



Grant Thornton

AHACPA
Annual Multifamily Conference

Not-for-Profit Accounting
and Auditing Update

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Auditing update

- AICPA Standards and Interpretations
 - Other Information in Documents Containing Audited Financial Statements
 - Supplementary Information
 - Consolidating Information
- AICPA Clarity Project



SAS 118

Other Information in Documents Containing Audited Financial Statements

- Addresses the auditor's responsibility in relation to other information in documents containing audited financial statements and the auditor's report thereon.
- Documents containing audited financial statements may include NPOs' annual reports that are available to the public.



SAS 118

Other Information in Documents Containing Audited Financial Statements

- In the absence of any separate requirement, the auditor's opinion on the financial statements does not cover other information, and the auditor has no responsibility for determining whether such information is properly stated.
- This SAS establishes the requirement for the auditor to read the other information of which the auditor is aware because the credibility of the audited financial statements may be undermined by material inconsistencies between the audited financial statements and other information.



SAS 119

Supplementary Information in Relation to the Financial Statements as a Whole

- Addresses the auditor's responsibility when engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.
- "Supplementary information" = information presented outside the basic financial statements, excluding required supplementary information that is not considered necessary for the financial statements to be fairly presented.



SAS 120

Required Supplementary Information (RSI)

- Addresses the auditor's responsibility with respect to required supplementary information.
- "Required supplementary information" = information that a designated accounting standard setter requires to accompany the basic financial statements.
- In the absence of any separate requirement in the particular circumstances of the engagement, the auditor's opinion on the basic financial statements does not cover required supplementary information.



SAS 120

Required Supplementary Information

- Explains that the objectives of the auditor are to perform specified procedures in order to
 - describe, in the auditor’s report, whether RSI is presented and
 - communicate therein when some or all of the RSI has not been presented in accordance with guidelines established by a designated accounting standard setter or when the auditor has identified material modifications that should be made to the RSI for it to be in accordance with guidelines established by the designated accounting standard setter.



SAS 118/119/120

- Effective for audits of financial statements for periods beginning on or after December 15, 2010
- Early adoption permitted



AICPA Interpretations

- Interpretation No. 11 – addresses:
 - the accountant’s application of procedures to RSI that accompanies reviewed financial statements, and
 - the accountant’s modification of the review report to refer to the RSI information and explain the circumstances regarding its presentation.

AICPA Interpretations

- Interpretation No. 17 – addresses
 - the accountant’s application of procedures to RSI that accompanies compiled financial statements
 - the accountant’s modification of the compilation report to refer to the RSI information and explain the circumstances regarding its presentation, and
 - the omission of RSI from financial statements that omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America.

AICPA Technical Practice Aid

- TIS Section 9170, *Supplemental Information*
- .01 *Consolidating Information Presented on the Face of the Financial Statements*
- When the auditor is engaged to express an opinion only on the consolidated financial statements, and consolidating information is included on the face of the financial statements, such consolidating information would be considered supplementary information, the same as if the information was presented outside the basic financial statements.

AICPA Technical Practice Aid

- TIS Section 9170, *Supplemental Information*
- .01 *Consolidating Information Presented on the Face of the Financial Statements*
- In either case, the auditor should be satisfied that the consolidating information is suitably identified.
- For example, the balance sheets might be titled “Consolidated Balance Sheet—December 31, 20X1, With Consolidating Information,” and the columns including the consolidating information, might be marked “Consolidating Information.”



AICPA Clarity Project

- Background
 - Discussion paper issued March 2007
 - ASB considered comments received and approved direction forward August 2007
- Goals
 - Address concerns over length and complexity of standards
 - Make standards easier to read, understand and implement
 - Will lead to enhancements in audit quality



AICPA Clarity Project

- Auditing Standards Board (ASB) converging U.S. GAAS with the International Standards on Auditing (ISAs) while avoiding unnecessary conflict with Public Company Accounting Oversight Board standards.
- All AU sections of currently effective Statements on Auditing Standards (SASs) in AICPA Professional Standards are being clarified.
- Issuance of clarified SAS Nos. 117–120 and 122–124 contain a combined total of 44 clarified SASs (SAS No. 122 contains 39 clarified SASs)
- GAAS now specify more clearly the objectives of the auditor and the requirements with which the auditor has to comply when conducting an audit in accordance with GAAS.



