RAPE RECOVERY
center

Financial Statements

And

Independent Auditor's Report

As of June 30, 2019
and for the year then ended
with summarized comparative information for June 30, 2018

Rape Recovery Center

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rape Recovery Center
Salt Lake City, Utah

Financial Statements

We have audited the accompanying financial statements of Rape Recovery Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Rape Recovery Center as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As explained in Note 13 to the financial statements, in 2019, the Organization adopted Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Rape Recovery Center's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Shaw & Co., P.C.

Bountiful, Utah
March 14, 2020

Rape Recovery Center

Statement of Financial Position
June 30, 2019
With Comparative Totals For June 30, 2018

	06/30/2019	06/30/2018
ASSETS		
Current assets		
Cash	$ 95,352	$ 111,146
Accounts receivable, including promises to give	192,305	117,723
Investments	3,134	3,879
Total current assets	290,791	232,748
Investments, restricted	947	1,225
Property and equipment, at cost		
Buildings and improvements	348,491	348,491
Land	80,000	80,000
Furniture, fixtures, and equipment	72,796	77,400
Total property and equipment	501,287	505,891
Less: accumulated depreciation	(380,471)	(371,246)
Net property and equipment	120,816	134,645
Total assets	$ 412,554	$ 368,618
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 18,282	$ 11,739
Accrued payroll and benefits	97,835	71,806
Line of credit	95,687	88
Total current liabilities	211,804	83,633
Total liabilities	211,804	83,633
Net assets		
Without donor restrictions	194,803	173,694
With donor restrictions	5,947	111,291
Total net assets	200,750	284,985
Total liabilities and net assets	$ 412,554	$ 368,618

See accompanying notes to financial statements.

Rape Recovery Center

Statement of Activities
Year Ended June 30, 2019
With Comparative Totals For The Year Ended June 30, 2018

	06/30/2019			
	Without Donor Restrictions	With Donor Restrictions	Total	06/30/2018 Total
REVENUES AND SUPPORT				
Government grants	$ 626,286	$ -	$ 626,286	$ 498,842
Contributions	302,785	5,000	307,785	350,543
In-kind contributions	165,603	-	165,603	138,399
Special events	79,229	-	79,229	74,309
Client fees	1,861	-	1,861	3,887
Interest income	104	-	104	247
Loss on disposal	(266)	-	(266)	-
Net investment return	(1,023)	-	(1,023)	(5,025)
Net assets released from restrictions	110,344	(110,344)	-	-
Total revenues and support	1,284,923	(105,344)	1,179,579	1,061,202
EXPENSES				
Program services	1,040,187	-	1,040,187	861,567
Management and general	112,189	-	112,189	123,987
Fundraising	111,438	-	111,438	85,396
Total expenses	1,263,814	-	1,263,814	1,070,950
Change in net assets	21,109	(105,344)	(84,235)	(9,748)
Net assets, beginning of year	173,694	111,291	284,985	294,733
Net assets, end of year	$ 194,803	$ 5,947	$ 200,750	$ 284,985

See accompanying notes to financial statements.

Rape Recovery Center

Statement of Functional Expenses
Year Ended June 30, 2019
With Comparative Totals For The Year Ended June 30, 2018

	06/30/2019				
	Program Services	Management and General	Fundraising	Total	06/30/2018 Total
Salaries and wages	$ 639,620	$ 83,175	$ 63,952	$ 786,747	$ 690,818
Payroll taxes	47,609	6,191	4,760	58,560	50,512
Employee benefits	39,623	5,153	3,962	48,738	59,106
Total salaries and related expenses	726,852	94,519	72,674	894,045	800,436
Volunteer services	91,000	-	-	91,000	129,948
Marketing	55,520	-	11,371	66,891	-
Office	45,178	2,595	946	48,719	20,488
Professional fees	38,364	6,434	1,811	46,609	11,040
Communications	15,744	1,100	1,491	18,335	17,036
Meals and entertainment	7,258	507	5,656	13,421	7,308
Travel	10,663	745	1,009	12,417	9,853
Supplies	3,960	50	7,241	11,251	19,368
Dues and subscriptions	8,551	572	1,200	10,323	7,890
Conferences and training	6,936	200	-	7,136	6,396
Utilities	5,648	395	535	6,578	6,587
Insurance	4,376	2,097	-	6,473	7,032
Repair and maintenance	4,332	303	410	5,045	9,613
Interest	4,050	283	383	4,716	1,401
Bank and merchant fees	-	860	3,086	3,946	2,274
Facilities rent	-	-	2,450	2,450	-
Total expenses before depreciation	1,028,432	110,660	110,263	1,249,355	1,056,670
Depreciation and amortization	11,755	1,529	1,175	14,459	14,280
Total expenses	$ 1,040,187	$ 112,189	$ 111,438	$ 1,263,814	$ 1,070,950

See accompanying notes to financial statements.

