

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**ASSOCIATION FOR  
INSTITUTIONAL RESEARCH  
TALLAHASSEE, FLORIDA**

**DECEMBER 31, 2017**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**ASSOCIATION FOR  
INSTITUTIONAL RESEARCH  
TALLAHASSEE, FLORIDA**

**DECEMBER 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Association for Institutional Research  
Tallahassee, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Association for Institutional Research (the Association) a nonprofit organization, which comprise the statement of financial position, as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Board of Directors  
Association for Institutional Research  
Tallahassee, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Association's 2016 financial statements, and our report was dated May 25, 2017, which expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2018, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



May 22, 2018  
Tallahassee, Florida

## **BASIC FINANCIAL STATEMENTS**

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017,**  
**WITH COMPARATIVE TOTALS FOR 2016**  
**ASSOCIATION FOR INSTITUTIONAL RESEARCH**  
**TALLAHASSEE, FLORIDA**

**ASSETS**

	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 1,549,439	\$ 1,674,678
Accounts Receivable	149,854	104,967
Other Current Assets	111,422	97,447
Grants and Contract Receivable	731,984	392,716
Assets Held-For-Sale	548,604	0
<b>Total Current Assets</b>	<b>3,091,303</b>	<b>2,269,808</b>
<b>Investments</b>		
Fixed Income Securities	1,850,979	2,007,036
<b>Property and Equipment</b>		
Property and Equipment, Net	245,952	678,789
<b>Total Assets</b>	<b>5,188,234</b>	<b>4,955,633</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts Payable and Accrued Expenses	387,257	269,392
Accrued Compensated Absences	70,257	34,570
Deferred Membership Dues and Other	362,993	295,491
<b>Total Current Liabilities</b>	<b>820,507</b>	<b>599,453</b>
<b>Total Liabilities</b>	<b>820,507</b>	<b>599,453</b>
<b>Net Assets</b>		
Unrestricted Net Assets:		
Board Designated	420,000	420,000
Undesignated	3,876,764	3,866,317
Total Unrestricted	4,296,764	4,286,317
Temporarily Restricted:		
Scholarship Fund	70,963	69,863
<b>Total Net Assets</b>	<b>4,367,727</b>	<b>4,356,180</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,188,234</b>	<b>\$ 4,955,633</b>

See accompanying notes.

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017,**  
**WITH COMPARATIVE TOTALS FOR 2016**  
**ASSOCIATION FOR INSTITUTIONAL RESEARCH**  
**TALLAHASSEE, FLORIDA**

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
<b>Support and Revenue</b>				
Membership Dues and Fees	\$ 478,977	\$ 0	\$ 478,977	\$ 494,040
Forum and Related Activities	1,254,572	0	1,254,572	1,136,140
Educational Services	194,580	0	194,580	116,700
Contracts and Grants	2,321,311	0	2,321,311	2,429,784
Interest	49,100	0	49,100	37,851
Contributions	0	1,100	1,100	2,390
Other Income	132,861	0	132,861	93,863
<b>Total Support and Revenue</b>	<b>4,431,401</b>	<b>1,100</b>	<b>4,432,501</b>	<b>4,310,768</b>
<b>Expenses</b>				
Program Services:				
Membership Dues and Fees	466,655	0	466,655	302,667
Forum and Related Activities	1,160,918	0	1,160,918	973,145
Educational Services	526,415	0	526,415	310,174
Contracts and Grants	1,726,991	0	1,726,991	1,707,080
<b>Total Program Services</b>	<b>3,880,979</b>	<b>0</b>	<b>3,880,979</b>	<b>3,293,066</b>
Support Services:				
Governance	283,408	0	283,408	250,169
Executive Office	256,567	0	256,567	381,446
<b>Total Support Services</b>	<b>539,975</b>	<b>0</b>	<b>539,975</b>	<b>631,615</b>
<b>Total Expenses</b>	<b>4,420,954</b>	<b>0</b>	<b>4,420,954</b>	<b>3,924,681</b>
<b>Change in Net Assets</b>	<b>10,447</b>	<b>1,100</b>	<b>11,547</b>	<b>386,087</b>
<b>Net Assets, Beginning of Year</b>	<b>4,286,317</b>	<b>69,863</b>	<b>4,356,180</b>	<b>3,970,093</b>
<b>Net Assets, End of Year</b>	<b>\$ 4,296,764</b>	<b>\$ 70,963</b>	<b>\$ 4,367,727</b>	<b>\$ 4,356,180</b>

See accompanying notes.

