

Audit Alert: FASB discusses financial statements presentation of not-for-profit entities

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At its meeting on [October 28](#), one of the items discussed by the FASB was financial statements of not-for-profit entities.

Highlights of the Board's discussion follows:

The Board discussed feedback received on the proposed ASU, *Presentation of Financial Statements of Not-for-Profit Entities*, and tentatively decided to divide its redeliberations into two work streams.

Under the **first work stream**, the Board would reconsider the following issues, which are improvements that the Board might finalize in the near term that do not depend on other projects:

- Net asset classification scheme, including disclosure of board-designated funds, underwater endowments, and the placed-in-service option for expirations of capital restrictions.

- Expenses, including expenses by nature and an analysis of expenses by function and

- nature; netting of external and direct internal investment expenses against investment return; disclosure of netted investment expenses; and enhanced disclosures about cost allocations.

- Improvement of disclosures by not-for-profit entities that choose to present operating measures and information useful in assessing liquidity.

- Methods of presenting operating cash flows.

The **second work stream** would include proposed changes that are likely to require more time to resolve because they either involve consideration of alternatives that the Board did not previously consider or are related to similar issues being addressed in other projects. These changes include:

- An assessment of operating measures, including whether to require intermediate measures, how to define the measures and what would be included in the measures and stakeholder-suggested alternative disaggregation approaches

- Realignment of certain line items in the statement of cash flows.

Source: Grant Thornton, *On The Horizon*, November 5, 2015

Please contact us should we may be of further assistance in relation to this or any other matter.



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