

MINUTES



MEMORANDUM

**To:** Board Members  
**From:** FASB staff  
**Subject:** Minutes of NFPFS October 8, 2014 Board Meeting  
**Date:** October 10, 2014  
**cc:** Stacey Sutay

*The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue an Accounting Standards Update or a Statement of Financial Accounting Concepts.*

Topic: Benefits, Costs, and Complexities  
Supplement to Memo 30 – Benefits, Costs, and Complexities

Basis for Discussion: Board Memorandum 30, 30A

Length of Discussion: 2:30 p.m. to 4:00 p.m. EDT

Attendance:

Board members present: Golden, Buck, Kroeker, Linsmeier, Schroeder, Siegel, and Smith

Board members absent: N/A

Staff in charge of topic: Bossio, Cole, Tipton, and Willette

Other staff at Board table: Cosper and Mechanick

Outside participants: None

**Type of Document and Timing Based on the Technical Plan:**

The Board met to discuss issues relating to the development of a proposed Update addressing financial statements of not-for-profit entities.

The Board has not yet determined the timing of the release of that proposed Update.

**Tentative Board Decisions:**

The staff provided the Board with a summary of the tentative decisions reached to date and its analysis of the potential benefits, costs, and complexities of the proposed changes, noting that Board members and members of FASB's Not-for-Profit Advisory Committee (NAC) had discussed that summary at the September 4–5, 2014 NAC meeting. The staff noted that although NAC members generally supported the proposed changes, the members raised significant concerns about the cost and complexity of proposed changes in two areas: (1) capital-like transactions and (2) board designations, appropriations, and similar transfers (collectively referred to as *transfers*). The NAC encouraged the Board to consider whether one or more cost-effective alternatives could be implemented without a significant reduction in the benefits of the information.

*Capital-Like Transactions*

The Board revised its [previous decisions](#) on capital-like transactions. The Board decided to require the following treatment of capital-like transactions:

1. A not-for-profit (NFP) would report gifts of long-lived assets without donor restrictions as operating revenue. If the NFP places the asset in service (instead of selling it), the NFP would also report a transfer out of operations for the entire amount of the gifted long-lived asset. Unlike the Board's previous decision, there would be no transfers back into operations in subsequent periods. (Vote: 6-1)
2. Gifts of cash that a donor has restricted for the acquisition or construction of long-lived assets would initially be reported as revenues that increase net assets with donor restrictions, which are reported outside of operations. When the asset is placed in service, the release of the donor restriction would be reported as an increase in net assets without donor restrictions within *operating* activity and a decrease in net assets with donor restrictions. That amount would also be reported as a transfer from operating to nonoperating activities, which is consistent with the treatment of gifts of long-lived assets, and there would be no transfers back into

operations in subsequent periods. (Vote: 5-2 for releasing the donor restriction into *operating*)

*Board Designations, Appropriations, and Similar Transfers*

To address concerns about the degree of flexibility for presentation of transfers, the Board decided to require that NFPs present (1) all transfers in a separate, discrete section and (2) a subtotal of operating revenues and expenses before such transfers, which is in addition to the previous decision to require a subtotal after such transfers. At a minimum, an NFP must present the aggregate of transfers out of operating activities separate from the aggregate of transfers into operating activities. Unless the NFP chooses to display all transfers as discrete line items on the face of the statement of activities, the NFP would need to provide details for aggregated transfers in a note. All NFPs would be required to describe qualitatively the purpose, amounts, and types of transfers (for example, those done because of standing board policies, as one-time decisions, or for other reasons). (Vote: 7-0 for all transfer presentation decisions)

*Next Steps*

Board members were asked whether they had any other concerns about the benefits, costs, or complexities of other decisions that would require further research by the staff. None were noted.

The Board directed the staff to begin drafting a proposed Update that will be subjected to an external review. The Board will then consider any further feedback, the proposed transition provisions, and any additional sweep issues that arise in drafting. The Board also will consider the overall benefits, costs, and complexities and decide whether to issue the proposed Update for public comment and, if so, determine the length of the comment period.

**General Announcements:** None.