

**VOLUME 6B, CHAPTER 6: “STATEMENT OF CHANGES IN NET POSITION”****SUMMARY OF MAJOR CHANGES**

All changes are denoted by *blue font*.

Substantive revisions are denoted by an \* symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by *[bold, italic, blue and underlined font](#)*.

The previous version dated *April 2013* is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Clarified existing language and updated hyperlinks.	Revision
060301	Added guidance on mixed or commingled funds per Office of Management and Budget (OMB) Circular A-136.	Addition
060302.J	Corrected computation to arrive at the Cumulative Results of Operations to comply with instructions in OMB Circular A-136.	Revision

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## CHAPTER 6

**STATEMENT OF CHANGES IN NET POSITION**0601 **GENERAL**

## 060101. Purpose

This chapter prescribes the policy surrounding preparation of the Department of Defense (DoD) Statement of Changes in Net Position (SCNP). It provides details for the formatting required for the SCNP and instructions for preparing the Cumulative Results of Operations and Unexpended Appropriations sections thereof.

060102. **Authoritative Guidance**

The requirements of this chapter apply to all reporting entities found in Chapter 1, section 0104. The SCNP reports the change in net position during the reporting period. Guidance from Office of Management and Budget (OMB) [Circular A-136](#), “Financial Reporting Requirements,” and Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700, “Agency Reporting Requirements for the Financial Report of the United States Government,” [\(TFM 2-4700\)](#) is incorporated throughout this chapter.

0602 **FORMAT FOR THE SCNP**

## 060201. General Information

The SCNP reports the change in net position during the reporting period. The net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The SCNP format displays both components of net position separately to enable the user to better understand the nature of changes to net position as a whole.

## 060202. Format for the SCNP

The SCNP will be prepared in accordance with the format presented in Figure 6-1. The working versions of all statements and notes **must** include line numbers as shown in Figure 6-1. All amounts are in dollars and cents in the working versions of the statements and notes in order to facilitate communication among the preparers, reviewers, and auditors during the financial statements preparation process. This process minimizes the additional time and workload required to round and reconcile dollar amounts.

## 060203. Format for the Final Published SCNP

The final published DoD principal statements, including the SCNP, and notes to the principal statements display dollars rounded to millions with one decimal point. All Component statements, and notes to the statements, display dollar amounts rounded to the nearest thousand on the final published principal statements and in the tables/schedules contained in the notes to the

principal statements. Dollar amounts in note narratives **must** be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., \$340.1 million, not \$340,100 thousand). The line numbers shown in Figure 6-1 are for reference purposes only. Line number references are not included on the final published statements.

## 0603 INSTRUCTIONS FOR THE PREPARATION OF THE SCNP

### \*060301. General Instructions

A. Preparation. The SCNP is prepared from information utilizing Department of the Treasury ([Treasury](#)) United States Standard General Ledger (USSGL) accounts and crosswalks. System users can access crosswalk information within the USSGL section of the [TFM](#) for current fiscal year reporting. The crosswalk for each line of the SCNP is included in the Defense Departmental Reporting System - Audited Financial Statements ([DDRS-AFS](#)). Authorized DDRS users may access the most current mapping of the SCNP by selecting “Query” from the main DDRS-AFS menu, then selecting “Referential Data,” and then SCNP under one of the “Report Map” options.

### B. Dedicated Collections

1. Generally, funds from dedicated collections are financed by specifically identified revenues provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute for designated benefits, activities, or purposes, and must be reported separately from the Federal government’s general revenues. The Statement of Federal Financial Accounting Standards ([SFFAS](#)) 43, “[Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds](#),” contains the complete definition and criteria for dedicated collections. Report the portions of Cumulative Results of Operations and Unexpended Appropriations attributable to dedicated collections in Note 23, “Funds from Dedicated Collections,” of the notes to the financial statements.

2. Resources from “Funds from Dedicated Collections” derived from trust or special fund receipts are often commingled or mixed with resources from the General Fund of the U.S. Government. If the predominant source of a mixed fund is “Funds from Dedicated Collections,” the entire fund may be reported in the financial statements as “Funds from Dedicated Collections.” Whether a mixed fund is reported as “Funds from Dedicated Collections” depends upon the predominant use of the fund and whether the fund as a whole meets the definition of “Funds from Dedicated Collections” in SFFAS 43.