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017,  
WITH COMPARATIVE TOTALS FOR 2016  
ASSOCIATION FOR INSTITUTIONAL RESEARCH  
TALLAHASSEE, FLORIDA**

	<b>Membership Dues and Fees</b>	<b>Forum and Related</b>	<b>Educational Services</b>	<b>Contracts and Grants</b>	<b>Support Services</b>	<b>Total 2017</b>	<b>Total 2016</b>
<b>Expenses</b>							
Personnel Costs	\$ 230,150	\$ 343,568	\$ 175,963	\$ 513,510	\$ 591,744	\$ 1,854,935	\$ 1,539,363
Audio Visual/Telecommunications	0	106,342	17,296	55,443	845	179,926	121,573
Grants and Awards	3,767	0	0	331,458	14,349	349,574	315,860
Bank and Credit Card Processing Fees	0	0	0	0	64,084	64,084	54,235
Building Expense	0	406	0	1,267	139,001	140,674	102,116
Computer Equipment and Furniture	0	37,758	1,003	3,217	98,741	140,719	135,290
Depreciation	0	0	32,662	0	0	32,662	30,429
Legal	0	0	0	0	4,489	4,489	2,638
Meeting Cost	0	203,116	13,497	30,617	12,895	260,125	255,551
Other Expenses	6,410	15,582	10,304	2,521	32,831	67,648	18,494
Printing, Supplies, and Postage	4,184	43,222	10,972	8,387	20,182	86,947	68,205
Professional Services	17,829	122,060	122,750	275,366	250,433	788,438	854,530
Promotional	446	8,063	2,345	0	0	10,854	5,696
Staff Support Cost	558	1,646	599	499	42,371	45,673	38,092
Travel	54,011	45,155	26,649	168,703	99,688	394,206	382,609
Expenses, Before Indirect Costs	<u>317,355</u>	<u>926,918</u>	<u>414,040</u>	<u>1,390,988</u>	<u>1,371,653</u>	<u>4,420,954</u>	<u>3,924,681</u>
Allocation of Indirect Costs	149,300	234,000	112,375	336,003	(831,678)	0	0
<b>Total Expenses</b>	<u><u>\$ 466,655</u></u>	<u><u>\$ 1,160,918</u></u>	<u><u>\$ 526,415</u></u>	<u><u>\$ 1,726,991</u></u>	<u><u>\$ 539,975</u></u>	<u><u>\$ 4,420,954</u></u>	<u><u>\$ 3,924,681</u></u>

See accompanying notes.



**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017,**  
**WITH COMPARATIVE TOTALS FOR 2016**  
**ASSOCIATION FOR INSTITUTIONAL RESEARCH**  
**TALLAHASSEE, FLORIDA**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	\$ 11,547	\$ 386,087
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in)		
Operating Activities:		
Depreciation	32,662	30,429
Unrealized Loss (Gain) on Investments	3,005	(3,995)
(Increase) Decrease in Grants and Contracts Receivable	(339,268)	101,647
(Increase) Decrease in Accounts Receivable	(44,887)	(25,921)
(Increase) Decrease in Other Assets	(13,975)	(30,257)
Increase (Decrease) in Accounts Payable and Accrued Expenses	117,865	97,766
Increase (Decrease) in Accrued Compensated Absences	35,687	(30,615)
(Decrease) in Deferred Grants and Contracts Revenue	0	(492,092)
Increase (Decrease) in Deferred Membership Dues and Other	67,502	(98,517)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(129,862)</u>	<u>(65,468)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Sale of Investments	153,052	335,000
Purchases of Investments	0	(354,687)
Purchases of Property and Equipment	(148,429)	(109,689)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>4,623</u>	<u>(129,376)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(125,239)	(194,844)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,674,678</u>	<u>1,869,522</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,549,439</u>	<u>\$ 1,674,678</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS  
ASSOCIATION FOR INSTITUTIONAL RESEARCH  
TALLAHASSEE, FLORIDA**

**Note 1 - Organization and Summary of Significant Accounting Policies**

**Nature of Business**

The Association for Institutional Research (the Association) is a Michigan corporation operating as a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), with its central office located in Tallahassee, Florida. The primary purpose of the Association is to benefit, assist, and advance research, leading to improved understanding, planning, and operation of institutions of post-secondary education.

