

Private School Perspectives



Summer, 2010

Fair Value Measurements Update (ASC 820)

Subsequent to the issuance of FAS 157, there have been numerous clarifications issued. The most common investments affected are:

- Any investments with a net asset value or equivalent that does not have a readily determined market value cannot be classified as a Level 1. These investments will be classified as level 2 or 3 based on their ability to be redeemed at their net asset value per share. Additional disclosures required for these investments include a description of significant investment strategies of the investees, any unfunded commitments and general redemption information.
- Perpetual trusts and funds held in trust by others are required to be Level 3 because of the lack of observable activity or market activity.
- CD's held as investments may be required to be Level 2 (depending on the term length).
- The underlying investments held in a defined benefit pension plan must be disclosed utilizing the same fair value hierarchy. This will generally be separated from the fair value table and included in the pension footnote.

Accounting Standards Codification

FASB Accounting Standards Codification is the single source of US GAAP for non-governmental entities. This restructuring of accounting standards was completed to simplify access to GAAP by providing information in a topical format.

All references to the pre-codification standards within the financial statement footnotes for years ending after September 30, 2009 and thereafter will be removed.

Derivatives (ASC 815)

New disclosure requirements include the organization's objectives and strategies for holding the instruments, their purpose, and where the related amounts are presented on the statement of financial position and statement of activities.

Also, effective for June 30, 2011, additional disclosures will be required to disclose significant transfers between level 1 and 2 instruments and disclose what valuation technique is used to determine fair values (market, income or cost).

Accounting for Income Taxes (ASC 740)

The new provisions of FIN 48, clarifies the accounting for uncertainty in income taxes recognized in the organization's financial statements.

The provision prescribes certain criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. These provisions also provide guidance on derecognition, classification, interest, penalties and disclosures.

The organization's footnotes will disclose the implementation's impact on the financial statements and any unrecognized tax benefits upon adoption and thereafter. In addition, the footnote will also disclose the income tax years that remain subject to examination by the Internal Revenue Service, as well as any state and local taxing authorities.



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