Clarity Drafting Conventions

- Introduction
- Objective
- Definitions
- Requirements
- Application Material
 - Integral part of standard – auditors required to read and understand
- Appendices and Exhibits

Clarity Drafting Conventions

- Difference between *Must* and *Should*
 - *Must* = is required to do action
 - (always do action, exactly as prescribed)
 - *Should* = is required to do [action]
 - (always do action, but on rare occasions not exactly as prescribed)
- Application material is integral part of standard – auditor is required to understand it



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Effect on Auditor Reports

- Headings and Subheadings
- Management's Responsibilities
- Opinion
(Basis for qualified, adverse, or disclaimer)
- Emphasis of Matter
 - Matters appropriately presented or disclosed
- Other Matter
 - To understand audit matters
- Other auditor reporting responsibilities

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements

We ahs dlkfjasi kd jflkajsl kdfas jfjakl sdfklas jdfj aksljdf klasjf kljask lfjkla sjfklasjf lkjaslkf djalksj fdllkajsik ljaskl dklasdj fkljak lsdjfk asjfdkl jasklfasdf.

Management's Responsibility for the Financial Statements

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Auditor's Responsibility

Our responsibility klasdjfa akldfjka jsdfklaj dfaklsdfj klasjdf kljaskldf klajsd f dkatf akldfjkd akdsjfoinmkasdk klasdjfkla skljkaldfjkalsj faklsdjf lkasjf klasjflklasj fakfj lkajflkasj lsdjf ask;f jalk;s.

An audit involves ksdajfklaklsdf aklsjdfklaklsdjf kalsjdfkla kldf lkasjfdlkas flkjaslkf jalksjf lkasjf lkasj lkfjas lkfd jalksd jflkasj flkasj dfkjas lkfjaslkdjf lkasdjf lkasj flkjasd flkjasd lkfjaslkdf jalksj flkasdj flkasj flkjas dfkjasdfkjasdkl flkjasdjf lkasdj flkasdj flkasjd flklj.

We believe ksdjflkl lksadrfjkas dklfjls dlkatfjdsj sadkljfaskldjf lkasjdf aksl;djf alks;djf akdjf.

Opinion

In our opinion, skdjf klasjdf klasjdf akldsfj kalsjdf alksdjf aklsdjf lkajsdfllkas dfk;asjd flkasdjf klasjd flkasjdf lkasjd flkdasj flklasdjfaklsdjf lkasj dfklsdj flklasj fdllkasdj fsj klasd jklas .

Emphasis of Matter

We draw attention to Note X to the financial statements, which aklsdjf aksklasjdf asdjf aklsdjf klasjdf lkasjd flkasj dfkjasj dfklsdj flklasdj flkdasj sajf klsdj flklsd flksj fasdjf adfjkdfjasdklf.

Other Matter

Klsdjfakls askdfjkla sdfklajklsdjf askjdfjalks dfkjasdjf akldsf jklasjdfkl akldfj klasjf lkasj dfjaskl falksjdf klasj dfkdsaj flkasj flklasdjf klasdjfkl asdjfklaj jkljdsfk lasdkf jakdsj kfak akldjf aklsdjf klasdjf aklsdjf askldjf aklsdjf klsdjf dasj flksaj flkasj f.

Report on Other Legal and Regulatory Requirements

Aklsdjf asjdfhasjkd fjkahsdjfkas kdfjask fjkasd dfklsaj klfasdkdf jaslkjdf klasjdf kalsdjf klasjdf klasj dfkjasdklf jasklf jsadkf jlkdsj flksdj flksadj fkdasj flksadj flklasdj flklasdjfkl jasdkf jalsdjf lkasdjf klasdj flkasdj flklasdj flklasdj flkasdj flkasdjflkasdjflkjasdklf jasf jalksdjfl lkasd jflkasj dfklsdj flkasjdf.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Implementation Strategies

