2015-230
Comment Letter No. 76

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.	Industry Organization
Other, please specify (Specified)	
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)
Organization *	Georgia State Univerisity Foundation
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Middle initial	
Last name *	Palmer
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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.)	Combining the temporarily and permanent classes would lose vital information and meaning of the NFP financials because you will no longer easily be able to see what gifts have been giving to the Endowment funds (perm) and other related endowment activity vs. those gifts and other activities of non-endowed funds (temp). Combining these two net assets classes has lost this information.Also, information has been lost in the statement of financial position ever since we were required to combined restricted expenditures with unrestricted expenditures. If you allowed the restricted expenses to show in the with-restrictions column, it would provide the reader knowledge if how unrestricted asset are used in comparison with the with- restriction assets.Please the Keep the three classes of net assets. FASB just needs to change the heading or definition of "permanently restricted" class to "endowment restricted" to incorporate UPMIFA (law) and include all endowment related activity. University foundation’s that follow the UPMIFA law as intended are already doing this, and the reader understands and that this is the market value endowment pool.You can increase the understanding of liquidity and information regarding donor imposed restriction by doing just these two things: 1) redefine permanent net assets

	column; and 2) remove the release from restriction concept and allow expenditures to show in their proper column. This would reduce the complexity and make the statement of activities (SoA) easier to understand and provide better information to the reader on the face of the financials.
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. Per SFAS No. 124, "...Gains and losses are temporarily or permanently restricted by a donor's explicit stipulations or by a law..." As most all state adopted the UPMIFA law, which has all the net gains and losses of endowments follow the donor restriction, and therefore would be classified within net assets with donor restrictions. Also most university foundations have endowment policies that state the gains and losses of the endowment pool are allocated proportionately to each endowment.
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.)	No, this is not useful in assessing liquidity for a university foundation. Endowment spending (underwater or not) does not affect the liquidity of a university foundation, as endowment spending from a university foundation does not normally support the university foundation, but the spending from the university foundation endowments are used to support the "state/government/public" related university, and the State-Public university is under GASB.This disclosure should only be required if the NFP has an internal policy's to restrict spending from endowments, as we do not have such a policy.Also underwater activity is short-term measure that is inconsistent with objectives of investing a long-term endowment investment pool. If you want useful endowment investment information, rather than showing what is underwater, you should have the NFP note the asset allocation and the 1, 3, 5 and 10 year annualized return of their long-term endowment pool.What would help donors, creditors and other users, understand liquidity, if all the restricted expenses were not include with and reported as unrestricted expenses. By removing the assets released from restrictions concept, that no user understands, and separating the expenses into the proper columns, it would make it easier to see the true unrestricted activity vs. restricted, which would help the reader better understand the NFP liquidity and operations.
4. Do you agree that providing	Yes, agree that providing information in notes can be an effective way to communicate information, if you can get

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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.)	anyone to read the notes.The problem is a large percentage of university foundation readers, including governance, already feel the notes are too long and don't want to read them. Reducing the columns takes meaning from the face of the statements and requires more notes. This will be hard to explain to the governing board, why it is better to have fewer columns and many more pages of notes.Again, what would help donors, creditors and other users, understand liquidity, if you stop showing restricted expenses as unrestricted, by removing the assets released from restrictions concept and allow expenses to be reported in their proper columns would make it easier to see the true unrestricted activity vs. other activity, which would help the reader better understand the liquidity and operations of a university foundation.
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?	intentionally left blank

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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.)	No, do not agree that the intermediate measures of operations would be useful in the current form.A main part of a mission of a university foundation is to raise and manage endowment funds and if you combine temp and perm into one column (net asset class), you can no longer differentiate between current (nonendowed/temporarily restricted) gifts and endowed (permanent restricted) gifts by looking at the statement of activities (SoA). This is a major loss of information on the face of the financial for the university foundation readers. This is one example of why university foundations will continue to provide supplement reports to governance because the audit report SoA has been rendered useless.Even though the “intermediate measures” would have you report contributions to endowments and promises to give (pledges) as nonoperating activity, because they are not for current period activities (958-30-45-7, 958-205-45-2 cc. and 958-225-45-8A &8C), in this new format you still cannot tell which of these contributions are for endowment funds vs. nonendowed support.A new pledges contribution (regardless if for endowment or general operation) would be reported as nonoperating contribution revenue on SoA (958-30-45-7 and 958-225-45-8A &8C), because they are not available for the current period activities. But then, each year forward we need to track and report on SoA the Transfer of the current pledge payments from non-operating to operating. Plus then, the expenses released from with-restrictions will need to report separately as a transfer from with restrictions to w/o restriction.The real accounting systems and or staff issue is going to be, how to track and display on the SoA the current portion of fully funded cash contribution that support future or multi-year scholarships or projects.Example: a donor funds up-front a student scholarship award for 4-years with a $40,000 cash contribution (10,000 per year x 4 years). According this this new standard (958-205-45-2 cc and 958-225-45-8A), we would show on the SoA operating contribution revenue only the current year portion ($10,000) of the cash gift, and then the remaining portion ($30,000) of the cash gift is reported as non- operating contribution revenue on SoA. Then each year of the scholarship award (or any other multi-year project) we

	need to show on the SOP a transfer from non-operating to operating. Then don't forget about requirement to make a separate transfer of the expenditures from the with- restriction column to w/o-restrictions.Splitting gifts between current use operating activities and nonoperating will require our Gift-Entry staff to determine on each gift they process or upload through on-line processes the part of each gift that is current operations vs. non-operating. This is hundreds of transactions a day, could be thousands of transactions a day for some NFPs.The new intermediate measures would require major system changes, or in the least, a major increase in manual effort and time to track each contribution made to determine: 1) if it is available for current operations or not; and 2) if not all of the gift is for current use then tracking each contribution to determine when that gift (or part of the gift) it is available, so you can then report the current portion as a transfer on the SoA. This will be difficult and make our operation less efficient, and likely require more staff, all which will decrease efficiencies and increase the operating cost of the NFP.Again, two simple fixes would make the SoA useful and more relevant by: 1) removing the assets released from restrictions concept and allow expenses to show in the proper column, and 2) redefine the 'permanent' column as to incorporate the UPMIFA law.

