

Accounting & Auditing Update

Dan Campbell, CapinCrouse
Chris DuKate, CapinCrouse
Dale Larson, Dallas Theological Seminary
4.13.21



1

The content of this presentation, whether communicated in writing or verbally by partners, employees, or representatives of Capin Crouse LLP, is provided solely for educational purposes. This presentation is not intended to provide legal, accounting, investment, or fiduciary advice. Please contact your attorney, accountant, or other professional advisor to discuss the application of this material to your particular facts and circumstances.

2

2

Learning Objectives

- Identify FASB standards that will be effective in the current and upcoming year for higher education institutions
- Provide clarification on how institutions should implement and follow the guidance
- Formulate strategies regarding the efficient and effective implementation of upcoming standards
- Provide guidance on the U.S. Department of Education's Financial Responsibility Supplemental Schedule

3

3

Agenda

- Review current and upcoming Accounting Standards Updates (ASUs)
- Review the U.S. Department of Education's Financial Responsibility Schedule Requirements (FRSS)
- Look back at the year of FRSS implementation
- FRSS – Year 2 and beyond

4

4

New Accounting Standards

ASU Number	Subject	Effective Date*
2018-08	Revenue from Contracts with Customers (Topic 606) Clarifying the Scope and the Accounting Guidance for Contributions Received and Made	2019 Recipients 2020 Providers
2018-13	Changes to Disclosure Requirements for FV Measurement	2020
2020-07	Contributed Non-financial Assets (In-kind Contributions)	Years beginning after 6/15/21
2019-03	Collections	2020
2018-15	Costs Associated with Cloud Computing	2021
2016-02	Leases	2022
2014-09	Revenue From Contracts with Customers	2020

*Effective dates presented are for non-public entities.

5


5

Assessing the Impact of New Accounting Standards

- Scope
- Effective date
- What changes?
 - Recognition
 - Measurement
 - Presentation
 - Disclosure


6

6



ASU 2018-08

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

 CAPINCROUSE

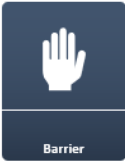
7

ASU 2018-08

Not-for-Profit Entities (Topic 958):

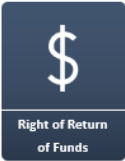
Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

Review of Concepts:




Barrier

+



Right of Return of Funds

=



Condition

Effective Dates:

Recipients (revenue):

- Calendar 2019, FYE 2020
- Public entities: years beginning after 6/15/18

Resource providers (expense):

- Calendar 2020, FYE 2021
- Public entities: calendar 2019, FYE 2020

Clarifies whether the transaction is a reciprocal/exchange transaction or a contribution.

8

8

ASU 2018-08

Required Disclosures

No additional recurring disclosures added for grantors

Disclose conditional, but unsatisfied, grants in footnotes

Disclose adoption of ASU 2018-08

Implementation

Modified prospective approach

- Apply to new grants and grants in process

Retrospective approach

- Restate prior years presented

9

9



ASU 2018-13

Changes to the Disclosure Requirements for Fair Value Measurement

10

ASU 2018-13

Removes

- Amount of and reason for transfers into and out of Levels 1 and 2
- Policy of timing for transfers between levels
- Valuation process for Level 3 values
- Changes in unrealized gains/losses for Level 3 investments (for nonpublic entities only)

Amends

- Level 3 rollforward no longer required but must disclose transfers in/out and purchases/sales
- NAV investments, only disclose liquidity events if investor has been notified or the investee has announced publicly
- Measurement uncertainty disclosures should describe uncertainty and changes to inputs as of the reporting date (not for future dates)

Adds (Public Only)

- Disclose total unrealized gains/losses for the period included in OCI for recurring Level 3 measurements held at the end of the reporting period
- Range of weighted average of significant observable inputs used to determine Level 3 values
- For certain unobservable inputs for Level 3 values, other quantitative information can be used if deemed more reasonable (median or arithmetic average)

11


11

ASU 2018-13 Effective Dates

- ASU 2018-13 is effective for all entities for fiscal years beginning after December 15, 2019
- The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date.


