

## **Not-for-Profit Financial Statement Presentation Policy**

### **Purpose:**

FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, contains changes in reporting requirements that will significantly affect how not-for-profits communicate with stakeholders. This update simplifies the net asset classification requirements and improves the information presented in financial statements and notes about a not-for-profit's liquidity, financial performance and cash flows. The number of net asset classifications has been reduced from three to two; those with donor-restrictions, and those without. As such, Rocky Mountain College (College), a not-for-profit organization in the State of Montana, has developed this policy in order to provide clarification in regard to these new classifications.

### **Board Designated Funds:**

Board designated funds are resources that are not subject to donor-imposed restrictions. The Board of Trustees (Board) holds the ultimate responsibility and authority to designate the use of net assets without donor restrictions. Such uses include support for projects, programs, activities, and initiatives that enable the College to fulfill its mission and reach its goals.

In most cases, net assets without donor restrictions will be designated to support the priorities identified in the College's strategic plan. This policy is effective until such time as the Board approves any modifications. This statement will be reviewed, at a minimum, on an annual basis by the Finance and Investment Committee of the Board of Trustees (Committee) and may be revised by the Board at any time.

### **Net Assets without Donor Restrictions Available for Designation**

The following classes of net assets without donor restrictions are available for Board designation.

#### *Gifts*

Gifts, including bequests from estates or trusts, may be received without a donor-stated preference or restriction. The receipt and any designation of gifts without donor restrictions will flow through the operating budget.

#### *Net Proceeds from Maturing Split-Interest Agreements*

Proceeds from maturing split-interest (deferred giving) agreements are received periodically and are not budgeted.

#### *Operating Surplus*

Operating revenues less expenses that exceed the amount identified in the operating budget are available for designation.

#### *Other*

This category includes other sources of net assets without donor restrictions that are not budgeted.

**Donor Restricted Funds:**

Donor restricted funds are designated by donors in order to restrict the use of the funds to a particular purpose or project. The College has no discretion in the application or management of such funds.

In order to monitor ongoing adherence to donor-imposed restrictions, the Board is to periodically review a report of disbursements to ensure the spending aligns with the donor's wishes. This policy recognizes that there may be cases where a restricted use becomes obsolete or over fulfilled, or becomes inconsistent with the College's needs or mission. See procedures to perform over such circumstances within the Endowment Spending Policy located in the Business Office section of the College's website.

**Annual Policy Review**

The Board will review this policy annually to ensure its continued appropriateness.