



Financial Statements

December 31, 2018 and 2017

Early Care and Learning Council

Financial Statements

December 31, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Early Care and Learning Council
Albany, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the Early Care and Learning Council (Council), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2019, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York
June 11, 2019



Early Care and Learning Council

Statements of Financial Position

	December 31,	
	2018	2017
ASSETS		
Cash	\$ 9,873	\$ 165,468
Accounts and grants receivable	294,727	147,631
Prepaid expenses	11,502	12,754
Property and equipment, net	10,194	15,290
Total assets	\$ 326,296	\$ 341,143
LIABILITIES		
Line-of-credit	\$ 25,000	\$ -
Accounts payable	5,523	22,850
Accrued expenses	27,684	26,274
Deferred revenue	619	33,558
	58,826	82,682
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	266,685	257,342
With donor restrictions	785	1,119
	267,470	258,461
Total liabilities and net assets	\$ 326,296	\$ 341,143

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statement of Activities

	Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants	\$ 1,144,505	\$ -	\$ 1,144,505
Membership dues	75,847	-	75,847
Meetings, retreats, and fees	40,157	-	40,157
Staff consulting	9,254	-	9,254
Fundraising	4,607	-	4,607
Other	3,405	-	3,405
Net assets released from restrictions	334	(334)	-
Total revenues and other support	1,278,109	(334)	1,277,775
EXPENSES			
Program services expenses			
Child care resource and referral day care training	891,858	-	891,858
Copeland training	1,576	-	1,576
Hagedorn Foundation	23,558	-	23,558
Hunger Solutions	49,946	-	49,946
Membership services and special events	96,389	-	96,389
Prevent Child Abuse NY	3,000	-	3,000
Schott Foundation	10,000	-	10,000
Staff consultant services	5,320	-	5,320
Sublease and other cost	23,871	-	23,871
Total program services expenses	1,105,518	-	1,105,518
Management and general	183,117	-	183,117
Total expenses	1,288,635	-	1,288,635
CHANGE IN NET ASSETS FROM OPERATIONS	(10,526)	(334)	(10,860)
NONOPERATING REVENUE			
Rental income	19,869	-	19,869
Change in net assets	9,343	(334)	9,009
NET ASSETS, <i>beginning of year</i>	257,342	1,119	258,461
NET ASSETS, <i>end of year</i>	\$ 266,685	\$ 785	\$ 267,470

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statement of Activities

	Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Grants	\$ 1,116,696	\$ -	\$ 1,116,696
Membership dues	75,847	-	75,847
Meetings, retreats, and fees	68,785	-	68,785
Staff consulting	13,248	-	13,248
Fundraising	3,706	-	3,706
Other	3,512	1	3,513
Total revenues and other support	<u>1,281,794</u>	<u>1</u>	<u>1,281,795</u>
EXPENSES			
Program services expenses			
Child care resource and referral day care training	891,584	-	891,584
Copeland training	29,282	-	29,282
Hagedorn Foundation	1,442	-	1,442
Hunger Solutions	56,413	-	56,413
Membership services and special events	84,271	-	84,271
Staff consultant services	6,789	-	6,789
Sublease and other cost	24,519	-	24,519
Total expenses	<u>1,094,300</u>	<u>-</u>	<u>1,094,300</u>
Management and general	<u>179,292</u>	<u>-</u>	<u>179,292</u>
Total expenses	<u>1,273,592</u>	<u>-</u>	<u>1,273,592</u>
CHANGE IN NET ASSETS FROM OPERATIONS	8,202	1	8,203
NONOPERATING REVENUE			
Rental income	<u>19,256</u>	<u>-</u>	<u>19,256</u>
Change in net assets	27,458	1	27,459
NET ASSETS, <i>beginning of year</i>	<u>229,884</u>	<u>1,118</u>	<u>231,002</u>
NET ASSETS, <i>end of year</i>	<u>\$ 257,342</u>	<u>\$ 1,119</u>	<u>\$ 258,461</u>