12

12



ASU 2020-07

Contributed Non-financial Assets (In-kind Contributions)

 CAPINCROUSE

13

ASU 2020-07

In-Kind Contributions

Background	<ul style="list-style-type: none"> • Concern about NFPs inflating the fair value measurement of donated pharmaceuticals, thereby increasing revenue and program expenses of an NFP, which would make the NFP appear larger and more efficient in its use of resources than a smaller NFP or an NFP that had lower values for its GIK received.
Objectives	<ul style="list-style-type: none"> • Increase transparency about contributed nonfinancial assets, including how they are valued and utilized, through enhanced presentation and disclosure.
Scope	<ul style="list-style-type: none"> • Contributions of nonfinancial net assets (fixed assets, use of fixed assets, food, material and supplies, intangibles, used clothing and household items, medical equipment and contributed services).

14

14

In-Kind Contributions (ASU 2020-07)

NEW PRESENTATION REQUIREMENTS

- Show in-kind revenue as separate line item on the statement of activities

NEW DISCLOSURE REQUIREMENTS

- Qualitative information about whether the in-kind was monetized or utilized; if utilized, a description of the programs or other activities in which the assets were used
- The NFP policy, if applicable, regarding monetizing rather than utilizing in-kinds
- A description of any donor-imposed restrictions associated with in-kinds
- A description of the valuation techniques and inputs used to arrive at the fair value measurement
- The principal market used to arrive at a fair value measurement if it is a market in which the NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets
- Disclose in the notes the total value recognized for each category of GIK received, the sum of which should agree to the total value of GIK recognized in the statement of activities

For contributed services, the disclosures above are in addition to the disclosures currently required for contributed services.

15

15

In-Kind Contributions (ASU 2020-07)

NEW PRESENTATION REQUIREMENTS

- Show in-kind revenue as separate line item on the statement of activities apart from contributions of cash and other financial assets

	Without Donor Restrictions	With Donor Restrictions	Total
Contributions of cash and investments	\$200,000	\$150,000	\$350,000
Contributions of supplies and equipment	105,000	25,000	130,000
Contributed services	50,000	—	50,000
Investment return	30,000	50,000	80,000
Other revenues	12,000	—	12,000
Total revenues and gains	397,000	225,000	622,000

Effective date: years beginning after 6/15/21 (ending on or after June 2022)

16

16

In-Kind Contributions (ASU 2020-07) Fair Value

- The new standards do not change the existing standards for valuing GIK.
 - Contributions of gifts-in-kind are reported at fair value when received, in accordance with FASB ASC 958-605. The new standards require an NFP to disclose the valuation techniques and inputs used to arrive at the fair value measure used when recognizing the contribution revenue.
 - FASB ASC 820, *Fair Value Measurement*, explains how to measure fair value for financial statement purposes.
- The steps in determining fair value of gifts-in-kind are illustrated in a flowchart available at:
<https://future.aicpa.org/resources/download/gifts-in-kind-flowchart>

17

17

In-Kind Contributions (ASU 2020-07) Resources

Additional fair value and Gift-in-Kind information can be obtained from the following sources:

- FASB ASC 820, *Fair Value Measurement*
- AICPA Audit & Accounting Guide *Not-for-Profit Entities*, "Fair Value Measurement of Gifts-in-Kind," paragraphs 5.128 through 5.144
- *Gifts-in-Kind: Reporting Contributions of Nonfinancial Assets* (<https://www.aicpa.org/interestareas/notforprofit/resources/financialaccounting/gifts-in-kind-reporting-contributions-of-nonfinancial-assets.html>); also in AICPA Not-for-Profit *Audit Risk Alert*, 2018 edition, *The State of NFPs* section, paragraphs 53-57

18

18

In-Kind Contribution Disclosure Example

CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the year ended June 30, contributed nonfinancial assets recognized within the statement of activities included:

	Year Ended June 30,	
	20X2	20X1
Furnishings	\$ 275,458	\$ -
Clothing	49,371	35,219
Vehicles	25,725	15,150
	<u>\$ 75,096</u>	<u>\$ 50,369</u>

The ministry recognized contributed nonfinancial assets within revenue, including contributions of furnishings, clothing and vehicles. The ministry's policy is to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the period were restricted for use. All vehicles were sold and valued according to the actual cash proceeds on their disposition.

