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August 10, 2015

Via email to director@fasb.org

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: 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 (File Reference No. 2015-230)

We are pleased to have the opportunity to provide comments on the Board's proposal to improve not-for-profit financial reporting. Please find our responses to the specific Questions for Respondents in the above referenced Exposure Draft.

Question 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.

Yes. Under UPMIFA the lines between temporary and permanent restrictions are becoming more blurred. Moving the information away from the face of the financial statements and into the note disclosures will allow better communication to the users of the financial statements while still allowing sufficient information at a glance.

Question 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?

Yes. Under UPMIFA underwater endowment funds do not necessarily signify improper management of the funds nor noncompliance with laws. Combined with disclosures on the amounts of underwater endowment funds, this should be sufficient.

Question 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?

Yes. This will provide better transparency both as to the status of the underwater endowment fund and also as to the response of the NFP to the fund being underwater. This is more useful to those trying to determine if the NFP is doing its fiduciary duty properly, both maintaining the endowment and also using the endowment earnings for their underlying purpose.

Question 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?

No. In many cases the manner in which an NFP is managing its liquidity is a short time frame which will elapse between the statement of financial position date and the date the financial statements are available to be issued. All entities have similar liquidity issues and FASB already has a concept of restricted cash.

We believe that having a classified statement of financial position would provide sufficient transparency while minimizing costs. Many smaller NFP entities do not have policies and procedures specifically documented related to managing their liquidity risk. This standard, if implemented, would require them to first determine a policy, and then modify systems to be able to implement the policy. Most entities can, without undue hardship or cost, determine a classified statement of financial position.

Question 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 balance sheets? If not, why?

Yes. If liquidity information, either through the disclosure contemplated in question 4 or through a classified statement of financial position, is required of all NFPs, then business-oriented health care NFPs should not be held to any more stringent standard.

Question 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?

Yes. We believe this is valuable information for an NFP to see what amount of income or loss is being generated by the ongoing operations versus nonoperating income. More sophisticated NFPs are already requesting this information. NFPs already have systems in place to track the various classes of net assets; some of those same systems will be utilized for the intermediate measure of operations. In addition, many of the accounts are already being tracked separately within the chart of accounts and therefore the information is available, it just would be formatted differently to produce the desired effect on the statement of activities.

Question 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 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?

Generally yes; see question 8 regarding transfers and similar governing board actions. The mission and availability dimensions are appropriate for determining operating income. However, further examples should be provided related to the mission dimension. Some NFPs would claim that because a certain fundraising event, such as a gala event, is going to have money spent for carrying out the mission, it should be considered operating income. Other NFPs would take the position that because the gala is not directly part of the mission, it simply provides funds for the mission, that it should not be considered operating income. Clarifying the mission dimension, similar to how the IRS has clarified what revenue can be considered exempt purpose revenue, would be useful.

Question 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 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?

No. We have several concerns related to the presentation of internal transfers.

First we believe that this presentation will cause added confusion to the financial statement readers as they try to determine why the same amount is both a debit and a credit in different locations on the statement of activities. In addition, it will cause confusion when users are describing “operating income” as it will be unclear whether that is operating income before or after transfers.

Our second concern relates to the overall ease of creating transfers for “book purposes” that were not actually used by the governing board. If a governing board is truly considering how they will fund their operations and truly decides rather than reducing expenditures they will appropriate nonoperating income to cover operations, then it makes sense to report that information. However, many NFPs may not be specifically using that type of budgetary process, in which case, it allows the year-end financials to be manipulated into appearing that better governance was applied than was actually applied. After the fact “transfers” could be done either during the accounting process by the accountants or by the governing board during review.

If the internal transfers are to be kept on the face of the statement of activities, it would be more transparent if FASB provided rules as to who must approve the transfers and in what time period they must be approved. Suggested rules would include governance (i.e. the Board) voting and approving the transfer during 1) the fiscal year or 2) the budgetary process occurring prior to the fiscal year beginning. We also believe a note describing the process of approving transfers would be relevant.

Question 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?

Yes. Eliminating options will promote more comparability. The restriction is to acquire or construct long-lived assets; therefore once the assets are placed in service, the restriction has been fulfilled.

Question 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?

Assuming that gifts of property, plant, and equipment are placed in service prior to year-end, the contribution should be operating revenue and nothing should be transferred out of operations because the property, plant, and equipment is being used in operations.

Even if the gift is not yet placed in service, it still will be used for operations once placed in service. Although in the year of the gift, it makes logical sense to move it out of operations and into nonoperating income through a transfer, it does not make logical sense to, in the subsequent year, transfer out of nonoperating income into operating income for an amount that likely will be greater than the entire year’s nonoperating income. Therefore we believe it makes more logical sense to keep it in operations even if it is not placed in service.

For restricted gifts, the contribution should be in revenue with restrictions and then would show a release from restrictions once placed in service. This release from restriction would place the revenue into operating revenue.

Once in operating revenue it should not be transferred to nonoperating revenue because the property, plant, and equipment is used in operations.

Question 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?

Yes. The intermediate measure of operation is essentially a performance indicator. Consistency should be used across different NFP types. Therefore additional rules for business-oriented health care entities are not necessary.

Question 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?

Narrowed. We believe it would be easier for users to understand NFP financial statements if a single presentation were required rather than allowing one or two statements with one or multiple columns. Given other efforts in the exposure draft to simplify, it would be prudent to simplify these options. We believe that the most commonly used format is one single statement with multiple columns, and we would recommend this approach. However, the same information can be obtained in all of the above listed formats, so all would meet user needs. It is a matter of simplicity rather than a matter of providing sufficient information.

Question 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?

