

# FASB's Not-for-Profit Organizations Projects

February  
2012

Article By: Andrea Wright, CPA, Principal and Chris  
Maser, CPA, Senior Associate

In November 2011, the Financial Accounting Standards Board (FASB), at the suggestion of the Not-for-Profit Advisory Committee (NAC), added two projects to its agenda directly related to Not-for-Profit Organizations and Private Companies. The FASB added a research project, *Not-for-Profit Reporting: Financial Reporting*. The project's objective is to study communications other than financial statements that not-for-profit entities use to tell their financial story. NAC has suggested developing a framework for not-for-profit's board of directors and management to provide commentary and analysis about the organization through a "Management and Discussion Analysis", or similar narrative. The FASB staff will review existing best practices followed by not-for-profit entities to discern how communications enhance the understanding of donors, creditors, and other stakeholders about the financial health and performance of the not-for-profit. The FASB staff is currently developing the project plan, assembling the project team, and will be forming a project resource group. The FASB has also added a project to assess the feasibility of reducing or eliminating certain fair value measurement disclosure requirements for not-for-profit organizations and private companies. Specifically, the project will assess the disclosure requirements for fair value measurements categorized within Level 3 of the fair value hierarchy. This project will include conducting targeted outreach to not-for-profit and private company donors, lenders, investors and other users to determine the relevance of the Level 3 existing disclosure requirements.

## **Post-Implementation Review of FIN 48**

In January 2012, the Financial Accounting Foundation (FAF) released its Post-Implementation Review Report on *FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (the Report)*. The review set out to accomplish 3 major objectives: (1) to determine whether FIN 48 is accomplishing its stated purpose, (2) to evaluate FIN 48's implementation and continuing compliance costs and related benefits, and (3), to provide recommendations to improve the FASB's standard-setting process. The Report contends that stakeholder views varied based on a number of factors one being public company vs. private and not-for-profit financial statement users and concedes that users of not-for-profit financial statements found the disclosures the least relevant. However, overall the Report finds that "investors and other financial statement users believe FIN 48 generally provides useful information." The Report also concluded that investors and other financial statement users found that the benefits of FIN 48's improved consistency and reporting of income tax uncertainty information outweighed its costs.

While the Report overall seemed to suggest support for the guidance from investors and other financial statement users, the Review Team made four recommendations to FASB to aid in improving the standard-setting process:

- continue its efforts to improve user input and include users early in the deliberation phase,
- include a thorough discussion about the need for new financial reporting guidance and the benchmark characteristics of useful financial information considered,
- clearly describe its process for evaluating a new standard's cost-benefit relationship, and
- consistently follow its established policies and procedures related to re-exposing all or part of a proposed standard.

The FASB has reviewed the Report and plans to provide a response to the matters and recommendations presented. The FASB's response is expected to include its decision whether further research or standard-setting action is needed.

---

### **For further information contact:**

Andrea Wright  
847-230-9746  
[awright@jlco.com](mailto:awright@jlco.com)

Chris Maser  
703-842-1131  
[cmaser@jlco.com](mailto:cmaser@jlco.com)

Andrea Wright, CPA, MBA, is a Principal, and Chris Maser, CPA, is a Senior Associate at Johnson Lambert & Co. LLP. Johnson Lambert is a CPA and consulting firm dedicated to serving the association and non-profit community, employee benefit plans and insurance entities. For over 25 years, we have believed that unique industries demand a targeted focus. We serve a national and selectively international client base including over 200 separate non-profit entities representing over 125 non-profit groups from our offices in Florida, Georgia, Illinois, New Jersey, North Carolina, South Carolina, Vermont and Virginia. Services include financial statement audits, internal control reviews and tax compliance and consultation. For more information about Johnson Lambert & Co. LLP, visit [www.jlco.com](http://www.jlco.com).