

Financial Statements of Not-for-Profit Entities Tentative Board Decisions Reached to Date As of October 8, 2014

The Tentative Board Decisions to Date is provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Accounting Standards Update.

Topic	Decisions Reached	Meeting Date(s)
<p><i>Statement of Activities</i></p>	<p><u>Net Asset Classes</u></p> <ul style="list-style-type: none"> • Replaced the existing requirements of paragraphs 958-225-45-1 to present the change in each of three net asset classes on the face of a statement of activities with similar requirements for two classes of net assets: (1) with donor-imposed restrictions and (2) without donor-imposed restrictions. The Board also decided to make conforming changes to the terminology and definitions of the net asset classes. • Related disclosures: <ul style="list-style-type: none"> ○ Retained the current requirement to provide information about the changes in the nature and amounts of different types of donor-imposed restrictions but modify the requirement to (a) remove the hard-line distinction between temporary restrictions and permanent restrictions and (b) focus instead on describing differences in the nature with an emphasis on changes in how and when the resources (net assets) can be used. <p>Required disclosure of information about the amount and purposes of board designations of net assets without donor-imposed restrictions.</p> <p><u>Intermediate Measure of Operations, including presentation requirements</u></p> <p><i>Definition</i></p> <ul style="list-style-type: none"> • An NFP would be required to present an intermediate measure of current operations that is defined on the basis of two key dimensions: a mission dimension and an availability dimension. 	<p>May 29, 2013</p> <p>September 4, 2013</p> <p>December 18, 2013</p> <p>February 26, 2014</p> <p>May 14, 2014</p> <p>June 18, 2014</p> <p>July 23, 2014</p> <p>October 8, 2014</p>

Topic	Decisions Reached	Meeting Date(s)
<p><i>Statement of Activities (continued)</i></p>	<p><i>Definition (continued)</i></p> <ul style="list-style-type: none"> ○ The mission dimension is based on whether resources are (result) from or directed at carrying out an NFP's purpose for existence. ○ The availability dimension is based on whether resources are available for current period activities that reflect both external and internal limitations. <p><i>Implementation Guidance</i></p> <ul style="list-style-type: none"> ● Guidance for the mission dimension would note that (a) all gifts result from carrying out the NFP's activities but are not necessarily available for current period activities, (b) all legally available mission related revenues are to be presented before reductions for amounts designated by the governing board for use in future periods (rather than only the net of those amounts), (c) investing and financing activities, other than those directed at carrying out the NFP's programs, would <i>not</i> meet the mission dimension (and thus, fall outside of the intermediate measure of operations). <ul style="list-style-type: none"> ○ Investing and financing activity directed at carrying out the NFP's programs, sometimes referred to as <i>programmatic investing</i>, would include items such as interest earned on an educational institution's student loans, a foundation's subsidized loans to support grantees, and similar lending directed at achieving the NFP's purposes. ○ Guidance for the availability dimension would note that (a) external limits often result from donor-imposed restrictions that limit the availability of donated resources for current period use until such restrictions are met and (b) internal limits often result from actions of an NFP's governing board to designate resources for specific (limited) purposes or future periods and similar actions that effectively make resources unavailable for current operations. ○ For example, an NFP would initially report all bequests as operating revenue and would report a transfer out of current operations for the amount of the bequest that the governing board has designated to be invested in the quasi-endowment, thus making the bequest unavailable for current operations. 	<p>See beginning of section</p>

Topic	Decisions Reached	Meeting Date(s)
<p><i>Statement of Activities (continued)</i></p>	<p><i>Implementation Guidance for Treatment of Capital-like Transactions</i></p> <ul style="list-style-type: none"> ○ An NFP would initially report the gift of long-lived assets without donor restrictions as operating revenue. If the NFP places the asset in service (instead of selling it), the NFP would also report a transfer out of operations for the entire amount of the gifted long-lived asset. ○ Similarly, gifts of cash that a donor has restricted for the acquisition or construction of long-lived assets would initially be reported as revenues that increase net assets with donor restrictions, which are reported outside of operations. 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 operating activity and a decrease in net assets with donor restrictions. Consistent with the treatment of gifts of long-lived assets placed in service, that amount would also be reported as a transfer from operations to nonoperating activities. <p><i>Presentation matters related to the intermediate measure</i></p> <ul style="list-style-type: none"> ● NFPs must present (1) all transfers in a separate, discrete section and (2) a subtotal of operating revenues and expenses before such transfers, which is in addition to the decision to require an intermediate measure of operations (which is an amount after such transfers). At a minimum, an 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 NFP would need to provide details for aggregated transfers in a note. All NFPs would be required to describe qualitatively the purpose, amounts, and types of transfers (for example, those done because of standing board policies, as one-time decisions, or for other reasons). ● Business-oriented health care providers would be permitted, but no longer required to present the performance indicator that is currently required by paragraph 954-225-45-4. ● An NFP would continue to be allowed to use a one or two statement approach to present all of the revenues, expenses, gains, losses and other events that change net assets or classes of net assets for the period. An NFP is permitted but would not be required to report the intermediate measure of operations in a statement that also reports the change in unrestricted net assets for the period, as currently required by paragraph 958-225-45-10. Accordingly, when using a two statement approach the first statement could end with the intermediate measure of operations. 	<p>See beginning of section</p>

