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Proposed Accounting Standards Update, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities

Question Text	Response
* Please select the type of entity or individual responding to this feedback form.	Individual
Other, please specify (Specified)	
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)
Organization *	Individual
First name *	Rick
Middle initial	
Last name *	Wentzel
Email address *	rick.wentzel@us.gt.com
Phone number	-

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<p>1. Do you agree that the disclosures about the nature of donor-imposed restrictions and their effects on liquidity in notes to financial statements would help ensure that necessary information is not lost by combining the temporarily and permanently restricted classes of net assets into one donor restricted category for purposes of presentation in the statement of financial position (balance sheet)? If not, please identify the information lost and why it is necessary. (See</p>	<p>Agree - the donor-imposed restrictions should still be explained by what is untouchable, what is available only for a specific purpose (and just not spent yet) and what is available to spend in future years. Combining TR and PR will assist the readers in understanding the financial statements.</p>
<p>paragraphs BC22– BC23 and BC27– BC32.)</p>	
<p>2. Do you agree that the aggregated amount by which endowment funds are underwater should be classified within net assets with donor restrictions rather than net assets without donor restrictions? If not, why? (See paragraph BC24.)</p>	<p>Yes - the item that is underwater is the donor's gift, not the NFPs funds.</p>

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3. Do you agree that disclosures describing the NFP's policy on spending from underwater endowment funds, together with the aggregated original gift amount or the amount that is required to be maintained by donor or by law, would provide creditors, donors, and other users with information useful in assessing an NFP's liquidity and potential constraints on its ability to provide services without imposing undue costs? Why or why not? (See paragraph BC32.)

Yes it would, should they read it and understand it. It would assist donors to know that their generous gift is either assisting the NFP now or that it is not. Could be used to obtain current year gifts from the donors to replace the lost spending (if the NFP will not be spending on underwater endowments).

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4. Do you agree that providing information in notes to financial statements about financial assets and liabilities and limits on the use of those assets is an effective way to clearly communicate information useful in assessing an NFP's liquidity and how it manages liquidity without imposing undue costs? If not, why, and what alternative(s) would you suggest? (See paragraphs BC27– BC31.)

It would, but if the NFPs will be setting their own time horizon, what will be achieved from a comparability point of view? A classified balance sheet would accomplish the general goal and would allow a presentation in a format already seen in for-profit financial statements. Under the current proposal, the NFP would have to estimate the amount of accrued vacation and other such liabilities (e.g., annuities) and include that in the calculation - why not just require a classified statement? Consideration should be given to requiring the disclosure of PPE net assets within the "without donor restriction" net asset category on the face of the financials. This will pull out the net assets related to fixed assets and provide the reader with a better idea of the net assets available for fulfilling liabilities.

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<p>5. Most business- oriented health care NFPs are required to present a classified balance sheet. Continuing care retirement communities and other NFPs may choose to sequence their assets and liabilities according to their nearness to cash as an alternative to using a classified balance sheet. As a result of the proposed requirement to provide enhanced disclosures of information useful in assessing liquidity, would there no longer be a need to hold business-oriented health care NFPs to the more stringent standard for their</p>	<p>I would still recommend health care organizations have a classified balance sheet. NFP health care organizations are compared to for-profit financial statements and the classified balance sheet would assist in the reader and not require them to try and "convert" one of the statements to the other's format.</p>
<p>balance sheets? If not, why?</p>	

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<p>6. Do you agree that requiring intermediate measures of operations would provide users of NFP financial statements with more relevant and comparable information for purposes of (a) assessing whether the activities of a period have drawn upon, or have contributed to, past or future periods and (b) understanding the relationship of resources used in operations of a period to resource inflows available to fund those operations? Do you also agree that classifying and aggregating information in that way would not require major system changes? If not, why? (See paragraphs BC38– BC47.)</p>	<p>Having an operating measure - yes, I agree that this is needed. However, having multiple measures (before and after transfers) is going to add to confusion and the transfers will allow the possible manipulation of the financial activity.</p>
<p>7. Do you agree that intermediate measures of operations should include only those (a) resource inflows and outflows that are from or directed at carrying out an NFP's purpose for</p>	<p>No - the internal appropriation of the spending rate applied to quasi-endowments is for operating purposes (and included in the approved budget). This approved amount should be included in the operating amounts and appropriately labeled as coming from quasi-endowment.</p>

