William A. Root
419 Russell Avenue #214
Gaithersburg MD 20877
waroot23@gmail.com; tel. 301 987 6418

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To: director@fasb.org
membersupport@aicpa.org Reference number 723854

Subject: Technical Corrections and Recognition of Revenue: Continuing Care Retirement Communities - FASB Reference numbers 2011-190 and 2011-230

The deadlines for commenting on 2011-190 and 2011-230 expired months ago. However, additional comments are provided for the following reasons:

On May 30, 2012, FASB reportedly decided to adopt paragraphs 46 and 47 of 2011-190 without change in an ASU to be published in July. This would amend 954-430-25-1 and 954-430-35-4. Such amendments do not take into consideration the later FASB Exposure Draft 2011-230 proposal to delete ASC 954-430 in its entirety.

Price, Waterhouse, and Coopers December 12, 2011, comments on 2011-190 include a reasonable recommendation to make 954-430-35-4 more specific (than a simple cross reference to 954-430-25-1), by adding

> "the refund is limited to the proceeds of reoccupancy of the unit, and it is management's policy and practice to enforce such restrictions,"

Ernst & Young December 13, 2011, comments on 2011-190 include:

> "We are concerned that paragraph 46 could be construed to mean that if any portion of the refundable fee is expected to be paid by the CCRC, the entire refundable fee should be accounted for as a liability."

If even Ernst & Young believes that paragraph 47 revisions of 954-430-25-1 and 954-430-25-1 would permit a CCRC to pay refunds in excess of reoccupancy proceeds, amortize those fees, and reduce liability by the cumulative amount of the amortizations, the Price, Waterhouse, Coopers recommended additional specificity should be taken seriously.

The 2011-190 revisions will substantially reduce current amortizations of refundable entrance fees and understatements of liabilities. However, they would also encourage future Residency Agreements to limit refunds to reoccupancy proceeds in order to recover some of the lost amortization "revenue" and reduced liability.

Whether or not a Residency Agreement limits refunds to reoccupancy proceeds, it is the CCRC, and not the successor resident, which is obligated to pay the refund pursuant to the conditions in that Agreement. Pretending that the successor paid the refund results in only a fictional CCRC "revenue." Such pretense requires additional debt to make up for the amortized "revenue," which did not, in fact, increase CCRC income.

A pre-requisite for amortizing any refundable entrance fees is postponement of refund payments until receipt of a successor's fee. Such postponement is literally unsustainable in the long-run. In the short run, it permits massive CCRC spending beyond actual revenue. When equity reaches zero, the result technically is insolvency. However, postponement of refund payments permits ever-growing negative equity (unrestricted net assets). Regulators have no basis to conclude that a CCRC might be over-leveraged, with too much debt. In short, conceptually, not only should amortization of all refundable fees be stopped but the pre-requisite of conditioning refunds on receipt of a successor's fee should also be stopped.

This is apparently recognized by the Revenue Recognition Exposure Draft 2011-230 deletion of all of 954-430. However, simple deletion is not enough. Guidance beyond proposed Revenue Recognition rules applicable generally is needed. This must include a long transition period to find a viable substitution for conditioning refunds on receipt of a successor's fee. Many CCRCs have become dependent on the amortization pre-requisite and must continue this for a very long time, even if amortization is discontinued.

Conclusion:

Please:

1. Consider including the Price Waterhouse Coopers recommended amendment to 954-430-35-4 in the ASU on 2011-190 to be issued in July;
2. Recognize that the July ASU is only incremental and that simple deletion of 954-430 per 2011-230 is not enough; and
3. Refer to my February 21 and March 5 comments for recommended revisions to 2011-230.