- Read:
 - Application guidance, appendices, and exhibits
 - Updated AICPA audit guides
 - Risk Assessment Standards
 - State and Local Governments
 - Not-for-profit entities
- Watch for AICPA Clarity educational efforts
- Attend educational events
- Begin updating for CY 2012/FY 2013 financial statement audits
 - Your policies and procedures manuals, forms, checklists, and audit processes

Clarity Project Website Resources

- *Guide to Clarified and Converged Standards for Auditing and Quality Control*
- All finalized SASs
- Mapping of Existing AU sections to Clarified SASs
- Summary of Differences Between Existing SASs and Clarified SASs
- Clarity Project FAQs
- Matrixes of detailed differences from ISAs
- <http://www.aicpa.org/interestareas/frc/auditattest/pages/improvingclarityasbstandards.aspx>



Accounting Update

- NFP Mergers and Acquisitions
- Fair Value Measurements
- Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses
- Testing Goodwill for Impairment
- Updates of most relevance to not-for-profit organizations



ASU 2010-07

Mergers and Acquisitions of Not-For-Profit Entities

Applies To:

- A new transaction that has occurred,
- Combinations of NFPs
- Existing goodwill, intangible assets or minority interest currently on the books
- Determination of whether a combination is a merger or an acquisition
- Required disclosures
- Unique or especially significant areas for NFPs

Does NOT Apply to:

- The formation of a joint venture
- The acquisition of an asset or a group of assets that does not constitute either a business or a nonprofit activity
- A combination between entities under common control
- A transaction or other event in which a NFP obtains control of another entity but does not consolidate that entity



ASU 2010-07

Mergers and Acquisitions of Not-For-Profit Entities

A yellow rounded rectangular button with a gradient from light yellow at the top to a darker yellow at the bottom, containing the word "Merger" in black text.

Merger

- A merger is a combination in which the governing bodies of two or more NFPs cede control of those entities to create a new NFP
- Requires use of the **carryover method** to account for a merger of NFPs



ASU 2010-07

Mergers and Acquisitions of Not-For-Profit Entities

A blue gradient button with rounded corners and a white border, containing the word "Acquisition" in black text.

Acquisition

- An acquisition is a combination in which a not-for-profit acquirer obtains control of one or more nonprofit activities or businesses
- Requires use of the acquisition method to account for an acquisition by an NFP
- Provides guidance on determining which entity is the acquirer
- Requires an acquirer that expects the operations of the acquiree to be predominantly supported by contributions and returns on investments to recognize as a separate charge in its statement of activities/operations the amount that otherwise would be recognized as a goodwill asset as of the acquisition date



ASU 2010-07

Mergers and Acquisitions of Not-For-Profit Entities

- Requires an acquirer that expects the operations of the acquiree to be **predominantly supported by contributions and returns on investments** to recognize as a separate charge in its statement of activities the amount that otherwise would be recognized as a goodwill asset as of the acquisition date.



ASU 2010-07

Mergers and Acquisitions of Not-For-Profit Entities

- Provides other guidance on applying the acquisition method in areas that are unique or especially significant for NPOs.
- For example, the guidance establishes exceptions to its recognition principle for donor relationships, collections, and conditional promises to give.



ASU 2010-07

Mergers and Acquisitions of Not-For-Profit Entities

- Acquisition guidance and disclosure requirements will now be similar to existing for-profit guidance
- Applicable to:
 - Mergers with merger dates on or after December 15, 2009
 - Acquisitions with acquisition dates on or after the beginning of the first annual reporting period beginning on or after December 15, 2009



ASU 2010-06

Improving disclosures about Fair Value Measurements

Disclosure requirements

- Amounts of, and reasons for, **significant transfers** between Level 1 and Level 2, as well as those into and out of Level 3, of the fair value hierarchy; all presented on a gross basis
- Policy for when to recognize transfers into and out of the levels
- Gross information about purchases, sales, issuances, and settlements in the reconciliation disclosure of Level 3 measurements
- For Level 2 and Level 3 measurements, information about **inputs and valuation techniques**.
- Presentation by **class** of assets and liabilities



ASU 2010-06

Improving disclosures about Fair Value Measurements

Disaggregation by Major Security Type

- Consider
 - Shared Activity/Business Sector
 - Vintage
 - Geographic Concentration
 - Credit Quality
 - Economic Characteristics
- Management may exercise judgment based on nature and risk of the investments



ASU 2010-06

Improving disclosures about Fair Value Measurements

Effective date and transition

- Periods beginning after December 15, 2009, except for the disaggregation requirement for the reconciliation of Level 3 measurements, which is effective for periods beginning after December 15, 2010.