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<p><i>Statement of Activities (continued)</i></p>	<p><u>Expiration of Restrictions</u></p> <ul style="list-style-type: none"> • Required that an NFP use the placed-in-service approach for the treatment of expiration of restrictions related to long-lived assets, thus eliminating the option to release the donor-imposed restriction over an asset’s estimated useful life. <p><u>Reporting of Expenses</u></p> <ul style="list-style-type: none"> • Required all NFPs to report expenses by both their nature and function but allowed flexibility to present expenses either by function or nature (or by both) on the face of the statement of activities or within the notes. Accordingly, voluntary health and welfare organizations would be permitted but no longer required to present a separate statement of functional expenses. • Required all NFPs to provide an analysis of expenses by function and by nature in one location, but that location and format is flexible and likely would be included within the notes. Investment expenses that are netted against investment return need not be included and other nonoperating expenses (for example, interest and other financing expenses) need not be functionalized. • Required all NFPs to include a description of the method used to allocate costs among program and support functions. • Board will refine the definition of <i>management and general activities</i> and include additional illustrative guidance to better depict which types of costs should be allocated among program and/or support functions. <p><u>Investment Return</u></p> <ul style="list-style-type: none"> • Required a net presentation of investment expenses against investment return on the face of the statement of activities. Required external and direct internal investment expenses to be netted against the investment return. • Related Disclosure (removed): <ul style="list-style-type: none"> ○ Removed the requirement in current GAAP (paragraph 958-225-50-1) to disclose netted investment expenses ○ Required the disclosure of the amount of internal salaries and benefits, if any, that have been netted against investment return. 	<p>See beginning of section</p>

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<p><i>Statement of Financial Position</i></p>	<p><u>Net Asset Classes</u></p> <ul style="list-style-type: none"> • Replaced the existing requirements of paragraphs 958-210-45-1 to present totals for each of three classes of net assets on the face of a statement of financial position with similar requirements for two classes of net assets (1) with donor- imposed restrictions and (2) without donor-imposed restrictions. The Board also decided to make conforming changes to the terminology and definitions of the net asset classes. • Related Disclosures: <ul style="list-style-type: none"> ○ Modified the current requirement to provide information about the nature and amounts of different types of donor-imposed restrictions to (a) remove the hard-line distinction between temporary restrictions and permanent restrictions and (b) focus instead on describing differences in the nature with an emphasis on both how and when the resources (net assets) can be used. ○ Required disclosure of information about the amount and purposes of board designations of net assets without donor-imposed restrictions. 	<p>September 4, 2013</p>
<p><i>Statement of Cash Flows</i></p>	<ul style="list-style-type: none"> • Required the direct method of reporting cash flows provided [used] by operating activities and removed the requirement to reconcile the change in net assets to net cash flow from operating activities (indirect method). • Reclassified the following cash inflows and outflows to better align the categories used in the cash flow statement with those proposed for the statement of activities: <ul style="list-style-type: none"> ○ Cash gifts with donor-imposed restrictions that they be used to purchase, construct, or otherwise acquire long-lived assets for operating purposes from <i>financing</i> to <i>operating</i> ○ Cash payments to purchase, construct, or otherwise acquire long- lived assets for operating purposes from <i>investing</i> to <i>operating</i> ○ Cash proceeds from the sale of long-lived assets from <i>investing</i> to <i>operating</i> ○ Cash dividends and interest income from <i>operating</i> to <i>investing</i> ○ Cash payments of interest expense from <i>operating</i> to <i>financing</i>. 	<p>October 23, 2013 July 23, 2014</p>

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<p><i>Note disclosures (not specifically related to one statement)</i></p>	<p><u>Liquidity</u></p> <ul style="list-style-type: none"> • Required an NFP to provide quantitative and qualitative information useful in assessing liquidity, including a description of the time horizon it uses to manage its liquidity. • Quantitative information would include the (1) total amount of financial assets, (2) amounts that, due to various limitations, are not available to meet cash needs within the NFP’s time horizon, and (3) total amount of financial liabilities that are due within that time horizon. Qualitative information includes information about how an entity manages its liquidity. <p><u>Underwater endowments</u></p> <ul style="list-style-type: none"> • Require that the so-called underwater amounts be reported within the proposed <i>with donor restrictions</i> class of net assets (rather than unrestricted class of net assets as currently required). • An NFP also would be required to disclose the following information: <ul style="list-style-type: none"> ○ The board’s policy or decision on whether to reduce or not spend 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. <p><u>Other</u></p> <ul style="list-style-type: none"> • Directed the staff to develop more streamlined examples of note disclosures that meet current GAAP requirements, particularly for the intersection of requirements surrounding investments, endowment net assets, and fair value levels. • Business-oriented NFP health care entities no longer have to disclose their tax-exempt status in accordance with paragraph 954-740-50-1. 	<p>May 28, 2014 June 18, 2014</p>