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**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.	User
Other, please specify (Specified)	
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)
Organization *	The Christian and Missionary Alliance
First name *	Ken
Middle initial	
Last name *	Baldes
Email address *	baldesk@cmalliance.org
Phone number	719-265-2128
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 paragraphs BC22–BC23 and BC27– BC32.)	Yes, agree.
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, agree.

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<p>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.)</p>	<p>Yes, agree that the proposed disclosures provide greater transparency and understanding of liquidity.</p>
<p>4. Do you agree that providing information in notes 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>Agree with the intent of the board but on a consolidated basis for the C&amp;MA it would be problematic because of the differing types of education, foundation and denominational loan fund which have differing cash needs. Specifically quantitative information about: amounts that are not available to meet cash needs within the time horizon because of (1) external limits and (2) internal actions of a governing board. Recommend more specific guidance for non-profits such as ours..</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 balance sheets? If not, why?</p>	

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<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>No, while this may be beneficial for some industries (i.e. higher education and health care), it isn't as beneficial or meaningful for smaller non-profits (i.e. churches). Additionally, in the C&amp;MA's case, it would be problematic on a consolidated basis where we have a number of differing types of ministries including health care, higher education, foundation and denominational loan fund where the operating measures differ. Would recommend that this be dropped as a requirement except perhaps for "stand alone" non-profits where the industry association has agreed upon operational measure(s).</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 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 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>No. Would recommend that transfers be disclosed in a footnote rather than on the face statements.</p>

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<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>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>No. This proposed change will increase the likelihood that non-profits will appear to be financially better than they really are in years where these extraordinary transactions take place. In other words, it distorts "real underlying ongoing operations." Recommend the board delete this proposed change.</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>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>	

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<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>Yes, agree. Recommend the board provide further clarification for entities such as the C&amp;MA who consolidate a number of subsidiaries.</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 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>Yes, agree.</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>Yes - with regards to the question, do you agree that the disclosure of the amount of all investment expenses is unnecessary? No - with regards to the question, 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? For the majority of non-profits the amount of internal salaries and benefits will be relatively immaterial in nature. Unlike for-profits, this function is typically outsourced.</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 activities? If not, why? (See paragraphs BC59– BC60.)</p>	<p>No. While this may be appropriate for many non-profits, it would not be appropriate for health care entities (which the C&amp;MA has) because the expense is missional in nature and should be classified as "operational." If classified as "non- operating" it will overstate operating income and make comparison to for-profit health care industries more difficult. Since residents of retirement communities review their community's financial statements regularly, it will also result in confusion. Similarly, there are situations, such as with a denominational loan fund (which the C&amp;MA has) where investment income should be recorded as "operating" because its core to the mission and pricing methodology. I recommend that further guidance be provided by the board to allow interest expense and investment income to be classified as "operating" when missional criteria are met.</p>

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<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 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?</p> <p>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>Most people (i.e. finance staff and audit and finance committees) who read the cash flow statement understand its purpose and value. I'm not convinced that the proposed change to the direct method will expand readership.</p>

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<p>19. Does the indirect method's reconciliation of cash flows from operations to the 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 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>Yes, common language would enhance understanding.</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>Adopting the direct method for cash flows will require non- profits to develop a system for mapping accounts to accomplish this and will add complexity in report preparation. Recommend that the board take this reality into consideration.</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>Smaller non-profits (i.e. churches) will require a much greater amount of education and training on the proposed amendments. The other consideration that should be given thought for smaller non-profits is the "cost of adoption" versus the perceived value of the changes. The board is encouraged to address this issue "head on."</p>

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Please provide any additional comments on the proposed Update:	I was grateful for the opportunity to attend the Denver area Preparer and User Workshop on July 30, 2015.
Please provide any comments on the electronic feedback process:	Easy to use. Thanks!