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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.)	See response to question 6, explains why intermediate measures will be difficult to track, especially cash gifts were part is restricted for future periods that will need to be tracked so they get transferred to and report as operating activities in the correct year that they are available for current use.In in BC57, you give provide an "exception" example of the special purpose NFP with the specific purpose if investing resources to generate investment returns for the benefit of a specific NFP. But really this is no expectation at all, because this exactly describes the mission and purpose of a university foundation.This exposure draft is confusing because based on the example in BC57 investing would be the university foundation current operating measure because of mission, but on the other hand it would be a nonoperating activity because it is not for current use (958-30-45-7). Likewise, this is the same issue with endowment contributions and pledge revenue. Although these are university foundation mission purpose, they are not available for current-period operations and would be reported as nonoperating revenues (958-30-45-7) until the period they can be used, and then in future periods the current use funds will need to be tracked and shown as a transfer to operating activities on the statement of activities.For university related foundations, you will have two income statements on the SoA, one for the gifts, net investment revenue, other revenue and expenses for current-period operations and then one set for nonoperation activity gifts, net investment revenue, other revenue and expenses (958-205-45-2 cc). Then, you will need to show the numerous transfers between the two activities, to try and capture those nonoperating activities that became available for current operation.This all seem cumbersome, and costly to manage and audit. Even with all this, you still can't see the new contributions given to for endowments on the face of the financials.

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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.)	Reporting internal transfers will add complexities, because this exposure will require NFPs to determine which mission activity is current operating vs nonoperating and then then the NFP will need to show the through transfers the current portion of the future contribution that became available, along with the other internal transfers of the endowment spending allocations, and then the transfers to show the release from restrictions.Then there is the issue related to the allocation from Endowment restrictions for spending. We allocate for spending 4.5% of the endowment balance each year for use in the following year. Because this is now a Two-Column format, you lose the transfer from the permanently restricted (endowment) column to the temporality restricted (operating/spending) column. The endowment spending allocation that will show as a transfer on the SoA from non-operating to operating will be the prior year endowment spending allocation that was made available for the current period. The prior year allocation transfer will not match the endowment spending allocation that will be shown in the note for endowment roll forward.All this is adding undue complexities to the face of the financials.
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.)	intentionally left blank

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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.)	No, do not agree with the transfer. Why would you show gifts for property, plant, and equipment as a transfer from operating to nonoperating when according to 958-30-45-7 and 958-225-45-8A &8C, these gifts would be required to be reported as nonoperating activity in the first place because they are not for current period.Also, I do not know why there is so much focus on the long- lived assets, and no focus has been given to donor pledges, or to cash gift were donors have restricted a portion to be used in future periods, or examples of Investments in Direct Financing Lease activities.
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.)	intentionally left blank
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?	Agree that having the flexibility is needed at this time. With all the new guidelines, it is not the time put in column presentation limitations.
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.)	Yes, agree that reporting expenses by function and nature with analysis would provide more information. But this is another example of increasing the number of pages of notes that would be required.As I have mentioned before, if you want to provide relevant and useful information on how a NFP uses its unrestricted (and restricted) resources, stop requiring restricted expenses to be included with unrestricted. By removing the assets released from restrictions concept, it would make it easier to see unrestricted (or without restrictions) activity compared to the restricted activity and the uses of the related resources.
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.)	intentionally left blank

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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.)	intentionally left blank
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.)	No, do not agree that interest expense on borrowing is nonoperating. Interest expense on borrowing should be reported and classified as current operating activity for the following reason:Part of the mission of a university foundation is to support their mission related public university, and therefore this would include financing projects for the mission related public university. The assumption would be that a university foundation would report the income from direct financing leases as part of the mission purpose activity and also this income would be used for current operations to pay interest expense. Therefore in matching revenue with related expenses, interest expense on borrowing would need to be reported as current operating activities.
17. Do you agree with the following implementation guidance: 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).)b. Immediate writeoffs of goodwill generally should be presented within operating activities? If not, why? (See paragraph BC62(b).)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).)	intentionally left blank

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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.)	intentionally left blank
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.)	intentionally left blank
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.)	intentionally left blank.

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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.	The new exposure draft will make the face of the financial less useful, rather than more useful. Maybe need to rethink this exposure draft and make just a few simple changes to the face of the financials that would increase the understanding of NFP operations and the increase the usefulness and understanding of the financials.Two simple fixes would make the SoA useful and more relevant by: 1) removing the assets released from restrictions concept and allow expenses to show in the proper column, and 2) redefine the ‘permanent’ column as to incorporate the UPMIFA law.
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.	intentionally left blank.
Please provide any additional comments on the proposed Update:	intentionally left blank
Please provide any comments on the electronic feedback process:	intentionally left blank