The contributed furnishings will be used for general and administrative activities. In valuing the contributed furnishings the Ministry estimated the fair value on the basis of comparable wholesale prices.

The contributed clothing was distributed to the local community shelter and to those impacted by natural disasters. In valuing the clothing the Ministry estimated the fair value on the basis of comparable wholesale prices that would be received for selling similar products in the United States.

19

19



ASU 2019-03 Collections



20

ASU 2019-03 Collections

- Assets meeting the definition of "collections" are allowed special accounting options in GAAP; most importantly, don't have to capitalize collections on the balance sheet.
- The Master Glossary Definition of Collections in GAAP updated to fully align with the definition used in the American Alliance of Museums' (AAM) Code of Ethics for Museums. Specifically added that deaccession proceeds may be used for acquisition of new collection items, direct care of existing collections, or both. Added the concept of "direct care."
- Collection-holding entities now required to disclose policies for use of proceeds from deaccessioned collection items. If a collection-holding entity allows proceeds from deaccessioned items to be used for direct care, the entity is now required to disclose what the entity considers direct care.
- CY 2020 (FY 21) effective date for all entities.

21

21



ASU 2018-15

Costs Associated with Cloud Computing

22

ASU 2018-15

Costs Associated with Cloud Computing

- ASU 2018-15, *Internal-Use Software (Subtopic 350-40) Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement (CCA) That Is a Service Contract*
- Effective date:
 - Entities other than public business entities – calendar 2021 (FY 2022)
 - Early adoption is permitted

23

23

Today's Accounting

ASU addresses

	On-premise software	CCAs with a license	CCAs without a license
Balance sheet – asset	Present an asset for the cost of the software	Present an asset for the portion of the CCA fee related to the cost of the software	No asset is presented for the software, but a prepaid asset may be presented if the CCA fee is paid in advance
Balance sheet – liability	Present a liability for any unpaid amounts	Present a liability for any unpaid amounts	No liability is presented until payment is due
Treatment of implementation costs	Costs to implement the software are capitalized as part of the software asset	Costs to implement the software are capitalized as part of the software asset	Diversity today, but many implementation costs are not capitalized as an asset and are expensed
Income statement presentation	1) Generally straight-line amortization of software cost over useful life of software 2) Interest expense on the liability	1) Generally straight-line amortization of software cost over useful life of software 2) Interest expense on the liability 3) Generally G&A expense for the portion of CCA fee related to the hosting service	1) Generally straight-line G&A expense for CCA fee 2) Many implementation costs are expensed as the underlying activities are performed (near contract inception)

24

Cloud Computing ASU

- Implementation costs of CCAs that are service contracts should be accounted for in accordance with the guidance in Subtopic 350-40 on internal-use software
- The amortization period of the capitalized implementation costs would include periods covered by renewal options of the CCA that are reasonably certain to be exercised
- Presentation:
 - The amortization of the capitalized costs would be recorded in the same line item on the income statement as the hosting fees (NOT AMORTIZATION)
 - The capitalized implementation costs would be presented on the balance sheet in the same line item as a prepayment of the hosting fees (NOT PP&E)
 - Cash flow classification would be the same as the hosting fees

25

25

Cloud Computing ASU

- ASU requires an entity to apply the impairment model in ASC 360-10-35 to its capitalized implementation costs of a hosting arrangement that is a service contract
- Disclosures for hosting arrangements that are service contracts
- The ASU does not expand on existing disclosure requirements except to require a description of the nature of hosting arrangements that are service contracts

26

26

ASU 2018-15

- Transition Method Options
 - Entities are permitted to apply either a retrospective or prospective approach to adopt the guidance



27

27



ASU 2016-02

Leases



28

ASU 2016-02 Leases

- ASU 2016-02, Leases
 - Creates “new” Topic 842 Leases
 - Removes “old” Topic 840 Leases
- Change to lessee accounting
 - With the exception of leases that have a term of 12 months or less, all leases will go on the balance sheet as an asset and liability
 - Operating-type leases will be expensed on a straight-line basis
 - Financing/capital-type leases will be expensed via amortization of the asset and interest related to the liability