C. Prior Period Adjustments. A prior period adjustment is an adjustment to balances of a prior period due to a change in accounting principle or correction of a material error (or an aggregation of errors). Prior period adjustments for correction of material errors require restatement of prior period balances, while adjustments for changes in accounting principles generally do not. Immaterial errors must be corrected in the period discovered, using the accounts

that would have been posted had the transactions occurred in the current period. For additional guidance, refer to [SFFAS 21](#), “Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of SFFAS 7, Accounting for Revenue and Other Financing Sources,” and the [Prior-Period and Prior-Year Adjustment Scenarios](#).

1. Requests for Prior Period Adjustments. Prior period adjustments will be included in the quarterly financial statements in accordance with the guidance found in Section 405 of the DoD [Financial Reporting Guidance](#), hereafter referred to as “[DoD FRG](#).” Components should not record prior period adjustments in USSGL accounts without prior approval from [Defense Finance and Accounting Service \(DFAS\) Financial Reporting Directorate](#). Forward all requests for prior period adjustments to [DFAS Financial Reporting](#), accompanied by [prior period adjustment packages with required](#) supporting documentation, [as outlined in the DoD FRG](#).

2. Calculating Materiality. Calculate materiality separately at the DoD reporting entity level, and against a materiality base. If the misstatement involves assets, then the materiality base should be total assets. If the [misstatement](#) involves liabilities, then the [materiality](#) base should be total liabilities. If the [misstatement](#) involves expenses, then the materiality base should be total expenses. Calculate the materiality base net of intragovernmental balances. For DoD reporting entities, an error (or aggregate of errors) is material when it equals or exceeds one percent of the materiality base. See the DoD [FRG](#) for additional information.

3. Disclosure of Prior Period Adjustments. Prior period adjustments that require restatements are included in Note 26, “Restatements.” Note disclosures to the principal financial statements are [explained](#) in Chapter 10. [Disclosures](#) include the nature of the errors and the effect on relevant balances in the current period. Financial statements of subsequent periods need not repeat the full disclosures, but should disclose whether there are prior period adjustments not reflected in comparative balances. A note disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared. Disclose the nature of a prior period adjustment as the result of a change in accounting principle in accordance with the guidance found in Chapter 10, Note 19, “[Disclosures Related to the Statement of Changes in Net Position](#).”

4. Management’s Responsibility and Notification of Auditors. Upon discovery that material errors escaped detection and were included in the published audited financial statements, management [must](#) assume responsibility for any false or misleading information in the financial statements, or omissions that render information or disclosures made in the financial statements misleading. As soon as possible after the detection of an error, management [must](#) notify their auditors and the primary users of their financial statements of the error and management’s plans to correct it in the financial statements. Components with prior period adjustments will immediately notify DoD [Financial Reporting Directorate \(Audited Financial Statements\)](#) of the material error. The Office of the Secretary of Defense will make the formal notification to the Congress, OMB, [Treasury](#), and the [Government Accountability Office](#). The general public can see the revised statements on the Office of the Under Secretary of Defense [\(Comptroller\)](#) web site. [The notification should include the cause of the error, an](#)

estimated dollar amount of the error, and whether a previously issued financial statement(s) will or may be restated.

5. Auditor's Responsibility. If a "Subsequent Discovery of Facts" exists on the date of the auditor's report, the auditors will determine whether action is required to prevent future reliance on the published audit report. The auditors may determine if revised financial statements and a revised auditor's report are required. The auditors may decide to change the audit opinion if it is determined that subsequently discovered information is not reliable. Therefore, it is imperative management work with their auditor as soon as possible after the detection of an error and assist in any actions to resolve the audit finding.

\*060302. Line Item Instructions for the Preparation of the SCNP

A. Section Heading - Cumulative Results of Operations. This section displays the beginning balances brought forward from the prior year, in addition to any prior period adjustments which affect the beginning balance.

B. Beginning Balances, Line 1. The total for beginning balances for the "Consolidated Cumulative Results of Operations" must agree with the total of the ending balances for "Consolidated Cumulative Results of Operations" of the prior year.

C. Prior Period Adjustments, Line 2. Report prior period adjustments separately for "Changes in accounting principles" (Line 2.A) and "Corrections of errors" (Line 2.B).

