

FASB Not-for-profit Institutions

Crosswalk of ASU 2016-14 (new reporting model) to IPEDS Finance Survey for FY17 through FY19

Background:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 – FY19 for most independent institutions. Early adoption was permitted. Consequently, some institutions adopted the new format and required disclosures for fiscal year 2017. However, the IPEDS Finance survey collecting financial data from fiscal year 2017 had not changed. Therefore, NACUBO has developed this crosswalk for converting amounts presented in the new format to the current IPEDS categories.

Summary of the Changes:

The most significant change is in the classification of net assets. Under the new reporting model, the three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) have been replaced with two classes: those with donor-imposed restrictions and those without donor-imposed restrictions. This change is reflected by combining temporarily restricted and permanently restricted net assets (PRNA) into a single net asset class – net assets with donor restrictions. Unrestricted net assets are now referred to as net assets without donor restrictions.

To meet the IPEDS requirements to report the three categories of net assets, pending NACUBO Advisory Guidance and NACUBO's Financial Accounting and Reporting Manual (FARM) recommend that net assets with donor restrictions required to be held in perpetuity (formerly PRNA) be displayed either on the face or in the notes to financial statements.

However, in the event that institutions do not follow NACUBO's recommendations (and since a small number of institutions may have implemented ASU 2016-14 before issuance of NACUBO's guidance), the books and records of an institution should not change as a result of ASU 2016-14. Consequently, **institutions should be able to discern amounts that have time and purpose restrictions (temporarily restricted) and those that have perpetual restrictions (permanently restricted) from detail records that support the financial statements for purposes of completing the IPEDS finance survey.** Therefore, it is imperative that "survey keyholders" consult with business officers that prepare audited financial statements.

Only the F2 Finance survey forms (Finance for FASB not-for-profit institutions) are impacted by the new statement, and the specific parts impacted are detailed below. For purpose of the crosswalk, the new reporting categories or financial statement element in the new reporting model appear in yellow text boxes.

Part A-Statement of Financial Position Page 1

	IPEDS instructions using the <u>old</u> reporting categories	Guidance for institutions using <u>new</u> reporting categories
Line 04 – Unrestricted net assets	Enter the amount of unrestricted (designated and undesignated) net assets. Unrestricted net assets are amounts that are available for the general purposes of the institution without restriction. Include amounts specifically designated by the governing board, such as those designated as quasi-endowments, for building additions and replacement, for debt service, and for loan programs. In addition, include the unrestricted portion of net investment in plant, property, and equipment less related debt. This amount is computed as the amount of plant, property, and equipment, net of accumulated depreciation, reduced by any bonds, mortgages, notes, capital leases, or other borrowings that are clearly attributable to the acquisition, construction, or improvement of those assets. (FARM para. 450)	Enter the amount of net assets without donor restrictions (see glossary at the end).
Line 05a – Permanently restricted net assets	Report the portion of net assets required by the donor or grantor to be held in perpetuity.	Enter the amount of net assets with donor restrictions that are perpetual in nature (e.g., stipulating that resources be maintained in perpetuity).
Line 05b – Temporarily restricted net assets	Report net assets that are subject to a donor’s or grantor’s restriction are restricted net assets. Include long-term but temporarily restricted net assets, such as term endowments, and net assets held subject to trust agreements if those agreements permit expenditure of the resources at a future date. (FARM para. 450.3)	Enter the amount of net assets with donor restrictions that are subjected to time and purpose (e.g., stipulating that resources can be used after a specified date, for particular programs or services, or to acquire buildings or equipment).

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Part A - Statement of Financial Position, Page 1

Most recent fiscal year ending before October 2017			
If your institution is a parent institution then the amounts reported in Parts A and B should include ALL of your child institutions			
Line No.	Assets, Liabilities, and Net Assets	Current year amount	Prior
<u>Assets</u>			
01	<u>Long-term investments</u>	<input type="text"/>	<input type="text"/>
19	Property, plant, and equipment, net of accumulated depreciation	<input type="text"/>	<input type="text"/>
20	Intangible assets, net of accumulated amortization	<input type="text"/>	<input type="text"/>
02	Total assets	<input type="text"/>	<input type="text"/>
<u>Liabilities</u>			
03	Total liabilities	<input type="text"/>	<input type="text"/>
	03a Debt related to Property, Plant, and Equipment	<input type="text"/>	<input type="text"/>
<u>Net assets</u>			
04	<u>Unrestricted net assets</u>	<input type="text"/>	<input type="text"/>
		ASU 2016-14 Net assets without donor restriction	
05	Total restricted net assets	<input type="text"/>	<input type="text"/>
	05a <u>Permanently restricted net assets</u>	<input type="text"/>	<input type="text"/>
		ASU 2016-14 Net assets with donor restriction-subject to restriction in perpetuity	
	05b <u>Temporarily restricted net assets</u>	<input type="text"/>	<input type="text"/>
		ASU 2016-14 Net assets with donor restriction-subject to time or purpose restrictions	
08	Total net assets (CV=A04+A05)	<input type="text"/>	<input type="text"/>

