

Proposed Accounting Standards Update, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities

Question Text	Response
* Please select the type of entity or individual responding to this feedback form.	Accounting Firm/Auditor
Other, please specify (Specified)	
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)
Organization *	Marcum LLP
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<p>1. Do you agree that the disclosures about the nature of donor-imposed restrictions and their effects on liquidity in notes to financial statements would help ensure that necessary information is not lost by combining the temporarily and permanently restricted classes of net assets into one donor restricted category for purposes of presentation in the statement of financial position (balance sheet)? If not, please identify the information lost and why it is necessary. (See</p>	<p>Yes, I agree</p>

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paragraphs BC22– BC23 and BC27– BC32.)	
2. Do you agree that the aggregated amount by which endowment funds are underwater should be classified within net assets with donor restrictions rather than net assets without donor restrictions? If not, why? (See paragraph BC24.)	Yes, I agree
3. Do you agree that disclosures describing the NFP's policy on spending from underwater endowment funds, together with the aggregated original gift amount or the amount that is required to be maintained by donor or by law, would provide creditors, donors, and other users with information useful in assessing an NFP's liquidity and potential constraints on its ability to provide services without imposing undue costs? Why or why not? (See paragraph BC32.)	Yes, I agree
4. Do you agree that providing information in notes	I do not agree. Too much subjectivity as to what is available or not available in the time horizon, costly to calculate, open to manipulation especially for large entities I believe clarity

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<p>to financial statements about financial assets and liabilities and limits on the use of those assets is an effective way to clearly communicate information useful in assessing an NFP's liquidity and how it manages liquidity without imposing undue costs? If not, why, and what alternative(s) would you suggest? (See paragraphs BC27– BC31.)</p>	<p>and requirements for all NFP's on sequencing or classified balance sheet would serve better.</p>
<p>5. Most business- oriented health care NFPs are required to present a classified balance sheet. Continuing care retirement communities and other NFPs may choose to sequence their assets and liabilities according to their nearness to cash as an alternative to using a classified balance sheet. As a result of the proposed requirement to provide enhanced disclosures of information useful in assessing liquidity, would there no longer be a need to hold business-oriented health care NFPs to the more stringent standard for their</p>	<p>If the liquidity assessment information is adopted then I agree the current sequencing requirement should no longer be required.</p>

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balance sheets? If not, why?	
<p>6. Do you agree that requiring intermediate measures of operations would provide users of NFP financial statements with more relevant and comparable information for purposes of (a) assessing whether the activities of a period have drawn upon, or have contributed to, past or future periods and (b) understanding the relationship of resources used in operations of a period to resource inflows available to fund those operations? Do you also agree that classifying and aggregating information in that way would not require major system changes? If not, why? (See paragraphs BC38– BC47.)</p>	<p>I agree that the intermediate measure of operations would provide more relevant information. I also agree classifying and aggregating information without major system changes is helpful.</p>
<p>7. Do you agree that intermediate measures of operations should include only those (a) resource inflows and outflows that are from or directed at carrying out an NFP's purpose for</p>	<p>I agree with the intermediate measure for the NFP's purpose and existence but I do not agree with the before and after effects of internal governing board decisions and actions. See item 8..</p>

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<p>existence and (b) resources that are available for current-period operating activities before and after the effects of internal governing board appropriations, designations, and similar actions? If not, why? (See paragraphs BC48– BC74.)</p>	
<p>8. Do you agree that all internal transfers (governing board appropriations, designations, and similar actions that make resources unavailable or available for operations of the current period) should be reflected on the statement of activities immediately after an intermediate measure of operations before transfers and immediately before an intermediate measure of operations after transfers? If not all internal transfers, on what basis would you distinguish between those transfers that should and should not be reflected and how would you make that distinction operable? Do you also agree that</p>	<p>I do not agree that any transfers should be shown of the statement of activities. I believe the statement of activities should only reflect actual revenue and expense under the basis of accounting being used. Reporting transfers clutters the statement, causes confusion and allows for manipulation. I do believe a required footnote disclosure of all transfers in a matrix format would be more useful.</p>

