



NOT-FOR-PROFIT NEWS

2017 Volume 9, Number 2



Liquidity Disclosures - Implementing the New Standards

By: Tracy Teale, Stockholder, Not-for-Profit Practice Group Leader

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 Nonprofit 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

In getting ready to consider implementation, a good place to begin is with the new liquidity and availability disclosure. It will require information that may not be currently tracked. More importantly, organizations that rely on restricted contributions and grants may find that the quantitative disclosures paint a stark picture of the organization's financial position. The current financial reporting model doesn't always draw attention to circumstances in which a nonprofit organization fails to maintain an appropriate composition of assets in amounts needed to comply with all donor restrictions.

If your organization uses restricted resources to pay for expenditures that didn't meet the underlying restriction (in essence, borrowing the resources, sometimes without the ability to restore those resources promptly), the liquidity disclosure will make that situation apparent.

By starting to consider the disclosure early the board and management can begin to discuss ways to improve the disclosure. If the organization prepares the disclosure and finds that it is in a deficit financial asset position, it may want to delay implementation of ASU 2016-14 and focus on actions that will repair its liquidity and availability.

The next step is to attempt to recast the organization's prior year financial statements. Doing so will identify what information isn't currently gathered, so that new procedures can be put into place. The organization may find that it needs better systems for allocating costs or for identifying direct internal investment expenses. Recasting the financial statements will also identify whether the organization's governing board needs to formalize its policies for board-designated net assets and spending from underwater endowment funds.

If a board has strict policies on the use of board designated assets, this could result in an organization having a difficult liquidity position. Changing a board policy to indicate that board designated assets could be used if the financial need arose, with board approval, the liquidity disclosure could be much more favorable.

Once the financial statements are recast, the organization should check the effect of the new standards on its important ratios. Foundations and other donors, banks and other lenders, and watchdog agencies often use ratios to qualify and evaluate organizations. If ratios will no longer be met, it is necessary to decide whether to ask for a change in the required ratio. Additionally, it is possible that some amounts that are used in ratios will no longer be reported in financial statements (e.g., permanently restricted net assets), and the organization may want to approach the donor or lender to see how the ratio should be computed in the future.



The Power of Well-Executed Video for Nonprofits

By: *Stephanie Shaterian, Owner of fLO Content*

Few organizations understand the power of a well-executed video more than nonprofits. A moving video piece, online and off, helps raise paddles at fundraising events, makes volunteers excited about participating in action and is an invaluable brand awareness tool for the communities nonprofits need to reach.

Video is quickly moving from a “nice-to-have” option to a “need-to-have” marketing and communications tool. In 2017, it is projected that upwards of 75% of online traffic will be video. Use email to stay in touch with your donor base or event attendees? Adding Video to emails can increase click through rate by 200-300%. What about landing pages for events or fundraising? Video can increase your conversion rate by 80%.* According to a recent Pew Research poll, 64% of donors use online video sharing sites like YouTube to research nonprofits and **57% of donors make a donation after watching a video.**

Understanding the value of video is one thing, achieving a well-executed video is another. Video production can seem like a daunting task to many nonprofits, but there are a few things your organization can do to make the process move as smoothly as possible.

From a production aspect, it’s important to begin by determining a budget for the project. Videos can be produced for as low as hundreds of dollars and as much as hundreds of thousands of dollars. How much budget you have will determine the quality and ability of the provider to execute a quality product. Secondly, be realistic about how much time you and your team have to give to the project. Do you have internal resources that can help with scripting, storyboarding or even filming and editing? Once those two factors are determined you can allocate resources for the main production areas of pre-production, production and post-production.

You may be surprised to learn that what makes a video effective is not fancy camerawork or flashy editing techniques. What makes a video effective happens before

anyone turns on a camera. At fLO, we begin every client engagement with an initial creative consult where we work with you and your team to define a specific goal for the video, the main content points it needs to hit, the tone that reflects the brand of your organization and perhaps most importantly - the emotion that viewers should feel when they watch the video. Emotion drives action. Viewers will take the action you want them to once they are engaged.

So don’t let fear of the unknown hold you back from using video as a powerful tool. When it’s time to create a video piece for your website or fundraising campaign, take the time to map out your budget and resources before entering a comprehensive pre-production process. I guarantee you will see a profound impact on the results.

*Hubspot Statistics, https://www.hubspot.com/marketing-statistics?_ga=1.33522430.1702885853.1418676402

Save the Date

A 2017 Not-for-Profit Roundtable Series Event

Find & Hold Your Focus!

The One Page Business Plan® for Nonprofit Organizations

Tuesday, September 19, 2017

11:30 am - 1:30 pm

The City Club of San Francisco

155 Sansome Street, 9th Floor, Library Room

Speaker
Jim Horan

President and CEO of The One Page Business Plan Company

RSVP: www.rina.com/rsvp/sep-19-17

Seating is limited!



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