Early Care and Learning Council

Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services Expenses											Management and General	Total Expenses
	CCR&R Day Care Training	Copeland Training	Hagedorn Foundation	Hunger Solutions	Membership Services and Special Events	Prevent Child Abuse NY	Schott Foundation	Staff Consultant Services	Sublease and Other Cost	Total Program Services Expenses			
Salaries	\$ 582,139	\$ 1,005	\$ 12,292	\$ 22,951	\$ 23,509	\$ 1,455	\$ 3,500	\$ 2,912	\$ -	\$ 649,763	\$ 140,662	\$ 790,425	
Payroll taxes and benefits	66,291	97	1,266	2,608	2,576	145	500	465	-	73,948	15,808	89,756	
Conferences and training	13,573	-	3,053	16	40,710	-	-	10	-	57,362	97	57,459	
Dues and subscriptions	5,072	-	-	88	2,985	-	-	209	-	8,354	458	8,812	
Depreciation	5,096	-	-	-	-	-	-	-	-	5,096	-	5,096	
Equipment rental and maintenance	21,900	-	-	882	2,284	-	-	-	2,361	27,427	4,693	32,120	
Insurance	3,756	-	-	170	229	-	-	-	-	4,155	912	5,067	
Interest	-	-	-	-	244	-	-	-	60	304	-	304	
Office rent	71,283	-	-	3,499	4,038	-	-	-	19,256	98,076	17,400	115,476	
Office supplies and postage	11,038	-	-	61	3,492	100	-	22	2,162	16,875	-	16,875	
Other	6,416	-	-	21	3,476	-	-	-	32	9,945	140	10,085	
Printing	1,050	-	-	12,469	979	-	5,117	-	-	19,615	-	19,615	
Professional fees	79,933	474	4,700	6,389	4,970	1,000	-	800	-	98,266	1,724	99,990	
Telephone	5,020	-	-	242	311	-	-	-	-	5,573	1,223	6,796	
Training material and facilities	2,885	-	-	-	2,010	-	-	-	-	4,895	-	4,895	
Travel	16,406	-	2,247	550	4,576	300	883	902	-	25,864	-	25,864	
	\$ 891,858	\$ 1,576	\$ 23,558	\$ 49,946	\$ 96,389	\$ 3,000	\$ 10,000	\$ 5,320	\$ 23,871	\$ 1,105,518	\$ 183,117	\$ 1,288,635	

6See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statement of Functional Expenses

Year Ended December 31, 2017

Program Services Expenses										
	CCR&R Day Care Training	Copeland Training	Hagedorn Foundation	Hunger Solutions	Membership Services and Special Events	Staff Consultant Services	Sublease and Other Cost	Total Program Services Expenses	Management and General	Total Expenses
Salaries	\$ 544,436	\$ -	\$ 1,248	\$ 25,084	\$ 16,498	\$ 3,998	\$ -	\$ 591,264	\$ 135,382	\$ 726,646
Payroll taxes and benefits	66,128	-	194	3,329	2,283	624	-	72,558	15,967	88,525
Conferences and training	20,593	2,631	-	16	30,951	-	-	54,191	85	54,276
Dues and subscriptions	5,089	-	-	100	1,092	199	-	6,480	495	6,975
Depreciation	5,097	-	-	-	-	-	-	5,097	-	5,097
Equipment rental and maintenance	21,135	-	-	919	-	-	943	22,997	4,816	27,813
Insurance	3,757	-	-	175	148	-	-	4,080	925	5,005
Interest	-	-	-	-	43	-	5	48	-	48
Office rent	72,165	-	-	3,448	7,807	-	19,256	102,676	17,801	120,477
Office supplies and postage	15,388	19	-	47	2,296	-	4,315	22,065	440	22,505
Other	2,804	37	-	3	3,928	-	-	6,772	15	6,787
Printing	1,944	500	-	10,935	1,753	-	-	15,132	-	15,132
Professional fees	99,668	16,608	-	11,733	10,005	-	-	138,014	1,980	139,994
Telephone	5,640	-	-	270	126	-	-	6,036	1,386	7,422
Training material and facilities	15,016	2,500	-	-	-	-	-	17,516	-	17,516
Travel	12,724	6,987	-	354	7,341	1,968	-	29,374	-	29,374
	\$ 891,584	\$ 29,282	\$ 1,442	\$ 56,413	\$ 84,271	\$ 6,789	\$ 24,519	\$ 1,094,300	\$ 179,292	\$ 1,273,592

7See accompanying Notes to Financial Statements.