29

29

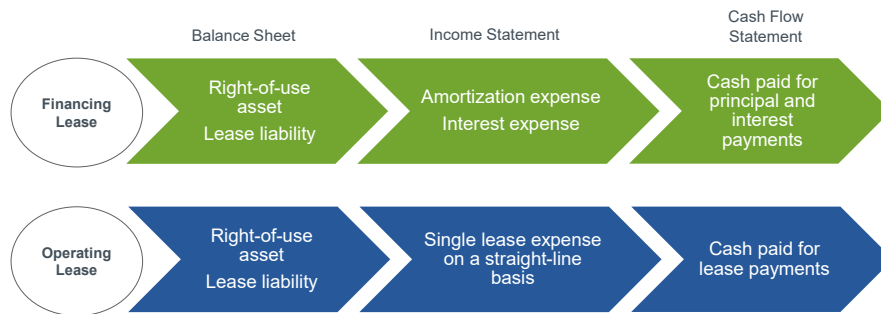
ASU 2016-02 Leases

- Generally, no change to lessor accounting
- Effective date
 - Public NFP entities: Calendar 2020 (FY 2020-2021)
 - Nonpublic entities: Calendar 2022 (FY 2022-2023)

30

30

Lessee Accounting Overview



31

31

COVID-19's Impact on Lease Accounting

- Accounting for rent concessions, rent forgiveness, and/or rent deferred
- Right of use asset impairment
- Applying the lease modification requirements
- Determining key assumptions in measuring the lease in this environment (discount rate)
- Evaluating certain transactions that may result from business interruption (sale and leaseback transactions)
- See FASB Staff Q&As

32

32

Accounting Policy Disclosure – Example

LEASES

The Ministry has operating and finance leases for office space and equipment. The Ministry determines if an arrangement is a lease at inception. Operating leases as a lessee are included in operating lease right-of-use assets and operating lease liabilities in the consolidated statement of financial position. Finance leases as a lessee are included in property plant and equipment-net, notes payable and finance leases.

Right-of-use assets represent the Ministry's right to use the underlying asset for the lease term. Operating and finance lease right-of-use assets and related liabilities are recognized at commencement date based on the net present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. As most of the Ministry's leases do not provide an implicit rate, the Ministry uses its incremental borrowing rate which is based on the information available at the commencement date in determining the present value of lease payments. The Ministry's recent borrowings, as well as publically available data for instruments with similar characteristics when calculating its incremental borrowing rates. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

33

33

Lease Disclosure – Example

LEASES

The Ministry has operating and finance leases for office space and equipment. The Ministry elected to apply the short-term lease exception under ASU 2016-02; therefore, leases with an initial term of twelve months or less are not recorded on the consolidated statement of financial position. The lease for the Houston facilities represents substantially all of the operating lease liability. The discount rate represents the Ministry's estimated incremental borrowing rate at July 1, 20x0, the beginning of the earliest comparative period. Nonlease components, such as payments required under the lease for common area maintenance, are not included in the lease liability. These are expensed as incurred. Variable lease expense includes in-kind services provided to the landlord. The Ministry has the right to extend the Houston facility lease for two additional periods of up to five years each. These additional periods were not included in the lease liability due to their lack of sufficient economic incentive.

Components of lease balances	Classification in consolidated statement of position	June 30,	
		20X2	20X1
Assets			
Operating right-of-use assets	Operating lease assets	\$ 141,195	\$ 170,878
Finance lease assets	Property and equipment—net	5,941	6,041
Total leased assets		<u>\$ 147,136</u>	<u>\$ 176,919</u>
Liabilities			
Operating lease liabilities	Operating lease liabilities	\$ 156,584	\$ 184,457
Finance leases	Notes payable and finance leases	<u>\$ 6,149</u>	<u>\$ 6,359</u>
Total lease liabilities		<u>\$ 162,733</u>	<u>\$ 190,816</u>

