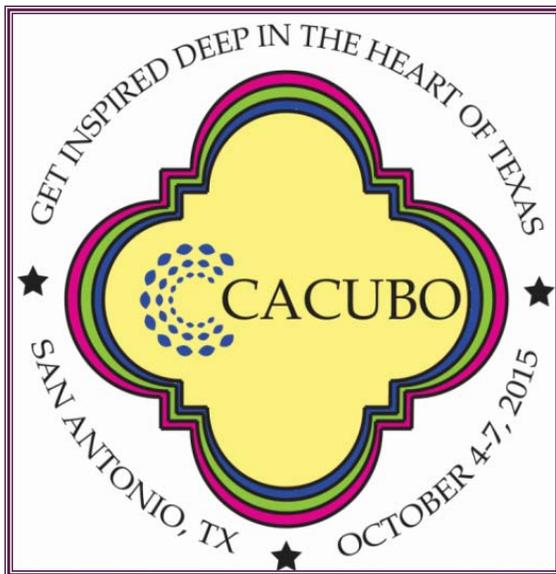


GAAP Update



Karen Angell & Ryan Engelstad
Baker Tilly Virchow Krause, LLP

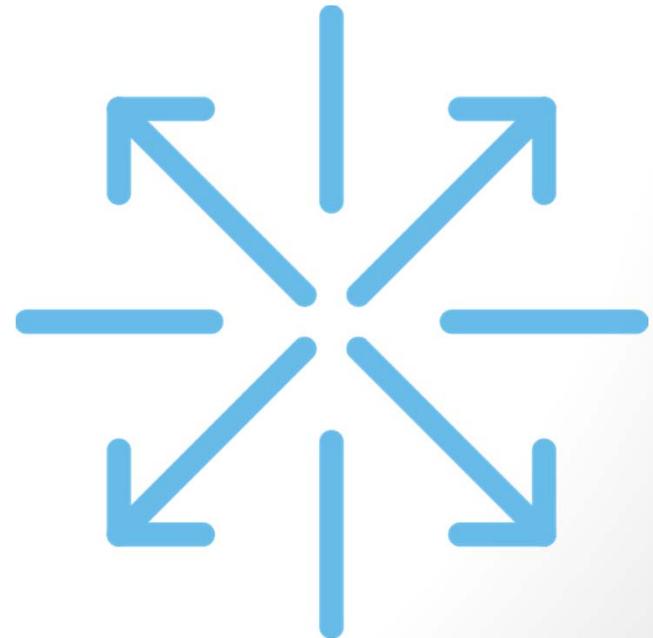
October 5, 2015

The views expressed in this presentation are those of the presenters.



Agenda

- Presentation objectives
- FASB Exposure Draft: Presentation of financial statements by Not-for-Profit entities
- Accounting standard updates
- Other FASB projects
- Discussion and questions



Presentation objectives

- Enhance your knowledge of the proposed financial reporting standard for not-for-profit entities
- Have an increased understanding of new accounting standards that are effective now or in the near future
- Become aware of other proposed accounting standards that are being discussed

