

FASB GAAP CODIFICATION & NONPROFIT AAG UPDATE



Presented by: Richard Lindley
Randy Sparks
Stephen Wachtmann

CAPIN CROUSE LLP
Certified Public Accountants

Disclaimer

The views expressed in this presentation are our own and do not represent positions of the Financial Accounting Standards Board.

Positions of the FASB Board are arrived at only after extensive due process and deliberations.

Agenda

Codification

- Codification Overview
- Codification Content
- Codification Structure
- Using the Codification (an online demonstration of the FASB website - especially search and report generation features)
- Ongoing FASB Standard Setting Process

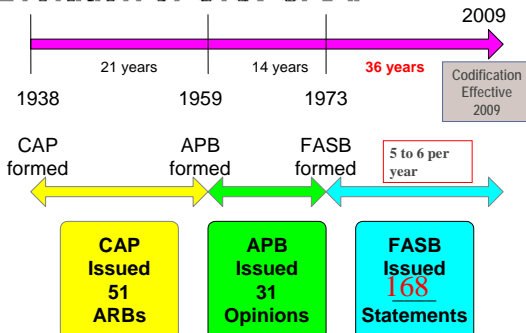
Other

- Audit Guide Update



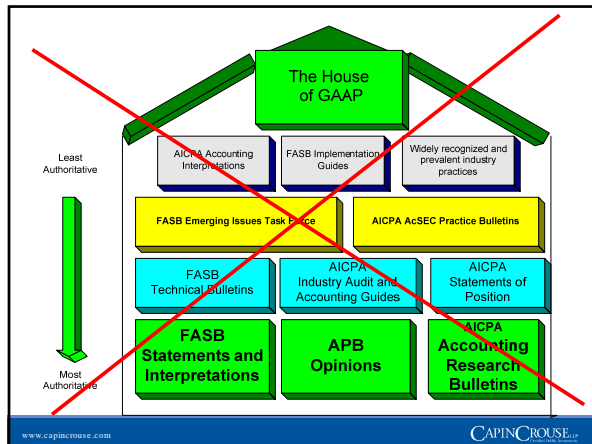
© T. McCracken mchumor.com

Evolution of U.S. GAAP



Standards Incorporated: FASB

- Statements
- Interpretations
- Staff Positions
- Technical Bulletins
- Staff Implementation Guides
- EITF Abstracts
- EITF Staff Announcements (Topic D)
- Derivative Implementation Group Issues



ASC Project Goals

- Reduce time/effort to research issues
- Clarify authoritative status of literature
- Improve usability
- Mitigate risk of noncompliance
- Update in real time for new standards
- Assist with international convergence

FASB Accounting Standards Codification™

- Launched July 1, 2009, following issuance of FAS 168 (168 = Final FASB Statement)
- Integrates and topically organizes all relevant accounting guidance issued by US standard setters (FASB, AICPA, EITF, SEC) in one central, electronically searchable database.
- The GAAP hierarchy has been flattened into authoritative (in the Codification) versus non-authoritative (outside of the Codification), in lieu of levels a, b, c, and d.

FASB Accounting Standards Codification™

- Future changes to GAAP will be in the form of Accounting Standards Updates (ASUs), amending the Codification
- Effective for interim and annual financial reporting periods ending after September 15, 2009
- Available via the FASB's website, www.fasb.org

How to Access the Codification

- Professional View, with all of the features described in this webcast, is \$850 per year
 - Multiple-user discounts; AICPA "bundle"
- Basic View available free of charge for those who register online at <http://asc.fasb.org>
 - Has some of the search features, as well as basic print functionality
 - Utility to identify the location of original standards

How to Access the Codification

- Academic View
 - Free access to Professional View
 - Accounting program faculty and students go to [Academic Accounting Access](#)
- Four-volume hardbound version also available

Standards Incorporated: (Post-1973) AICPA

- Statements of Position
- Practice Bulletins
- Incremental accounting guidance from Audit and Accounting Guides
- Technical Inquiry Service Q&A for Software Revenue Recognition

www.capincrouse.com

CAPINCROUSE LLP

Standards Incorporated: (Post-1973) AICPA; SEC

- Accounting Principles Board Opinions
- Accounting Research Bulletins
- Accounting Interpretations
- Select SEC guidance
 - SEC maintained
 - Identified by separate SEC sections
 - Required only for SEC registrants

www.capincrouse.com

CAPINCROUSE LLP

What Content Was Taken from Those Standards?