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<p>reflecting those internal decisions (or lack of them) on the face of the statement rather than in notes will help an NFP communicate how its operations are managed without adding undue complexities? Why or why not? (See paragraphs BC46– BC47 and BC67– BC74.)</p>	
<p>9. Do you agree that to promote comparability, the Board should eliminate one of the two optional methods for reporting expirations of donor restrictions on gifts of cash or other assets to be used to acquire or construct long-lived assets? Do you also agree that requiring the expiration of those donor restrictions on the basis of the placed-in-service approach rather than the current option to present a release from restriction over the useful life of the acquired long-lived asset is most consistent with the underlying notions of the intermediate measures of operations? If not, why? (See paragraph BC66.)</p>	<p>I agree one of the two options should be eliminated and I agree with the basis of placed in service approach.</p>

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<p>10. Do you agree that gifts of, or for, property, plant, and equipment (long-lived assets) should be considered operating revenue and support when received (or when placed in service in the case of a gift to acquire a long-lived asset)? Do you also agree that because the long-lived asset is not immediately fully available to be utilized in the current period, an NFP should be required to present a transfer from operating activities to other activities for the amount of the gifted asset or portion of the asset funded by restricted gifts? If not, why? (See paragraphs BC72–BC74.)</p>	<p>I do not agree a gift of or for PP&amp;E should be within the intermediate measure of operations. I understand the asset may be used within the NFP's mission however acquiring PP&amp;E is not mission driven. I am opposed to all these transfers as noted in item 8. If the initial recognition is not within the intermediate measure then no transfer is necessary.</p>
<p>11. Do you agree that the addition of required intermediate measures of operations for all NFPs would make unnecessary the need for NFP business-oriented health care entities to also present their currently required performance indicator? Why or why not? (See paragraph BC99.)</p>	<p>I do not know as I do not work with such entities.</p>

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<p>12. Do you think the flexibility currently allowed by GAAP to present a statement of activities as either a single statement or two articulating statements and to use either a single- column or a multicolumn format should be retained or narrowed? If narrowed, why and in what ways?</p>	<p>Retained.</p>
<p>13. Do you agree that reporting operating expenses by both their function and nature together with an analysis of all expenses (other than netted investment expenses) provides relevant and useful information in assessing how an NFP uses its resources and, thus, should be required? Why or why not? (See paragraphs BC87– BC93.)</p>	<p>I agree and such a statement should be a required statement for all NFP's and not be allowed to be presented in the footnotes. Donors should be able to clearly see how much is expended on programs versus supporting services and fund raising. The ASU should provide as much clarity, guidance, requirements and disclosure as possible on the NFP's method of allocation and on what is a program versus a supporting expense. Donors should not have to rely on tax form 990 as such may not be reported in compliance with GAAP.</p>
<p>14. Do you agree that requiring investment income to be reported net of external and direct internal investment expenses will increase comparability and</p>	<p>Yes, I agree.</p>

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<p>avoid imposing undue costs to obtain information about all investment fees (for example, embedded fees of hedge funds, mutual funds, and funds of funds)? If not, why? (See paragraph BC100.)</p>	
<p>15. Do you agree that the disclosure of the amount of all investment expenses is unnecessary but that disclosure of internal salaries and benefits that are netted against investment return is of sufficient relevance, not too costly to obtain, and thus should be required? Why or why not? (See paragraph BC101.)</p>	<p>I do not agree. I agree all costs associated with investing activities should be netted on the statement of activities however all such costs should be disclosed in the footnotes. Many large NFP's, such as private foundations have huge endowments, even many mid-size NFP's may have very significant investments. The amount expended to achieve the investment return is very useful information.</p>
<p>16. Do you agree that interest expense, whether incurred on short- term or long-term borrowing, and fees and related expenses incurred for access to lines of credit and similar cash management and treasury activities are not directed at carrying out an NFP's purposes and, thus, should not be classified as operating</p>	<p>While acquiring debt may allow the NFP to acquire asset(s) to carry out its mission the NFP is not in the business of acquiring or disposing of debt. Therefore I agree interest expense, fees and expenses related to acquire or carry debt should not be classified as operating activities.</p>

