

Question Text	Response
* Please select the type of entity or individual responding to this feedback form.	Not-For-Profit
Other, please specify (Specified)	These comments are my own and do not represent the views of the Connecticut Society of CPAs or those of the members of the CTCPA Not-for-Profit Committee.
Organization *	Connecticut Society of CPAs
First name *	Julie
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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 paragraphs BC22– BC23 and BC27– BC32.)</p>	<p>Yes - with some qualifications, having fairly extensive experience with small nonprofits, I struggle with how to make clear an organization’s financial condition to management and boards who are often mission, not finance focused.</p> <p>It is not unusual for small organization board members to be uncomfortable with financial statements.</p> <p>Thoughts about net asset disclosures:</p> <ul style="list-style-type: none"> a. Define net assets. b. Disclose the amount of net assets that represent liquid assets (possibly net of s/t liabilities?) and define the illiquid.
<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>	Yes

<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 costs? Why or why not? (See paragraph BC32.)</p>	<p>Yes.</p> <p>Retaining the aggregate amount by which net assets are underwater with the donor restricted net assets will be one less mathematical step for users.</p> <p>They would then be able to compare the current amount of donor-restricted net assets with the full value of donor-restricted net assets.</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>Has the board considered including graphic information?</p> <p>A simple Excel bar graph detailing the total net assets and the components thereof over a 5-year period may help users.</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 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>No response.</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 agree that changing the format would not require major systems changes.</p> <p>The question of how relevant the intermediate measure would be may vary widely from organization to organization and user to user.</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 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>Yes.</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 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>Yes</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 asset is most consistent with the underlying notions of the intermediate measures of operations? If not, why? (See paragraph BC66.)</p>	<p>Yes, comparability would be increased by the proposed method.</p> <p>I strongly agree with the placed-in-service approach. The asset's use has been fixed and the placed-in-service approach more clearly records that fact. The gift has been received and put to its intended purpose.</p> <p>The release from restriction over the useful life of a building will not provide decision useful information.</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>Yes.</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 response.</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>Retain the flexibility.</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 – reporting expenses by function is too narrow. The move to report by function and nature is a clarifying improvement.</p>
<p>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? (See paragraph BC100.)</p>	<p>Yes.</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>Yes.</p>
<p>16. Do you agree that interest expense, whether incurred on short-term or long-term borrowing, 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? (See paragraphs BC59– BC60.)</p>	<p>No, not at all.</p> <p>If an NFP needs a line of credit or loan to keep the doors open or to purchase necessary fixed assets to fulfill their mission, that cost is no less relevant than the electricity to light the building or the gasoline to keep the truck in service.</p>

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? (See paragraph BC62(a).)

b. Immediate write-offs of goodwill generally should be presented within operating activities? If not, why? (See paragraph BC62(b).)

c. Immediate write-offs of acquisitions of non-capitalized 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).)

a. No response

b. Yes.

c. It seems to me very likely that large dollar amounts spent from operating revenue for acquisitions would require board approval. As such I would follow the path from question 7.

<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>Thinking about the timing differences arising from GAAP adjustments for straight-line rent and the new lease standards, it seems to me that the direct method is quite useful.</p> <p>If understandability rather than any consistency with for-profit reporting is the goal, perhaps an acceptable method would be to simply provide a cash basis statement of activities in addition to the accrual basis statement of activities.</p> <p>The cash basis presentation of the statement of activities would provide the less sophisticated user with comparable information, they wouldn't have to conquer a new f/s format and would, I believe provide the liquidity information the board is looking for.</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>No.</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>See answer to question 18.</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>No.</p>
<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.</p>
<p>Please provide any additional comments on the proposed Update:</p>	<p>“The board has decided that an entity should define the time horizon it uses to manage its liquidity.” (From a FASB presentation).</p> <p>I don’t believe this information will be particularly useful. Organizations with different revenue sources and/or cyclical probably would only arrive at a date certain through mathematical contortions.</p> <p>Perhaps organizations might track and report liquidity ratio analysis and management’s cash methodology.</p> <p>Thank you for the opportunity to comment.</p>
<p>Please provide any comments on the electronic feedback process:</p>	<p>Hmmm...</p> <p>This Word doc is cheating.</p>