34

34

Lease Disclosure – Example

Components of lease expense	Classification in consolidated statement of Activities	June 30,	
		20X2	20X1
Operating lease cost	Education and discipleship	\$ 36,180	\$ 36,170
Variable operating lease cost	Education and discipleship	\$ 832	\$ 984
Finance lease expense			
Amortization of leased assets	General and administrative	\$ 1,590	\$ 1,651
Interest on lease liabilities	General and administrative	\$ 700	\$ 730
Total lease expense		\$ 39,302	\$ 39,535
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows		\$ 34,369	\$ 33,454
Financing cash flows		\$ 2,750	\$ 2,750
Weighted-average remaining lease term - operating leases		4.9 Years	5.9 Years
Weighted-average remaining lease term - finance leases		3.7 Years	4.7 Years
Weighted-average discount rate - operating leases		3.8%	3.8%
Weighted-average discount rate - finance leases		4.2%	4.2%

35

35

Lease Disclosure – Example

Maturities of operating lease liabilities are as follows: Years Ending June 30,	Operating Leases	Finance Leases Amounts
2021	\$ 34,528	\$ 2,750
2022	33,087	\$ 2,750
2023	33,983	\$ 2,144
2024	34,888	-
2025	35,793	-
Total lease payments	172,279	7,644
Less imputed interest	(15,695)	(1,495)
Total	\$ 156,584	\$ 6,149

36

36



ASU 2014-09 (Topic 606)
Revenue Recognition

 CAPINCROUSE_{LLP}

37

Topic 606 – Revenue Recognition –
FASB Allows Optional Deferral

- On 5/20/2020, FASB voted to allow an optional one-year deferral of Topic 606 (Revenue from Contracts with Customers)
- Effective date is now effective for periods beginning after 12/15/19 (calendar 2020 or fiscal years ending in 2021)
- Implementation — refer to FASB Rev Rec Implementation Q&A issued January 2020

38

38

HEERF Discussion

- Revenue Recognition
- Period of Availability
- Lost Revenue Calculation

39

39



U.S. Department of Education's (ED) Financial Responsibility Standards



40

Background

September 2019: The U.S. ED issued new rules surrounding borrower defense to repayment. The key takeaways of the update center around:

- Updated requirements for “triggering” events that would require an institution to inform the U.S. ED (4 total, 2 applicable to NFP institutions)
- Based on new accounting standards, updated key terminology and new methodology for the financial responsibility composite score calculation
- Requirement for a new supplemental schedule to be included within the audited financial statements of the higher ed institution if it received Title IV funding

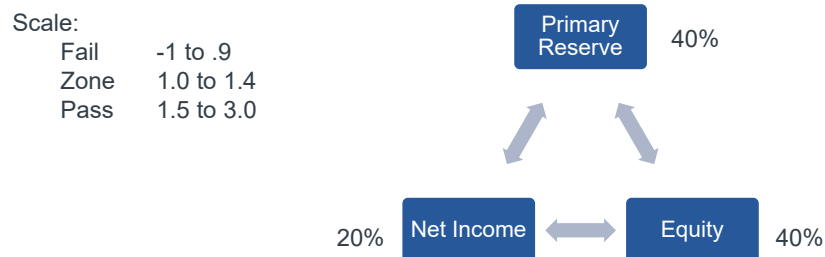
41

41

Financial Responsibility Score Updates

Three ratios making up the composite score are used by the U.S. ED to determine the “financial health” of an institution.

These calculations are combined into one overall calculation, “the composite score.” Historically, the composite score was calculated annually to assess the financial responsibility of the college or university.