FASB Exposure Draft: Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities



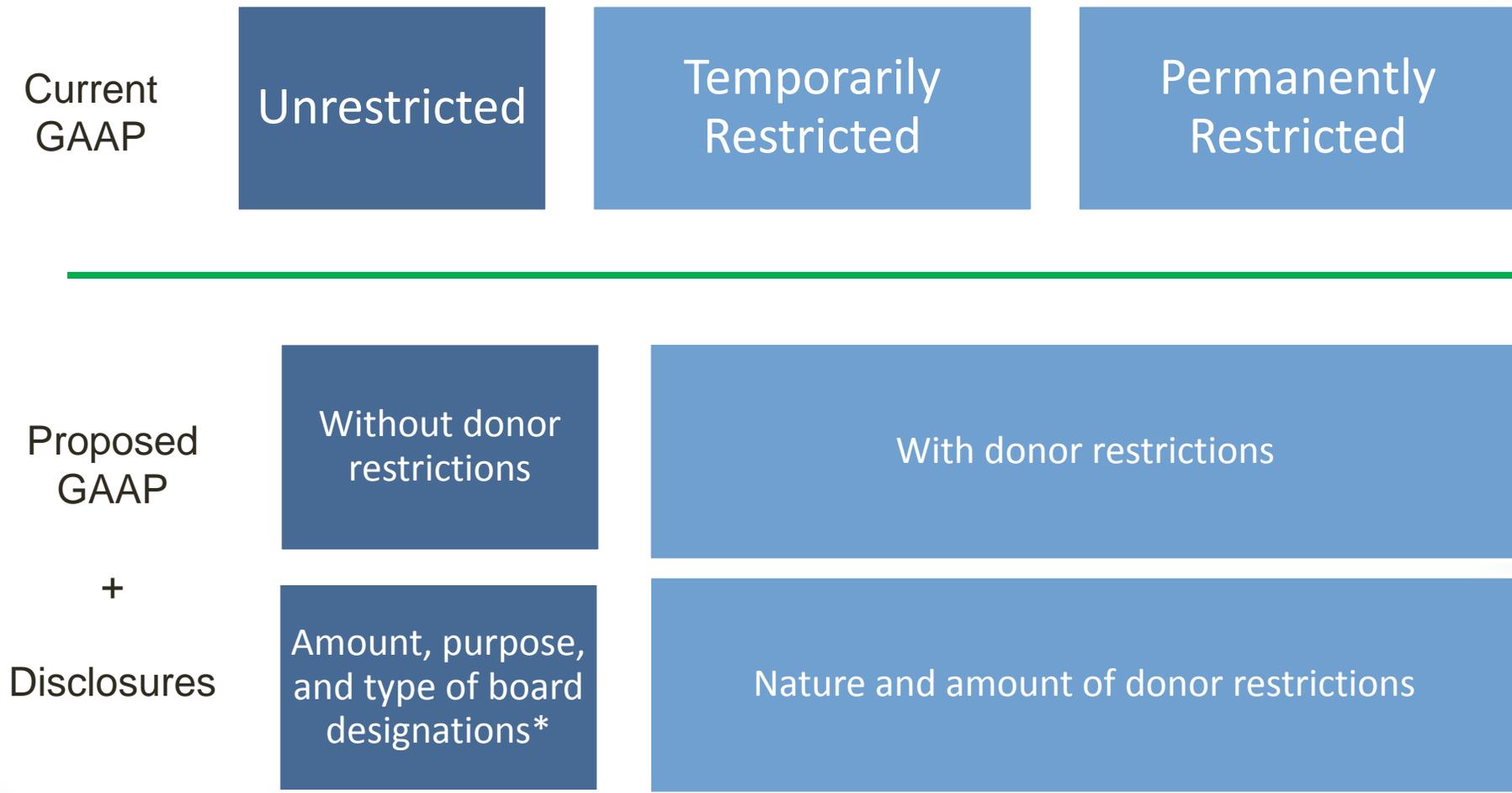
Presentation of financial statements of not-for-profit entities

- Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities
 - The ED was issued on April 22, 2015
 - Comments were due by August 20, 2015
 - The Board has not proposed a specific effective date
 - Will ask respondents to provide information that will help the Board in determining an appropriate date (or dates) during its re-deliberation
 - Retroactive application of the proposed changes will be required
 - In the initial year of application, the annual financial statements would disclose the nature of any reclassifications or restatements and their effects, if any, on the change in net assets for each year or period presented
 - Application to interim financial statements would not be required in the year of application

Presentation of financial statements of not-for-profit entities

- Summary of key changes
 - Replace the currently required three classes of net assets with two classes of net assets
 - Require an operating measure based on mission and availability
 - Redirect how capital-related transactions flow through the statement of activities and statement of cash flows
 - Increase transparency by highlighting governing board designations related to legally available resources
 - Require cash flows from operating activities to be presented on the direct method in the statement of cash flows
 - Require expenses to be presented by both functional and natural classifications
 - Require new disclosures related to liquidity and net investment return

Presentation of financial statements of not-for-profit entities



* New disclosure requirement

Presentation of financial statements of not-for-profit entities

- *Defined a required intermediate operating measure - Based on two dimensions*

- Mission (business & charitable activity):
 - Based on whether resources are from or directed at carrying out a NFP's purpose for existence (vs. investing and financing)
- Availability:
 - Based on whether resources are available for current period activities and reflecting limits imposed by: external donors or internal actions of a NFP's governing board

Retained **flexibility** to present one or two statements.

