MINUTES

To:	Board Members
From:	Cranmer (x263)
Subject:	Minutes of the July 11, 2012 Board Meeting: Ratification of Two EITF Consensuses-for-Exposure
Date:	July 26, 2012
cc:	**Breen, Gupta**

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.

Topics: Board ratification of the consensuses-for-exposure on EITF Issues Nos. 12-B and 12-D.

Basis for Discussion: EITF Ratification Board Memorandum No. 1 (Issued June 26, 2012)

Length of Discussion: 4:59 p.m. to 5:17 p.m.

Attendance:

Board members present:	Buck, Golden, Linsmeier, Schroeder, Seidman, Siegel, and Smith
Board members absent:	None
Staff in charge of topic:	Breen
Other staff at Board table:	Cosper, Gupta, Cranmer, Walsh, Goswami and Gillard
Outside participants:	None

<u>Type of Document and Timing Based on the Technical Plan</u>:

The Board met to discuss the potential issuance of Exposure Drafts addressing EITF Issues No. 12-B, "Not-for-Profit Entities: Personnel Services Received from an Affiliate for which the Affiliate Does Not Seek Compensation," and No. 12-D, "Accounting for Joint and Several Liability for which the Total Amount of the Obligation at the Reporting Date Is Fixed."

The Board's technical plan calls for the Exposure Drafts addressing EITF Issues 12-B and 12-D to be issued in the third quarter of 2012.

<u>Summary of Decisions Reached</u>:

<u>FASB approval of EITF consensuses-for-exposure.</u>
The Board approved the following consensuses-for-exposure reached at the June 21, 2012 EITF meeting. The Board expects to publish Exposure Drafts of proposed amendments to the Codification in late July with 60-day comment periods.

Issue 12-B, "Not-for-Profit Entities: Personnel Services Received from an Affiliate for which the Affiliate Does Not Seek Compensation"

A recipient not-for-profit entity (NFP) would recognize in its standalone financial statements all personnel services received from an affiliate that directly benefit the recipient NFP and for which the affiliate does not seek compensation. Those services would be measured in the amount of the cost of those services recognized by the affiliate. An NFP that provides a performance indicator (analogous to income from continuing operations of a for-profit entity) would report the increase in net assets associated with personnel services received from an affiliate and for which the affiliate does not seek compensation as an equity transfer. For other NFPs that do not present a performance indicator, the consensus-for-exposure would not prescribe presentation guidance for the increase in net assets associated with personnel services received from an affiliate other than prohibiting reporting as a contra-expense or a contra-asset. All NFPs would report the corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of personnel services received from an affiliate similar to how other such expenses and assets are reported.

The proposal would not require disclosures beyond the related party disclosures in Subtopic 850-10.

The proposal would allow NFPs to choose among two transition methods:

(a) Applying the new requirements prospectively to personnel services received on or after the effective date, or
(b) Using a modified retrospective approach in which all prior periods presented upon the date of adoption would be adjusted, but no adjustment

would be made to the beginning balance of net assets as of the earliest period presented.

The Exposure Draft will not include a specific effective date but will permit early application.

(The Board voted unanimously for the above decision.)

Issue 12-D, "Accounting for Joint and Several Liability for which the Total Amount of the Obligation at the Reporting Date Is Fixed"

An entity would recognize and measure obligations with joint and several liability for which the total amount of the obligation at the reporting date is fixed using the loss contingencies guidance in Subtopic 450-20. The consensus-for-exposure would clarify that if the primary role of a reporting entity in the joint and several arrangement is that of a guarantor, then it should account for the obligation under Topic 460, Guarantees.

The Task Force reached a consensus-for-exposure that the following disclosures would be required for each obligation with joint and several liability:

a. The nature of the liability, including how the liability arose, the relationship with other co-obligors, and the terms and conditions of the liability
b. The total outstanding amount of the liability (and the maximum allowable amount of any lines of credit, if applicable), which should not be reduced by the effect of any amounts that may be recoverable from other entities
c. The carrying amount of the liability, if any, for the entity's obligations under the liability and the carrying amount of the receivable recognized, if any
d. The nature of any recourse provisions that would enable recovery from other entities of the amounts paid, including any limitations on amounts that might be recovered
e. In the period the liability is initially recognized and measured or in a period the measurement changes significantly, the corresponding entry and where it was recorded in the financial statements.

The proposed amendments would be applied retrospectively to all prior periods presented for those obligations with joint and several liability that exist at the beginning of an entity's fiscal year of adoption. An entity that changes its accounting as a result of adopting the amendments resulting from this Issue may elect to use hindsight for the comparative periods and should disclose that fact. Earlier application would be permitted.

(The Board voted unanimously for the above decision.)