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<p>activities? If not, why? (See paragraphs BC59–BC60.)</p>	
<p>17. Do you agree with the following implementation guidance:</p> <p>a. Equity transfers between NFPs that are under common control and are eliminated in a parent entity's consolidated financial statements and equity transactions between financially interrelated entities should be presented within operating activities unless they are not available for current-period use in carrying out the purpose for the reporting entity's existence? If not, why? (See paragraph BC62(a).)</p> <p>b. Immediate writeoffs of goodwill generally should be presented within operating activities? If not, why? (See paragraph BC62(b).)</p> <p>c. Immediate writeoffs of acquisitions of noncapitalized</p>	<p>a. Equity transfers - I do not agree as equity transfers are not part of the NFP's mission or reason for existence. b. Goodwill - I do not agree. I understand mission driven assets are acquired in an acquisition however the NFP is not in the business of acquiring or disposing of goodwill therefore it should not be in the measure of operations. c. Collections - I agree if part of the NFP's existence and mission is the maintenance of collections.</p>

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<p>items for a permanent collection should be presented within the operating activity section if acquired with net assets without donor restrictions? If not, why? (See paragraph BC62(c).)</p>	
<p>18. Do you agree that the direct method of presenting operating cash flows is more understandable and useful than the indirect method? Do you also agree that the expected benefits of presenting operating cash flows in that way would justify the one-time and ongoing costs that may be incurred to implement that method of reporting? If not, please explain why and suggest an alternative that might increase the benefits or reduce any operational concerns or costs. (See paragraphs BC75–BC80.)</p>	<p>I agree the direct method is more understandable and the benefit of changing to the direct method outweighs the cost.</p>
<p>19. Does the indirect method's reconciliation of cash flows from operations to the</p>	<p>I do not believe the reconciliation is necessary.</p>

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<p>total change in net assets provide any particular type of necessary information that would be lost if, as proposed, that method is no longer required? If so, please identify the potentially omitted information and explain why it is useful and whether it should be provided through disclosure rather than requiring use of the indirect method. If you suggest that requiring the indirect method is necessary, would you require that the amount for cash flows from operations be reconciled to the amount of the (a) change in net assets, (b) change in net assets without donor restrictions, or (c) proposed intermediate measure of operations before or after transfers? Why? (See paragraphs BC75–BC80.)</p>	
<p>20. Do you agree that although operating activities is defined differently for the statement of cash flows than for the statement of</p>	<p>I agree the alignment will increase understanding. I am not concerned with differences from business entities.</p>

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<p>activities, more closely aligning line items presented in the statement of cash flows with the proposed operating classification for the statement of activities will increase understandability even though that reporting would be somewhat different from current requirements for business entities? If you believe that operating items in the two financial statements would not be sufficiently aligned, please indicate how their alignment might be further improved. (See paragraphs BC81–BC86.)</p>	
<p>21. Are there any particular proposed amendments in this Update that would require a longer period to implement than other amendments? If so, please explain.</p>	<p>Only in the sense of the ASU requiring retrospective versus prospective implementation. .</p>
<p>22. Are there reasons for any particular size or type of NFP to need a longer time frame to implement the proposed amendments in this Update? If so, please explain.</p>	<p>I believe one year from date of issuance to date of implementation should be sufficient for all NFP's.</p>

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Please provide any additional comments on the proposed Update:	
Please provide any comments on the electronic feedback process:	user friendly, good format
Below is a summary of your responses to the questions in this feedback form:	Not Answered
Thank you for your participation.  If you are finished providing comments, click the 'Submit' button.	Not Answered