Presentation of financial statements of not-for-profit entities

- *Gifts of long-lived assets without donor restrictions*

- **Initial period:** All unrestricted gifts are reported as operating revenue. If the asset is placed in service (instead of selling it), the entire amount would be transferred out of operations.
 - There will be no transfers back to operations in subsequent years (This is a change from the Board's prior decision on this topic)

- *Gifts of cash that the donor has restricted for acquisition of long-lived assets or their construction*

- **Initial period:** Reported as revenues that increase net assets with donor restrictions (which is outside of operations)
- **Release:** When the asset is placed in service, the release of the donor restriction would be reported as an increase in net assets without donor restrictions within the operating activity and a decrease in net assets with donor restrictions
 - The entire amount would also be reported as a transfer out of operations and there will be no transfers back to operations in subsequent year (This is consistent with the treatment of gifts of long-lived assets)

Requires a NFP to use the “**placed in service**” approach

Presentation of financial statements of not-for-profit entities

- *Board designations, appropriations and similar transfers*

The Board clarified that presentation of governing board designations, appropriations, or similar transfers on the statement of activities would include decisions made by the **governing board's designee**.

- All transfers must be reported:
 - In a separate, discrete section:
 - A subtotal of operating revenues and expenses before such transfers, which is in addition to the previous decision to require a subtotal after such transfers
 - At a minimum, the NFP must:
 - Present the aggregate of transfers out of operating activities **separate** from the aggregate of transfers into operating activities
 - Unless the NFP chooses to display all transfers as discrete line items on the face of the statement of activities, the **details for aggregated transfers** would need to be provided in a note
 - NFPs will be required to **describe qualitatively** the purpose, amounts, and types of transfers (Ex: those done because of standing board policies, as one-time decisions or for other reasons)

Presentation of financial statements of not-for-profit entities

- *Statement of cash flows*

NOTE regarding alignment of operating definitions in statements of activities and cash flows:

Board is maintaining tentative definitions, but will seek input on whether or how those definitions might be further aligned.

- Requires **direct method** for operating cash flows
 - No longer require indirect method
- Re-categorize certain line items to better align the “operating” section with the statement of activities
 - Interest and dividends received would be investing, rather than operating, cash flow
 - Interest paid would be a financing, rather than operating, cash flow
 - Gifts for, and purchases of, fixed assets would be operating, rather than investing/financing, cash flows

Presentation of financial statements of not-for-profit entities

- *Expenses*

- Presented by both functional and natural classifications within the financial statements
 - An analysis between the two categories will be necessary, but the format is not prescriptive
 - All expenses would be required to be in the analysis
- Non-operating expenses, such as interest expense, would not need to be functionalized
- Describe method used to allocate costs among program and/or support functions

Presentation of financial statements of not-for-profit entities

- Reporting of Investment Expenses
 - Report investment returns net of external and direct internal investment expenses
 - No longer required to disclose investment-related expenses that have been netted against investment returns
 - Replaced with a requirement to disclose the amount of internal salaries and benefits for personnel directly involved in the investment area

Presentation of financial statements of not-for-profit entities

- *Liquidity*

Goal is to allow donors, creditors, and other users to more easily assess how NFP entities manage liquidity

- NFP entity should define the time horizon being utilized to **manage liquidity** (i.e., 30, 60, or 90 days) and include the following disclosures:
 - Quantitative information to disclose:
 - The total amount of financial assets
 - Restricted amounts not available to meet cash needs within the time horizon (related to contracts, donors, or governing body actions)
 - Qualitative information to disclose:
 - Strategy for addressing entity-wide risks that may affect liquidity, including discussion about utilizing lines of credit
 - Policy for establishing liquidity reserves
 - Basis for determining the time horizon used for managing liquidity

Presentation of financial statements of not-for-profit entities

- Underwater endowments
 - Will be reflected within “net assets with donor restrictions” rather than in “net assets without donor restrictions”
 - This treatment more closely aligns with uniform endowment laws and avoids confusion on net asset constraints when there are market declines
 - Additional disclosure requirements to also include:
 - The governing body’s policy or decision on whether to reduce or discontinue spending from underwater endowment funds
 - Original gift amount, or level required by donor stipulations or law, of underwater endowment funds in the aggregate
 - Fair value of underwater endowment funds in the aggregate