**Basis of Accounting**

The Association maintains its financial records on the accrual basis of accounting.

**Financial Statement Presentation**

In accordance with accounting principles generally accepted in the United States of America, the financial statement presentation of the Association follows the Financial Accounting Standards Board (FASB) in *Accounting Standards Codification (ASC) Subtopic 958-210, Not-for-Profit Entities Balance Sheet*. Under ASC Subtopic 958-210, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited to donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Association may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor-imposed restrictions requiring that the assets be maintained in perpetuity.

There were no permanently restricted net assets as of December 31, 2017.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Association considers all highly liquid investments with a maturity of three months or less, from date of purchase, to be cash equivalents.

**Accounts Receivable**

Accounts receivable are stated at net realizable value, and accounts deemed uncollectible by management are expensed as bad debts. There is no material difference between the direct write-off method used by the Association and the allowance method required by accounting principles generally accepted in the United States of America.

**NOTES TO FINANCIAL STATEMENTS**  
**ASSOCIATION FOR INSTITUTIONAL RESEARCH**  
**TALLAHASSEE, FLORIDA**  
*(Continued)*

**Note 1 - Organization and Summary of Significant Accounting Policies (Continued)**

**Investments and Fair Value Measurement**

Investments in debt securities are reported at their fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined based upon a hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- **Level 1**—Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Association has the ability to access as of the measurement date.
- **Level 2**—Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- **Level 3**—Significant unobservable inputs that reflect a reporting of the Association’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

**Property and Equipment**

Property and equipment are recorded at cost. Renewals and enhancements that materially extend the lives of the assets are capitalized. Maintenance and repairs are charged to expense as incurred. Upon retirement or sale, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is then recognized as income.

The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Building	40 years
Building Improvements	15 years
Furniture and Equipment	3-6 years
Software	5 years

**Support and Revenue**

In accordance with accounting principles generally accepted in the United States of America, support received is recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existing or nature of any donor imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are re-classified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**NOTES TO FINANCIAL STATEMENTS**  
**ASSOCIATION FOR INSTITUTIONAL RESEARCH**  
**TALLAHASSEE, FLORIDA**  
*(Continued)*

**Note 1 - Organization and Summary of Significant Accounting Policies (Concluded)**

**Support and Revenue (Concluded)**

Revenues are recognized when the earnings process is substantially complete and services have been performed. Forum and workshop revenues are recognized when the events are held. Membership dues are recognized in the period to which they are related. Grant revenue is recognized as related grant expenditures are incurred.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the IRC and has been classified as an other-than private foundation. Therefore, no provision for income taxes has been recorded.

The FASB issued guidance that requires tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Association is exempt from income tax under IRC Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. There are no tax positions for which a material change in any unrecognized tax benefit liability is reasonably possible in the next 12 months. There is no interest or penalties recognized in the income statement or balance sheet. The tax years ended 2014, 2015, and 2016, are still open to audit for federal purposes.

**Management Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

**Subsequent Events**

Subsequent events were evaluated through May 22, 2018, which is the date the financial statements were available to be issued. As of this date, no subsequent events were noted.

**Note 2 - Concentration of Credit Risk**

**Grants/Contracts**

During the year ended December 31, 2017, the Association received approximately 40% of its revenue from the RTI International contract.

**NOTES TO FINANCIAL STATEMENTS**  
**ASSOCIATION FOR INSTITUTIONAL RESEARCH**  
**TALLAHASSEE, FLORIDA**  
*(Continued)*

**Note 2 - Concentration of Credit Risk (Concluded)**

**Cash**

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Federal Deposit Insurance Corporation provides deposit coverage for accounts at each banking institution up to \$250,000. At times, the cash balances in interest bearing accounts may exceed federally insured amounts; however, management assesses the financial condition of the institutions and risk associated for its cash deposits.

