Brady, Ware & Company

[breynolds@bradyware.com](mailto:breynolds@bradyware.com)

Office (765) 935-8211

Cell (937) 681-5787

[www.bradyware.com](http://www.bradyware.com)