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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC’s Guide to Nonprofit Expenses

Twentieth Edition (July 2018)

Highlights of this Edition

The following are some of the important new features of the 2018 Edition of *PPC’s Guide to Nonprofit Expenses*:

- **ASU 2016-14 on the Financial Reporting Model for Nonprofit Organizations.** ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Assets of Not-for-Profit Entities*, was issued to improve the financial reporting model for nonprofit organizations. The guidance reduces the required classes of net assets from three to two and changes presentation and disclosure requirements by simplifying some requirements and enhancing others. Your *Guide* provides detailed coverage of the provisions of this new standard so that you can see how the implementation will affect nonprofit organizations. ASU 2016-14 is effective for annual periods beginning after December 15, 2017.
- **Charity Watchdogs.** Public demand is high for independent information that can help donors distinguish between dubious and worthy charities. Several charity watchdog groups provide ratings for nonprofit organizations based on how an organization spends its funds, governs itself, and protects its donors’ privacy. Sometimes a watchdog group revises its evaluation methodology for assessing the financial health of nonprofit organizations. Your *Guide* discusses the primary charity watchdog groups and includes information regarding the current standards (relevant to expenses) for each of these primary watchdog groups.
- **Tax Considerations.** The IRS imposes many filing and reporting requirements on nonprofit organizations in exchange for the privilege of tax-exempt status. Your *Guide* discusses the broad general requirements applicable to all nonprofit organizations and selected topics specifically related to expenses. This tax-related information has been updated to reflect the most recent requirements, including current amounts for certain thresholds that are indexed annually for inflation and currently required disclosures of information within Form 990.
- **Updated Examples.** Because examples are often the best way to understand a difficult concept, we have expanded and updated examples throughout the *Guide* to help you address almost every situation you may encounter related to expenses. This edition of your *Guide* contains over 200 real-life scenarios and examples.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 Recognizing and Reporting Expenses of Nonprofit Organizations	<ol style="list-style-type: none"> 1. Updated terminology and guidance for ASU 2016-14, <i>Not-for-Profit Entities (Topic 958): Presentation of Financial Assets of Not-for-Profit Entities</i>. 2. Expanded the discussion on distinguishing expenses from agency transactions for ways that a resource provider or donor can specify a beneficiary. 3. Added an example of utilizing restricted net assets, including a conditional promise to give. 4. Updated the discussion on federated-fund raising organizations. 	<p>Throughout chapter</p> <p>Paragraph 101.10</p> <p>Paragraph 101.25</p> <p>Paragraphs 102.37–.39</p>

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 2 Special Expense Accounting Considerations	5. Updated the list of common types of supporting services activities.	Paragraph 102.45
	6. Added a discussion for ASU 2018-08, <i>Clarifying the Scope of and the Accounting Guidance for Contributions Received and Contributions Made</i> .	Paragraph 102.55
	7. Expanded the discussion on external financial reporting for the allocation of information technology costs.	Paragraph 103.13
	8. Added an example of the disclosure of allocation methods.	Paragraph 104.38
	1. Updated the terminology and guidance for ASU 2016-14.	Throughout chapter
	2. Updated inflation-adjusted tax amounts.	Paragraph 201.33
	3. Updated the discussion on watchdog groups' approach to joint cost allocation.	Paragraph 202.73
	4. Expanded discussion on vacation pay accrual.	Paragraph 204.33
	5. Added a footnote to discuss financial aid and the impact of ASU 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i> .	Paragraph 205.5
	6. Added a footnote to discuss accounting for direct-response advertising and the impact of ASU 2014-09.	Paragraph 205.9
	7. Added or updated the discussions for ASU 2018-08.	Paragraphs 205.39–.43
8. Added parking reimbursement to employees as an example of an unrelated trade or business activity.	Exhibit 2-9	
9. Added a discussion on changes resulting from the Tax Cuts and Jobs Act of 2017.	Paragraphs 205.98–.99 and 205.102	
10. Added a footnote for ASU 2016-02, <i>Leased (Topic 842)</i> .	Paragraph 205.178	
11. Updated the discussion on payments in lieu of taxes.	Paragraph 205.184	
CHAPTER 3 Special Expense Operating Considerations	1. Updated the terminology and guidance for ASU 2016-14.	Throughout chapter
	2. Updated the discussion on the prohibition of private inurement or private benefit, including the addition of a recent court case.	Paragraphs 301.9–.10
	3. Added a document that provides assistance in determining whether political campaign activities are allowed.	Paragraph 301.93
	4. Added a footnote on a recent IRS Notice on donor-advised funds.	Paragraph 301.147
	5. Updated the charity watchdog group expense standards.	Exhibit 3-3
	6. Updated the discussion on Charity Navigator's system.	Paragraph 304.31

Chapter**Substantive Changes and Additions****Reference**

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| 7. | Updated the discussion on MinistryWatch's rating system. | Paragraphs 304.38–.39 |
| 8. | Updated the discussion of the Evangelical Council for Financial Accountability agency. | Paragraph 304.46 |
| 9. | Updated the discussion on the development of an ethics policy for an organization. | Paragraph 306.52 |
| 10. | Added an example of fraud. | Paragraph 307.1 |
| 11. | Updated the discussion on fraud for the issuance of the <i>2018 Report to the Nations on Occupational Fraud and Abuse</i> . | Paragraphs 307.12–.13 |
| 12. | Updated the IRS's independent contractor categories of evidence methodology information. | Exhibit 3-8 |
| 13. | Added information for a Section 527 political organization to the discussion on information returns. | Paragraph 309.4 |

