

# In Depth: New Standard on NFP Financial Statement Presentation



experience **FCP's**  
**NFP**

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### INTRODUCTION

The Non-farm payroll causes one of the consistently largest rate movements of any news announcement in the forex market. As a result, many analysts, traders, funds, investors and speculators anticipate the NFP number and the directional movement it will cause. To make a long story short, the NFP is the **biggest** trading platform in the world and with all these analysis being received on the first Friday of every month, it boosts the trader's result up to **200%**... well depending on the trader's experience and how early he makes an entry into the trade.

It's all about achieving financial/time freedom through the Foreign exchange and crypto market. A lot can be achieved when working alongside a commune that has experienced both the bearish and bullish seasons of the markets. The non-farm payroll (NFP) figure is a key economic indicator for the United States economy. It represents the number of jobs added, excluding farm employees, government employees, private household employees and employees of nonprofit organizations. NFP releases generally cause large movements in the forex market. In the U.S., nonfarm payroll data is released every month on the first Friday. It is the most anticipated economic data releases as far as forex traders are concerned. The report causes extreme volatility in the market and often triggers a long-term upward or downward trend for the U.S. dollar. The aim of this article is to provide you with an inside look as to what is it that the report entails and how you can benefit from the price movements in the currency market.

### **Executive Summary:**

#### **ASU 2016-14 IMPACT ON FINANCIAL STATEMENT PRESENTATION FOR PRIVATE FOUNDATIONS**

The Financial Accounting Standards Board (FASB) issued its final standard on Phase I of not-for-profit (NFP) financial statement presentation reform. The new requirements in Accounting Standards Update (ASU) 2016-14 “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities” aim to improve the usefulness of information provided to users of NFP financial statements. This is accomplished by *eliminating diversity* in practice, *enhancing financial performance* comparability among NFPs and *increasing transparency* around an NFP’s liquidity management and financial resource availability. FASB expects that the amendments within ASU 2016-14 will reduce complexities and costs while providing much needed information about management’s execution of its stewardship and programmatic responsibilities, and ultimately, the NFP’s ability to continue providing services.

#### **Updates to NFP financial statement presentation and disclosures include:**

- ❑ **Net Asset Classification Scheme:** Reducing the net asset classification scheme from three classifications to two, and classifying an underwater position in endowment funds within net assets with donor restrictions
- ❑ **Information About Availability of Resources & Liquidity:** Enhancing the qualitative and quantitative disclosures about liquidity and financial flexibility and the availability of resources to meet cash needs for general expenditures within one year of the date of the statement of financial position, including the amounts and purposes of board-designated and donor-restricted net assets
- ❑ **Methods of Presenting Operating Cash Flows:** Removing the requirement to prepare or disclose an indirect reconciliation when the direct method is used to present operating cash flows

- **Information About Use of Resources:** Reporting expenses by their natural classification, and by their natural and functional classification in one location; enhancing disclosures of the cost allocation methodology used to allocate costs among functions; clarifying the definition of management and general activities and providing cost allocation implementation guidance
- **Presenting Net Investment Return:** Presenting investment revenues net of external and direct internal investment expenses and removing the requirement to disclose netted investment expenses; precluding the inclusion of netted investment expenses in the analysis of expenses by function and nature
- **Donor-Imposed Restrictions for the Acquisition or Construction of a Long-Lived Asset:** Recognizing restriction expirations of gifts of cash or other assets to be used for the acquisition or construction of long-lived assets using the placed-in-service approach
- **Disclosures About Self-Defined Operating Measures:** Disclosing information about internal board designations, appropriations and similar actions affecting an operating measure—either on the face of the financial statements or in the notes—for those NFPs that voluntarily choose to present an operating measure

*The disclosure requirements for net assets allow an NFP to provide more relevant information about how externally and internally imposed limits affect the availability of resources, which should help financial statements users understand how and when the resources could be used.*

### **Information About Available Resources & Liquidity**

The final disclosure requirements in ASU 2016-14 are a significant change from what was exposed in the proposed ASU, which included disclosure of an NFP's self-defined time horizon used to manage liquidity and the total amount of financial liabilities due within that time horizon—both of which are eliminated from the final ASU. Instead, ASU 2016-14 allows for alternative ways of presenting information that emphasizes an NFP's available resources and liquidity.

ASU 2016-14 clarifies the objective of communicating information about the availability of an NFP's financial assets to meet near-term cash needs for operations, and an NFP's management of its liquid resources and exposure to liquidity risk.

NFPs are required to provide information about the nature and extent of available resources and the range of external and internal limits placed on their availability, supplemented with management commentary. The information—either on the face of the statement of financial position or in the notes—should communicate the availability of an NFP's financial assets to meet cash needs for general expenditures within one year of the date of the statement of financial position. Additional qualitative information should be presented as necessary to meet the disclosure objective.

