

Submitted 8/11/15

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	Status
* Please select the type of entity or individual responding to this feedback form.	Preparer	Completed
Other, please specify (Specified)		
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)	Completed
Organization *	Wisconsin Ev. Lutheran Synod	
First name *	Todd	
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Phone number		
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>I disagree with the conclusion that the disclosure would ensure that necessary information is not lost. The current statement of financial position provides some information on a NFP's liquidity by reporting net assets that are unrestricted, temporarily restricted and permanently restricted. Specifically, permanently restricted net assets are not available for operations where temporarily restricted net assets are generally available in the near term for the NFP's mission and operations.</p> <p>In my experience, board members look at the amounts of net assets on the statement of financial position to see temporary and permanent restrictions and would have a more difficult time finding the information in the notes and understanding it as it relates to other elements of the statement of financial position. Board members often think they can spend net assets. This raises a concern that a board may lose some control over expenditures and that readers of the statements lose a lot if permanently restricted amounts are not displayed.</p> <p>I believe that liquidity information from the statement of financial position would be enhanced if "cash financed" fixed assets were displayed as a separate element of equity.</p> <p>I agree that enhanced disclosures regarding net assets that do not have donor designations but have been designated</p>	Completed

<p>paragraphs BC22–BC23 and BC27–BC32.)</p>	<p>for a specific purpose and the nature of net assets with donor imposed restrictions should be required.</p> <p>I believe that disclosures should generally contain targeted information related to net assets, customized based on the facts and circumstances, not just boiler plate information. As an example, the fair value disclosure doesn't provide value to board members, while the details related to designated balances is important for both board and management control.</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</p>	<p>Completed</p>
<p>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</p>	<p>Yes and I believe it is consistent with the intent of UPMIFA. The disclosures would provide useful information for donors and board members.</p>	<p>Completed</p>

<p>costs? Why or why not? (See paragraph BC32.)</p>		
<p>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.)</p>	<p>I disagree that providing this information in the disclosures is an effective way to communicate the liquidity information. The time lag between the date of the financial statements and their issuance tends to make this information too stale to be useful if financial reporting isn't done very quickly after year end.</p> <p>Requiring this disclosure will result in additional costs in order to gather and report information. Instead, I believe that presentation of the statement of financial position in order of liquidity or as a classified balance sheet would provide the information in a cost effective manner. To evaluate liquidity, we believe that reporting restricted cash as a separate item would be important.</p>	<p>Completed</p>
<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</p>	<p>A classified balance sheet, if done correctly is in order of liquidity. Accordingly, we don't believe that there is an advantage or disadvantage to classification versus order of liquidity presentation. The difference is really where you draw the lines and subtotals in the presentation. Understandably, creditors may not want to be responsible for deciding what are current assets and current liabilities for purposes of determining current ratio and therefore would likely prefer a classified balance sheet.</p> <p>An important best practice for NFP's would be to have policies for liquidity management and related disclosure of those policies.</p>	<p>Completed</p>

<p>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?</p>		
<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>I disagree. Such a redesign of the statement hides the types of reclassifications. It will be difficult to see how temporarily restricted assets are used to fund operations. Under the current model, it is difficult for boards to understand, this presentation will make it nearly impossible for boards to understand. Reclassifications in more places and more subtotals make it far more difficult for board members who are not financial statement experts to understand. I also believe it will create more diversity in practice not more consistency.</p> <p>The statement of activities doesn't present resources available and used in the period –long-term contributions and accounts receivable that are revenues aren't necessarily used in the year they are recorded – that is inflows aren't necessarily related to revenue.</p>	<p>Completed</p>
<p>7. Do you agree that intermediate</p>	<p>I disagree. I believe that the presentation of intermediate measures adds unnecessary information to the financial</p>	<p>Completed</p>

<p>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? (See paragraphs BC48–BC74.)</p>	<p>statements. I don't believe that users have a need for information for what is donated versus what the board allocates resources</p>	
<p>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</p>	<p>The presentation of these internal decisions on the face of the statements does not provide value and in fact I believe that it adds significant undue complexity. Adding such a focus on an intermediary measure is essentially trying to distinguish between current donors supporting activity versus board supporting activity. I don't believe that it is important to distinguish between what donors want to support and what the board wants to support on their behalf. The current model already presents this by displaying releases from restrictions and inflows into endowments. Since it's presented currently, why make it more confusing? The appropriate place for explanation of funding decisions would be in the notes with requirements to explain significant drawdown of temporarily restricted or board designated items when they are used as well as to explain the nature of amounts set aside by the board or the future purpose for significant contributions when received.</p>	<p>Completed</p>

