SFAC 6 Elements of Financial Statements PLUS

Incremental step in mastering XBRL-based digital financial reporting

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"The things that we should do are: the things that need to be done, the things you see that need to be done, and the things no one else thinks need to be done." *Richard Buckminster Fuller*[1]

Executive summary:

- This document supplements the SFAC 6 Elements of Financial Statements by adding terms, associations, structures, assertions, and facts related to not-for-profit entities.

- This helps with understanding the notion of structures.

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[1] WikiQuotes, Richard Buckminster Fuller, https://simple.wikiquote.org/wiki/Richard_Buckminster_Fuller

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Before you work through this document, please read the SFAC 6 representation.

You can download a zip file that contains all of the XBRL examples or the human-readable representation of the example. The home page for this information can be found here. Files can be downloaded from here:

http://xbrlsite.azurewebsites.net/2020/core/master-sfac6plus/

FASB's SFAC 6, *Elements of Financial Statements* Plus

The FASB's SFAC 6, *Elements of Financial Statements*[2], covers the core elements that are the building blocks of financial statements. The first SFAC 6 representation for simplicity purposes covered only for-profit businesses to keep that representation as small as possible.

This representation supplements the initial SFAC 6 representation and adds terms, structures, associations, assertions, and facts for not-for-profit entities.

Recall the accounting equation is:

"Assets = Liabilities + Equity"

But not-for-profits adjusts that base accounting equation and uses this equation:

"Net Assets = Assets - Liabilities"

In addition to the 10 terms defined in the initial SFAC 6 representation (Assets, Liabilities, Equity, Comprehensive Income, Investments by Owners, Distributions to Owners, Revenues, Expenses, Gains, Losses); the following additional terms are defined:

- Net Assets
- Changes in Net Assets
- Fund Balance
- Fund Balance, Permanently Restricted
- Fund Balance, Temporarily Restricted
- Fund Balance, Unrestricted
- Other Increases (Decreases) in Fund Balance

Rather than creating a "Balance Sheet", a not-for-profit creates a "Net Assets" statement similar to the following:

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[2] FASB, SFAC 6, *Elements of Financial Statements*, Accounting Equation, https://www.fasb.org/pdf/con6.pdf

Fund Balance [Line Items]	Period [Axis]	
	2020-12-31	2019-12-31
Net Assets [Roll Up]		
Assets	3,500	0
(Liabilities)	0	0
Net Assets	3,500	0
Fund Balance [Roll Up]		
Fund Balance, Permanently Restricted	2,000	0
Fund Balance, Termporarily Restricted	1,000	0
Fund Balance, Unrestricted	500	0
Fund Balance	3,500	0

Rather than a "Comprehensive Income" statement, a not-for-profit creates a "Changes in Net Assets" statement:

Changes in Net Assets [Line Items]	Period [Axis]
	2020-01-01 - 2020-12-31
Changes in Net Assets [Roll Up]	
Revenues	7,000
(Expenses)	(3,000)
Gains	1,000
(Losses)	(2,000)
Change in Net Assets	3,000

Rather than a "Changes in Equity" statement, a not-for-profit creates a "Changes in Fund Balance" statement:

Changes in Fund Balance [Line Items]	Period [Axis]
	2020-01-01 - 2020-12-31
Changes in Fund Balance [Roll Forward]	
Fund Balance, Beginning Balance	0
Change in Net Assets	3,000
Other Increases (Decreases) in Fund Balance	500
Fund Balance, Ending Balance	3,500

I am not 100% certain that I have this exactly correct from an accounting perspective. Something interesting is that the FASB seems to say that for a not-for-profit; revenues, expenses, gains, and losses are what makes up "change in net assets" (as contrast to "comprehensive income" for a for profit).

A not-for-profit has no "investments by owners" or "distributions to owners"; but is there a possibility that "other increases (decreases) in fund balance" can occur? As a placeholder, I have added this line item. The FASB seems to imply that that line item exists, but I cannot tell for certain.

There are TWO POINTS in this. First, note that the for-profit and the not-for-profit representations can be created. Second, maybe I have these terms, associations, assertions, structures, and facts right; maybe I have them wrong. If I have them wrong, the representation can simply be adjusted to make it right.

The fundamental high-level relations of financial statements should be straight forward and easy to understand. Creating these basic structures should be easy. If they are not, that means the financial reporting standards are vague, maybe even ambiguous.