Uses a *Current Text* approach

- Includes authoritative guidance
 - Standards sections
 - Implementation guidance
- Excludes redundant or non-authoritative guidance
 - Basis for conclusions and constituent feedback
 - Background information
 - Historical context (discussions of previous practice)

www.capincrouse.com

CAPINCROUSE LLP

How is Codification Structured?

Areas › Topic › Subtopics › Sections › Subsections

www.capincrouse.com

CAPINCROUSE LLP

Codification: Topics, Subtopics

- Topics
 - Broadest categorization of related content
 - Generally correlate with IFRS / IAS standards
 - Example: 840 Leases
- Subtopics
 - Represent subsets of a topic
 - Generally distinguished by type or scope
 - Example: 840-20 is Leases: Operating

www.capincrouse.com

CAPINCROUSE LLP

Structure

Areas and Topics

General Principles	Presentation	Assets	Revenue	Board Transactions	Industry
GAAP (105)	Balance Sheet (210)	Receivables (310)	Revenue Recognition (605)	Business Combinations (805)	Not-For-Profit Entities (958)
	Risks & Uncertainties (275)	Investments - Debt & Equity Securities (320)		Leases (840)	Software (985)

www.capincrouse.com

CAPINCROUSE LLP

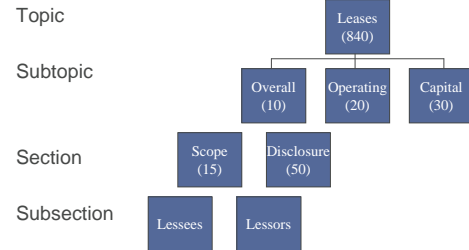
Sections, Subsections

- Sections
 - Represents the nature of the content in a Subtopic
 - Examples: recognition, initial measurement, subsequent measurement, disclosure, etc.
 - Correlate with IFRS / IAS sections
- Subsections (optional)
 - Allow further segregation and navigation of content
 - E.g., lessor versus lessee accounting
- Paragraph numbers

www.capincrouse.com

CAPINCROUSE LLP

Structure



www.capincrouse.com

CAPINCROUSE LLP

Standardized Section Numbers

Section	Name	Section	Name
00	Status	30	Initial Measurement
05	Background	35	Subsequent Measurement
10	Objectives	50	Disclosure
15	Scope	55	Implementation
20	Glossary	65	Transition
25	Recognition		

www.capincrouse.com

CAPINCROUSE LLP

Industry Topics

- Industry is the Topic
 - Contain only the incremental guidance for the industry
- Subtopics
 - Unique Subtopics have numbers < 100
 - FASB ASC 958-30 Not-for-Profit Entities/Split Interest Agreements
 - Intersection Subtopics have number same as Topic
 - FASB ASC 958-810 Not-for-Profit Entities/Consolidations
 - Simply a different way to navigate through the Codification
 - Guidance in 958-810 is identical to the guidance in 810-958

www.capincrouse.com

CAPINCROUSE LLP

Using the Structure in Referencing

- Format
 - FASB ASC {Topic}{Subtopic}{Section}{Paragraph}
 - Areas and subsections don't have separate numbering structure
- Example
 - FASB ASC 470-50-50
 - Translation: Debt - Modifications and Extinguishments - Disclosure

www.capincrouse.com

CAPINCROUSE LLP

Changes to the Opinion & Financial Statements

- References to ASC not necessary unless a new standard is adopted or disclosing an emerging standard
- A new paragraph is needed in the opinion letter when a new standard is adopted

Examples of wording in the opinion and notes to the financials....