Rape Recovery Center

Statement of Cash Flows
Year Ended June 30, 2019
With Comparative Totals For The Year Ended June 30, 2018

	06/30/2019	06/30/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (84,235)	$ (9,748)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	14,459	14,280
Loss on disposal	266	-
Noncash net investment return	1,023	5,025
Changes in current assets and liabilities:		
Accounts receivable, including promises to give	(74,582)	(54,912)
Accounts payable	6,542	2,861
Accrued payroll and benefits	26,030	26,471
Net cash used in operating activities	(110,497)	(16,023)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash purchases of property and equipment	(896)	-
Net cash used in investing activities	(896)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	135,325	25,302
Payments on line of credit	(39,726)	(25,215)
Net cash provided by financing activities	95,599	87
Net change in cash	(15,794)	(15,936)
Cash, beginning of year	111,146	127,082
Cash, end of year	$ 95,352	$ 111,146
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 4,716	$ 1,401
Cash paid for income taxes	$ -	$ -

See accompanying notes to financial statements.

Rape Recovery Center
Notes to Financial Statements
June 30, 2019

1. ORGANIZATION BASIS OF PRESENTATION

Rape Recovery Center (the "Organization") was incorporated under the laws of the State of Utah as a nonprofit corporation on January 10, 1975. The Rape Recovery Center is committed to providing crisis intervention counseling services to sexual assault victims, their families, and friends; educating the community about the causes, impacts, and prevention of sexual assault; and advocating for comprehensive medical treatment and respectful legal representation on behalf of victims of this violent crime. The Organization's significant sources of revenue consist of government grants and contributions.

Description of Program Services

24-Hour Crisis Line – provides 24-hour assistance, crisis intervention, advocacy and referrals for primary and secondary victim-survivors of sexual assault.

24-Hour Emergency Response Team – provides emotional support and advocacy to primary and secondary victim-survivors within hours of the assault or abuse, and helps victims and their families navigate the medical and crime reporting systems during the initial reporting period and follow-up throughout the criminal justice process. Emergent response is also provided to other non-profit and government agencies to provide assistance to victims outside the reporting period.

In-office and Off-site Counseling – licensed social workers provide individual, family, and partner counseling on a sliding fee schedule to primary and secondary victim-survivors, allowing healing processes to occur in a safe and confidential setting. The Organization offers no-cost therapy to those who qualify or who cannot pay a fee. Clients may schedule appointments during office hours or drop by for immediate assistance on a "walk-in" basis. Off-site counseling is also provided at no cost to victim-survivors unable to reach the RRC office due to incarceration, institutionalization, or physical limitation, such as nursing care facilities, residential treatment centers, jails, prisons, shelters or training centers.

Support Group – licensed social workers facilitate support group sessions to offer victim-survivors a safe atmosphere and a professional process to come to terms with the impact of sexual assault with the added support of other survivors.

Advocacy, Outreach and Education – provide interagency assistance, service coordination and information to individuals, families, schools, community groups, businesses and non-profits with information designed to increase understanding of the impact of sexual violence and reduce the risk of sexual assault.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Date of Management's Review

Subsequent events were evaluated through March 14, 2020 which is the date the financial statements were available to be issued. From their review, management has determined that there were no significant recognizable or unrecognizable subsequent events that were not properly disclosed.

Cash Equivalents

For purposes of the statement of cash flow, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. At June 30, 2019, cash in bank deposit accounts did not exceed the FDIC insured limit of $250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

During the year ended June 30, 2019, Agency A contributed 32% of the Organization’s total revenue and support. At June 30, 2019, amounts due from Agency A and B represented 67% and 21% of total accounts receivable, including promises to give, respectively.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. The Organization’s accounts receivable are generally short-term in nature; thus accounts receivable do not bear interest.

Accounts receivable are periodically evaluated for collectibility based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established at June 30, 2019 because management believes that all accounts receivable will be fully collectible.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. The Organization determines the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. An allowance for uncollectible promises has not been established at June 30, 2019 because management believes that all promises to give will be fully collectible.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Therefore, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Property and equipment are recorded at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed $1,000. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation and amortization is provided on a straight-line basis over the lesser of the estimated useful lives of the respective assets or lease terms, which range from five to twenty years. Depreciation and amortization expense for the year ended June 30, 2019 was $14,459.

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amounts of the assets may not be fully recoverable. The Organization evaluates the recoverability of long-lived assets by measuring the carrying amounts of the assets against the estimated undiscounted future cash flows associated with them. When future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying amounts of the assets, the assets are adjusted to their fair values.

Compensated Absences

Employees of the Organization are entitled to paid vacation depending on length of service and other factors. Sick leave may be accumulated from year to year, but is not accrued because it does not vest; employees are not paid for any sick leave balance at termination of employment or any other time.

Classes of Net Assets

Net assets, revenues and gains are classified based on the presence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions are recognized when cash or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

In-Kind Contributions

In-kind contributions are recorded as support at their estimated fair market value at the date of gift. These contributions are considered to be without donor restrictions unless restricted by the donor. Assets donated with donor-imposed restrictions regarding their use are considered net assets with donor restrictions until the asset is placed in service.

