

MINUTES



MEMORANDUM

To: Board Members
From: FASB Staff
Subject: Minutes of NFPFS February 3, 2016 Board Meeting
Date: February 10, 2016
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.

Topic: Netting of external and direct internal investment expenses against investment return, disclosure of netted investment expenses, expenses by nature and analysis of expenses by function and nature, and enhanced disclosures about cost allocations and improved guidance on management and general activities

Basis for Discussion: Board Memo Nos. 43, 44

Length of Discussion: 11:10 a.m. to 12:20 p.m.

Attendance:

Board members present: Golden, Buck, Kroeker, Linsmeier, Schroeder, Siegel, Smith

Board members absent: None

Staff in charge of topic: Cole, Wiley

Other staff at Board table: Bossio, Cosper, Khrakovsky, Mechanick

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The Board continued its Phase 1 redeliberations on the proposed FASB Accounting Standards Update, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities*, focusing on the following topics:

1. Netting of external and direct internal investment expenses against investment return
2. Disclosure of netted investment expenses
3. Expenses by nature and analysis of expenses by function and nature
4. Enhanced disclosures about cost allocations and improved guidance on management and general activities.

The Board has not yet determined the timing of the release of the final Accounting Standards Update for Phase 1. Phase 2 is anticipated to begin after the completion of Phase 1.

Tentative Board Decisions:

Netting of External and Direct Internal Investment Expenses against Investment Return

The Board affirmed the proposal to require the netting of external and direct internal investment expenses against investment return.

(Vote: unanimous)

The Board also directed the staff to provide implementation guidance to illustrate what activities constitute direct internal investing activities.

(Vote: unanimous)

Disclosure of Netted Investment Expenses

The Board decided not to require that not-for-profit entities (NFPs) disclose internal salaries and benefits that are netted against investment return. The Board affirmed its decision that NFPs are no longer required to disclose any other investment expenses that are netted against investment return.

(Vote: 4-3)

Expenses by Nature and Analysis of Expenses by Function and Nature

The Board affirmed the proposal to require all NFPs to disclose expenses by natural classification.

(Vote: unanimous)

The Board also directed the staff to explore whether to exclude certain business-like NFPs from the current requirement to report expenses by function before considering whether to require an analysis of expenses by function and nature.

Enhanced Disclosures about Cost Allocations and Improved Guidance on Management and General Activities

The Board affirmed the proposal to require NFPs to provide enhanced disclosures about the method(s) used to allocate costs among program and support functions.

(Vote: unanimous)

The Board also affirmed the proposal to refine the *FASB Accounting Standards Codification*[®] definition of *management and general activities* and to provide additional implementation guidance to better depict the types of costs that can be allocated among program and/or support functions and those that should not be allocated.

(Vote: unanimous)

Other Items for Drafting Consideration

The Board decided to affirm the following proposals:

1. NFPs would no longer be required to display the investment return components in the endowment net assets rollforward.

(Vote: unanimous)

2. NFPs would not be required to include external and direct internal investment expenses that have been netted against investment return in the functional expense analysis.

(Vote: unanimous)

The Board directed the staff to add implementation guidance for the reporting of net investment return for NFPs that present a performance indicator.

General Announcements: None.