



# NOT-FOR-PROFIT NEWS

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## The Art & Science of Story Telling to Convey Impact

*By: Pamela Raumer, Business Development Director*

On August 2nd, 80 people attended a seminar hosted by RINA accountancy corporation and featured speakers, J. Alexander Sloan, Director of Strategic Partnerships at Tides Foundation and Wendy Levy, Executive Director at NAMAC (National Alliance for Media Arts + Culture). Their dynamic presentation included ways to measure impact of not-for-profit organizations' programs and how to report the results of those activities through data and storytelling. Those who donate to not-for-profit organizations want to feel their gifts and donations will be used successfully in a way that will improve society or some part of it. But how can donors evaluate whether or not a charity will ultimately deliver on their promise or mission?

Alex Sloan explained that charitable organizations should not only be measuring and reporting data, but also the outcomes and impact from their activities. Activities are the tasks that are performed in support of a specific objective. Outcomes are the changes that occur from the activity (delivery of product or services). Impact measures how the organization's clients, or society as a whole, have improved as a result of their activity. Impacts can be very difficult to measure.

Alex used VisionSpring as an example of an organization that not only measures impact effectively, but also tells their story successfully. VisionSpring's home page demonstrates with data, graphics and pictures, the impact the organization has in providing eyeglasses to individuals in third-world countries. It also shows the impact that one individual can have if they donate \$5 to VisionSpring. This is a very powerful message done simply.

Wendy Levy spoke about the concept of combining data, emotion and empathy as part of a not-for-profit's story to



Pictured above: J. Alexander Sloan, Wendy Levy, Ed Fahey

assist in deepening the impact of the organization's activities. She advised that using authentic people whose lives have been directly affected by the organization's work can create social change that will captivate and engage an audience to move them to action. Another way to tell your story is to show the human consequences of the problem your organization addresses and the solutions that give people hope. By bringing in the human element, it allows people to connect on a deeper emotional level.

Whether you're starting to work on your organization's story for the first time or improving the one you already have, find ways to incorporate real life examples that your audience can relate to and engage in.



## Improved Financial Reporting for Not-for-Profit Organizations

By: Tracy Teale, Not-for-Profit Practice Group Chair

The Financial Accounting Standards Board (FASB) determines generally accepted accounting principles (GAAP) in the United States. The FASB recently issued a new accounting standard update (ASU) that will affect not-for-profit (NFP) organizations for financial statements beginning after December 15, 2017. These standards are expected to provide more useful financial statements for donors and grantors.

Some of the immediate improvements are expected to address:

- Complexity in net asset classification
- Clarity of information regarding liquidity and availability of cash
- Transparency in reporting of financial measures
- Consistency in reporting expenses by function and nature
- Improvements in the statement of cash flows

Today financial statements display three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In the future, NFP financial statements will have two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. There will also be additional disclosures about these two classes of assets.

The ASU includes many other provisions which affect items such as the presentation of investment income net of direct investment expense and how the expiration of donor restrictions will be recognized. While donations will still be subject to specific donor stipulations, if the donor does not specify otherwise, a placed-in-service rule will determine when the restrictions on donations for construction or acquisition of a long-lived asset will expire. Once the long-lived asset is placed in service the

net asset classification will move from net assets with donor restrictions to net assets without donor restrictions.

Quantitative and qualitative information about liquidity will be required for the purpose of providing financial statement users with an understanding of an entity's exposure to risks. This information will also indicate how an entity manages its liquidity risk and provide information about the availability of assets to meet cash needs for general expenditures within one year of the balance sheet.

The statement of functional expenses has been a standard part of the financial statements for health and welfare organizations. Under the new standard, an analysis of expenses by both function and natural classification will be required for all NFPs on a separate statement, on the face of the statement of activities, or in the footnotes. Although a separate statement of functional expenses is not required, it may be the most effective presentation option for NFPs with more than one program. Additional disclosures about how costs are allocated among program and support functions will also be required.

While there are a large number of changes, many of them will be easy to implement. Although organizations are not required to implement these changes until they issue their December 31, 2018 or June 30, 2019 financials, many organizations will likely implement the changes early. Some item parts of the new standard are allowed under current GAAP and can be implemented without adopting implementation of the full standard early.

Early adoption of the new standards by some organizations may increase donor and grantor expectations for early implementation by all organizations. Be sure to talk to your RINA representative about what these changes will mean for your organization.



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