Presentation of financial statements of not-for-profit entities

- Presentation and disclosure of investment return
 - Decided against requiring disclosure of UBIT or excise taxes that are netted against investment income
 - Decided to eliminate the following
 - Components of investment return as both separate disclosures and parts of the Endowment Funds roll forward
 - The total performance of other investment portfolios that is currently required for higher education institutions

Presentation of financial statements of not-for-profit entities

- Accounting Write-Offs and Equity Transfers
 - The following items should be reported separately from revenues, expenses, gains, losses and presented in the operating activity section of the statement of activities before the section on governing board transfers
 - Immediate write-off of goodwill upon an acquisition of an entity (required of NFP entities predominately supported by contributions and investment income), unless the acquired entity is for a purpose(s) that is not directed at carrying out the purpose of the acquirer's existence
 - Accessions and deaccessions of noncapitalized collection items acquired with resources that are without donor restrictions
 - Equity transfers, unless they are not for current period use in carrying out the purpose for the reporting entity's existence

Presentation of financial statements of not-for-profit entities

- Accounting Write-Offs and Equity Transfers (continued)
 - The Board also decided that NFPs should classify as operating cash flows their:
 - Cash outflows for purchases of collection items
 - Cash inflows for the sale of collection items
 - Cash inflows for contributions received that are restricted for the acquisition of collection items

Presentation of financial statements of not-for-profit entities

- Debt covenants
 - Common financial statement elements included in covenant calculations:
 - Unrestricted net assets
 - Temporarily restricted net assets
 - Unrestricted revenues and/or unrestricted expenses
 - Operating income, net
 - Total long-term debt
 - Total assets, liabilities, and/or net assets
 - NFPs will need to evaluate their debt covenants to determine what impact, if any, the new accounting standards will have on them.

Presentation of financial statements of not-for-profit entities

- Debt covenants continued:
 - If issuing new bonds, NFPs may want to give consideration to adding a provision that would allow debt covenants to be modified to comply with current accounting standards
 - The language related to future accounting changes should reference or discuss the notion that:
 - The bondholders' consent for such changes should not be required; or
 - The trustee can consent on behalf of bondholders to adjustments to covenant calculations resulting from accounting changes
 - See next two slides for example language in recent bond documents

Presentation of financial statements of not-for-profit entities

- Debt Covenants - example language
 - In the event of a change in generally accepted accounting principles or financial statement presentation, the Institution may request modification to the financial compliance or reporting requirements of the Loan Agreement, provided the request is accompanied by a proposed amendment to the Loan Agreement, and by a certificate of an Independent certified public accountant to the effect that:
 - Generally accepted accounting principles or financial statement presentation standards relevant to the Institution's financial covenants or reporting requirements under the Loan Agreement have changed;
 - Modifications to the financial covenants or reporting requirements contained in the proposed amendment to the Loan Agreement proffered with the certificate are reasonably required to allow the Institution to comply with the financial compliance and reporting requirements of the Loan Agreement following such changes; and
 - The modifications reflected by the proposed amendment to the Loan Agreement will not materially prejudice the Holders of the Bonds, then the Authority and the Institution shall enter into the proposed amendment to the Loan Agreement, as authorized by the Indenture, and such amendment will be deemed to be a part of the Loan Agreement.

Presentation of financial statements of not-for-profit entities

- Debt Covenants - example language
 - The financial terms and covenants, if any, set out in the Loan Documents are based upon GAAP expected to be applicable to the Institution for the Fiscal Year in which the Bonds are issued and thereafter
 - If GAAP applicable to the Institution at any time differs materially from those expectations, the Loan Documents may be amended, without the prior consent of Bond owners so that the operation of such amended terms and covenants under GAAP actually applicable to the Institution is consistent, in the opinion of an independent certified public accountant, with the operation of the original financial terms and covenants of the Loan Documents as if such expected accounting principles had been applicable

Example financial statements under the proposed reporting format



College/University

STATEMENT OF ACTIVITIES - One Statement Approach
For the Year Ended June 30, 20X2