1. Changes in accounting principles, Line 2.A. A change in accounting principle is a change from one generally accepted accounting principle (GAAP) to another one that can be justified as preferable. Adoption of a new [Federal Accounting Standards Advisory Board \(FASAB\) standard](#) is a change in accounting principle. Unless otherwise specified in transitioning instructions of a new [FASAB standard](#), report the cumulative effect of the change on prior periods on this line. Record the adjustment to the beginning balance of "Cumulative Results of Operations" in the SCNP for the period the change is made. Prior period financial statements will not be restated (see SFFAS 21).

2. Corrections of errors (+/-), Line 2.B. Errors in financial statements can result from mathematical mistakes, mistakes in the application of accounting principles, and/or oversight or misuse of the facts that existed at the time the financial statements were prepared. For errors discovered after the issuance of the financial statements, if the misstatement to the financial statements is material absent correction of the errors, then corrections are required and treated as prior period adjustments. Use the following criteria to determine proper display of financial statements containing material corrections of errors in prior periods (see SFFAS 21).

a. When only the current period statements are presented, report the cumulative effect of correcting the error as a prior period adjustment on Line 2.B., "Corrections of errors," and the beginning position restated on Line 3, "Beginning Balances, as adjusted."

b. When comparative financial statements are presented, correct the error in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment on Line 2.B., “Corrections of errors,” of the earliest period presented. The beginning position of the earliest period presented is also restated on Line 3, “Beginning balances, as adjusted.”

D. Beginning balances, as adjusted, Line 3. This line is the sum of the beginning balances of “Cumulative Results of Operations” and “Prior Period Adjustments.”

E. Budgetary Financing Sources, Line 4. This section displays financing sources and nonexchange revenue that are also budgetary resources or adjustments to those resources, as reported on the Statement of Budgetary Resources (SBR) and defined as such by OMB [Circular A-11](#), “Preparation, Submission, and Execution of the Budget,” as amended.

1. Other adjustments (+/-), Line 4.A. This amount includes adjustments to “Cumulative Results of Operations” that also have an impact on budgetary resources.

2. Appropriations used, Line 4.B. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This statement is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. “Appropriations used” does not include undelivered orders or unobligated appropriations. “Appropriations used” does not increase “Net Position” since it is subtracted from “Unexpended Appropriations” and added to “Cumulative Results of Operations” for a net zero effect on “Net Position” as a whole.

3. Nonexchange revenue, Line 4.C. [This includes](#) revenues the Federal Government [obtains through the use of](#) its sovereign powers. [SFFAS 7](#), “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,” discusses the recognition and measurement criteria for taxes and other nonexchange revenues. [If Federal securities investment revenue is material, report it as a separate line item on the SCNP.](#)

4. Donations and forfeitures of cash and cash equivalents, Line 4.D. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by nonfederal entities. Donations of financial resources include cash, [cash equivalents](#), and securities. [Involuntary](#) forfeitures [include](#) seized cash and cash equivalents.

5. Transfers-in/out without reimbursement (+/-), Line 4.E. This amount includes intragovernmental [non-appropriated](#) balance transfers-in or out during the current reporting year. This line includes financing sources and revenue not reported as “Unexpended Appropriations.” Exchange revenue (included in calculating an entity's net cost of operations) transferred to the Treasury or another Federal entity must be recognized as a transfer-out.



6. Other budgetary financing sources (+/-), Line 4.F. This line includes other financing sources that affect budgetary resources and are not included in Lines 4.A through 4.E. Disclose in Note 19 of [the Financial Statements](#) all items equaling 10 percent or more of the value reported on Line 4.F.

F. Other Financing Sources, Line 5. This section displays financing sources and nonexchange revenue that do not represent budgetary resources reported on the SBR and are not defined by OMB Circular A-11.

1. Donations and forfeitures of property, Line 5.A. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by nonfederal entities, such as land or buildings. [SFFAS 6](#), "Accounting for Property, Plant, and Equipment," contains additional guidance for [recognizing](#) revenue arising from donations/involuntary forfeitures of non-financial resources.

2. Transfers-in/out without reimbursement (+/-), Line 5.B. This amount includes intragovernmental transfers-in/out of capitalized assets during the current reporting year. Record the amount of the transfer at the net book value of the transferring entity. If the net book value is unknown, then the amount recognized will be the asset's estimated fair value at the date of the transfer. Both parties to the transfer must confer when fair value is used to ensure balanced intragovernmental entries [are recorded](#).

