Technical Director, FASB  
File Reference No. 2015-230, FASB  
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By email to director@fasb.org  

Subject: File Reference No. 2015-230  
Presentation of Financial Statements of Not-for-Profit Entities  
Accounting Standards Update: Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954)  

The MITRE Corporation (MITRE) appreciates the opportunity to comment on the Proposed Accounting Standards Update on Presentation of Financial Statements of Not-For-Profit Entities, File Reference number 2015-230.  

MITRE is a private, nonprofit corporation that performs scientific research primarily for federal government agencies to further the public interest. With annual revenue in excess of $1.4B, MITRE’s primary customers are the Department of Defense, Federal Aviation Administration, Internal Revenue Service, the Department of Veterans Affairs, the Department of Homeland Security and several other federal agencies. MITRE engages primarily in cost reimbursement contracts performed through seven Federally Funded Research and Development Center (FFRDC) contracts.  

MITRE’s financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. MITRE’s contracts are subject to Federal Acquisition Regulations and Cost Accounting Standards, and audited under OMB Circular A-133 (revised “Uniform Guidance”). MITRE has an accounting system that addresses overhead and G&A allocations along with other complexities associated with doing business with the U.S. Government.  

Although MITRE is a not-for-profit, we do not share the attributes of organizations that solicit charitable contributions. As a result, we do not have restrictions that are imposed by donors, so we offer no opinion to those proposed changes. Furthermore, MITRE does not fund its current operations with investment income. Therefore, we do not see significant value for MITRE in the proposed changes to the Statement of Activities and the Statement of Financial Position.
However, as noted below, we are concerned with the following amendments in the proposal.

**Direct Method for Cash Flows:**
MITRE maintains its accounting records on an accrual basis to support the creation of financial statements in accordance with GAAP. MITRE believes that the significant cost of modifying our systems to comply with the direct method of reporting operating cash flows outweighs the benefit. MITRE believes that this change would not make the financial statements more meaningful to our users, who are accustomed to reading statements based on the principles of accrual accounting. We believe that organizations should be given the flexibility to use the direct or indirect method.

**Reporting operating expenses by both function and nature:**
MITRE’s operating expenses by function and nature are already provided on the IRS Form 990 (“Return of Organization Exempt from Income Tax”) which is available for public review by any requestor. Furthermore, one of the primary consumers of MITRE’s financial statements, the Board of Trustees, already has access to this information since the Board reviews the IRS Form 990 before it is filed. Therefore, MITRE believes that providing this same information in the Statement of Activity is redundant and inefficient.

While we understand and appreciate the Board’s objective, not all NFPs are the same. Efforts to enhance disclosures to provide clarity and consistency should consider the needs of industry. Management judgment should prevail with respect to properly classifying activities as operating vs. non-operating since industry practice and regulations may warrant treatment that differs from one NFP to another.

Thank you for the opportunity to comment. Please do not hesitate to contact me at (703) 983-1640 or MKontos@mitre.org if you have any questions about our position.

Sincerely,

MKW/rlb
Attachments