Attn: Technical Director

File Reference No. 2011-190

FASB

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I am writing today to submit comments regarding the “clean up” language including ASC 954-430-25-1 which relates to CCRC advance fees. The proposed wording that would be added will limit the recording of deferred revenue and amortization of that revenue to only those contracts where the refund/repayment of the current contract is limited to the proceeds of the re-occupancy of the contract holder’s unit.

This change will be counter to previous guidance we have received from auditors and will have a dramatic impact on the net assets and liabilities of a CCRC that has been in operation for an extended period of time. The impact will affect the CCRC and many of its stakeholders including current and future residents, sources of finance including banks, bond holders and state regulators who have responsibility of regulating CCRC’s in many states. I strongly feel there needs to be an implementation strategy that allows a communication period to exist where the CCRC can work with these various stakeholders to assure they have a clear understanding of what has been occurring and what will occur in the future.

Life Care Services LLC manages over 100 CCRC’s that could be affected by this change. Many of these CCRC’s offer refundable contracts and not all contracts limit the refund/repayment to the proceeds of the re-occupancy of the contract holder’s unit. Some of these CCRC’s have been in operation for over 20 years and in that time they have recorded significant deferred revenue and the subsequent amortization of this deferred revenue has contributed to a portion of the CCRC’s net assets and liabilities. If these CCRC’s are now required to reverse the effect of this amortization it will have a significant effect on the CCRC’s net assets and liabilities. This “adjustment” will almost certainly lead to concerns about prior financial reporting by the CCRC with its stakeholders, even though this prior reporting was based on guidance from national audit firms.

Over the years at Life Care Services we have on rare occasions encountered the issue that is being addressed in this clean up language where the proceeds from the re-occupancy are not sufficient to pay the refund/repayment to the current resident. In those rare occasions we have paid the amount in full and reversed the amortized revenue that has been recorded that has been in excess of the proceeds.
I suggest revisions to the implementation plan. The first implementation suggestion is that this clean up language be delayed and implemented no sooner than years ending January 1, 2013 and beyond to allow time for communication with the various stakeholders. The second implementation suggestion is that all new contracts be accounted for in accordance with the current proposed guidance. The third implementation suggestion is that all future amortization of deferred revenue cease on contracts currently in force where the refund/repayment is not limited to the proceeds from re-occupancy and the refund/repayment amount be changed from deferred revenue to a liability. The final implementation suggestion is that as current contracts are refunded/repaid if the proceeds from re-occupancy are not sufficient to pay the refund/repayment that the amortized revenue be reversed by the difference between the refund/repayment amount and the proceeds.

I believe the above suggestions will allow time for an orderly communication and transition of the implementation of this proposed “clean up” of the accounting for CCRC advance fees.

Thank you for your consideration of these comments.

Sincerely,

Dale R. Cherry
Community Finance Director
Life Care Services