

Ladies and gentlemen:

Attached please find my comments pertaining to the Proposed Standard relating to the Statement of Activities. Basically, I believe there should be a simple operating segment and non-operating segment to the Statement. I have provided an example using the same information as provided on page 64 of the proposed standard along with some explanatory notes.

Sincerely,

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	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues and gains:</b>				
Contributions	\$ 8,640	\$ 4,000	\$ 12,640	<b>A</b>
Fees	5,200		5,200	
Other	150		150	
Gains	200		200	
Total revenue and gains	14,190	4,000	18,190	
<b>Expenses and losses:</b>				
Program A	13,100		13,100	
Program B	8,540		8,540	
Program C	5,760		5,760	
Management & general	2,038		2,038	
Fundraising	2,150		2,150	
Fire loss	80		80	
Total expenses and losses	31,668		31,668	
<b>Assets released from restriction:</b>				
Satisfaction of program restrictions	21,990	(21,990)	-	
Expiration of time restrictions	1,250	(1,250)	-	
Appropriation from endowment	7,500	(7,500)	-	
Net restricted activity for operations	30,740	(30,740)	-	
Operating excess (deficiency) after transfers	13,262	(26,740)	(13,478)	<b>B</b>
<b>Non-operating changes:</b>				
Contributions		4,390	4,390	<b>C</b>
Investment returns, net	4,678	20,272	24,950	<b>A</b>
Interest expense	(382)		(382)	
Actuarial loss on annuity obligations		(30)	(30)	
Satisfaction of equipment restrictions	1,500	(1,500)	-	
Net non operating changes	5,796	23,132	28,928	<b>D</b>
Increase (decrease) in net assets	19,058	(3,608)	15,450	
Net assets at beginning of year	73,619	197,021	270,640	
Net assets at end of year	\$ 92,677	\$ 193,413	\$286,090	

A-Contributions relating to non-operating activities such as donations to Endowments or to fund equipment purchases must be separated from annual operating or restricted contributions that will be released from restrictions and separately disclosed. Details of all contributions would either be separately identified on the face of the statement of activities or in a note.

B-The total operating deficiency indicates the organization has expenses in excess of revenues for the period. This may indicate a liquidity issue or would at least require the organization to explain why this situation occurred. The deficiency also highlights the “spending gap” that must be made up by non-operating activities. Conversely, if the organization had an excess from operations, the line item would draw donor attention and require the organization to explain why current period revenues were not spent in line with a not for profit charter especially if the non-operating activities produced a large excess as well.

C-All the intra-fund activity identified in the FASB example has been netted since they are all classified as non-operating activities.

D-The non-operating changes section would indicate the level of contributions pertaining to the long term future of the organization, the interest cost of debt, the amount of activity relating to equipment additions, and how much the net non-operating changes exceed or are below the net changes from operations. This would provide donors and other users with a better view of liquidity and financial strength depending on how much difference there is in the net non-operating changes versus the net operating changes.