From:
 Sharon Heinle

 To:
 Director - FASB

 Cc:
 Sharon Heinle

Subject: File Reference No. 2012-220

Date: Friday, November 30, 2012 5:15:04 PM

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From: The George Washington University

To: <u>director@fasb.org</u>

Re: File Reference No. 2012-220

We wish to first thank the Financial Accounting Standards Board for issuing this discussion paper and inviting comments from the community of financial statement users and preparers on the overall framework for financial statement disclosures. We applaud the recognition that notes to the financial statements have become laden with so many required disclosures that important items are lost in the volume of detailed and complex notes. We believe that the overriding principle governing preparation of financial statement footnotes is to clarify the content of the basic financial statements and should be written in a way that is understandable to the average reader.

While there were several questions posed in the Discussion Paper for consideration, we find that our comments are overarching and often address elements of more than one question, and have therefore provided our comments based on the questions as grouped by chapters in the discussion paper.

Question 1 regarding Scope: While we agree that prospects for future cash flows are of primary importance to many users of financial statements, as a not-for-profit organization we also recognize that donors, grantors, and other constituents have interests beyond cash flows of a NFP organization. Donors and other grantors of restricted funds want assurances that their funds will be used in accordance with their wishes. Donors providing unrestricted support are interested in the efficiency of organizations so that their contributions can do the greatest good with funds supporting mission while holding expenses for fundraising and administrative functions to acceptably low levels and maintaining effective internal controls. With these needs in mind, we believe that current disclosures such as functional classification of expenses and nature of restrictions on net assets should continue as requirements for not-for-profit financial statements.

Questions 2-5 regarding the Board's Decision Process: We appreciate the desire of the Board to develop a framework that covers the range of all potential issues, but note that as written in this Discussion Paper, the attempt to make the list of questions exhaustive might actually lead to more disclosures, rather than the desired more focused and relevant disclosures. The decision process might be helpful in terms of considering possible disclosures, but emphasis should be placed on relevance and clarity. Some of the suggested questions (e.g. L16 regarding alternative measurements) would actually detract from the clarity of the financials by providing extraneous

information that is less relevant than the amount actually recorded in the financial statements. Another example, Question O7, focuses on effects on cash flow of 'possible future changes' in everything from interest rates to market conditions. Such disclosures should be limited based on relevance and probabilities so as not to further obfuscate the financial statements with 'possibilities' that would impact the cash flows of any organization.

We agree that the disclosures should provide information about the reporting entity, clearly describe the entity's accounting policies where relevant, and provide additional insight into the strategies or changes in policies and strategies when applicable. With these clear disclosures, much of the other detailed information currently required (e.g., roll-forward tables, fair value leveling, etc.) would become unnecessary.

Questions 6-8 regarding Making Disclosure Requirement's Flexible: We wholeheartedly agree with the concept of providing flexibility in disclosures based on relevance of a particular item to the reporting entity's financial statements. As a preparer, while there are clearly advantages to having disclosure decisions lie in our hands alone, as a practical matter we feel this would increase documentation requirements, expand discussions with auditors, and reduce consistency of disclosures across entities to unacceptable levels. Therefore, we support the concept of a tiered approach to disclosures based on the relative importance of the item to the entity. There would certainly still be judgments involved to determine the 'relative importance' and extent of disclosures, but we foresee that it will be easier to reach agreement with auditors and others when answering the question of "how much" rather than "whether or not" to include.

With regard to flexibility of disclosures, we offer one further comment. While illustrative disclosures are often helpful to see the intent of the Board when drafting a standard, those illustrations too often become 'boilerplate' language applied by auditors and preparers as if they were required verbatim. Written by accountants for accountants, the language is often overly technical or written so broadly that they do little to add clarity to the financial statements of a particular entity. The situation may be helped by providing varying levels of disclosure so footnote text may be drawn from multiple examples by preparers as deemed relevant, by writing examples in "plain English" so that readers do not need an accountant to translate, and by encouraging preparers to tailor disclosures to the entity and the intended financial statement users.

Questions 9-11 regarding Decisions about Disclosure Relevance: As noted in response to Question 1 above, we agree with the Board's assessment that information about prospects for future cash flows is of primary importance when judging relevance. We appreciate the suggestion for a 'probability-weighted' value as a way to structure thinking, but fear that this suggestion might lead auditors down a 'quantitative analysis' path when determining how to audit the reporting entity's decisions. We believe these decisions will be, by nature, more qualitative than quantitative, and as such, any final framework should give greater weight to the qualitative consideration of disclosure relevance in light of the entity's business and financial situation. We share the Board's concern that advisors may too often error on the side of including irrelevant disclosures as a measure of risk-avoidance, leaving the disclosure situation in no better shape than it is today.

Questions 12-15 regarding Format and Organization: In the spirit of maintaining as much flexibility as possible in financial statement disclosures, we urge the Board <u>not</u> to be prescriptive about the format and organization of the financial statement notes.

Questions 16-19 regarding Interim Financial Statements: As we are not an issuer of public interim financial statements, we offer no comments on this topic.

Questions 20-22 regarding Other Matters: As noted above under the response to the Decision Process, we believe that accounting policies of the entity, particularly those that are industry specific or where there are multiple acceptable alternatives, should be clearly described in the notes to the financial statements. If properly described, we believe some of the more detailed 'boilerplate' disclosures (e.g., fair value discussions, pension and other postretirement benefits) could be effectively reduced without reducing the quality of the disclosures.

In closing, we again thank you for this opportunity to comment and look forward to changes that can be made now and in the future to improve the overall usefulness and clarity of financial statements.

Sincerely,

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