<p>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? (See paragraphs BC46–BC47 and BC67–BC74.)</p>		
<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</p>	<p>I disagree. This proposal appears to be a method to attempt to force every NFP to treat the release from restrictions in the same manner rather than addressing the specific facts and circumstances and requiring disclosure of the accounting policy used and the facts and circumstances specific to the long-lived assets. In effect, this proposal would remove the effect of long-lived assets from the statement of activities. This presentation is complex for volunteer boards to understand.</p>	<p>Completed</p>

<p>asset is most consistent with the underlying notions of the intermediate measures of operations? If not, why? (See paragraph BC66.)</p>		
<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>I believe that this reporting of transfers would be very confusing to board members and other users of the financial statements. The reporting under the current model makes large projects or donated assets very visible</p>	<p>Completed</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</p>		<p>Completed</p>

<p>business-oriented health care entities to also present their currently required performance indicator? Why or why not? (See paragraph BC99.)</p>		
<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>I believe that the flexibility currently allowed by GAAP should be retained. This item is a matter of person preference that doesn't bear on the content or value of the information presented. I believe that comparative financial statements are beneficial and if presented, a side by side comparison is easier with a vertical presentation. However, if the proposed changes for intermediate measures and transfers is adopted, it would make the statements really hard to read.</p>	<p>Completed</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>Reporting operating expenses by both function and nature is appropriate; however, I don't believe that both should be required as a single basic financial statement. Reporting both make sense because some users want this information, I believe that reporting the natural classification but not by function in the notes by totals is an appropriate method of reporting. I believe that functional reporting on the face of the statements is appropriate because it gets to the mission of the organization. A downside to this reporting is that in a small organization where certain functions are a single person function, salary and benefit information become public information.</p>	<p>Completed</p>
<p>14. Do you agree that requiring</p>	<p>I agree.</p>	<p>Completed</p>

<p>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? (See paragraph BC100.)</p>		
<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>I agree that disclosure of all investment expenses is unnecessary. I do not agree that internal salaries and benefits that are netted is of relevance to disclosure. Our position is either disclose expenses or don't. If such disclosure of internal salaries and benefits is required, comparability between those that use internal sources versus those that outsource will be lost and appears to contradict the notion that disclosure is unnecessary.</p>	<p>Completed</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</p>	<p>I disagree, in fact I believe that often interest expense is integral to the ability to many NFP's deliver on their mission. For example, interest on a building used in the mission is an expense of carrying out the mission, really no different than rental expense would be a necessary expense of carrying out the mission. It would seem that this proposal would make an attempt for the statement of activities to line up with the statement of cash flows and we do not believe this alignment is appropriate.</p>	<p>Completed</p>

<p>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? (See paragraphs BC59–BC60.)</p>		
<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,</p>	<p>a. I agree b. I agree c. I agree</p>	<p>Completed</p>

<p>why? (See paragraph BC62(b).)</p> <p>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? (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</p>	<p>I agree that the direct method provides understandable, meaningful information. While there are one-time and ongoing costs of this method of presentation, I believe that the benefits outweigh the cost in that better more understandable information is required. While I agree with moving in the direction of direct method cash flow reporting, I disagree with making NFP different than business reporting – that is require it for all FASB reporting entities. NFP board members come from business, it makes sense for them to see consistency in cash flow reporting.</p>	<p>Completed</p>

<p>BC75–BC80.)</p>		
<p>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? (See paragraphs BC75–BC80.)</p>	<p>If direct method is allowed or required, the reconciliation is needed for a cross walk from change in net assets to change in cash flows.</p>	<p>Completed</p>

<p>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. (See paragraphs BC81–BC86.)</p>	<p>I disagree with defining operating activities differently for NFP's and businesses. This will create confusion for the users of the financial statements.</p>	<p>Completed</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>I do not think that any of the changes would require a longer period of time to implement. Users of the financial statements would be impacted less if all changes occur at the same time.</p>	<p>Completed</p>
<p>22. Are there reasons for any particular size or type of NFP to need</p>	<p>I think that all changes should be implemented across the board for all NFP's, including smaller NFP's. Users of the financial statements would be impacted less if all changes occur at the same time. Likely smaller NFP's do not have</p>	<p>Completed</p>

<p>a longer time frame to implement the proposed amendments in this Update? If so, please explain.</p>	<p>internal capability for preparing the financial statements and therefore rely on their auditors for some amount of assistance in preparing the financial statements. It would be less confusing if all were prepared in the same way. In addition, the financial statements would be comparable for personnel moving from one NFP to another.</p>	
<p>Please provide any additional comments on the proposed Update:</p>		<p>Completed</p>
<p>Please provide any comments on the electronic feedback process:</p>	<p>Very easy to use and takes some of the "fear" out of replying.</p>	<p>Completed</p>
<p>Below is a summary of your responses to the questions in this feedback form:</p>	<p>Not Answered</p>	<p>Not Answered</p>
<p>Thank you for your participation.</p> <p>If you are finished providing comments, click the 'Submit' button.</p>	<p>Not Answered</p>	<p>Not Answered</p>