

SEC Staff Issues Updates to C&DIs on Non-GAAP Financial Measures

May 19, 2016 — The SEC published updates this week to certain of its Compliance and Disclosure Interpretations (C&DIs) related to non-GAAP financial measures.¹

The updated C&DIs discuss the following:

- When a non-GAAP measure may be misleading or prohibited,² such as measures that:
 - Exclude normal, recurring cash operating expenses necessary to run a business.
 - Adjust an item in the current reporting period but do not adjust for a similar item in the prior period, without appropriate disclosure.
 - Exclude nonrecurring charges but do not exclude nonrecurring gains.
 - Include individually tailored accounting principles, including non-GAAP performance measures that accelerate revenue recognition.
 - Include the presentation of certain per-share non-GAAP measures.
- The continued acceptability of funds from operations (FFO) as defined by the National Association of Real Estate Investment Trusts (NAREIT) and adjustments to FFO.³
- Disclosures that would cause a non-GAAP measure to be more prominent.⁴
- The determination and presentation of the tax impact of adjustments made to a GAAP measure in the calculation of a non-GAAP measure.⁵

The [updated C&DIs](#) are available on the SEC's Web site.

For additional information about the changes and a discussion of other recent developments related to non-GAAP measures, see Deloitte's upcoming [Heads Up](#) newsletter.

¹ C&DIs are not rules, regulations, or statements of the SEC; instead, they provide general guidance on the views of the SEC staff on a variety of issues.

² See C&DIs 100.01–100.04, 102.05, 102.07, and 103.02.

³ See C&DIs 102.01 and 102.02.

⁴ See C&DI 102.10.

⁵ See C&DI 102.11.

This publication is provided as an information service by Deloitte's National Office and may contain summaries of Deloitte's observations at meetings or other events. Such summaries are believed to be accurate; however, no representation can be made that it is complete or without error. Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.