ASU 2011-04

Fair value measurements

- Changes made to converge with IFRS and clarify FASB's intent, but do not require additional fair value measurements
- Highest-and-best-use and valuation premise concepts apply only to nonfinancial assets
- Option to measure certain groups of financial assets and liabilities on a net basis
- Guidance provided on incorporating certain premiums and discounts in fair value measurements
- New disclosures, some not required for nonpublic entities, including, but not limited to:
 - Information about valuation techniques and unobservable inputs used in Level 3 measurements
 - Narrative description about Level 3 measurements' sensitivity to changes in unobservable inputs



ASU 2011-04

Fair value measurements

- Effective for public entities for interim and annual periods beginning after December 15, 2011
- Effective for nonpublic entities for annual periods beginning after December 15, 2011



AICPA white paper: Measurement of Fair Value for Certain Transactions of Not-for-Profit Entities

- Discusses fair value measurement for the following types of transactions:
 - Unconditional promises to give cash or other financial assets
 - Beneficial interests in trusts
 - Split interest agreements
- Addresses, among other things, the following:
 - Valuation approaches and techniques, including variations of the income approach using probability-weighted cash flows or a single set of cash flows model that uses a risk-adjusted discount rate



AICPA white paper: Measurement of Fair Value for Certain Transactions of Not-for-Profit Entities

- Addresses, among other things, the following:
 - Considerations for determining an appropriate valuation technique based on facts and circumstances, as well as considerations for the related inputs to the valuation model
 - Determination of an appropriate discount rate when using present value techniques
 - Use of market inputs when valuing split-interest obligations, including use of actuarial data and prices for annuity contracts
 - The unit-of-account for unconditional promises to give that are expected to be collected in one year or more and for beneficial interests in a trust
 - Disclosure considerations



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ASU 2010-20

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

Enhances the disclosures required for:

- Financing receivables (for example, loans, trade accounts receivable, notes receivable, and receivables relating to a lessor's leveraged, direct financing, and sales-type leases) and
- Allowances for credit losses under *ASC 310, Receivables*.



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ASU 2010-20

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

- Requires disclosure of the following:
 - Information about the credit quality of financing receivables
 - Aging of past due receivables
 - The nature and extent of troubled debt restructurings and their effect on the allowance for credit losses
 - Significant purchases and sales of financing receivables



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ASU 2010-20

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

- Relate to receivables that are due in more than one year, including program-related investments, notes receivable, capital lease receivables, student loans receivable and other loans receivable (collectively referred to as "financing receivables").
- Contributions receivable are not included, even though they may be due in more than one year.
- Many of the disclosures currently required by GAAP must now be provided by class of financing receivable. A class of financing receivable is a subset of receivables that is determined by:
 - How the receivable was originally recorded (what was the initial recognition attribute)
 - The receivable's risk characteristics, and
 - The NFP's method for monitoring and assessing risk.
- May need to consider disaggregation by portfolio segments.



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ASU 2010-20

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses

- Public entities must begin applying most of the new disclosure requirements for periods ending on or after December 15, 2010
- Nonpublic entities are not required to comply until periods ending on or after December 15, 2011



ASU 2011-08

Testing Goodwill for Impairment

- Gives public and nonpublic entities the option to qualitatively determine whether they can bypass the two-step goodwill impairment test under ASC 350-20
- The amended guidance is effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, although early adoption is permitted.