42

42

Financial Responsibility Score Updates

Terminology updates:

- The new borrower defense rules also updated key definitions and terminology in the calculations primarily related to:
 - ASU 2016-14, NFP Reporting Standards
 - ASU 2016-02, Leases
- Amends formula definitions to further explain total revenues, expenses, gains, and losses in the financial statements
- NACUBO provided terminology crosswalk in [Advisory 19-04](#)

43

43

Financial Responsibility Score Updates

Terminology updates (cont.):

- Redefines the definition of long-term debt:
 - Requires that all long-term debt incurred subsequent to the effective date of the regulation be used for capital investments.
 - Allows debt obtained during asset construction to be used when calculating expendable net assets.
 - Grandfathers long-term debt incurred prior to the effective date of the regulation and previously used to calculate expendable net assets. The grandfathering provision allows "pre-implementation debt" (long-term debt that did not exceed PP&E) as of the prior fiscal year end to be used in the calculation of expendable net assets.
 - Equates lease obligations, as a result of implementing ASU 2016-02, to debt obtained for long-term purposes in the calculation of expendable net assets.
 - Permits lease rental expense to be "grandfathered." Lease rental expense prior to the date of demarcation (December 15, 2018) will be allowed but subsequent lease contracts must follow ASU 2016-02.

44

44

Financial Responsibility Score Updates

Audited Supplemental Schedule Requirement

- New supplemental schedule – “Financial Responsibility Supplemental Schedule”
- The Schedule must provide a crosswalk so that all components needed for calculation of the fiscal responsibility scores are included, as well as reference to the applicable statement or footnote
- The Schedule will be audited and must be included in the audit opinion
- NACUBO provided terminology crosswalk in [Advisory 19-04](#)

45

45

Financial Responsibility Score Updates

Key Takeaways from the Implementation Year

- **Pre-implementation debt** – Repayments on operating lines of credit reduce this number and borrowings do not increase
- **Adjustments to Revenues (and gains) and Expense (and losses)**
 - Defined benefit plan and other post-retirement plan losses and the inclusion with total expenses.
 - Net investment gains (evaluated on combined operating and non-operating basis) to be shown with total revenues and gains. Conversely, loss would be presented with total expenses and losses.
- **Change in split-interest agreement** – A loss is presented as \$0 for the purposes of the Composite Score calculation.

46

46

Financial Responsibility Score Updates

Year 2 – Where to Focus

- Correct presentation of pre-implementation debt
- Adjustments to Revenue and Expense – marrying up to the Statement of Activities
- Pre-implementation Property, Plant, and Equipment
- Other gains/losses not separately disclosed on the Statement of Activities

47

47

Financial Responsibility Score Updates

Planning for Adoption of ASU 2016-02

- Could have a negative impact on the equity ratio – if significant operating assets associated with rent expense are capitalized (drives up denominator)
- Institutions can choose to show only post-implementation lease information
 - If so, should make this clear on the FRSS

48

48

Financial Responsibility Score Updates

Financial Responsibility Schedule Example

49

49

Example of FRSS (1 of 4)

Financial Responsibility Supplemental Schedule			
Primary Reserve Ratio:			
	Expendable Net Assets:		
1	Statement of Financial Position - Net assets without donor restrictions (SFP), page 3	Net assets without donor restrictions	\$ 43,759,675
2	SFP page 3 - Net assets with donor restrictions	Net assets with donor restrictions	69,774,136
3	Contributions receivable, net and Related party note disclosure	Secured and Unsecured related party receivable	\$ -
4	Contribution receivable, net and Related party note disclosure	Unsecured related party receivable	-
5	Notes to Financial Responsibility Supplemental Schedule (NFRSS) Number 7 (Note 7): Property, plant and equipment, net (PP&E net)	Property, plant and equipment, net (includes Construction in progress) - Total	52,431,823
6	NFRSS line 3d: PP&E net	Property, plant and equipment pre-implementation	49,915,583
7	NFRSS Line 4d: PP&E net	Property, plant and equipment post-implementation with outstanding debt for original purchase	-
8	NFRSS Line 6a: PP&E net	Property, plant and equipment post-implementation without outstanding debt for original purchase	601,812
9	NFRSS Line 5: PP&E net	Construction in progress	1,914,428
10	SFP page 3: Lease right-of-use assets (ROU), net	Lease right-of-use asset, net - Total	1,411,956
11	NFRSS line 13: Lease ROU assets pre-implementation	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	-
12	NFRSS line 14: Lease ROU assets and liabilities	Lease right-of-use asset, post-implementation	1,411,956
13	SFP: Goodwill	Intangible assets	-
14	SFP page 3: Post-employment and pension liabilities	Post-employment and pension liabilities	17,349,162