Early Care and Learning Council

Statements of Cash Flows

	Year Ended December 31,	
	2018	2017
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 9,009	\$ 27,459
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	5,096	5,097
(Increase) decrease in		
Accounts receivable	(147,096)	(127,220)
Prepaid expenses	1,252	(1,689)
Increase (decrease) in		
Accounts payable	(17,327)	10,791
Accrued expenses	1,410	892
Deferred revenue	(32,939)	33,558
	<u>(180,595)</u>	<u>(51,112)</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Line-of-credit, net	<u>25,000</u>	<u>-</u>
Net increase (decrease) in cash	(155,595)	(51,112)
CASH, beginning of year	<u>165,468</u>	<u>216,580</u>
CASH, end of year	\$ 9,873	\$ 165,468

See accompanying Notes to Financial Statements.

Early Care and Learning Council

Notes to Financial Statements
December 31, 2018 and 2017

Note 1 - Organization and Summary of Significant Accounting Policies

a. Description of Organization

The Early Care and Learning Council (Council) was incorporated in April 1975 as a New York not-for-profit corporation. The Council was formed to coordinate, assist, strengthen, and promote child care services in the State of New York and to provide a mechanism whereby child care councils and other interested organizations, individuals, and agencies may join together to accomplish shared goals.

b. Basis of Accounting

The Council prepares its financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

c. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. Accounts and Grants Receivable

Accounts and grants receivable are carried at original invoice amount based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Management considers all accounts and grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required as of December 31, 2018 and 2017. Accounts and grants receivable are written off when deemed uncollectible, and recoveries of accounts previously written off are recorded when received.

Accounts and grants receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is not charged on outstanding receivables.

e. Property and Equipment, Net

Property and equipment are reported at cost, net of accumulated depreciation. Expenditures for acquisitions and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When property and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of cost and accumulated depreciation, and any resultant gain or loss is credited in the statements of activities.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets of five years.

f. Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There were no impairments of long-lived assets as of December 31, 2018 and 2017.

Early Care and Learning Council

Notes to Financial Statements
December 31, 2018 and 2017

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

g. Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors or grantors, as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Council reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. The Council did not have any net assets with donor restrictions to be maintained in perpetuity as of December 31, 2018 and 2017.

h. Revenue Recognition

- i. Grants - A substantial portion of the Council's grant revenue is derived from a Child Care and Development Block Grant. Revenue is recognized upon the submission and acceptance of quarterly reports which detail the contractually obligated milestones the Council must reach.
- ii. Membership dues - Membership dues are recognized ratably over the membership period.
- iii. Meetings, retreats, and fees - Revenues from meetings, retreats, and related fees are recognized when the event takes place.
- iv. Amounts received for programs or activities to be performed in the following year are reported as deferred revenue.

i. Tax Status

The Council is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Council has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

The Council files Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated the Council's tax positions and concluded that the Council had taken no tax positions that required adjustment in its financial statements as of December 31, 2018 and 2017.

Early Care and Learning Council

Notes to Financial Statements
December 31, 2018 and 2017

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

j. Functional Allocation of Expenses

Expenses that are directly identifiable are charged to programs. Expenses related to more than one function are charged to program services and other functions using specific allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Council. Expenses that are allocated include conferences and training, dues and subscriptions, equipment and maintenance, insurance, office rent, office supplies and postage, other, professional fees and telephone, which are allocated based on salaries; and salaries and benefits, which are allocated on the basis of estimated time and effort.

k. New Accounting Pronouncement

Effective January 1, 2018, the Council adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. As a result of adopting ASU 2016-14, the Council has included the required liquidity disclosures and added statements of functional expenses. The adoption of ASU 2016-14 was applied retrospectively to the prior year financial statements.

l. Subsequent Events

The Council has evaluated subsequent events for potential recognition or disclosure through June 11, 2019 the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Total assets at December 31, 2018	\$ 326,296
Less	
Prepaid expenses	(11,502)
Property and equipment, net	(10,194)
Net assets with donor restrictions	<u>(785)</u>
	<u>\$ 303,815</u>

The Council has approximately \$303,800 of financial assets available within one year of the statement of financial position date consisting of cash of approximately \$9,100 and accounts receivable of approximately \$294,700.

The Council has a five year Child Care and Development Block Grant that started in January 2018, which has approximately \$1,058,000 budgeted for the year ending December 31, 2019. In addition, the Council has reoccurring membership dues of approximately \$75,900 as well as rental revenue of approximately \$19,300 budgeted for the year ending December 31, 2019.

As discussed in Note 4, the Council also has available a line-of-credit in the amount of \$150,000, which it could draw upon in the event of any unanticipated liquidity need.