ASU 2011-08

Testing Goodwill for Impairment

- Examples of qualitative factors:
 - Macroeconomic conditions – deterioration in general economic conditions, limitations on accessing capital, other developments in equity and credit markets
 - Industry and market considerations – deterioration in environment in which entity operates, an increased competitive environment, a change in the market for an entity's products or services, regulatory or political development
 - Cost factors – increases in raw materials, labor or other costs that have a negative effect on earnings and cash flows
 - Overall financial performance – negative or declining cash flows or decline in actual or planned revenue or earnings compared with actual and project results of relevant prior periods



ASU 2011-08

Testing Goodwill for Impairment

- Examples of qualitative factors (continued):
 - Other relevant entity-specific events – changes in management, key personnel, strategy or customers; contemplation of bankruptcy or litigation
 - Events affecting a reporting unit – change in composition or carrying amount of its net assets, a more-likely-than-not expectation of selling or disposing all or a portion of a reporting unit, the testing for recoverability of a significant asset group within a reporting unit, or recognition of a goodwill reporting impairment loss in the financial statements of a subsidiary that is a component of a reporting unit
 - If applicable, a sustained decrease in share price



ASU 2011-08

Testing Goodwill for Impairment

- If an entity chooses to perform a qualitative assessment and determines that it is more likely than not (> 50% likelihood) that the fair value of a reporting unit is less than its carrying amount, it would then perform Step 1 of the annual goodwill impairment test in ASC 350-20 and, if necessary, proceed to Step 2.
- Otherwise, no further evaluation would be necessary. The decision to perform a qualitative assessment is made at the reporting unit level, and an entity with multiple reporting units may utilize a mix of qualitative assessments and quantitative tests among its reporting units.



AICPA Technical Practice Aids

Updates of most relevance to not-for-profit organizations

- TIS Section 2130.38/2130.40 – "Certificates of Deposit and Fair Value Measurements and Disclosures"
 - Certificates of Deposit do not typically meet the definition of a security and therefore are not at fair value and should not be included in the fair value table.
 - There are certain circumstances in which certificates could meet the definition of a security (negotiable certificates of deposit), and then the provision of ASC 820 would apply.
- TIS Section 2130.39 – "Balance Sheet Classification of Certificates of Deposit"
 - Certificates of deposit with original maturities of 90 days or less may be considered cash and cash equivalents
 - However, if the original maturity is greater than 90 days, certificates of deposit would not be included in cash and cash equivalents
 - Instead could be classified as "investments – other"

AICPA Technical Practice Aids

Updates of most relevance to not-for-profit organizations

- TIS Section 6140.24 – "Contributions of Certain Nonfinancial Assets, Such as Fundraising Material, Informational Material, or Advertising, Including Media Time or Space for Public Service Announcements or Other Purposes"
 - Provides guidance for when to recognize contribution revenue for certain media services provided to NFPs.
- TIS Section 6140.25 – "Multiyear Unconditional Promises to Give – Measurement Objective and the Effect of Changes in Interest Rates"
 - If an NFP has elected the fair value option for promises to give, subsequent measurement should be made using updated interest rates for discounting.
 - Otherwise, the discount rate utilized should not be modified in future years.



On the Horizon

- FASB's Not-for-Profit Advisory Committee
- FASB/IASB Joint Projects Overview
- Lease Accounting
- Revenue Recognition



FASB's Not-for-Profit Advisory Committee (NAC)

In October 2011, the NAC identified four areas for improving NFP financial reporting for agenda consideration by the FASB. Their objectives would be:

1. To improve the current **net asset classification scheme**, in conjunction with improving how liquidity is portrayed in an NFP's statement of financial position and related notes.
2. To improve the statements of activities and cash flows to **more clearly communicate financial performance**, by better disaggregation and classification of information within the statement of activities and better cohesiveness between the statements.



FASB's Not-for-Profit Advisory Committee (NAC)

3. To develop a framework for an NFP's directors and management to provide **commentary and analysis** about the organization's financial health, operations, and liquidity.
 4. To review existing NFP-specific **disclosure requirements** to streamline where possible and otherwise improve their relevance and understandability.
- Additionally, the NAC identified some **educational efforts** that could be carried out by the FASB staff, the NAC, or other organizations (e.g., the AICPA).