**Note 3 - Cash and Cash Equivalents**

Cash and cash equivalents are composed of the following, as of December 31, 2017:

Cash	\$ 317,935
Sweep Accounts	1,130,000
Money Market Accounts	<u>101,504</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 1,549,439</u></b>

**Note 4 - Property and Equipment**

Property and equipment consisted of the following at December 31, 2017:

Furniture and Equipment	\$ 137,634
Software	459,764
Work-In-Process	<u>27,450</u>
	624,848
(Less Accumulated Depreciation)	<u>(378,896)</u>
<b>Net Property and Equipment</b>	<b><u>\$ 245,952</u></b>

Depreciation expense for the period ending December 31, 2017, was \$32,662.

**Note 5 - Assets Held-For-Sale**

During 2017, the Association decided to sell the property at 1435 East Piedmont Drive. The net book value of the property was used to value the assets held-for-sale which approximates fair value. The assets will be tested for impairment on an annual basis.

Assets Held-For-Sale consisted of the following at December 31, 2017:

Land	\$ 133,202
Building and Improvements	<u>415,402</u>
<b>Assets Held-For-Sale</b>	<b><u>\$ 548,604</u></b>

**NOTES TO FINANCIAL STATEMENTS**  
**ASSOCIATION FOR INSTITUTIONAL RESEARCH**  
**TALLAHASSEE, FLORIDA**  
*(Continued)*

**Note 6 - Investments**

Investments are stated at fair value. Fair market value and unrealized appreciation as of December 31, 2017, are summarized below:

	<u>Fair Value Level</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Corporate Bonds	2	\$ 1,176,230	\$ 1,016,376	\$ (13,846)
U.S. Treasuries	1	848,450	834,603	(6,803)
<b>Total</b>		<u>\$ 2,024,680</u>	<u>\$ 1,850,979</u>	<u>\$ (20,649)</u>

Realized gain of \$341 and unrealized loss of \$3,005 for the year ended December 31, 2017, are included in the changes of net assets and reported in the statement of activities as a component of Other Income.

**Note 7 - Grant/Contract Receivable**

Receivables from grants and contracts were comprised of the following as of December 31, 2017:

	<u>Period</u>	<u>Amount</u>
National Science Foundation	2017-2018	\$ 270,572
Research Triangle Institute	2017-2018	461,412
<b>Total Grants and Contracts Receivable</b>		<u>\$ 731,984</u>

**Note 8 - Commitments**

The Association, in order to hold workshops and annual forums for the Institutional Research profession, entered into contracts with various hotels for meeting sites up to five years in advance of the event. The Association must also pay deposits on the events at the time of the contract signing. If unforeseen circumstances arose, causing the Association to cancel an event, they would be required to pay cancellation penalties. The penalties are not recorded until such an occurrence.

**Note 9 - Employee Benefit Plan**

The Association has a Section 403(b) defined contribution retirement plan (the Plan) for its employees. The Association makes a discretionary contribution equal to 10% of the employee's annual compensation for all eligible employees irrespective of whether the employee contributes. The Plan is funded 100% annually. The Association's contributions to the Plan at December 31, 2017, totaled \$130,352.

**NOTES TO FINANCIAL STATEMENTS**  
**ASSOCIATION FOR INSTITUTIONAL RESEARCH**  
**TALLAHASSEE, FLORIDA**  
*(Concluded)*

**Note 10 - Future Accounting Pronouncements**

The FASB recently issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*. This ASU significantly amends the standards for the presentation and accompanying disclosures for nonprofit organizations. Some of the changes include the following:

- Requires a functional and natural classification of expenses.
- Requires the presentation of two classes of net assets instead of three.
- Requires additional disclosure of how a nonprofit organization manages liquidity and communicates the availability of financial assets to meet cash needs for general expenditures.
- Requires additional disclosures of the amounts and purpose of Board designations.
- Requires additional disclosures of the methods used to allocate costs among programs and support functions.

This standard will become effective for nonprofit entities with fiscal years beginning after December 15, 2017.