

What Nonprofits Need to Know About Current Estimated Credit Losses - CECL

From ASU 2016-13 – Credit Losses:

Entities

326-20-15-1 The guidance in this Subtopic applies to all entities.

Instruments

326-20-15-2 The guidance in this Subtopic applies to the following items:

- a. Financial assets measured at amortized cost basis, including the following:
 1. **Financing receivables**
 2. Held-to-maturity **debt securities**
 3. Receivables that result from revenue transactions within the scope of Topic 605 on revenue recognition, Topic 606 on revenue from contracts with customers, and Topic 610 on other income
 4. **Reinsurance receivables** that result from insurance transactions within the scope of Topic 944 on insurance
 5. Receivables that relate to repurchase agreements and securities lending agreements within the scope of Topic 860
- b. Net investments in leases recognized by a lessor in accordance with Topic 842 on leases
- c. Off-balance-sheet credit exposures not accounted for as insurance. Off balance-sheet credit exposure refers to credit exposures on off-balance sheet loan commitments, standby letters of credit, financial guarantees not accounted for as insurance, and other similar instruments, except for instruments within the scope of Topic 815 on derivatives and hedging.

326-20-15-3 The guidance in this Subtopic does not apply to the following items:

- a. Financial assets measured at **fair value** through net income
- b. Available-for-sale debt securities
- c. **Loans** made to participants by defined contribution employee benefit plans
- d. Policy loan receivables of an insurance entity
- e. Promises to give (pledges receivable) of a not-for-profit entity
- f. Loans and receivables between entities under common control.