FASB's Not-for-Profit Advisory Committee (NAC)

- In November 2011, the FASB announced the addition of two agenda projects:
 - Standard-setting project - focus on the financial statements and related notes that are unique to not-for-profit organizations.
 - Research project - study other means of communication that not-for-profit organizations currently use in telling their financial story.

FASB/IASB Joint Projects Overview

- FASB and IASB goal – improved, high-quality, converged accounting standards
- Memorandum of Understanding timing revised in 2010 to address resource constraints, challenges in improving/converging certain areas and stakeholder concerns
- Boards issued documents seeking input on effective dates and transition methods for several standards related to joint projects
- Boards recently revised their work plans to focus on financial instruments, revenue recognition, leases and insurance contracts
 - Jointly extended their timetables by several months but these projects will remain a priority
 - Certain lower priority projects have been further delayed



FASB Exposure Draft:

Lease Accounting

FINANCIAL ACCOUNTING SERIES



EXPOSURE DRAFT

Proposed Accounting Standards Update

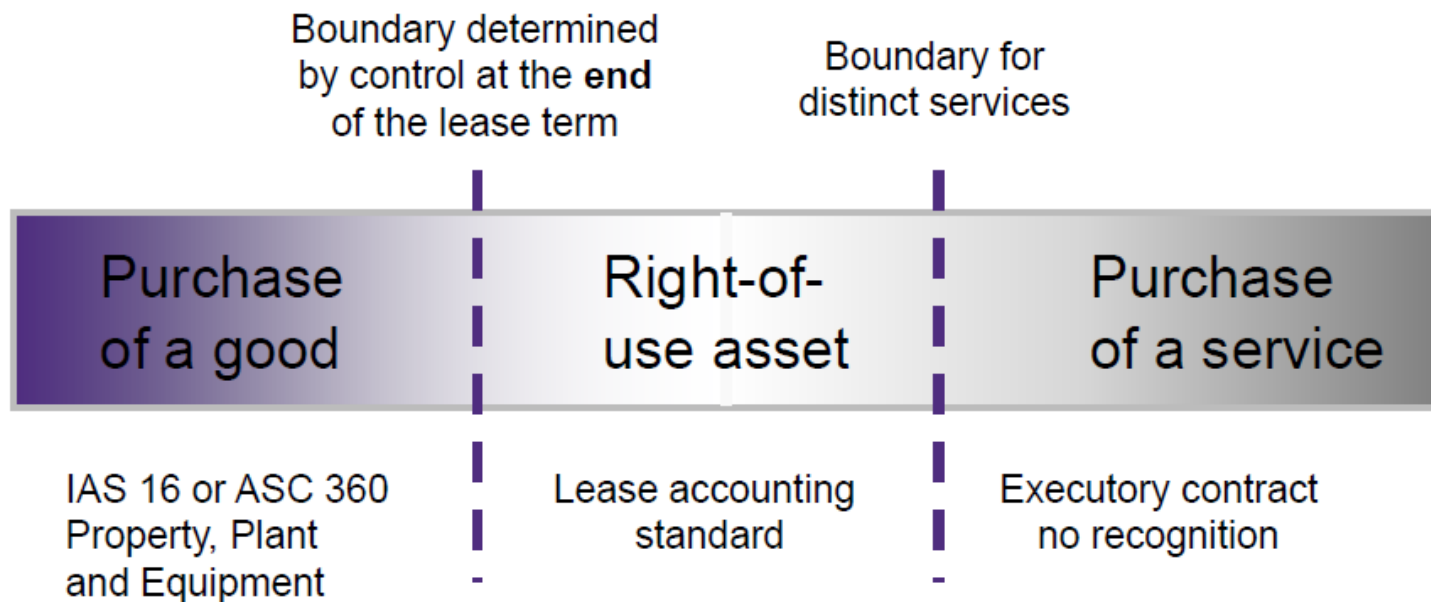
Issued: August 17, 2010

Comments Due: December 15, 2010

Leases (Topic 840)

FASB Exposure Draft:

Lease Accounting



A lease is a contract in which the right to use a specified asset is conveyed, for a period of time, in exchange for consideration.