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<p>existence and (b) resources that are available for current-period operating activities before and after the effects of internal governing board appropriations, designations, and similar actions? If not, why? (See paragraphs BC48– BC74.)</p>	
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8. Do you agree that all internal transfers (governing board appropriations, designations, and similar actions that make resources unavailable or available for operations of the current period) should be reflected on the statement of activities immediately after an intermediate measure of operations before transfers and immediately before an intermediate measure of operations after transfers? If not all internal transfers, on what basis would you distinguish between those transfers that should and should not be reflected and how would you make that distinction operable? Do you also agree that

I would have an income statement that ends with the results of operations. Then a second statement that would then start with the results of operations and then applies the transfers. This will present more clearly the results of operations and not have it as a subtotal buried in the middle of a long, complicated financial statement.

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<p>reflecting those internal decisions (or lack of them) on the face of the statement rather than in notes will help an NFP communicate how its operations are managed without adding undue complexities? Why or why not? (See paragraphs BC46– BC47 and BC67– BC74.)</p>	
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<p>9. Do you agree that to promote comparability, the Board should eliminate one of the two optional methods for reporting expirations of donor restrictions on gifts of cash or other assets to be used to acquire or construct long-lived assets? Do you also agree that requiring the expiration of those donor restrictions on the basis of the placed-in-service approach rather than the current option to present a release from restriction over the useful life of the acquired long-lived asset is most consistent with the underlying notions of the intermediate measures of operations? If not, why? (See paragraph BC66.)</p>	<p>Yes, the release of such assets should be fully at the placed- in-service date. The idea of releasing a building over a 40 year period does not provide meaningful information to the reader.</p>

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<p>10. Do you agree that gifts of, or for, property, plant, and equipment (long-lived assets) should be considered operating revenue and support when received (or when placed in service in the case of a gift to acquire a long-lived asset)? Do you also agree that because the long-lived asset is not immediately fully available to be utilized in the current period, an NFP should be required to present a transfer from operating activities to other activities for the amount of the gifted asset or portion of the asset funded by restricted gifts? If not, why? (See paragraphs BC72–BC74.)</p>	<p>Yes, gifts of (or for) PPE should be considered operating revenue, as these assets will be operating assets. I would not then transfer these amounts to nonoperating activities. How can you receive an operating gift and then internally indicate that it is not really operating, but is nonoperating? If it will ultimately be nonoperating, then record it as such on date of gift - but the recordkeeping for that will be difficult for most NFPs.</p>
<p>11. Do you agree that the addition of required intermediate measures of operations for all NFPs would make unnecessary the need for NFP business-oriented health care entities to also present their currently required performance indicator? Why or why not? (See paragraph BC99.)</p>	<p>No - modified their required to conform to this standard.</p>

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<p>12. Do you think the flexibility currently allowed by GAAP to present a statement of activities as either a single statement or two articulating statements and to use either a single- column or a multicolumn format should be retained or narrowed? If narrowed, why and in what ways?</p>	<p>A single-column is not easily read by board members and I would recommend requiring multicolumn financial statement. A single-column statement format allows for a skilled preparer of the financial statement to bury information that may not be understood or identified by a board member.</p>
<p>13. Do you agree that reporting operating expenses by both their function and nature together with an analysis of all expenses (other than netted investment expenses) provides relevant and useful information in assessing how an NFP uses its resources and, thus, should be required? Why or why not? (See paragraphs BC87– BC93.)</p>	<p>Yes. But I would recommend just requiring a Statement of Functional Expenses for all entities. This would provide consistency within the industry and provide more comparability as everyone would be reporting in a similar format.</p>

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14. Do you agree that requiring investment income to be reported net of external and direct internal investment expenses will increase comparability and	Yes - but not allowing the allocation of indirect costs removes some area for moving operating expenses to investments and thus improving operating results.
avoid imposing undue costs to obtain information about all investment fees (for example, embedded fees of hedge funds, mutual funds, and funds of funds)? If not, why? (See paragraph BC100.)	

