

# Nonprofit News

## Turn and Face the Strange FASB Changes

By Cindy Bergvall, CPA

Maybe the changes aren't all that strange but now before you have the song running through your head, are you ready to read more about the new nonprofit reporting standards? What changes you may ask?

In August 2016, the Financial Accounting Standards Board (FASB) issued new rules for nonprofits.

The goal of the new standard was to:

- Simplify the presentation of unrestricted and donor restricted assets
- Improve information about liquidity of resources to cover the coming years expenses
- Enhance the usefulness of the cash flow statement

Here are the highlighted changes:

Financial Statement	Old Standard	New Standard
Net Assets-Endowments	No additional reporting if donor restricted endowment funds value declined to less than the original donation (underwater donor restricted funds)	Additional reporting and footnote disclosure if donor restricted endowment
Net Asset Classes	Unrestricted Temporarily Restricted Permanently Restricted	Net Assets without Donor Restrictions Net Assets with Donor Restrictions
Board designated net assets	Brief description of purpose	More information about purpose
Restrictions on capital gifts	Temporarily restricted amount was released over time as the capital asset was depreciated	Temporarily restricted amount can be released as soon as the capital asset is placed in service absent donor stipulations
Investment income & expenses	Investment income classified as revenues Investment expenses classified as expenses Optional to net expenses against income	Net investment expenses against investment income in revenues
Functional Expenses	Reporting by function: program, administrative, & fundraising	Reporting by function <i>and</i> nature (salaries, insurance, rent, etc) Administrative and fundraising are under the heading "supporting activities" Enhanced disclosures about the methods used to allocate costs among functions
Cash flow statement	Direct method or indirect method	Direct method or indirect method by direct method presentation does not need to include reconciliation to the indirect method
Footnotes	No requirement	Disclose quantitative information on the availability of financial assets to meet cash needs for general expenditures within one year Disclose qualitative information as to how a nonprofit manages its liquid assets

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The new financial reporting rules will be effective for calendar year ending 12/31/18 and for other years ending in 2019.

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## 2017 Spring Nonprofit Management Seminar Series Calendar

### April 25, 2017 **Board Boot Camp**

The Board Boot Camp program has been designed for both new and experienced board members to learn or refresh their skills on being an effective nonprofit board member. This does not happen by accident, but rather by thoughtful and consistent attention to the role of board members in your organization. This intensive program focuses on skills effective board members possess.

**Freshman Track** ~ for individuals who have served for less than two years on a nonprofit board and are interested in learning about the more general duties of board members.

**Advanced Track** ~ for individuals who have experience serving for many years or on a variety of boards and are looking to gain insight on the tools used by more mature boards.

4:30-5:00 pm	Registration & Light Refreshments
5:00-5:40 pm	General Duties of All Board Members
5:45-6:25 pm	<i>Freshman Session</i> —Understanding Strategic Planning <i>Advanced Session</i> —Advanced Strategic Planning
6:35-7:15 pm	<i>Freshman Session</i> —Fundamentals of Fundraising for Boards <i>Advanced Session</i> —Data and Finances as a Key to Capacity Building
7:15-7:55 pm	<i>Freshman Session</i> —Financial Oversight for Boards <i>Advanced Session</i> —The Vital Role of Engagement-CEO & Board
<b>5:00 PM - 8:00 PM</b>	Neshaminy Activity Center, 1842 Brownsville Rd., Trevese, PA \$35 first person, \$15pp each additional person from the same organization



### April 28, 2017 **Nonprofit Finance Forum-New FASB Rules**

The Nonprofit Financial Forum will focus on the FASB changes, cyber security and offer an optional interactive discussion on the Uniform Grant Guidance. Registration is \$10 pp and includes a light breakfast. You are invited to participate in all or part of the morning.

8:00 AM	Registration & Breakfast
8:30-9:45AM	Accounting Standards Update The Financial Accounting Standards Board released a new standard for nonprofits that will be effective for calendar year ends of 12/31/18 and fiscal year ends of 6/30/19. While that seems a long way off there are some steps you should take in 2017 to be ready. We will also discuss the upcoming Revenue Recognition standard and the effect that could have on your reporting.
9:45-10:45 AM	Cyber Security During this accelerated session we will highlight current cyber risks, issues & threats, as well as propose steps that your organization can take to lessen your risk areas.
10:45-11:00 AM	Break
11:00-12:00 PM	Uniform Grant Guidance If you receive federal funds either directly or through a state or County source, you have most likely been through the first round of the audit. What have we learned? What do we need to work on? Are we ready for the implementation of the purchasing requirements that went into effect a year later? This will be a workshop style discussion. Bring your questions and concerns.
<b>8:30 AM-12:00 PM</b>	The Bucks Club, 2600 York Rd., Jamison, PA The fee for the program is \$10 pp and registration is required.

#### QUESTION?

Contact Liz Vibber  
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Registration is  
Required for both  
seminars.

Visit:  
[www.catalyst.nonprofit.com](http://www.catalyst.nonprofit.com)

## Get SMART: The 4-Step Science of the Viral Fundraising Campaign

by Gayle Nelson

Creating an effective social media plan is essential for nonprofits and for profits alike. One question leadership often asks is how an organization can engage supporters on the different platforms and, more importantly, translate this engagement into increased financial support. Recently, we have watched the fire-building and war-chest-building effects of the efforts launched on behalf of the ACLU and Planned Parenthood. Ambassadors and advocates often start these on behalf of a trusted organization.