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support				
Fees for services	\$ 495			\$ 495
Bequests	600			600
Contributions	425		\$ 1,500	1,925
Restricted support released for current period	<u>1,375</u>		<u>(1,375)</u>	
Total revenue and support	<u>2,895</u>		<u>125</u>	<u>3,020</u>
Expenses				
Total expenses	<u>1,950</u>			<u>1,950</u>
Excess/(deficit) before appropriation/transfers	<u>945</u>		<u>125</u>	<u>1,070</u>
Board appropriations/transfers to/(from) operations				
Investment returns appropriated from donor endowment	60	a		60
Investment returns appropriated from quasi-endowment	90	b		90
Bequests transferred to quasi-endowment	<u>(500)</u>	c		<u>(500)</u>
Total appropriations/transfers to/(from) operations	<u>(350)</u>			<u>(350)</u>
Excess/(deficit) from operations	<u>595</u>			
Investment returns, net	<u>170</u>		<u>445</u>	<u>615</u>
Board appropriations/transfers from/(to) operations				
Investment returns appropriated from donor endowment		a	(60)	(60)
Investment returns appropriated from quasi-endowment	(90)	b		(90)
Bequests transferred to quasi-endowment	<u>500</u>	c		<u>500</u>
	<u>410</u>		<u>(60)</u>	<u>350</u>
Total change in net assets	1,175		510	1,685
Net assets at the beginning of year	<u>1,500</u>		<u>2,100</u>	<u>3,600</u>
Net assets at the end of year	\$ 2,675		\$ 2,610	\$ 5,285

College/University

STATEMENT OF ACTIVITIES - Two Statement Approach
For the Year Ended June 30, 20X2

Operating revenue and support				
Fees for services	\$ 495			
Bequests	600			
Contributions	425			
Restricted support released for current period	<u>1,375</u>			
Total operating revenue and support	<u>2,895</u>			
Operating expenses				
Total operating expenses	<u>1,950</u>			
Excess/(deficit) before appropriation/transfers	<u>945</u>			
Board appropriations/transfers to/(from) operations				
Investment returns appropriated from donor endowment	60	a		
Investment returns appropriated from quasi-endowment	90	b		
Bequests transferred to quasi-endowment	<u>(500)</u>	c		
Total board transfers to/(from) operations	<u>(350)</u>			
Excess/(deficit) from operations	<u><u>\$ 595</u></u>	d		

College/University

STATEMENT OF ACTIVITIES - Two Statement Approach (continued)

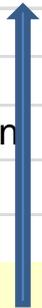
For the Year Ended June 30, 20X2

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>	<u>Total</u>
Excess/(deficit) from operations	\$ 595	d		\$ 595
Nonoperating activities				
Contributions			\$ 1,500	1,500
Restricted support released for current period			(1,375)	(1,375)
Investment returns, net	170		445	615
Board designated transfers from/(to) operations				
Investment returns appropriated to operations from donor endowment		a	(60)	(60)
Investment returns appropriated to operations from quasi-endowment	(90)	b		(90)
Bequests transferred to quasi-endowment	<u>500</u>	c		<u>500</u>
Changes in net assets	1,175		510	1,685
Net assets at the beginning of year	<u>1,500</u>		<u>2,100</u>	<u>3,600</u>
Net assets at the end of year	<u>\$ 2,675</u>		<u>\$ 2,610</u>	<u>\$ 5,285</u>

College/University

STATEMENT OF CASH FLOWS - Direct Method
For the Year Ended June 30, 20X2

Cash flows from operating activities		
	Cash received from service recipients	\$ -
	Cash received from donors	-
	Cash paid to employees	-
	Cash paid to vendors	-
	Purchase of property and equipment	-
	Proceeds on sale of property and equipment	-
	Contributions restricted for property and equipment	-
	Net cash flows from operating activities	<u>-</u>
Cash flows from investing activities		
	Cash received from interest and dividends	-
	Purchases of investment assets	-
	Proceeds from sale of investment assets	-
	Net cash flows from investing activities	<u>-</u>
Cash flows from financing activities		
	Payments of principal on long-term debt	-
	Interest paid on long-term debt	-
	Contributions restricted for endowment	-
	Net cash flows from financing activities	<u>-</u>
	Net increase in cash	-
	Cash at beginning of year	-
	Cash at end of year	<u>\$ -</u>