Yes. Different users are focused on different aspects of the operating expenses. Some users are focused on function and others are more interested in nature; this ensures that all entities are providing the users information they need. It also helps users determine whether the NFP is spending resources in an appropriate and frugal manner for the type of program, or supporting service.

Question 14: Do you agree that requiring investment income to be reported net of external and direct internal investment expenses will increase comparability and 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?

Yes. Most investment fees are buried and difficult to get from the various funds, such as mutual funds. Although the information is becoming more widely available, it is still not readily available in a timely manner for all NFPs to report in the same manner. If external fees are being netted, for consistency internal expenses should also be netted.

Question 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?

No. Although the internal salaries and benefits is not costly to obtain, it does not make sense from a financial statement user perspective why internal would be disclosed and external would not be disclosed. If we are saying in question 14 that it should be netted for consistency and comparability, it does not make sense that internal fees should be disclosed. Neither internal nor external should be disclosed.

If the concern is that different organizations would calculate internal salaries and benefits in materially different ways, then disclosure of the allocation method would be relevant.

Question 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 activities? If not, why?

Yes. It is a financing activity which really is separate decision. An NFP's purpose does not include borrowing money and paying related costs; the purpose is really its mission and borrowing money is one option of how to accomplish the mission, but is not part of the mission itself.

Question 17: Do you agree with the following implementation guidance:

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?

b. Immediate writeoffs of goodwill generally should be presented within operating activities? If not, why?

c. Immediate writeoffs of acquisitions of noncapitalized items for a permanent collection should be presented within the operating activity section if acquired with net assets without donor restrictions? If not, why?

a. No. If it is an equity transfer, it should not be reported on the statement of activities in net income, similar to how the sale of stock is not income in a for-profit.

b. Yes. We believe that typically in these situations the combination of the NFPs is for mission purposes and therefore the write-off should be in operating activities.

c. Yes. If an NFP has a permanent collection, it is generally for mission purposes and therefore the write-off should be in operating activities.

Question 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.

We agree that the direct method provides more useful information to the users of the financials relative to the indirect method. We see that the statement of cash flows, which is currently done using the indirect method for most NFPs, is the least used and least understood statement. We do believe the direct method would cause the statement to be better understood and used more. However we are not certain if the benefits of the direct method outweigh the costs. Also we are concerned that requiring NFPs to do statements of cash flows differently from how most for-profits do the statement of cash flow (indirect method) would cause additional confusion by users who look at both NFP and for-profit financial statements.

Question 19: Does the indirect method's reconciliation of cash flows from operations to the 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?

No. Sufficient information would be retained using the direct method. If the direct method is required, the indirect method's reconciliation should not be required. However, it is likely that preparers would still calculate the cash flows from operations using the indirect method (to the change in net assets) as a double check that the statement of cash flows is proper. Therefore we are not certain that there would be a cost benefit to omitting it.

Question 20: Do you agree that although operating activities is defined differently for the statement of cash flows than for the statement of 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.

No. As stated above, the statement of cash flows is the least used and most confusing statement that is currently required. Changing the definitions of operating versus investing and financing activities for just NFPs will cause confusion amongst users of the financial statements and preparers of the financial statements. In addition business-oriented health care NFPs would not have comparable statements of cash flow to for-profit health care entities.

We do believe the concept of aligning the statement of cash flows and statement of activities is a logical next step. We do believe this exposure draft sufficiently aligns the two. However, we believe this is better done in an overarching modification to the statement of cash flows in general for both NFP and for-profits, rather than having one statement name that is prepared differently depending on whether it is an NFP or a for-profit entity.

Question 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.

No.

Question 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.

Yes. We believe that larger NFPs should implement this amendment sooner than smaller NFPs. The larger NFPs typically have larger portions of their budget available for management and general activities such as researching and implementing new accounting standards. Smaller organizations typically do not have the funding nor staffing to do any research prior to implementation and would benefit greatly from seeing how larger organizations have implemented the accounting standard. This is similar to how non-public for-profit entities typically have an extra year to implement new standards.

Other comments:

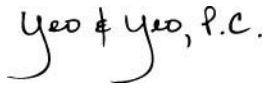
958-605-35-3 indicates that distributions from perpetual trusts shall be presented as an operating activity rather than as investment income. This is a significant change in practice. It does appear that since the perpetual trust is restricted (at a minimum an implied time restriction) the initial gift would not be operating revenue. Instead when the distribution is made, there is a release from restriction which causes the distribution to be operating revenue. However this logic is not well explained.

Although it is not technically part of accounting standards, we do believe that consideration should be made to how information would align, or not align, with an NFP's Form 990. The concept of operating revenue is very similar to the concept of exempt function income on Form 990; to the extent those can align, users of both the financial statements and Form 990 will benefit. Similarly Form 990 requires 501(c)(3) and 501(c)(4) entities to provide a statement of functional expenses; to the extent that the classifications of program, management and general, and fundraising can align, users of both the financial statements and Form 990 will benefit. We would hope that you would seek out the IRS's response to those areas to work with the IRS to align definitions.

In addition, we would hope that the implementation date would be sufficient to allow for implementation guidance to be created and disseminated by the AICPA and various editorial sources prior to the required implementation date. Concerns such as how the new standards would align with Form 990 requirements, 2 CFR 200 grant requirements, and for-profit standards will all need to be thoroughly researched and responded to prior to implementation.

We appreciate this opportunity to provide feedback on the proposed ASU and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Wendy Thompson at 989-793-9830 or Bradley DeVries at 517-323-9500.

Sincerely,

A handwritten signature in cursive script that reads "Yeo & Yeo, P.C.".

Yeo & Yeo, P.C.