



## To the Administrator Addressed

Commissioner Mike Morath

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<b>DATE:</b>	<b>May 9, 2019</b>
<b>SUBJECT:</b>	<b>Financial Accounting Standards Board Topic 958 Update 2016-14</b>
<b>CATEGORY:</b>	<b>Annual Financial Report Update</b>
<b>NEXT STEPS:</b>	<b>Action required of charter schools only; Share with finance staff</b>

Financial Accounting Standards Board (FASB) Topic 958  
Accounting Standards Update (ASU) 2016-14

FASB Topic 958, ASU 2016-14 addresses changes made to reporting requirements that will affect charter holders that are not-for-profit (NFP) entities. These changes will amend the requirements for financial statements and notes for these entities. TEA has provided the guidance below to assist in the presentation of the financial statements and notes.

- Present the amounts for two classes of net assets—net assets with donor restrictions and net assets without donor restrictions—on the face of the statement of financial position in place of the previously required three classes. Additional sub-categories of classes are not required to be presented on the statement of financial position.
- Present two classes of net assets—net assets with donor restrictions and net assets without donor restrictions—on the statement of activities.
- Present the statement of cash flows using the direct method with reconciliation to the indirect method.
- Present an analysis of expenses by both their natural classification and their functional classification. The analysis of expenses should be provided in the notes to the financial statements.
- Disclose the liquidity and availability of resources in the notes to the financial statements.
- Apply all provisions to each year presented in the annual financial report. Apply those provisions retrospectively to the prior year if presenting comparative financial statements.

State funds must be classified as net assets with donor restrictions until the funds are expended, pursuant to applicable statutes, regulations, and grant requirements as referred to in the Financial Accountability System Resource Guide (FASRG). Capital assets purchased with state and federal funds must remain in net assets with donor restrictions.

This FASB is effective for fiscal years beginning after December 15, 2017. It will apply to the June 30, 2019, and August 31, 2019, fiscal year end annual financial reports for charter schools that have NFP charter holders.

Please email questions to [schoolaudits@tea.texas.gov](mailto:schoolaudits@tea.texas.gov)