College/University

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 20X2

		FUNCTION *						Not-functionalized		
		Program Activities				Supporting Activities		Total Operating Expenses	Non-Operating	Total Expenses
		Instruction	Academic Support	Etc.	Total	Institutional Support	Fundraising			
N A T U R E *	Salaries and benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Rental & maintenance of equipment				-			-	-	-
	Occupancy				-			-	-	-
	Information technology				-			-	-	-
	Professional service fees				-			-	-	-
	Office supplies				-			-	-	-
	Travel				-			-	-	-
	Printing and publications				-			-	-	-
	Advertising				-			-	-	-
	Interest				-			-	-	-
	Depreciation				-			-	-	-
	Other	-	-	-	-	-	-	-	-	-
	Total Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

* Either (or both) on face of Statement of Activities.

College/University

STATEMENT OF ACTIVITIES - Transfers
For the Year Ended June 30, 20X2

Without Donor Restrictions - Operating (Charitable and Business)	XXX	←	Operating excess (deficit) <u>before</u> transfers
	XXX	←	Transfers to operating activities
	<u>(XXX)</u>	←	(Transfers from operating activities)
	<u>XXX</u>	←	Operating excess (deficit) <u>after</u> transfers
Without Donor Restrictions - Nonoperating (Investing & Financing) (below operating or in a second statement)			
	XXX	←	Transfers from operating activities
	<u>(XXX)</u>	←	(Transfers to operating activities)
	<u>XXX</u>	←	Change in net assets without donor restrictions
With Donor Restrictions (below or to the right of operating or in a second statement)			
	<u>XXX</u>	←	Change in net assets with donor restrictions

College/University

STATEMENT OF ACTIVITIES - Donor Endowment
For the Year Ended June 30, 20X2

Without Donor Restrictions - Operating (Charitable and Business)	XXX	←	Endowment appropriation and release from restrictions
	XXX		Operating excess (deficit)
	_____		<u>before</u> transfers
	<u>XXX</u>		
Without Donor Restrictions - Nonoperating (Investing & Financing)			

	<u>XXX</u>		
With Donor Restrictions	XXX	←	Contributions
	XXX	←	Investment return, net
	<u>(XXX)</u>	←	Endowment appropriation and release from restrictions
	<u>XXX</u>		
	<u>XXX</u>		

College/University

STATEMENT OF ACTIVITIES - Quasi-Endowment
For the Year Ended June 30, 20X2

Without Donor Restrictions - Operating (Charitable and Business)	<div style="border: 2px solid blue; padding: 5px;"> XXX XXX (XXX) <hr style="width: 50%; margin-left: 0;"/> XXX <hr style="width: 50%; margin-left: 0;"/> </div>	← ←	Operating excess (deficit) <u>before</u> transfers Transfer of investment return on quasi-endowment Transfer of bequests to quasi-endowment
Without Donor Restrictions - Nonoperating (Investing & Financing)	<div style="border: 2px solid red; padding: 5px;"> XXX (XXX) XXX <hr style="width: 50%; margin-left: 0;"/> </div>	← ← ←	Investment return, net Transfers of investment return on quasi-endowment Transfer of bequests to quasi-endowment
	<hr style="width: 50%; margin-left: 0;"/> XXX <hr style="width: 50%; margin-left: 0;"/>		
With Donor Restrictions	<div style="border: 2px solid green; padding: 5px;"> <hr style="width: 50%; margin-left: 0;"/> XXX <hr style="width: 50%; margin-left: 0;"/> </div>		
	<hr style="width: 50%; margin-left: 0;"/> XXX <hr style="width: 50%; margin-left: 0;"/>		

College/University

STATEMENT OF ACTIVITIES - Depreciation & Interest
For the Year Ended June 30, 20X2

	XXX	← Depreciation (part of expenses)
Without Donor Restrictions - Operating (Charitable and Business)	XXX	Operating excess (deficit) <u>before</u> transfers
	— XXX	
Without Donor Restrictions - Nonoperating (Investing & Financing)	XXX	← Interest expense
	— XXX	
With Donor Restrictions	— XXX	←
	— XXX	←
	— XXX	

