

MINUTES



MEMORANDUM

To: Board Members
From: FASB Staff
Subject: Minutes of NFPFS June 1, 2016 Board Meeting
Date: June 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: Sweep issues and analysis of costs, benefits, and complexities

Basis for Discussion: Board Memos No. 51 and 52

Length of Discussion: 11:15 a.m. to 11:40 a.m.

Attendance:

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

Board members absent: None

Staff in charge of topic: Bossio, Cole, Wiley

Other staff at Board table: Cosper, Khrakovsky, Mechanick

Outside participants: None

Type of Document and Timing Based on the Technical Plan:

The staff reported on various issues identified during the drafting and external review process of the forthcoming final Accounting Standards Update, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. There were two issues that the staff believes could be resolved in drafting by applying the Board's existing tentative decisions:

1. Addition of discussion of equity transfers to Topic 958
2. Early adoption at first interim period.

The Board did not have any further comments on those two issues. However, the Board discussed the remaining three sweep issues:

1. Presentation of the net investment return within the statement of activities
2. Inclusion of investment expenses that have been netted against investment return in the analysis of expenses by nature and function
3. Disclosure of unrealized gains and losses on equity securities.

The Board also discussed the expected benefits, costs, and complexities of the forthcoming final Accounting Standards Update.

The staff is finalizing the draft of the forthcoming Accounting Standards Update and the Board plans to issue the final Accounting Standards Update in the summer of 2016.

Tentative Board Decisions:

Presentation of the Net Investment Return within the Statement of Activities

The Board decided to permit a not-for-profit entity (NFP) to present its net investment return managed differently or derived from different sources in multiple line items within the statement of activities, if appropriately labeled. For example, if an NFP has net investment return generated from operating cash, it may present that return separately from net investment return generated from its endowment. Similarly, an NFP may present the amounts of net investment return appropriated for spending separate from net investment return in excess of amounts appropriated for spending.

(Vote: unanimous)

The Board also affirmed that higher education institutions would no longer be required to display an investment return of the "other investment portfolio" separately from other components of net investment return.

(Vote: unanimous)

Inclusion of Investment Expenses That Have Been Netted against Investment Return in the Analysis of Expenses by Nature and Function

The forthcoming final Accounting Standards Update requires an NFP to disclose an analysis of expenses by nature and function. The Board decided to preclude an NFP from including investment expenses that have been netted against investment return in that analysis.

(Vote: unanimous)

Disclosure of Unrealized Gains and Losses on Equity Securities

The Board decided to eliminate the requirement that an NFP disclose the portion of unrealized gains and losses for the period that relates to equity securities still held at the reporting date, as required under Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.

(Vote: unanimous)

Expected Benefits, Costs, and Complexities of the Final Accounting Standards Update

The Board concluded that the overall expected benefits of the financial reporting changes justify the expected costs of preparing and using the information.

(Vote: 6 to 1)

Mr. Linsmeier noted that he plans to dissent on the final Accounting Standards Update because he would make the direct method of presenting operating cash flows mandatory, rather than optional.

General Announcements: None.