

Asbury Methodist Village Chapter,
Maryland Continuing Care Residents' Association
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February 25, 2012

To: director@fasb.org
Subject: Revenue Recognition - File Reference Number 2011-230

Thank you for removing 954-430 in the FASB Exposure Draft. Continuing Care Retirement Community (CCRC) refundable entrance fees are not revenue in fact, because of the refund contractual obligation. The following related clarifications in that Draft are recommended:

1. Definition of Revenue: The entire 448-page Draft turns on the following definition of "Revenue," from the Glossary on page 443:

Inflows or other enhancements of assets of an entity or settlement of its liabilities (or a combination of both) from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations.

This definition literally, unintentionally, includes transactions which increase an asset but also increase a liability by as much or more, such as new debt or refundable CCRC entrance fees, or which decrease a liability but also decrease an asset by as much or more, such as repayment of debt or payment of CCRC entrance fee refunds. It is recommended that the definition of "Revenue" be revised to cover only increases in net assets, *i.e.*, assets less liabilities.

2. Time value of money (*i.e.*, interest): Paragraph 58 and corresponding 605-10-30-10 state:

In determining the transaction price, an entity shall adjust the promised amount of consideration to reflect the time value of money if the contract has a financing component that is significant to the contract.

This statement appears to impute interest on CCRC refundable entrance fees. Refunds of such fees include no interest. CCRC residents should not have to pay taxes for imputed interest which they do not receive because of the institution's conditions for entrance. It is recommended that the FASB Draft on time value of money be amended to exclude CCRC refundable entrance fees.

3. Exemption from disclosure requirements for nonpublic entities: Paragraphs 116 and 130 and corresponding 605-10-50-8 and 21 would exempt nonpublic (*i.e.*, not-for-profit) entities from many disclosure requirements.

Not-for-profit as well as for-profit CCRCs must be operated like businesses to be successful. Resident investments in the form of fees are virtually the only source of CCRC income. Unlike bond-holders who can impose disclosure conditions as a pre-requisite to loaning money, residents are dependent on publicly required disclosures to be informed so as to be able to protect their investments and, in so doing, protect the institutions where they live. It is recommended that CCRCs be excepted from the exemptions from disclosure for nonpublic entities.

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