July 14, 2014

Technical Director
Financial Accounting Standards Board
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via e-mail to director@fasb.org

Re: File Reference No. 2014-200

We appreciate this opportunity to provide our views on the Financial Accounting Standards Board’s (the “Board” or “FASB”) Proposed Statement of Financial Accounting Concepts titled Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements (the “Proposed Statement”) released March 4, 2014.

We are a professional service organization specializing in accounting, auditing, tax, and business consulting services. We have offices in Manhattan and Long Island and are ranked among the Top 100 largest firms in the U.S. by both Accounting Today and INSIDE Public Accounting. Our client base includes both public and non-public entities.

We have responded to the questions posed for respondents in paragraph 56. We are hopeful the FASB considers our responses below when finalizing the rules on the conceptual framework on notes to the financial statements.

**Question 1: Should financial statements of employee benefit plans be excluded from the scope of this chapter of the conceptual framework?**

**Response:** Financial statements of employee benefit plans should be excluded from the scope of this chapter of the conceptual framework, as we agree that employee benefit plan financial statements are sufficiently different from those of business entities to warrant separate consideration, especially given that much of employee benefit plan disclosures are based on legal or regulatory requirements. Further, the stakeholders have different interests and informational needs than those of business entities. To incorporate additional considerations for employee benefit plans and their users into the Proposed Statement could limit their overall effectiveness and add complexity to the application of the framework.
for business entities. We recommend the Board create a subchapter or issue separate guidance with respect to employee benefit plans should the Board deem that additional guidance necessary.

**Question 2:** Do the concepts in this chapter related to not-for-profit entities address the informational needs of resource providers to those entities?

**Response:** Not-for-profit entities are funded primarily by the public, i.e. contributions and the government, and there is an expectation that not-for-profit entities will account for and spend their financial resources in a way that justifies their not-for-profit status. The focus of many not-for-profit entities is on the expenditure of funds to demonstrate mission accomplishment in contrast to public and private companies that focus on profit attainment. Therefore, not-for-profit financial reporting should include the information that will help donors to identify how successful an organization is in following its mission, how efficient a not-for-profit entity is in running programs and whether the organization is using contributions consistent with intent.

We recommend the Board consider the informational needs of donors and incorporate concepts specific to those needs concepts into the framework for financial reporting.

**Question 3:** Do the concepts in this chapter encompass the information appropriate for disclosure in notes to financial statements that would assist resource providers in their decision making? Are there concepts that should be added or removed?

**Response:** The concepts in this chapter appear to encompass the information appropriate for disclosure in the notes to financial statements that would assist resource providers in their decision making. The categorization of footnote disclosures as being related to information on financial statement line items, the reporting entity, or events and conditions that can affect an entity’s cash flows, helps frame the questions to consider when determining whether certain disclosures should be required. There will continuously be emerging topics or new technologies necessitating new accounting guidance and accounting treatment. The Proposed Statement provides the Board and its staff the conceptual framework to develop future guidance on a principle basis, and Appendix A of the Proposed Statement provides an easy-to-follow guideline when applying the concepts. We do not believe any concepts should be added or removed from the current Proposed Statement.

**Question 4:** Are there additional concepts needed to identify information that is unsuitable for requirement by the Board in notes to financial statements even though that information would be consistent with the purpose of the notes?

**Response:** We do not believe any additional concepts are needed to identify information that is unsuitable for requirement by the Board in the notes to financial statements even though that information would be consistent with the purpose of the notes. However, please see our response to questions 7 and 8 for further discussion.
**Question 5:** Do the decision questions in Appendix A identify the information appropriate for the Board to consider requiring for disclosure when setting standards related to line items and other past events and current circumstances and conditions that can assist resource providers in their decision making?