50

50

Example of FRSS (2 of 4)

Financial Responsibility Supplemental Schedule			
15	NFRSS lines 8d, 9a-c, 10: Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for Construction in progress (CIP)	Long-term debt - for long term purposes	12,536,236
16	NFRSS line 8d: Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for CIP	Long-term debt - for long term purposes pre-implementation	12,536,236
17	NFRSS lines 9a-c: Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for CIP	Long-term debt - for long term purposes post-implementation	-
18	NFRSS line 10: Note Payable and Line of Credit for long-term purposes (both current and long term) and Line of Credit for CIP	Line of Credit for Construction in progress	-
19	SFP page 3: Lease ROU of asset liability	Lease right-of-use asset liability	1,565,848
20	NFRSS line 16: Lease ROU of asset liability	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen)	-
21	NFRSS line 17: Lease ROU of asset liability post-implementation	Post-implementation right-of-use asset liability	1,565,848
22	NFRSS line 2d: Annuities, term endowments and life income with donor restrictions	Annuities, term endowments and life income with donor restrictions	2,110,937
23	NFRSS line 2a: Annuities	Annuities with donor restrictions	-
24	NFRSS line 2b: Term endowments	Term endowments with donor restrictions	1,270,049
25	NFRSS line 2c: Life income funds	Life income funds with donor restrictions	840,888
26	NFRSS Line 1: Net assets restricted in perpetuity	Net assets with donor restrictions: restricted in perpetuity	42,737,406

51

51

Example of FRSS (3 of 4)

Total Expenses and Losses:			
27	Statement of Activities (SOA) page 4 - Total Operating Expenses, (Total from Statement of Activities prior to adjustments)	Total expenses without donor restrictions - taken directly from Statement of Activities	41,510,969
28	SOA pages 4-5: Non-Operating (Investment return appropriated for spending), Investments, net of annual spending, gain (loss), Non-service components of net periodic pension costs, Pension-related changes other than net periodic pension, Change in value of split-interest agreements and Other gains (Loss) - Total from SOA prior to adjustments)	Non-Operating and Net Investment (loss)	4,517,414
29	SOA page 4: Non-Operating (Change in value of annuity agreements)	Net investment losses	(743,471)
30	SOA page 4: Non-Operating (Investment return appropriated for spending), Investments, net of annual spending, gain (loss)	Losses on annuities	-
31	SOA page 4: Pension-related changes other than periodic pension	Pension -related changes other than net periodic costs	3,536,866
Equity Ratio:		Modified Net Assets:	
32	SFP page 3: Net Assets without Donor Restrictions	Net assets without donor restrictions	43,759,675
33	SFP page 3: Total Net Assets with Donor Restriction	Net assets with donor restrictions	69,774,136
34	SFP n/a Intangible Assets	Intangible assets	-
35	SFP n/a: Goodwill	Intangible assets	-

52

52

Example of FRSS (4 of 4)

Financial Responsibility Supplemental Schedule				
36	SFP page 30: Contribution receivable, net and Related Parties note disclosure	Secured and Unsecured related party receivables - Total	\$ -	
37	SFP page 30: Contribution receivable, net and Related party note disclosure	Unsecured related party receivables		-
		Modified Assets:		
38	SFP page 3: Total assets	Total assets		179,308,587
39	NFRSS Line 13: Lease right-of-use asset pre-implementation	Lease right-of-use asset pre-implementation		-
40	NFRSS Line 16: Lease right-of-use of asset liability	Pre-implementation right-of-use asset liability		-
41	SOP n/a: Goodwill	Intangible assets		-
42	NFRSS Line 18: Related party receivables and Related party note disclosure	Secured and Unsecured related party receivables	\$ -	
43	NFRSS Line 19: Related party receivables and Related party note disclosure	Unsecured related party receivables		-
	Net Income Ratio:			
44	SOA page 4: Change in Net Assets Without Donor Restrictions	Change in Net Assets Without Donor Restrictions		(853,460)
45	SOA page 4: (Net assets released from restriction), Total Operating Revenue and Other Additions and Sale of Fixed Assets, gains (losses)	Total Revenues and Gains		45,918,394

