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## *Possible Changes for Nonprofit Financial Statements*

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The Financial Accounting Standards Board (FASB) has proposed changes to the financial statements of nonprofits. If approved, the proposed standards would represent the most significant changes in nonprofit financial reporting since the mid 1990's.

The overall goal is to provide better information to donors, creditors, and other users of the financial statements by improving the current net asset classification requirements and the information presented in financial statements and footnotes about a nonprofit's liquidity, financial performance, and cash flows. Note that this proposal does not change the recognition and measurement of the underlying transactions, only the financial statement presentation.

Four key changes that will impact small nonprofits are:

1. Net Asset Classifications – The existing three net asset classifications of unrestricted, temporarily restricted and permanently restricted will be replaced by two new classifications of net assets "with donor restrictions" and "without donor restrictions".
2. Statement of Activities – Nonprofits will be required to present two intermediate operating measures as defined on the basis of two key dimensions: a) a mission dimension based on whether resources are from or directed at carrying out a nonprofit's purpose for existence; and b) an availability dimension based on whether resources are available for current-period activities and reflecting both external limitations and internal actions of a nonprofit's governing board. These measures would be shown as subtotals on the statement of activities to help highlight operating results separate from non-operating results such as investing and financial activities.
3. Statement of Functional Expenses – A statement of functional expenses will be required for all nonprofits, not just voluntary health and wellness organizations as currently required. The proposal allows flexibility in presentation, either on the face of the statement of activities, as a separate statement or within the footnotes.
4. Statement of Cash Flows – The direct method of reporting cash flows for operating activities will be required. The current requirement to reconcile the change in net assets to net cash flows from operating activities, often referred to as the "indirect method," will be removed. Several cash flow items such as fixed asset purchases and interest expense also will be reclassified into different categories.

These are proposed changes only. FASB is currently accepting comments through August 20, 2015 on its website ([www.fasb.org](http://www.fasb.org)). We are actively involved in responding to the proposal and will provide updates when new information becomes available.

## *Does Your Organization Need to Register to Raise Funds in Another State?*

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We are all familiar with the requirement that charitable nonprofit organizations generally must register with the State of Washington in order to fundraise from the public, and that a nonprofit with annual gross income exceeding \$3 million must obtain a financial statement audit. But what if you fundraise in other states? The registration and audit requirements can vary from state to state. Currently, 39 states (including the District of Columbia) require charitable nonprofits to register with the state in order to fundraise in that state, with 26 states

requiring an audit under certain circumstances. If you do a significant amount of fundraising in other states, we encourage you to research those states' requirements and be sure you are meeting the criteria.

Here is a summary of the state audit requirements: <https://www.councilofnonprofits.org/nonprofit-audit-guide/state-law-audit-requirements#WA>

Here is some additional information regarding state solicitation registration requirements: <http://www.irs.gov/Charities-&-Non-Profits/Charitable-Organizations/Charitable-Solicitation-State-Requirements>

## *Fascinating Nonprofit Fundraising Statistics*

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Ready for some really interesting fundraising statistics? Check out this npENGAGE summary: <http://npengage.com/nonprofit-news/50-fascinating-nonprofit-statistics/>. Some of the highlights include:

- Baby Boomer donors give to an average of 4.5 nonprofit organizations per year
- 72% of US charitable giving comes from individuals
- 5% of US charitable giving comes from corporations
- 9% increase in online fundraising during 2014 in the US
- 73% of nonprofits did not offer a "share" option after an online donation
- 63% of donors want to know how money will be used
- 3% of donors give based on relative performance of a nonprofit
- 17% of donors give from an email on a mobile device

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Should you have any questions about the content of anything in this newsletter, please contact us.

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