Lease Accounting Exposure Draft: The Highlights

- Major proposed changes
 - No "operating leases"
 - Lessee obligations recognized on statement of financial position, with a corresponding "right-of-use" asset, for substantially all leases
 - Interest expense on debt using the interest method, rather than straight-line lease expense (Front-loads expenses related to leases)
 - Amortization of right-to-use asset (generally on a straight-line basis)
 - Lessor records receivable and either removes the leased asset (derecognition) or records deferred revenue (performance obligation), depending on facts
- No proposed effective date
- Comment period ended December 15, 2010
- New model would apply to all leases within the scope of proposed guidance - no grandfathering

Financial statement presentation

- Proposed disclosures would require entities to both identify and explain the amounts arising from leases that are recognized in the financial statements and describe how leases could affect the amount, timing and uncertainty of future cash flows.
- Would be required to include the following:
 - General description of leasing agreements
 - Basis and terms of contingent rentals
 - Existence and terms of options and residual value guarantees
 - Information about and changes to assumptions and judgments relating to amortization methods
 - Reconciliation of opening and closing balances of assets and liabilities related to lease arrangements

Effect on not-for-profit organizations

- Potential significant effect on the statement of financial position, which could affect ratios used in debt covenants:
 - Total assets and total liabilities increased by a similar amount
- Effect on the statement of activities:
 - Expense for lease payments replaced by amortization of the right-to-use asset and front-loaded interest expense
 - Change in net assets would remain approximately the same



Leases:

Recent FASB/IASB tentative decisions

- In determining the amount of the right-to-use asset and related liability, the exposure draft proposes that the lessor should use the longest possible lease term that is more likely than not to occur, considering all relevant factors.
- Any change to the obligation to pay rentals resulting from a reassessment of the lease term would be recorded as an adjustment to the right-of-use asset.
- The Boards recently reached a tentative decision to redefine the “lease term” as follows:
 - [A] noncancellable period for which the lessee has contracted with the lessor to lease the underlying asset, together with any options to extend or terminate the lease when there is a significant economic incentive for an entity to exercise an option to extend the lease, or for an entity not to exercise an option to terminate the lease.
- The lessor and lessee would reassess the lease term only if there is a significant change in the economic incentive to exercise any options to extend or terminate the lease.



Leases:

Recent FASB/IASB tentative decisions

- Affirmed the definition of “short-term leases” as:
 - A lease that, at the date of commencement of the lease, has a maximum possible term, including any options to renew, of 12 months or less
- An entity may be allowed to elect a policy to account for all short-term leases for a class of assets using the current operating lease accounting model.
- The Boards plan to revisit this tentative decision, and possible outcomes might eliminate this policy election to allow off-balance sheet accounting or increase the maximum possible term that would qualify as a short-term lease.



Leases:

Ongoing discussions

- Significant adjustments and decisions may continue to be made to the exposure draft over the coming months.
- For example, the Boards had tentatively decided to introduce straight-line rent expense into the proposed accounting model for lessees, but recently reversed that decision.
- Final guidance may be considerably different from the current exposure draft.
- Another exposure draft expected in early 2012



Other projects in process:

Revenue recognition

- The proposed standards would affect any entity that either enters into a contract to sell goods or services that are an output of an entity's ordinary activities or enters into a contract to sell nonfinancial assets (for example, real estate and equipment).
- The basic steps required to apply the proposed standards are:
 - Identify the contract(s) with a customer
 - Identify the performance obligation(s) in the contract
 - Determine the transaction price
 - Allocate the transaction price among the performance obligation(s)
 - Recognize revenue as each performance obligation is satisfied.



Other projects in process:

Revenue recognition

Potential NFP Implications of this project

- The proposed guidance leaves open some questions about how not-for-profit organizations would apply the principles to their unique revenues:
 - Grants and contracts (contribution vs. exchange)
 - Contracts that provide on-going services vs. product delivery (NFP cost reimbursements)
 - Tuition revenue
 - NFP contracts for projects that are not profitable
- Reconsidering the completed contract approach
- Considering practical expedient use

Questions?

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