

MINUTES



MEMORANDUM

To: Board Members
From: FASB Staff
Subject: Minutes of NFPFS March 23, 2016 Board Meeting
Date: March 25, 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: Functional expenses and analysis of expenses by function and nature

Basis for Discussion: Board Memo No. 47

Length of Discussion: 9:45 a.m. to 10:35 a.m.

Attendance:

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

Board members absent: Buck (vote by proxy)

Staff in charge of topic: Cole

Other staff at Board table: Bossio, Cospers, Khrakovsky, Mechanick, Wiley

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. The current requirement for not-for-profit entities (NFPs) to report expenses by their functional classification
2. The proposed requirement for NFPs to report all expenses in one location, with an analysis of operating expenses by their function and nature.

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:

Expenses by Their Functional Classification

The Board decided to retain the current requirement for NFPs to report expenses by their functional classification either on the statement of activities or in the notes to the financial statements.

(Vote: 6 to 1)

Expenses by Their Functional and Natural Classification

The Board decided to require NFPs to report all expenses (other than netted investment expenses) by function and nature in one location. That information can be reported on the face of the statement of activities, in a separate statement, or in the notes to the financial statements. In reporting its expenses, an NFP would be required to show the relationship between its functional and natural classification by disaggregating its functional categories by their natural classification. The Board directed the staff to explore, in Phase 2 of the project or in a future project, whether business-oriented health care NFPs should provide disaggregated information by segments instead.

(Vote: 5 to 2)

Other Considerations

The Board decided to modify the proposal and require NFPs to report *all* expenses (as opposed to only *operating* expenses, which had been proposed) by both their function and nature together with an analysis of all expenses (other than netted investment expenses). The Board directed the staff to consider illustrations during drafting for the exclusion of activities that are included in other

comprehensive income for for-profit business entities from the analysis of all expenses for NFPs.

(Vote: unanimous)

The Board affirmed its decision to allow NFPs flexibility in the presentation of the analysis of expenses by function and nature.

(Vote: unanimous)

General Announcements: None.