3. Imputed financing from costs absorbed by others, Line 5.C. This amount includes financing of certain costs by one Federal entity on behalf of another Federal entity. "Imputed financing [from costs absorbed by others](#)" [must](#) equal the amount of imputed costs reported on the Statement of Net Cost (SNC). Refer to [SFFAS 4](#), "Managerial Cost Accounting Standards and Concepts," and [Interpretation 6](#), "Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4," for additional guidance on the recognition of inter-entity and material intra-entity unreimbursed costs.

4. Other (+/-), Line 5.D. This line includes other financing sources that do not represent budgetary resources and are not included in Lines 5.A through 5.C. Disclose in Note 19 of [the Financial Statements](#) all items equaling 10 percent or more of the value reported on Line 5.D.

G. Total Financing Sources, Line 6. This line is a summation of "Budgetary Financing Sources" (Lines 4.A through 4.F) and "Other Financing Sources" (Lines 5.A through 5.D).

H. Net Cost of Operations (+/-), Line 7. This amount [must](#) agree with the "Net Cost of Operations" as reported on the SNC.

I. Net Change, Line 8. This line represents the net change in "Cumulative Results of Operations" during the period. Subtract Line 7, "Net Cost of Operations," from Line 6, "Total Financing Sources."



\* J. Cumulative Results of Operations, Line 9. The “Net Cost of Operations” on Line 7 is subtracted from the totaled amount of Line 6, “Total Financing Sources” and Line 3, “Beginning balances, as adjusted,” to yield the “Cumulative Results of Operations” balance on Line 9.

K. Section Heading – Unexpended Appropriations. This section displays the unexpended balances brought forward from the prior period, in addition to any prior period adjustments which affect the beginning balance.

L. Beginning Balances, Line 10. The total for beginning balances for the consolidated “Unexpended Appropriations” **must** agree with the total of the ending balances for consolidated “Unexpended Appropriations” of the prior year.

M. Prior Period Adjustments, Line 11. Report prior period adjustments separately for “Changes in accounting principles” (Line 11.A) and “Corrections of errors” (Line 11.B).

1. Changes in accounting principles, Line 11.A. A change in accounting principle is a change from one GAAP to another GAAP that can be justified as preferable. Changes in accounting principles include those that result from the adoption of a new **FASAB standard**. This line reports the cumulative effect of the change on prior periods as a change in accounting principle. Do not restate the prior periods financial statements (see SFFAS 21).

2. Corrections of errors (+/-), Line 11.B. Errors in financial statements can result from mathematical mistakes, mistakes in the application of accounting principles, and/or oversight or misuse of the facts that existed at the time the financial statements were prepared. For errors discovered after the issuance of the financial statements, if the misstatement to the financial statements is material absent correction of the errors, then corrections are required and treated as prior period adjustments. Use the following criteria to determine proper display of financial statements containing material corrections of errors in prior periods (see SFFAS 21).

a. When only the current period statements are presented, report the cumulative effect of correcting the error as a prior period adjustment on Line 11.B, “Corrections of errors,” and restated on Line 12, “Beginning balances, as adjusted.”

b. When comparative financial statements are presented, correct the error in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment on Line 11.B, “Corrections of errors,” of the earliest period presented. The beginning position of the earliest period presented is restated on Line 12, “Beginning balances, as adjusted.”

N. Beginning balances, as adjusted, Line 12. This line is the sum of the adjusted “Beginning Balances” (Line 10) of “Unexpended Appropriations” and “Prior Period Adjustments.”

O. Budgetary Financing Sources, Line 13. This section displays financing sources that represent budgetary resources or adjustments to those resources, as reported on the SBR and defined by OMB Circular A-11.

1. Appropriations received, Line 13.A. This amount includes appropriations received during the current reporting period. This amount does not always agree with the appropriations received amount reported on the SBR because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain dedicated collections are recorded as appropriations received on the SBR, but are recognized as exchange or nonexchange revenue (i.e., in special and nonrevolving trust funds) and reported on the SCNP in accordance with SFFAS 7.

