**INFORMATIONAL LETTER**

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| **Transmittal:** | 19-INF-01 |
| **To:** | Executive Directors of Voluntary Provider Agencies  Chief Financial Officers of Voluntary Provider Agencies  Developmental Disabilities Regional Office Directors  Developmental Disabilities State Operations Office Directors |
| **Issuing OPWDD Office:** | Office of Audit Services |
| **Date:** | February 8, 2019 |
| **Subject:** | New Accounting Standards for Not-For-Profit (NFP) Entities |
| **Suggested Distribution:** | Members of Not-for-Profit Boards of Directors.  Chief Financial Officers |
| **Contact:** | Richard Cicero, Director  Richard.M.Cicero@opwdd.ny.gov |
| **Attachments:** | None |

**Purpose:** The Office for People With Developmental Disabilities (OPWDD) requires nearly all of its providers to file a Consolidated Fiscal Report (CFR) containing financial statements audited and certified by an independent Certified Public Accountant (CPA). This transmittal provides notice of an important change in the standards for financial statements of Not-for-Profit (NFP) entities beginning with the year ending December 31, 2018.

**Background:**

Financial statements are an important source of information utilized both internally and externally for a variety of decision-making purposes. The Financial Accounting Standards Board (FASB) has promulgated new requirements that will apply to all NFP financial statements, enhancing reporting on liquidity, net assets, expenses and cash flows so that better conclusions can be drawn regarding a provider’s ability to continue operations.

**Program Implications:**

These new standards will help to identify if an organization is approaching financial distress. Boards of directors and management should take the necessary steps to gather the information required to implement this standard and use that information to proactively ensure adequate resources are available to fulfill current obligations.

Most notably the changes in the reporting requirements pertain to information regarding liquidity. Quantitative and qualitative disclosures will be required to show how balance sheet assets will be available in the coming year to meet cash needs for ongoing programmatic operations.

Other changes in the standards pertain to separate reporting of assets that have a restricted purpose, such as those involving donor-imposed restrictions or self-imposed board-designated restrictions. Proper reporting of such assets enhances the ability to assess if sufficient funds may be available to meet the needs for general expenditures with consideration given to imposed limitations on the use of resources. There will also be additional reporting requirements for those organizations which had not previously included in their financial statements an expense statement delineated by nature and function of expense.

If you have any questions regarding the new accounting standards known as FASB Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, contact your independent CPA for assistance.