Early Care and Learning Council

Notes to Financial Statements December 31, 2018 and 2017

Note 3 - Property and Equipment, Net

A summary of the Council's property and equipment, net, is as follows:

	December 31,	
	2018	2017
Property and equipment	\$ 25,484	\$ 25,484
Less accumulated depreciation	15,290	10,194
Property and equipment, net	<u>\$ 10,194</u>	<u>\$ 15,290</u>

Certain property and equipment were purchased with funds provided through federal grants. The title of these assets rests with the Council, however, the grant specifies that they should be used to benefit program activities. There were no federally funded grant purchases of property and equipment for the years ended December 31, 2018 and 2017.

Depreciation expense was approximately \$5,100 for the years ended December 31, 2018 and 2017.

Note 4 - Line-of-Credit

The Council has a \$150,000 unsecured line-of-credit agreement with M&T Bank, of which \$25,000 was outstanding as of December 31, 2018. There was no outstanding balance on the line-of-credit as of December 31, 2017. The line-of-credit is renewable annually. Borrowings bear interest at the bank's prime rate plus one percent (effective rate of 6.50% and 5.50 at December 31, 2018 and 2017, respectively).

Note 5 - Retirement Plan

The Council sponsors a Simplified Employee Pension Plan (SEP) which covers all employees who meet certain eligibility requirements. Contributions are discretionary, determined by the Board of Directors, and amounted to approximately \$11,900 and \$11,000 for the years ended December 31, 2018 and 2017, respectively.

Note 6 - Commitments, Contingencies, Risks, and Uncertainties

a. Concentrations of Credit Risk

Bank accounts at certain institutions are insured up to certain limits, established by the Federal Deposit Insurance Corporation (FDIC). At times, the Council has bank deposits in certain institutions in excess of amounts insured by the FDIC.

b. Operating Leases

The Council is obligated under a lease agreement for office space. The current lease requires payments of approximately \$9,600 per month through December 2022. Total lease expense under this agreement was approximately \$115,500 and \$120,500 for the years ended December 31, 2018 and 2017, respectively.

Early Care and Learning Council

Notes to Financial Statements
December 31, 2018 and 2017

Note 6 - Commitments, Contingencies, Risks, and Uncertainties - Continued

b. Operating Leases - Continued

The Council also has several lease agreements for equipment, which require monthly payments ranging from approximately \$100 to \$600 and expire at various dates ranging from March 2019 through April 2022. Total rental expense under these agreements was approximately \$8,300 for both the years ended December 31, 2018 and 2017.

Future minimum lease payments under these leases are as follows:

For the year ending December 31,	
2019	\$ 121,385
2020	119,929
2021	119,816
2022	<u>116,923</u>
	<u>\$ 478,053</u>

c. Rental Revenue

The Council entered into two sublease agreements to rent a portion of its office space. The leases require rental payments totaling approximately \$1,600 per month and currently expire in December 2019. The rental income was approximately \$19,900 and \$19,300 for the years ended December 31, 2018 and 2017, respectively.

d. Significant Revenue Sources

Grants from the U.S. Department of Health and Human Services (DOHH), passed through the New York Office of Children and Family Services, accounted for approximately 83% and 81% of total revenues and other support for the years ended December 31, 2018 and 2017, respectively.

Approximately 90% and 72% of accounts and grants receivable was due from the DOHH as of December 31, 2018 and 2017, respectively. In addition, the Council had one other significant customer that represented approximately 9%, and two other significant customers that represented approximately 27% of accounts and grants receivable as of December 31, 2018 and 2017, respectively.

e. Regulatory Compliance

The Council is subject to audits and reviews of reimbursable costs by various governmental agencies. The outcome of the audits and reviews may have the effect of retroactively increasing or decreasing revenue from grants. These charges, if any, will be recognized in accordance with the rules and guidelines established by the various funding sources. Compliance with such laws and regulations can be subject to future governmental review and interpretations as well as regulatory actions unknown or unasserted at this time.

Early Care and Learning Council

Notes to Financial Statements December 31, 2018 and 2017

Note 7 - New Accounting Pronouncements Issued But Not Yet Implemented

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgments and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. ASU 2014-09 was effective for the Council on January 1, 2019. The Council has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. For resource recipients: Where the Council is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. For resource providers: Where the Council is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. The Council is currently evaluating the impact of the adoption of this guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard provides a number of practical expedients. ASU 2016-02 will be effective for the Council on January 1, 2020. The Council is currently evaluating the impact of the pending adoption of the new standard on the financial statements, and currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the statement of financial position in amounts that will be material.