New research from the University of Cambridge studied successful campaigns like the [Ice Bucket Challenge](#). Back in 2014, millions of people were dumping buckets of ice water over their heads. The campaign, known as the Ice Bucket Challenge, gained media attention and increased awareness of ALS, or Lou Gehrig's disease. [In just eight weeks, it raised \\$220 million](#) worldwide—13 times the amount raised throughout 2013—thanks to videos of President Obama, Bill Gates, Leonardo DiCaprio, and many more celebrities and ordinary people. All of these efforts raised public familiarity of the disease and led to it becoming the fifth-most-popular Google search for all of 2014.

Clearly, this was a short-term success that produced some great medical advances, but the long-term financial impact was not as significant. The majority of ice bucket donors did not renew their donation the following year, although donations remained around 25 percent higher than the year before the challenge took place. Equally important, the average age of the organization's donors dropped from 50 to 35—an exciting outcome, since gaining the attention of millennials is challenging but essential for long-term viability.

Efforts to renew and duplicate the campaign have largely failed, leading to research by Dr. Sander van der Linden from the University of Cambridge to explore and attempt to pinpoint a recipe for success. Dr. van der Linden, writing in the journal *Nature: Human Behaviour*, refers to these campaigns as viral altruism or the “altruistic act of one individual directly inspires another, spreading rapidly like a contagion across a network of interconnected individuals.”

Through his research, Dr. van der Linden identifies four principles, or SMART criteria, of a successful campaign. People engaged in the campaign use social media to reach out to their *social networks*; that's the S of SMART. The viral campaign captures people's attention and makes them feel good. The M represents the *moral* imperative to act. A successful campaign develops from a story displaying need rather than dry statistics. The person receiving this message is captured by the story or image and compelled to act and share it within their network to receive *affective reactions* (AR). The clearer, simpler, and more emotional the act, the more likely it will be shared. The more involved the act is, the greater and more lasting the impact, but it lessens the likelihood people will participate.

The T of successful campaigns is the final and most challenging criterion. To realize change, the social media campaign must *transform* the act from a quick click-and-share to a social movement. Indeed, many campaigns

encourage people to compete and win rather than support the cause. These flashy campaigns create interest because of the number of people participating but soon bust since the campaign only lasts as long as the person is acting. Instead, campaigns are often more successful if their growth develops rather than explodes.

Campaigns turn into movements if the act or campaign is connected to the mission. To create lasting engagement, a successful campaign internalizes a new personal deeper action or norm within the people sharing. In the case of The Ice Bucket Challenge, it is estimated that only one out of four videos mentioned ALS, and even fewer (one in five) said they made a donation. But, those that mentioned the organization were five times more likely to give. Additionally, when the organization attempted to restart the challenge in 2015, the donations garnered from it were less than one percent of 2014's levels.

Deliberately building successful campaigns is rare. Instead, most viral campaigns stem from a single act outside of the organization. Successful nonprofits use their communications plan to connect and build on these campaigns to create lasting change.

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What do you need to do now?

- If your board has designated net assets, make sure there is a clear connection between the amount designated and the purposes
- It is permitted to spend from a permanently restricted endowment even though the value may have declined below the original donation gift. However, this will be disclosed in the statements. If this has occurred in your organization, make sure the users of your financial statements and the Board members understand why you are spending the endowment even though there is a decline
- Understand the effect of investment expenses on your overall investment return
- Determine and document your process to manage liquidity
- Determine and document your process to allocate expenses by function

Some commentaries on the new standard are noting that these new standards allow users to better evaluate the financial performance of nonprofits. The nonprofit world already fights misunderstanding around issues of nonprofit overhead. Will these enhanced disclosures make that conversation clearer or more difficult?

For more information join us at our Nonprofit Financial Forum on April 28th at the Bucks Club, Jamison PA



## Nonprofit University, 2017

Hosted by the Catalyst Center for Nonprofit Management, the conference will be held Monday, June 12, 2017 at Bucks County Community College. This full-day conference will include breakfast, lunch and a series of work-

shops specially selected to address the issues nonprofits are concerned about.

<http://www.catalystnonprofit.com/training.htm>



## Philanthropy Institute

Wednesday, May 17th  
DeSales University,  
University Center  
7:30 am - 4:15 pm

<https://whennow.com/event/lehigh-valley-philanthropy-institute>



## Nonprofit Conference

Thursday, May 11th  
Sunnybrook,  
Pottstown, PA  
8:30 am - 2:00 pm

<https://tcnetwork.org/event/nonprofit-conference/>

## Updated Form 990 EZ

IRS Releases Updated Form 990-EZ: The IRS has released an updated version of the 2016 Form 990-EZ (Short Form Return of Organization Exempt from Income Tax). The revised form includes 29 help icons (depicted as blue question marks) that provide helpful information and links to the IRS's website. These icons, which work on any device with Adobe Acrobat Reader and Internet access, are intended to help small-size and mid-size exempt organizations avoid common mistakes when completing the return.

The IRS warns exempt organizations that the new help icons do not replace the Form 990-EZ instructions. In addition, the IRS reminds nonprofit groups that Form 990-series returns are due on the 15th day of the fifth month after the end of the tax year. For calendar-year organizations, the deadline to file 2016 returns is 5/15/17 (with an automatic six-month extension allowed).

Contact us if you have questions 215-343-2727

To subscribe to the Catalyst Center's monthly e-news, contact  
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