2. Appropriations transferred-in/out (+/-), Line 13.B. This line is the amount of appropriations **received in the current or prior year(s)** that have been transferred-in or out during the current reporting year.

3. Other adjustments (e.g. rescissions) (+/-), Line 13.C. This amount includes adjustments to unexpended appropriations. Some examples of adjustments include **reductions** of appropriations and cancellations of expired appropriations/expenditure accounts.

4. Appropriations used, Line 13.D. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This statement is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. “Appropriations used” does not include undelivered orders or unobligated appropriations. “Appropriations used” does not increase “Net Position” since it is subtracted from “Unexpended Appropriations” and added to “Cumulative Results of Operations” for a net zero effect on “Net Position” as a whole.

P. Total Budgetary Financing, Line 14. This line is a summation of “Budgetary Financing Sources” (Lines 13.A through 13.D).

Q. Unexpended Appropriations, Line 15. This line represents the total amount of “Unexpended Appropriations” for the period. The calculated value results from adding Line 14, “Total Budgetary Financing Sources,” to Line 12, “Beginning balances, as adjusted.”

R. Net Position, Line 16. This line represents the summation of Line 9, “Cumulative Results of Operations,” and Line 15, “Unexpended Appropriations.” The value for this line must agree with the “Total Net Position” reported on the “Balance Sheet.”

Figure 6-1. Statement of Changes in Net Position

<b>Department of Defense</b> <b>Reporting Entity</b> <b>Statement of Changes in Net Position</b> <b>For the Years Ending September 30 2XXX and 2XXX</b>		
	<b>Current Year</b>	<b>Prior Year</b>
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>		
<b>1. Beginning Balances</b>	\$ XXX	\$ XXX
<b>2. Prior Period Adjustments:</b>		
2.A. Changes in accounting principles	\$ XXX	\$ XXX
2.B. Corrections of errors (+/-)	\$ XXX	\$ XXX
<b>3. Beginning balances, as adjusted (Includes Funds from Dedicated Collections - See Note 23)</b>	\$ XXX	\$ XXX
<b>4. Budgetary Financing Sources:</b>		
4.A. Other adjustments (+/-)	\$ XXX	\$ XXX
4.B. Appropriations used	\$ XXX	\$ XXX
4.C. Nonexchange revenue	\$ XXX	\$ XXX
4.D. Donations and forfeitures of cash and cash equivalents	\$ XXX	\$ XXX
4.E. Transfers-in/out without reimbursement (+/-)	\$ XXX	\$ XXX
4.F. Other budgetary financing sources (+/-)	\$ XXX	\$ XXX
<b>5. Other Financing Sources:</b>	\$ XXX	\$ XXX
5.A. Donations and forfeitures of property	\$ XXX	\$ XXX
5.B. Transfers-in/out without reimbursement (+/-)	\$ XXX	\$ XXX
5.C. Imputed financing from costs absorbed by others	\$ XXX	\$ XXX
5.D. Other (+/-)	\$ XXX	\$ XXX

Figure 6-1. Statement of Changes in Net Position (continued)

<b>Department of Defense</b> <b>Reporting Entity</b> <b>Statement of Changes in Net Position</b> <b>For the Years Ending September 30 2XXX and 2XXX</b>		
	<b>Current Year</b>	<b>Prior Year</b>
6. Total Financing Sources (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
7. Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
8. Net Change	\$ XXX	\$ XXX
9. Cumulative Results of Operations (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
<b>UNEXPENDED APPROPRIATIONS</b>		
10. Beginning Balances (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
11. Prior Period Adjustments:		
11.A. Changes in accounting principles	\$ XXX	\$ XXX
11.B. Corrections of errors (+/-)	\$ XXX	\$ XXX
12. Beginning balances, as adjusted	\$ XXX	\$ XXX
13. Budgetary Financing Sources:		
13.A. Appropriations received	\$ XXX	\$ XXX
13.B. Appropriations transferred-in/out (+/-)	\$ XXX	\$ XXX
13.C. Other adjustments (e.g. rescissions) (+/-)	\$ XXX	\$ XXX
13.D. Appropriations used	\$ XXX	\$ XXX
14. Total Budgetary Financing (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
15. Unexpended Appropriations (Includes Funds from Dedicated Collections - See Note 23)	\$ XXX	\$ XXX
16. Net Position	\$ XXX	\$ XXX