Accounting standards updates



Accounting standards updates (ASUs)

- **ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern**
 - Provides guidance for management's responsibilities in evaluating uncertainties when there is substantial doubt about an entity's ability to operate as a going concern
 - Brings model in auditing standards (GAAS) into accounting standards (GAAP)
 - Key difference is look-forward period
 - 12 months from issuance date
 - Two required disclosures
 - One for situations in which management believes that the entity will continue and one when it does not
 - Effective for fiscal years beginning after 12/15/16 (i.e. FY 2018)

Accounting standards updates (ASUs)

- **ASU 2015-01: Income Statement - Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items**
 - Simply presentation in the financial statements and statements of activities by eliminating the concept of extraordinary items
 - The requirements for presenting and disclosing information about items that are unusual or infrequently occurring would be retained
 - Effective for fiscal years beginning after 12/15/15
 - Entities may apply the amendments prospectively
 - Entities may also apply the amendments retrospectively to all prior periods presented in the financial statements
 - Early adoption of the amendments is permitted provided the guidance is applied from the beginning of the fiscal year of adoption

Accounting standards updates (ASUs)

- **ASU 2015-02: Consolidation (Topic 810) - Amendments to the Consolidation Analysis**
 - Affects reporting entities that are required to evaluate whether they should consolidate certain legal entities
 - Effective for fiscal years beginning after 12/15/16

Accounting standards updates (ASUs)

- **ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs**
 - The ASU requires debt issuance costs to be presented as a reduction of the carrying amount of the debt liability, consistent with debt discounts and premiums
 - Effective for fiscal years beginning after 12/15/15
 - Public companies must also apply it to interim periods within those fiscal years.
 - All other entities, must apply it to interim periods within fiscal years beginning after 12/15/16
 - Early adoption of the amendments is permitted for financial statements that have not been previously issued

Accounting standards updates (ASUs)

- **ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (continued)**
 - The amendments should be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance
 - Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include:
 - The nature of and reason for the change in accounting principle
 - The transition method
 - A description of the prior-period information that has been retrospectively adjusted
 - The effect of the change on the financial statement line items (i.e., debt issuance cost asset and the debt liability)

Accounting standards updates (ASUs)

- **ASU 2015-07 Fair Value Measurements (Topic 820) - Disclosure for Certain Investments in Certain Entities that Calculate Net Asset Value**
 - A reporting entity that measures an investment using the net asset value (NAV) practical expedient would no longer have to categorize the investment in the fair value hierarchy
 - Instead, entities would disclose the amount of such investments as a reconciling item between the balance sheet and the fair value hierarchy table
 - Existing NAV disclosures would be limited to only those investments that use the practical expedient versus all that are eligible (to be further deliberated)
 - Implementation date (early adoption permitted):
 - Public companies: Fiscal years beginning after 12/15/15 (FY 17)
 - Other entities: Fiscal years beginning after 12/15/16 (FY 18)

Accounting standards updates (ASUs)

- **ASU 2015-10, Technical Corrections and Improvements**
 - Changes for NFPs are discussed in paragraphs 99-116
 - The change in paragraphs 101-102 may have an effect on the determination of when a restriction expires in situations involving two temporary restrictions - purpose and time
 - Clarifies that if evidence suggests that it is reasonable to conclude that a donor restriction has been met, an implied time restriction should not override that evidence
 - Effective date
 - If amendments required transition guidance, effective for fiscal years beginning after December 15, 2015
 - All other amendments are effective upon issuance of the ASU

Accounting standards updates (ASUs)

- **ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date**
- **ASU 2014-09, Revenue Recognition: Revenue from Contracts with Customers**
 - Creates a single, principle-based revenue standard
 - Recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services
 - Improve accounting for contracts with customers
 - Practical expedients for contracts less than one year
 - Improved disclosures
 - Effective date
 - Public companies (includes institutions with conduit debt) - FY 2019
 - Other entities - FY 2020

Accounting standards updates (ASUs)

- **ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (continued)**
- **ASU 2014-09, Revenue Recognition: Revenue from Contracts with Customers (continued)**
 - Areas still being evaluated
 - Sponsorships
 - Membership dues
 - Royalties/licensing