53

53

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets		
1	Net assets with donor restrictions: restricted in perpetuity	\$ 42,737,406
2	Other net assets with donor restrictions (not perpetually restricted):	
a.	Annuities with donor restrictions	\$ -
b.	Term endowments	1,270,049
c.	Life income funds (trusts)	840,888
d.	Total annuities, term endowments and life income funds with donor restrictions	\$ 2,110,937
Property, Plant and Equipment, net		
3	Pre-implementation property, plant and equipment, net (PP&E, net)	
a.	Ending balance of last financial statements submitted to the Department of Education (June 30, 2019 financial statement)	\$ 52,132,271
b.	Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 leases standards	-
c.	Less subsequent depreciation and disposals	(2,216,688)
d.	Balance Pre-implementation property, plant and equipment, net	49,915,583
4	Debt Financed Post-implementation property, plant and equipment, net	
a.	Long-lived assets acquired with debt subsequent to June 30, 2019:	
	Equipment	-
b.	Land improvements	-
c.	Building	-
d.	Total property, plant and equipment, net acquired with debt exceeding 12 months	-
5	Construction in progress - acquired subsequent to June 30, 2019	1,914,428
6	Post-implementation property, plant and equipment, net, acquired without debt:	
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2019	621,741
b.	Less subsequent depreciation and disposals	(19,929)
7	Total Property, Plant and Equipment, net - June 30, 2020	\$ 52,431,823

54

54

Notes to Financial Responsibility Supplemental Schedule - US Department of Education
Fiscal Year Ended June 30, 2020

Debt to be excluded from expendable net assets

8	Pre-implementation debt:		
a.	Ending balance of last financial statements submitted to the Department of Education (June 30, 2019):	\$	13,285,258
b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standards.		-
c.	Less subsequent debt repayments		(749,022)
d.	Balance Pre-implementation Debt		<u>12,536,236</u>
9	Allowable post-implementation debt used for capitalized long-lived assets:		
a.	Equipment - all capitalized		-
b.	Land improvements		-
c.	Buildings		-
10	Construction in progress (CIP) financed with short term debt		-
11	Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value		-
		\$	<u>12,536,236</u>

55

55

Notes to Financial Responsibility Supplemental Schedule - US Department of Education
Fiscal Year Ended June 30, 2020

Lease right-of-use assets and liabilities

12	Lease right-of-use assets		
	Right of use assets as of balance sheet date June 20, 2020	\$	1,411,956
13	Lease right-of-use assets - Pre-implementation		
	Right of use assets as of balance sheet date June 20, 2020 excluding leases entered into before Dec 15, 2018 (grandfather option of leases not chosen)	\$	-
14	Lease right-of-use assets - Post-implementation		
	Right of use assets as of balance sheet date June 20, 2020 excluding leases entered into on or after Dec 15, 2018	\$	-
15	Lease right-of-use liability		
	Lease liabilities as of balance sheet dated June 20, 2020	\$	1,565,848
16	Lease right-of-use liability - Pre-implementation		
	Lease liabilities as of balance sheet dated June 20, 2020 excluding leases entered into before Dec 15, 2018 (grandfathering of leases not chosen)	\$	-
17	Lease right-of-use liability - Post-implementation		
	Lease liabilities as of balance sheet date June 20, 2020 excluding leases entered into on or after Dec 15, 2018	\$	-
	Unsecured related party receivables		
18	Secured and unsecured related party receivables	\$	-
19	Unsecured related party receivables	\$	-

56

56



Dan Campbell, Partner
CapinCrouse LLP

✉ dcampbell@capincrouse.com
📱 505.50.CAPIN ext. 1452

Dale Larson, VP of Business and
Finance/CFO
Dallas Theological Seminary

✉ dlarson@dts.edu
📱 214.887.5021



Chris DuKate, Principal
CapinCrouse LLP

✉ cdukate@capincrouse.com
📱 505.50.CAPIN ext. 1115

© Copyright CapinCrouse 2021