**Response:** Yes, the decision questions in Appendix A appear to be sufficient for considering disclosure requirements when setting new standards related to line items and events and conditions that could affect cash flows. However, we would ask the Board to reconsider the scope of Question L5 related to changes in general economic conditions that could affect cash flows, which also is discussed in paragraphs D29 through D31. It is not clear whether Question L5 is intended to relate to the type of sensitivity narrative required in ASC Topic 820-10-50-2g for unobservable inputs in fair value measurements categorized within Level 3 of the hierarchy, or if a broader application is contemplated. We would be concerned with a broader application, as such could result in an unwieldy amount of data that paragraphs D16 and D17 correctly identify as not being useful to decision makers, while potentially having negative effects on the cash flows of the reporting entity.

**Question 6:** Does the discussion in paragraphs D43-D50 identify the information appropriate for the Board to consider when setting standards related to information about the reporting entity?

**Response:** Yes, the principles and guidance in paragraphs D43-50 identify the appropriate information for the Board to consider when setting standards related to information about the reporting entity. We respectfully ask that the Board consider whether adding Decision Questions related to the reporting entity to Appendix A would aid in developing future guidance. We note that there are no such questions in Appendix A for this category of disclosure.

**Question 7:** Will the concepts related to future-oriented information (paragraphs D22-D31) result in disclosures that are appropriate for the notes? If not, what types of information should be included in or excluded from consideration for disclosure in the notes?

**Response:** The Proposed Statement stops short of requiring disclosure of future-oriented information with the greatest potential for negative consequence to a reporting entity and focuses on only requiring (1) information about estimates and assumptions used as inputs to measurements; (2) information about existing plans and strategies; and (3) the effect of specified future changes in existing conditions on specific line items or on the entity as a whole. However, these items may be too speculative and their requirement could cause broad sweeping disclosures full of legal jargon in an attempt to avoid the potential litigation due to lack of safe harbor. These types of disclosure distract the user of the financial statement and make it difficult for the reader to understand what is substantive and what is not. We recommend the Board re-visit the future-oriented information requirements and either eliminate certain of the requirements or seek to make the guidance more specific.

**Question 8:** Do the concepts in this chapter appropriately distinguish the types of information that are appropriate for the notes from the analysis management provides in other communications?
**Response:** More guidance may be necessary to distinguish what is appropriate in the notes to financial statements versus other analysis provided by management. There is much information that may be useful to resource providers, but which is not appropriate in the notes to financial statements. For example: discussion of future-oriented information regarding trends affecting the entity, impact of competitors, product life cycle, or other items. While these items are likely useful to resource providers, they may be more appropriate for other management analysis rather than the notes to financial statements. Additional guidance is necessary in the Proposed Statement.

**Question 9:** Are the concepts related to disclosure requirements for interim periods (paragraphs D60-D71) appropriate? If not, are there concepts that should be added or removed?

**Response:** Yes, the concepts in the Proposed Statement related to disclosure requirements for interim periods are appropriate, and we note no concepts that should be added or removed at this time. We especially agree with the points noted in BC20 through BC22 regarding the intention to provide meaningful information on items or policies that may be different at interim periods, while limiting those disclosure requirements that provide little incremental information to annual reporting.

**Question 10:** If no disclosure guidance for a transaction, event, or line item is specified in U.S. GAAP, how will an entity consider the nonauthoritative guidance in this chapter?

**Response:** The principles in the Proposed Statement will serve a financial statement preparer well when considering disclosure for a transaction, event or line item for which no specific U.S. GAAP disclosure guidance exists. The items that would impact a resource provider’s ability to determine cash flows is a broad enough principle to enable the disclosures that make financial statements most useful. Additionally, the questions in Appendix A provide another tool that the user can reference when considering disclosure of additional information regarding a line item or information about past events and current circumstances and conditions that may affect an entity’s cash flows.

Thank you for your kind consideration.

Sincerely,

GRASSI & CO., CPAs, P.C.

Louis C. Grassi, CPA, CFE
Managing Partner

cc: Lou Pizzileo
    Timothy Lamm