TOOLS & RESOURCES

How do you know if the CECL impairment model applies to your nonprofit?

CECL applies to any entity that extends credit. A common example of extending credit in nonprofits occurs when we have trade receivables (often we use the term “accounts receivable”).

DID YOUR NONPROFIT EXTEND CREDIT?

- [ ] Yes
- [ ] No

If yes, you must implement CECL by developing, maintaining, and documenting a systematic, disciplined, and consistently applied process for calculating CECL going forward.

TO CALCULATE CECL, CONSIDER THE FOLLOWING:

Information such as creditworthiness, changes in strategy, current and forecasted direction of the economy and business environment, terms of the specific agreement, and collateral of the customer.

- [ ] Relevant historical information, adjusted for current conditions.
- [ ] Various methods such as loss-rate approach, vintage year, mixture of collective and individual considerations, and aging schedule.
- [ ] Groups or large accounts with similar risk characteristics should be pooled together when analyzing potential credit losses.

Once you’ve calculated CECL, you must disclose it by including one or more of the following disclosures in your nonprofit’s financial statements:

- Transition disclosures
- Policy disclosures
- Description of estimate: How expected losses are developed
- Quantitative disclosures

Get a clear picture of how CECL impacts your nonprofit

Implementing CECL requires a definitive shift in your accounting and financial reporting practices, and it’s important to get it right. If you have questions about if or how CECL impacts your nonprofit, the advisors at Abdo can help.

GET IN TOUCH