

November 1, 2018

To the Board of Directors and Management
Niswonger Foundation, Inc.
Greeneville, Tennessee 37743

Dear Board of Directors and Management,

Blackburn, Childers & Steagall, PLC greatly appreciates our business relationship with you, and we strive to help keep you aware of accounting and financial reporting standards changes affecting your organization. Some changes to your financial statements for the 2019 year will be required as a result of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance will change the way all not-for-profits classify net assets and prepare financial statements.

These updates are expected to make improvements addressing:

Net Asset Classification

The new guidance will require your financial statements to present the amount for each of two classes of net assets on the face of the statement of financial position

- net assets with donor restrictions
- net assets without donor restrictions

The previous categories of temporarily and permanently restricted net assets are no longer presented, but are combined into a single category. To enhance readers' understanding of the donor restrictions, footnote disclosures will be required to include the timing and nature of the restrictions, as well as the composition of net assets with donor restrictions at the end of the period. The disclosures will continue to show an analysis by time, purpose, and perpetual restrictions.

Underwater Endowments

As part of the change to classification of net assets, endowments that have a current fair value that is less than the original gift amount (or amount required to be retained by donor or by law), known as underwater endowments, will now be classified in net assets with donor restrictions, instead of the current classification in unrestricted net assets. Expanded disclosures will be required to include the following information:

- The original amount of the endowment
- The Foundation's policy relating to spending from these funds
- Whether that policy was followed

Board-designated Net Assets

At times, the governing board may make designations or appropriations that result in self-imposed limits on the use of resources without donor restrictions, known as board-designated net assets; enhanced disclosure information will be required on the amounts and purposes of these designations. In addition, the placed-in-service approach will be required when releasing restrictions related to long-lived assets. The option to imply a time restriction and release the restriction over an asset's useful life will no longer be permitted.

Information about Liquidity

The Foundation will be required to disclose both quantitative and qualitative information about the availability of and how the Foundation manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date. The goal of this change is to improve the ability of financial statement users to assess the Foundation's available financial resources and the liquidity of those resources.

Presenting Expenses

To make information about expenses more comparable and useful, the Foundation will be required to provide information about your operating expenses by both nature and function—on the face of the statement of activities, as a separate statement, or in the notes to the financial statements, supplemented with enhanced disclosures about the methods used to allocate costs among functions.

Investment Return

A net presentation of investment expenses against investment return will be required on the face of the statement of activities. External and direct internal investment expenses will be netted against the investment return. Disclosing the components of investment expense will no longer be required.

Statement of Cash Flows

The Foundation can continue to present either the direct or indirect method of reporting operating cash flows. However, the presentation or disclosure of the indirect method reconciliation is no longer required if the direct method is used.

Effective Date and Transition

These amendments are effective for your June 30, 2019 annual financial statements.

The majority of these changes will impact how your financial statements look rather than the accounting behind them, but some advance planning to implement the changes could save considerable time and effort at year-end. We will work in conjunction with the Foundation to ensure the implementation of these changes.

Sincerely,

BLACKBURN, CHILDERS & STEAGALL, PLC



Chad T. Kisner, CPA, CISA, CITP
Member of the Firm