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FASB Won't Require Tax Status Disclosure From Nonprofit Entities.

The Financial Accounting Standards Board on June 18 tentatively decided that its nonprofit financial reporting project will not produce requirements for nonprofit organizations to disclose their tax-exempt status in the financial statement footnotes.

At a meeting in Norwalk, Connecticut, Richard Cole, a FASB project manager, said that members of the board's Not-for-Profit Advisory Committee had suggested that nonprofit entities should be required to disclose their tax status under section 501(c)(3) because that status may affect an individual's ability to record a tax deduction for a donation or gift granted to the nonprofit.

Cole said that while the staff agreed that information about a nonprofit's tax status could be useful for some financial statement users, they didn't believe that a footnote disclosure should be required because that information can be easily obtained from other sources.

FASB member Thomas Linsmeier supported the staff recommendation but he added that his vote against requiring a footnote disclosure was not based on the existing tax status information found in Form 990, "Return of Exempt Organization." "I'm not sure that it's our role to be necessarily overly emphasizing the tax deductibility of items within reported financial statements, other than indicating what the tax is," he added.

Based on the staff's recommendation, the board will not pursue more disclosure from nonprofit organizations on governing board policies or the risks of operating in international jurisdictions.

FASB will seek the added support of its Not-for-Profit Advisory Committee before finalizing its tentative decision not to pursue those additional footnote disclosure requirements.

FASB agreed that the staff efforts should proceed regarding potential improvements to the accounting and disclosure requirements for the underwater endowment funds held by a nonprofit entity.

The board clarified a recent tentative decision on the presentation and disclosure of investment expenses by voting to remove the proposed requirement to disclose the investment expenses that have been netted against the investment return of mutual and hedge funds.

Cloud Computing

FASB accepted a staff recommendation to issue a proposed accounting standards update to amend the Accounting Standards Codification (ASC) by including implementation guidance to better indicate the accounting for customers' fees paid in cloud computing arrangements.

To assist the customer's determination on whether a cloud computing arrangement should be accounted for as a license or a service contract from the service provider, the board tentatively decided that it will add the revenue recognition guidance from ASC 985, "Software," to the internal-

use software guidance under ASC 350, “Intangibles — Goodwill and Other.”

FASB decided that the proposed update will be effective for public entities in the annual and interim periods beginning after December 15, 2015. All other entities can begin applying the guidance for the annual periods beginning after December 15, 2015, and for the interim periods beginning after that initial annual report. The board would permit entities to elect a retrospective or prospective transition method when applying the guidance.

The staff said that the exposure draft of the proposed accounting standard update will likely be released by late July or early August. The board agreed to provide a 90-day public comment period for the exposure draft.

Treasury recently announced that it may expand existing regulations or draft new regs to help determine the appropriate sourcing for cloud computing transactions.

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