Letter of Comment No: /
File Reference: FSP78U

Ms. Susan Cosper
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: FSP - CCRC Entrance Fee Deposits and Deferred Revenue

Via U.S. Mail and E-mail

Dear Ms. Cosper:

New Life Management & Development, Inc. (NLMD) is pleased to comment on the above-referenced issue. Current practice follows the AICPA Audit Guide – Healthcare Organizations which suggests the refundable portion of continuing care retirement community (CCRC) entrance fee deposits be presented as long term liabilities and related deferred revenue (non-refundable portion) as non-current. We understand the Financial Accounting Standards Board will consider the applicability of FASB 78, *Classification of Obligations That are Callable by the Creditor* when the CCRC does not control the timing of the refunding of entrance fee deposits. It is NLMD's belief that current industry practice best reflects the financial position of CCRCs.

Background:

CCRCs provide housing and health care services to seniors under several types of entrance fee agreements. The agreements typically require entrants to a CCRC pay an upfront entrance fee. That entrance fee along with periodic service fees, allow the entrant to reside in the community for the remainder of their life. Published studies note the average length of stay in a CCRC is approximately 10 years (Continuing Care Retirement Communities - 2005 Profile, Table 8.3)

A portion of the entrance fee may be refundable to the resident upon termination of the agreement due to death or withdrawal from the community. Termination is typically due to the death of the resident making the refund payable to the resident's estate. A small number of agreements are terminated due to withdrawal from the community. Unless required by state statute or regulation, the agreements generally state refunds become due upon re-occupancy of the unit and receipt of a new entrance fee.

The Healthcare Expert Panel has considered the applicability of FASB 78 to entrance fee deposits when the CCRC does not control the timing of the refund and has asked the FASB for guidance.

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NLMD Position:

As a developer and manager of CCRCs, NLMD has considerable experience with the subject and believes current practice best serves the industry, its residents and users of CCRC financial statements.

Historical results show that the amount actually refunded on an annual basis is low compared to the total of refundable entrance fee deposits and deferred revenue. Displaying the entire refundable portion as a current liability would result in significant overstatement. The results for two CCRCs managed by NLMD are presented in the following tables.

Community 1	12 Mos. Ended 12/2004	9 Mos. Ended 9/2005
Refundable entrance fees	$55,766,292	$57,698,358
Deferred revenue	12,469,855	14,212,709
Actual refunds	3,272,950	4,413,540

Community 2	12 Mos. Ended 12/2004	9 Mos. Ended 9/2005
Refundable entrance fees	$24,797,631	$24,894,220
Deferred revenue	13,427,068	14,106,894
Actual refunds	2,941,568	2,482,200

Applying FASB 78 would not take into account the intent of the parties unlike other professional guidance dealing with issues such as fixed assets to be disposed of or marketable securities held for re-sale. CCRC contracts involve a substantial commitment on the part of the community and the resident which normally involves the remainder of the resident's life. Entrants typically sell their personal residence prior to moving into a CCRC and often use the proceeds of the sale to pay the upfront entrance and periodic monthly fees. While residents do have the right to terminate the agreement, withdrawal from a CCRC for reasons other than death is a difficult decision and involves significant inconvenience and possibly financial hardship.

In addition, CCRCs required to display refundable fees as current liabilities would be disadvantaged compared to communities not required to do so. Such accounting treatment would have a negative impact when marketing to prospective residents, negotiating with potential creditors, applying for ratings and in filings with regulatory bodies.

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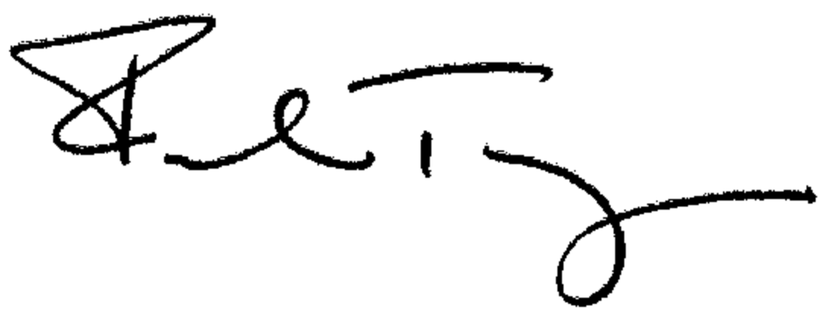
New Life
Management & Development, Inc.

NLMD does not dispute that some amount of entrance fee deposits will be annually refunded. Therefore, may we suggest an alternative, treating the expected refund amount as an accounting estimate presented as a current liability and the balance of refundable entrance fee deposits as non-current. Methodologies similar to others accepted by the accounting community could be utilized to determine the estimate. Like the future service obligation, CCRCs could engage an actuary to provide an estimate. The CCRC could also prepare its own calculation based on historical data, similar to its allowance for doubtful accounts.

Thank you for taking our comments into consideration. If you would like additional information, please contact us at 856-914-9111.

Sincerely,



Frank Troy, CPA
Vice President – Finance and Planning