In-kind contributions received during the year ended June 30, 2019 consisted of the following:

Specialized services		
State-certified hospital and crisis response	$	91,000
Donated goods		
Supplies		4,221
Internet		1,680
Marketing		66,891
Other		1,811
	$	165,603

In accordance with FASB ASC 958-605-25-16, *Contributed Services*, the Organization recognizes contributed services only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Program Service Revenue

Program service revenue consists of client fees, which are recognized when services are performed.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2019.

The Organization's Forms 990 for the years ending June 30, 2019, 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. Management has evaluated the tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

Functional Allocation of Expenses

The cost of providing programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, employee benefits, and depreciation, which are allocated on the basis of estimated time and effort.

Advertising Costs

Advertising costs are charged to operations when the advertising first takes place. Advertising expense for the year ended June 30, 2019 was $66,891, including $66,891 of donated marketing. Advertising costs are included in marketing expense in the statement of functional expenses.

Estimates in the Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain items in the summarized comparative information for June 30, 2018 have been reclassified to conform to the June 30, 2019 presentation.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date consisted of the following:

Cash and cash equivalents	$ 95,352
Accounts receivable, including promises to give	192,305
Investments	3,134
Current financial assets, at year-end	290,791
Less those unavailable for general expenditure within one year, due to donor-imposed time or purpose restrictions	(5,000)
Financial assets available to meet cash needs for general expenditure within one year	$ 285,791

As part of its liquidity management plan, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of $120,000 which it can draw upon.

4. ACCOUNTS RECEIVABLE, INCLUDING PROMISES TO GIVE

Accounts receivable, including promises to give, consisted of the following at June 30, 2019:

Government grants	$ 189,918
Other receivables	2,387
	$ 192,305

Accounts receivable, including promises to give, are expected to be received in full within a year or less. Therefore, management has determined that there is no allowance necessary.

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
Level 2	Inputs to the valuation methodology include • quoted prices for similar assets or liabilities in active markets; • quoted prices for identical or similar assets or liabilities in inactive markets; • inputs other than quoted prices that are observable for the asset or liability; • inputs that are derived principally from or corroborated by observable market data by correlation or other means If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2019.

Assets at Fair Value at June 30, 2019

	Level 1	Level 2	Level 3	Total
Common stocks	$ 4,081	$ -	$ -	$ 4,081
Total investments	$ 4,081	$ -	$ -	$ 4,081

6. LINE OF CREDIT

At June 30, 2019, the Organization had a line of credit through a bank with a maximum limit of $120,000 and an annual interest rate of 1.75% above the prime rate, which was 7.25%. The line of credit is secured by real property, which consisted of a building and land costing $428,490. At June 30, 2019 there was $95,687 balance owed on the line of credit.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2019:

Subject to expenditure for specified purpose:	
Public service announcement	$ 5,000
Capital emergencies	947
Total subject to expenditure for specified purpose	5,947
Total net assets with donor restrictions	$ 5,947

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors as following for the year ended June 30, 2019:

Satisfaction of purpose restrictions:	
Direct services	$ 33,107
Hospital response team	19,199
Outreach and prevention	5,070
Expressive arts therapy	12,396
Capital emergencies	278
Expiration of time restrictions:	40,294
Total net assets released from donor restrictions	$ 110,344

8. GOVERNMENT GRANTS

Government grants consisted of the following for the year ended June 30, 2019:

Utah Office for Victims of Crime	$ 370,412
Salt Lake County	44,124
Salt Lake City	70,000
Commission on Criminal and Juvenile Justice	120,000
Utah Department of Health	21,750
	$ 626,286

9. CONTRIBUTIONS

Contributions consisted of the following for the year ended June 30, 2019:

Foundations and organizations	$ 224,929
Individuals	76,552
Corporations	6,304
	$ 307,785

10. OPERATING LEASE

The Organization entered into an operating lease agreement for office equipment. The lease expires June 2020 and requires monthly payments of $196. Total future minimum lease payments required under this lease commitment are as follows:

Year ending June 30,	
2020	$ 2,156

Office equipment lease expense for the year ended June 30, 2019 was $5,690 , which was included in office expense on the statement of functional expenses.

11. COMMITMENTS AND CONTINGENCIES

The Organization participates in various government-assisted grant programs that are subject to review and audit by grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable government regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a government audit may become a liability of the Organization. The ultimate disallowance pertaining to these regulations, if any, is estimated to be immaterial to the overall financial condition of the Organization.

The Organization may be involved in certain claims arising from the ordinary course of operations and has purchased insurance policies to cover these risks.

12. PRIOR YEAR INFORMATION

The accompanying financial statements include certain prior year (2018) summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. The financial statements for the year ended June 30, 2018 are presented for comparative purposes only. The notes presented herein contain information relating to June 30, 2019 only. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

13. ADOPTION OF NEW ACCOUNTING PRONOUNCMENT

For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include:

- Presentation of two classes of net assets, versus the previously required three
- Recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service
- Recognition of underwater endowment funds as a reduction in net assets with donor restrictions and presentation of investment expenses as a reduction of investment income, versus the previously required gross presentation of investment expenses

The guidance also enhances disclosures for liquidity, board designated amounts, composition of net assets with donor restrictions, and expenses by both their natural and functional classification. The ASU has been applied retrospectively to all periods presented.