Part D – Revenues by Source

	IPEDS instructions using the <u>old</u> reporting categories	Guidance for institutions using <u>new</u> reporting categories
Lines 01 through 07, line 11 through line 14	The survey includes boxes under the temporarily restricted and permanently restricted columns for revenue categories that are generally <u>never</u> restricted, such as lines 01 Tuition and fees , and lines 02, 03, and 04 Federal, State and Local Appropriations . Also, it would be only in very rare circumstances that there would be temporarily or permanently restricted entries on lines 05, 06, or 07 Federal State and Local government grants and contracts .	<p>Lines 01 through 07 and lines 11 through 14 should be reported only in Column 1, Unrestricted (or without donor restrictions). Institutions should enter in Column 1, Unrestricted the revenues that are without donor-imposed restrictions.</p> <ul style="list-style-type: none"> Note that explanation edits have been added to document cases where lines 01 through 07 would have restrictions.
Lines 08 through 10 and line 17	Report the portion of net assets required by the donor or grantor to be held in perpetuity.	<p>Enter in Column 2, Unrestricted the revenues that are without donor-imposed restrictions. Enter in Column 3, Temporarily restricted the revenues that are subject to time or purpose donor-imposed restrictions (e.g., stipulating that resources can be used after a specified date, for particular programs or services, or to acquire buildings or equipment). Enter in Column 4, Permanently restricted the revenues that are subject to perpetual donor-imposed restrictions (e.g., stipulating that resources be maintained in perpetuity).</p> <ul style="list-style-type: none"> Note that the best strategy is to have institutions look for amounts that are with donor-imposed restrictions subject to perpetuity first. Report those figures in the Permanently restricted column and then subtract that from the total donor-imposed restrictions amount to get the amounts that are with donor-imposed restrictions

subject to time and purpose (Temporarily restricted column).

- To accurately complete the survey, gifts, investment returns, and changes in the value of split interest agreements will have to be separated between those that are restricted in perpetuity and those that are expendable but subject to time or purpose restrictions. In addition, net assets released from restriction, from permanently restricted or temporarily restricted net assets, will also need to be tracked and entered in those separate categories on the IPEDS survey Part D.

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Part D - Revenues by Source

Most recent fiscal year ending before October 2017					
Line No.	Source of Funds	Total Amount	Unrestricted	Temporarily restricted	Permanently restricted
01	<u>Tuition and fees</u> (net of allowance reported in Part C, line 08)		<input type="text"/>	<input type="text"/>	<input type="text"/>
<u>Government Appropriations</u>					
02	Federal appropriations		<input type="text"/>	<input type="text"/>	<input type="text"/>
03	State appropriations		<input type="text"/>	<input type="text"/>	<input type="text"/>
04	Local appropriations		<input type="text"/>	<input type="text"/>	<input type="text"/>
<u>Government Grants and Contracts</u>					
05	Federal grants and contracts (Do not include FDSL)		<input type="text"/>	<input type="text"/>	<input type="text"/>
06	State grants and contracts		<input type="text"/>	<input type="text"/>	<input type="text"/>
07	Local government grants and contracts		<input type="text"/>	<input type="text"/>	<input type="text"/>
<u>Private Gifts, Grants and Contracts</u>					
08	<u>Private gifts, grants and contracts</u>				
08a	<u>Private gifts</u>		<input type="text"/>	<input type="text"/>	<input type="text"/>
08b	<u>Private grants and contracts</u>		<input type="text"/>	<input type="text"/>	<input type="text"/>
09	<u>Contributions from affiliated entities</u>		<input type="text"/>	<input type="text"/>	<input type="text"/>
<u>Other Revenue</u>					
10	<u>Investment return</u>		<input type="text"/>	<input type="text"/>	<input type="text"/>
11	<u>Sales and services of educational activities</u>		<input type="text"/>		
12	<u>Sales and services of auxiliary enterprises</u> (net of allowance reported in Part C, line 09)		<input type="text"/>		
13	<u>Hospital revenue</u>		<input type="text"/>		
14	<u>Independent operations revenue</u>		<input type="text"/>	<input type="text"/>	<input type="text"/>
15	Other revenue CV=[D16-(D01+...+D14)]				
16	Total revenues and investment return	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
17	Net assets released from restriction	0		<input type="text"/>	<input type="text"/>
18	Net total revenues, after assets released from restriction				
19	<u>12-month Student FTE from E12</u>				
20	Total revenues and investment return per student FTE CV= [D16/D19]				

Data for Unrestricted revenue is equivalent to amounts reported in net assets without donor restrictions.

Data for Temporarily restricted revenue can come from net assets with donor restrictions, reduced by amounts in the Permanently restricted column.

Data for Permanently restricted revenue will be in the note on endowments. Activity for other permanently restricted net assets (annuity and life income funds and loan funds), will have to come from detailed financial statement notes or supporting work papers.

Glossary

Net Assets with Donor Restrictions

The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets without Donor Restrictions

The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Donor-Imposed Restriction

A donor stipulation (donors include other types of contributors, including makers of certain grants) that specifies a use for a contributed asset that is more specific than broad limits resulting from the following:

- a. The nature of the not-for-profit entity (NFP)
- b. The environment in which it operates
- c. The purposes specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association.

Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity.

Donor-Restricted Support

Donor-restricted revenues or gains from contributions that increase net assets with donor restrictions (donors include other types of contributors, including makers of certain grants).

Endowment Fund

An established fund of cash, securities, or other assets to provide income for the maintenance of a not-for-profit entity (NFP). The use of the assets of the fund may be with or without donor-imposed restrictions. Endowment funds generally are established by donor-restricted gifts and bequests to provide a source perpetual support. Alternatively, an NFP's governing board may earmark a portion of its net assets as a Board-Designated Endowment Fund.

Donor-Restricted Endowment Fund

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An endowment fund that is created by a donor stipulation (donors include other types of contributors, including makers of certain grants) requiring investment of the gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains, or both be added to the gift and invested subject to similar restrictions. The term does not include a Board-Designated Endowment Fund.

Board-Designated Endowment Fund

Typically referred to as a “Quasi-endowment” or “funds functioning as an endowment” are amounts from unspent contributions (or other revenue sources), and bequests – designated by a vote or policy of the board of trustees—to be added to the endowment pool and managed as donor restricted endowments in the pool are managed.