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<p>15. Do you agree that the disclosure of the amount of all investment expenses is unnecessary but that disclosure of internal salaries and benefits that are netted against investment return is of sufficient relevance, not too costly to obtain, and thus should be required? Why or why not? (See paragraph BC101.)</p>	<p>Total investment expenses should be disclosed - breaking them out between internal and external is not necessary.</p>
<p>16. Do you agree that interest expense, whether incurred on short- term or long-term borrowing, and fees and related expenses incurred for access to lines of credit and similar cash management and treasury activities are not directed at carrying out an NFP's purposes and, thus, should not be classified as operating</p>	<p>Disagree. This debt is being incurred to obtain, or construct operating assets. The depreciation on such assets is considered operating, so why wouldn't the interest expense related to operating assets be considered operating? If the debt was incurred for nonoperating purposes (e.g., arbitrage) then this interest expense would be nonoperating.</p>
<p>activities? If not, why? (See paragraphs BC59– BC60.)</p>	

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<p>17. Do you agree with the following implementation guidance:</p> <p>a. Equity transfers between NFPs that are under common control and are eliminated in a parent entity's consolidated financial statements and equity transactions between financially interrelated entities should be presented within operating activities unless they are not available for current-period use in carrying out the purpose for the reporting entity's existence? If not, why? (See paragraph BC62(a).)</p> <p>b. Immediate writeoffs of goodwill generally should be presented within operating activities? If not, why? (See paragraph BC62(b).)</p> <p>c. Immediate writeoffs of acquisitions of noncapitalized</p>	<p>A - agree B - no opinion C - agree. The collections most likely are part of the NFP's operations (e.g. a museum).</p>
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<p>items for a permanent collection should be presented within the operating activity section if acquired with net assets without donor restrictions? If not, why? (See paragraph BC62(c).)</p>	
<p>18. Do you agree that the direct method of presenting operating cash flows is more understandable and useful than the indirect method? Do you also agree that the expected benefits of presenting operating cash flows in that way would justify the one-time and ongoing costs that may be incurred to implement that method of reporting? If not, please explain why and suggest an alternative that might increase the benefits or reduce any operational concerns or costs. (See paragraphs BC75–BC80.)</p>	<p>Yes - agree that the direct method is more understandable and useful. Yes, any time invested would first year and would be for creating new reports.</p>

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<p>19. Does the indirect method's reconciliation of cash flows from operations to the</p>	<p>I would eliminate the option of the indirect method.</p>
<p>total change in net assets provide any particular type of necessary information that would be lost if, as proposed, that method is no longer required? If so, please identify the potentially omitted information and explain why it is useful and whether it should be provided through disclosure rather than requiring use of the indirect method. If you suggest that requiring the indirect method is necessary, would you require that the amount for cash flows from operations be reconciled to the amount of the (a) change in net assets, (b) change in net assets without donor restrictions, or (c) proposed intermediate measure of operations before or after transfers? Why? (See paragraphs BC75– BC80.)</p>	

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<p>20. Do you agree that although operating activities is defined differently for the statement of cash flows than for the statement of</p>	<p>Yes - attempting to align the two statements should enhance the understanding of their relationship. Noncash activity would still need to be disclosed.</p>
<p>activities, more closely aligning line items presented in the statement of cash flows with the proposed operating classification for the statement of activities will increase understandability even though that reporting would be somewhat different from current requirements for business entities? If you believe that operating items in the two financial statements would not be sufficiently aligned, please indicate how their alignment might be further improved. (See paragraphs BC81–BC86.)</p>	
<p>21. Are there any particular proposed amendments in this Update that would require a longer period to implement than other amendments? If so, please explain.</p>	<p>All should be required as of the same date - for periods ending on or after December 15, 2018</p>

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<p>22. Are there reasons for any particular size or type of NFP to need a longer time frame to implement the proposed amendments in this Update? If so, please explain.</p>	<p>No - effective date should be the same for all NFPs.</p>
<p>Please provide any additional comments on the proposed Update:</p>	
<p>Please provide any comments on the electronic feedback process:</p>	