Availability of a financial asset may be affected by its nature; external limits imposed by donors, grantors, laws and contracts with others and internal limits imposed by governing board decisions. Hence, this disclosure should include the nature and total amount of financial assets, and amounts that are not available to meet cash needs within one year of the balance sheet date because of external limits imposed by donors, laws and contracts with others, internal designations, appropriations and transfers imposed or made by the governing board.

**Information About Financial Performance:**

***Methods of Presenting Operating Cash Flows***

Unlike the proposal, ASU 2016-14 maintains the option for an NFP to present cash flows from operating activities using either the direct or indirect method. Entities are permitted, but no longer required, to present an indirect reconciliation if they elect to use the direct method. The change comes among consensus that the indirect method of reporting net cash flows from operating activities is often not intuitive to financial statements users

Methods of Presenting Operating Cash Flows	
Current GAAP	Updated GAAP
Present net cash flows from operating activities using either the direct or indirect method, with indirect reconciliation if an NFP elects to use the direct method	Present net cash flows from operating activities using either the direct or indirect method and permit, but no longer require, the presentation or disclosure of the indirect reconciliation if using the direct method

**Information About Use of Resources**

***Expenses by Natural Classification***

As proposed, NFPs are required to separately present all expenses by natural classification, while maintaining the current requirement to present expenses by functional classification—except non-operating expenses, which are not required to be reported by their functional classification. Expenses may be reported in the statement of activities by either natural classification or functional classification or both.

*Health care providers, some universities and membership organizations commonly elect to provide expense information by nature on the face of the statement of activities, with disclosure by their function in the notes. Most other NFPs have elected to present expenses by function on the statement of activities with or without disclosure of expenses by nature. Because expenses by nature is useful in assessing an NFP's service efforts and its financial performance, and the data is likely readily available, FASB is requiring that all NFPs provide expense information by natural classification.*

### **Expenses by Natural & Functional Classification in One Location**

Also as proposed, all NFPs are required to present an analysis of expenses by both their nature and function in one location. The requirement applies to all NFPs, including business-oriented health care entities. In reporting its expenses, an NFP will be required to show the relationship between its functional and natural classification by disaggregating functional expense classifications by their natural classification. This one-stop analysis should provide users with more useful information about expenses incurred in carrying out an NFP's activities. The analysis would include all expenses, both operating and non-operating. In instances where expenses are reported by other than their natural classification, an NFP will be required to report the expense by its natural classification in the analysis of expense by nature and function, e.g., salaries included in cost of goods sold on the statement of activities would be recorded as salaries in the analysis of expenses by nature and function.

The schedule of expenses by nature and function may be presented in the notes to the financial statements, on the face of the statement of activities or as a separate statement. The analysis may be provided in the form of a matrix, but that format is not required.

*Information about expenses by natural classification is useful in assessing an NFP's service efforts and financial performance, and discerning fixed versus variable costs. This information is generally useful in assessing an organization's cost structure and sustainability, and generally considered critical in understanding how a typical NFP uses its resources and the cost of its services.*



### **Presenting Net Investment Return**

As proposed, NFPs are required to present investment return net of external and direct internal investment expenses as net investment return within the statement of activities. An NFP should apply the requirements to nonprogrammatic investment returns. Programmatic investing is the activity of making loans or other investments that are directed at carrying out a NFP's purpose for existence, rather than investing in the general production of income or appreciation of an asset.

*The update requires NFPs to classify investments as “programmatic” or “nonprogrammatic” as a precursor to presenting nonprogrammatic investment returns net of external and direct internal investment expenses. The primary purpose of programmatic investments is the achievement of the NFP’s mission; if the primary goal is financial returns, the investment is not programmatic. An example of programmatic investing is a loan to lowerincome individuals to promote home ownership.*

### **CONCLUSION**

The Non-farm Payrolls (NFP) are among the biggest market movers in the Forex markets, together with central bank events or interest rate decisions. Although their impact seems to be decreasing over the last few months.

At the first Friday of every month, the U.S. Bureau of Labor Statistics releases the numbers for new job creation in the US – along with other labor market data. The data includes all paid workers, excluding government employees, private households, non-profit organizations and the farming industry.

It's an important indicator for how well the US economy is doing and investors watch this report closely. Surprises and major changes in the released numbers can lead to significant price movements. In this article, we show you why it's so important to understand the implications of this release, how to interpret the numbers and how to trade Non-Farm Payroll in general.

# Our Non-Farm payroll Investors Package

Forbescapital Big Trade

\$100,000+

Benefits

Investors: All type

Contract: 72 hrs

Low Risk Trade

Est ROI: 70% - 110%

Success Rate: 85% and above

Maximum Capital Protection



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