

MINUTES



MEMORANDUM

To: Board Members
From: FASB staff
Subject: Minutes of NFPFS February 25, 2015 Board Meeting
Date: March 6, 2015
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.

Topics: Sweep Issues, Transition, Indication of Effective Date, Comment Period Length, and Overall Benefits, Costs, and Complexities

Basis for Discussion: Board Memorandum 30, 30A, and 32

Length of Discussion: 2:15 p.m. to 3:45 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: Cole and Willette
Other staff at Board table: Bossio, Cosper, Dickson, 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 Accounting Standards Update addressing financial statements of not-for-profit entities.

The Board expects a proposed Accounting Standards Update will be exposed for public comment by mid-April of 2015.

Tentative Board Decisions:

The Board discussed various issues identified during the drafting of the proposed Accounting Standards Update. The Board also discussed the proposed transition and effective date and comment period length. Finally, the Board discussed a staff analysis of the expected benefits and perceived costs of the proposed changes.

Alignment of Operating Definitions in the Statements of Activities and Cash Flows

The Board decided to maintain tentative definitions for operations in the statements of activities and cash flows, but decided to seek input in the forthcoming Exposure Draft on whether and how those definitions might be further aligned. (Vote: 4-3)

Presentation and Disclosure of Investment Return

The Board decided not to require disclosure of unrelated business income taxes or excise taxes that are netted against investment return and to eliminate the disclosure of the following:

1. Components of investment return as both separate disclosures and parts of the endowment rollforward
2. The total performance of other investment portfolios that is currently required for institutions of higher education.

(Vote: 7-0 for all investment return decisions)

Accounting Write-Offs and Equity Transfers

The Board decided that the following items should be reported separately from revenues, expenses, gains, and losses and presented within the operating activity section of the statement of activities before the section of governing board transfers:

1. Immediate write-off of goodwill upon an acquisition of an entity (required of not-for-profit entities (NFPs) predominantly supported by contributions and investment income), unless the acquired entity is for a purpose (or purposes) that is not directed at carrying out the purpose for the acquirer's existence (Vote: 6-1)
2. Accessions and deaccessions of noncapitalized collection items acquired with resources that are without donor restrictions (Vote: 7-0)

3. Equity transfers, unless they are not for current period use in carrying out the purpose for the reporting entity's existence. (Vote: 6-1)

The Board also decided that NFPs should classify as operating cash flows their (1) cash outflows for purchases of collection items, (2) cash inflows on sales of collection items, and (3) cash inflows for contributions received that are restricted for the acquisition of collection items. (Vote: 7-0)

Governing Board Designations

The Board decided to clarify that presentation of governing board designations, appropriations, or similar transfers on the statement of activities would include decisions made by the governing board's designees. (Vote: 7-0)

Proposed Transition and Effective Date and Comment Period Length

The Board decided to require retroactive application of the proposed changes. In the initial year of application of the proposed changes, the annual financial statements would disclose the nature of any reclassifications or restatements and their effects, if any, on the change in the net asset classes for each year or period presented. Application to interim financial statements would not be required in the initial year of application. (Vote: 7-0)

The Board also decided not to propose a specific effective date and will instead ask respondents to provide information that would help the Board in determining an appropriate date (or dates) during its redeliberation. (The Chairman indicated that the majority of Board members preferred to give no indication of a proposed effective date in the Exposure Draft.)

The Board also decided that, based on an expectation that the forthcoming Exposure Draft would be issued by mid-April, the comment period would end on July 31, 2015. (Vote: 6-1)

Potential Benefits, Costs, and Complexities of the Proposed Amendments

The Board discussed the expected benefits and perceived costs of implementing the proposed changes. The Board will continue that discussion after its March 3, 2015 meeting with the Not-for-Profit Advisory Committee (NAC).

Next Steps

The Board directed the staff to discuss the summary of decisions reached at this meeting with the NAC during its March 3, 2015 meeting. The Board will consider this feedback at the March 4, 2015 Board meeting and decide whether (1) the overall expected benefits of the proposed amendments justify the perceived costs and (2) the staff should proceed with drafting a proposed Accounting Standards Update.

General Announcements: None.