Other FASB projects



FASB projects

- **Leases (Topic 842), a Revision of the 2010 Proposed ASU, Leases (Topic 840) (5/2013)**
 - Lease contract conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration
 - All leases (more than 12 months) will be recognized on the lessee's balance sheet
 - Two types, based on significance of asset consumption
 - Type A: most equipment leases (amortization/interest expense); or
 - Type B: most real estate leases (lease expensed on straight-line basis)
 - Lease term - if reasonably certain (assured) that lessee will exercise the renewal option, then renewal periods included
 - Current stage: Final Standard
 - Expected completion: Q4 2015

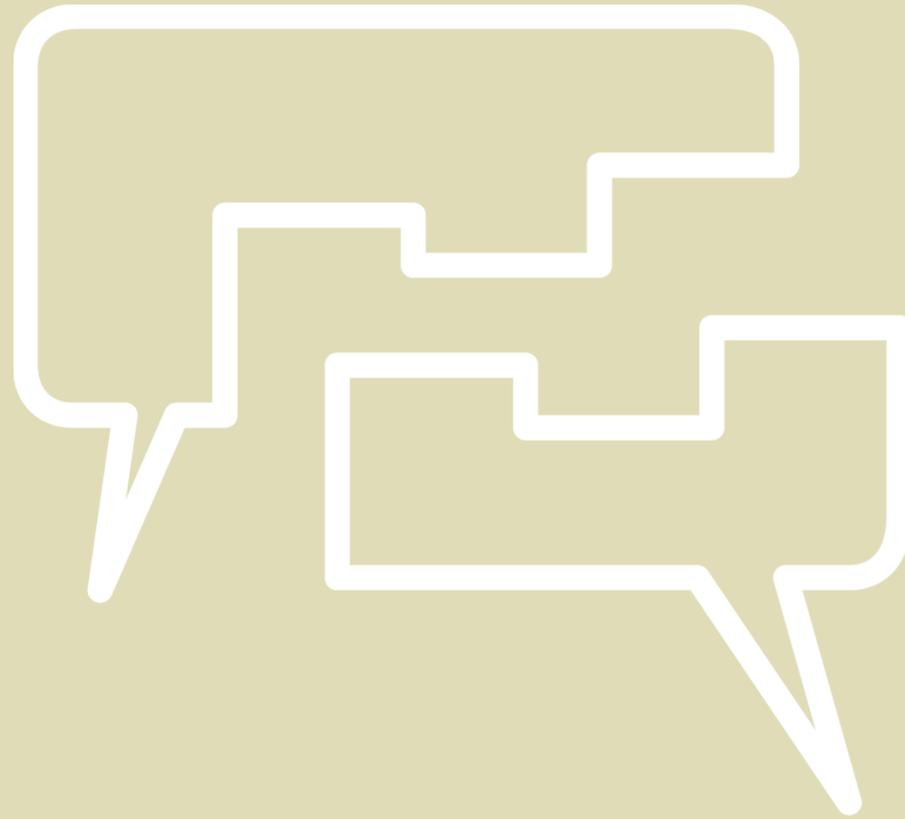
FASB projects

- **Accounting for Financial Instruments: Classification and Measurement**
 - Extend to all entities other than Public Business Entities the exemption from having to disclose “FAS 107” disclosures (fair value of financial instruments not recognized at fair value on the balance sheet)
 - Currently, NFPs with more than \$100 million in assets or with any derivatives (e.g., interest rate swaps) provide these disclosures
 - Current stage: Final Standard
 - Expected completion: Q4 2015

- **Accounting for Financial Instruments: Impairment**
 - Address concerns about delayed recognition of credit losses
 - Reduce complexity by developing a single impairment model for all financial assets
 - Current stage: Final Standard
 - Expected completion: Q4 2015

FASB projects

- **Disclosure framework**
 - Improve the effectiveness of disclosures in notes to the financial statements by clearly communicating the information most important to the users of those statements
 - Current stage: Exposure Draft Redeliberations
- **Goodwill and Intangible Assets for Public Business Entities and Not-for-Profit Entities**
 - Reduce the cost and complexity of the subsequent accounting for goodwill for public business entities and not-for-profit entities
 - Current stage: Initial Deliberations



Questions?

Thank you!

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