In June 1993, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. In November 1995, SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations* was issued. All three standards were effective for year ending December 31, 1996. FASB ASC Topic 820, *Fair Value Measurements and Disclosures* was issued in 2006 for fiscal years beginning after November 15, 2007.

**SFAS No. 116** established accounting standards for contributions received. Generally, No. 116 prescribes that all contributions received, including unconditional promises to give, are recognized as revenue in the period received at their fair values. It also requires that contributions received be distinguished between those that increase unrestricted, temporarily restricted, and permanently restricted net assets.

Accounting standards prior to SFAS No. 116 permitted certain restricted contributions received to be deferred and recognized as revenue as the resources were used or the purpose specified by the donor.

**SFAS No. 117** prescribes standards for general purpose external financial statements for all not-for-profit organizations that changes the way the Temple's financial statements are presented. No. 117 requires the classification of the Temple's net assets, its revenue and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Amounts for each of three classes of net assets (unrestricted, temporarily restricted and permanently restricted) are required to be displayed in a statement of financial position. The amounts of the change in each of the three classes of net assets must be displayed in a statement of activities. These three classes of net assets were reduced to two classes (with and without donor restrictions) with the implementation of FASB ASU 2016-14 for reporting year 2018.

Also SFAS No. 117 requires reporting of gross amounts of revenues and expenses. We recommend that special events fundraisers be fully disclosed on Schedule 3, "Detailed Statement of Revenues and Expenses of Fundraising Activities", with the total net proceeds from fraternal and charitable fundraisers being disclosed on the Statement of Activity under the appropriate net asset column. Should you choose to present gross revenues on the Statement of Activity, then you shall provide separate lines on the Statement of Activity for total fundraising expenses: **Fraternal fundraising and Charitable fundraising**. We need to be able to identify the net proceeds from each type of Shrine fundraisers; as charitable net proceeds are restricted monies.

We also recommend that the revenue and expense classifications disclosed on the Statement of Activities follow Shriners International major account categories. This traditional presentation will be compatible with the annual budget comparison report and prior years’ statements. The presentation of expenses by function are to be disclosed in a footnote to the financial statements. This standard also requires the Temple to provide information about how its cash was obtained and then spent; its borrowing and repayment of any borrowing; and other factors that may affect its liquidity. Realized and unrealized gains and losses on investments, dividends, interest, and other investment income shall be reported on the Statement of Activities under “Investment return, net”. Interest on Shrine Hospital Patient Transportation Fund and Life Membership would be reported as increases to Net Assets With Donor Restrictions.
**SFAS No. 124** requires that investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value. Gains and losses resulting from a change in the fair value while holding a security are recognized as changes in net assets in the period in which they occur, while investment income is recognized as revenue in the period earned.

The footnote disclosure shall include for each period for which the Statement of Activities is presented the following: (a) the composition of investment return including, at a minimum, investment income, net realized gains or losses on investments report at other than fair value, and net gains or losses on investments reported at fair value; (b) the aggregate carrying amount of investment by major types, i.e. equity securities, U.S. Treasury securities, corporate debt securities, mortgage-backed securities, oil and gas properties, and real estate and (c) if applicable, the basis for determining the carrying amount of investments other than equity securities with readily determinable fair values and all debt securities.

For the most recent period covered on the Statement of Activities, the Temple shall disclose the nature of and carrying amount of each individual investment or group of investments that represents a significant concentration of market risk.

**FASB ASC TOPIC 820** defines fair value as “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. FASB ASC Topic 820 establishes a fair value hierarchy based on certain criteria into three broad levels:

- **Level 1**: Fair value is determined by using quoted prices (unadjusted) for identical assets or liabilities in active markets.

- **Level 2**: Fair value is determined by using other than quoted prices included within Level 1 that are observable for the asset or liability (e.g., quoted prices for identical assets or liabilities in markets that are not active, quoted prices for similar assets or liabilities in active markets, observable inputs other than quoted prices, and inputs derived principally from or corroborated by observable market data by correlation or other means).

- **Level 3**: Fair value is determined by using inputs based on management assumptions that are not directly observable. These types of assets and liabilities require significant management judgment or estimation.

**NOTE**: The above is meant to be an overview of the applicable standards. Detailed interpretation and application of these standards remains the responsibility of the temple in conjunction with their independent accountant.
FINANCIAL REPORTING CHECKLIST

Note: This checklist is intended only to supplement other reporting checklists with considerations specifically related to Shrine temples. It is not intended to be an all inclusive reporting checklist for Shrine temples.

1. Are financial statements comparative between years? _____ _____
2. Do financial statements present combined activities of the temple and all affiliated entities under their control? _____ _____
3. Have funds for separate charitable activities been kept separate? _____ _____
4. Has the following supplementary financial information been disclosed:
   (a) Detailed schedule of activity within each unrestricted fund? Schedule 1 _____ _____
   (b) Detailed schedule of activity within each temporarily restricted fund? Schedule 2 _____ _____
   (c) Detailed schedule of permanently restricted fund? Schedule 3 _____ _____
   (d) Detailed schedule of each fundraising activity? Schedule 4 _____ _____
5. Have all bequests and donations for the benefit of Shriners Hospitals been forwarded to Shriners International Headquarters in Tampa? _____ _____
6. Have all transactions with related parties, including payments to members of the Divan, commissions to Shrine clubs and units and checks drawn to the temple from restricted funds, been disclosed? _____ _____
7. On the statement of activities and changes in net assets, does:
   (a) Net assets at beginning of year agree with the net assets balance at the end of the prior year? _____ _____
   (b) If not, is an adjustment line provided which explains the difference? _____ _____
   (c) The total of all transfers between funds net to zero? _____ _____
8. Is the specific nature of unrestricted, temporarily restricted and permanently restricted funds described in the footnotes? _____ _____
9. Is interest being earned on charitable funds? If so, interest income must be disclosed separately in the supplemental schedules. _____ _____
10. Has the auditor's prior year's constructive service letter comments been cured? _____ _____
11. Did the auditor issue a constructive service letter? If so, a copy is to be sent to the Director of Temple Accounting. _____ _____

YES  NO