www.capincrouse.com

CAPINCROUSE LLP

Changes to the Opinion & Financial Statements, continued

Added to the audit opinion:

"As discussed in note(s) X,Y and Z, 'ABC Organization' has adopted the new provisions of the following Topics of the FASB Accounting Standards Codification: Fair Value Measurements and Disclosure, Financial Assets and Financial Liabilities, Endowments, and Subsequent Events. The adoption of these standards had no impact on previously reported net assets."

www.capincrouse.com

CAPINCROUSE LLP

Changes to the Opinion & Financial Statements, continued

Reference to ASC in the financial statements

"Effective September 1, 2009, XYZ adopted the new provisions of the Fair Value Measurements and Disclosure Topic of the FASB Accounting Standards Codification. The new provisions have been applied prospectively as of the beginning of the year. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Institute uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Institute measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available."

www.capincrouse.com

CAPINCROUSE LLP



www.capincrouse.com

CAPINCROUSE LLP

Researching the new ASC

Now let's go to the online demonstration....

<http://asc.fasb.org/>

www.capincrouse.com

CAPINCROUSE LLP

Ongoing Standard Setting Process

- Accounting Standards Update YY-XX
 - YY is the last two digits of the year of issuance
 - XX is a sequential number for the update
 - Summary
 - Codification Amendments
 - Basis for Conclusions
- All new standards will be issued this way regardless of the scope of the standard (broad versus narrow) and regardless of the primary vehicle used by the FASB for issuing the guidance (Board, EITF, etc)

www.capincrouse.com

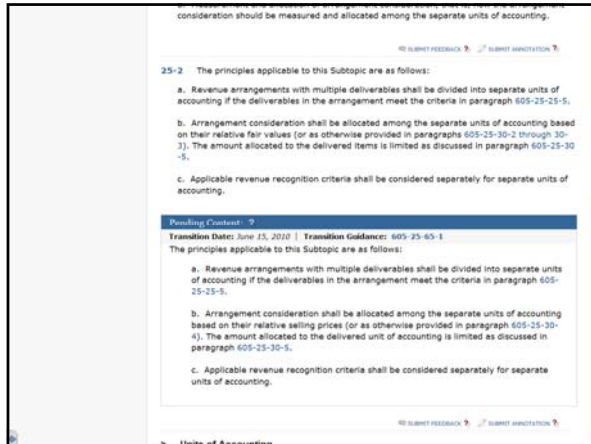
CAPINCROUSE LLP

Ongoing Standard Setting Process

- When amending paragraphs in the Codification, both the old and new (i.e., pending) paragraphs will be presented until the new guidance is completely effective
- The Codification will be updated concurrent with the release of a new standard

www.capincrouse.com

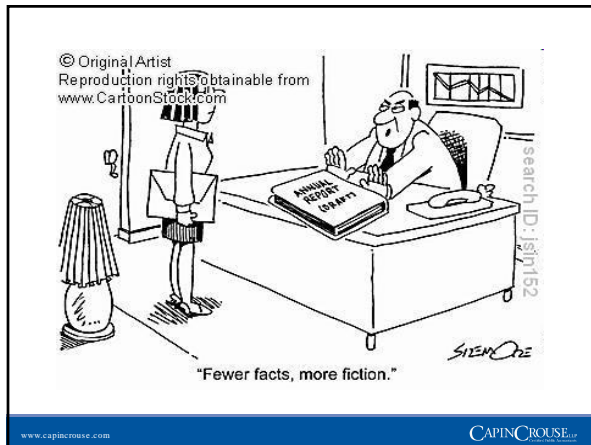
CAPINCROUSE LLP



N.F.P Audit Guide Update

- Fair Value Considerations
 - Unconditional promises to give
 - Beneficial interest in trust held by 3rd party
- Recognizing beneficial interest in trust when:
 - Organization is not the trustee
 - Adequate documentation is not attainable
- Contributed Services
 - Recognition and measurement related to creation or enhancement of non-financial assets

CAPINCROUSE LLP



Questions?

CAPINCROUSE LLP