July 29, 2015

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	Status
* Please select the type of entity or individual responding to this feedback form.	Individual	Completed
Other, please specify (Specified)		
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)	Completed
Organization *	PBMares, LLP	
First name *	Bo	
Middle initial		
Last name *	Garner	
Email address *	bgarner@pbmares.com	
Phone number		
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	Yes. My concern, however, with the intention of adding transparency and better telling the NFP's story, is that disclosures continue to grow in size and the footnotes will lose their impact by becoming overly verbose or lengthy. It is becoming ever difficult to have effective financial statements and adding brevity to the footnotes. Most preparers seem excited of this concept as they believe it will be easier to track 2 classes of net assets vs. 3. However, in reality, they will have to track more details to conform to the required disclosures.	Completed

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.)	I am fine with the change in the classification, but as noted above, almost all of these proposed changes are lengthening disclosure and the thickness of the overall financial statements. 95% of my NFPs have GAAP financial statements prepared for their lenders. Do the lenders really care about underwater endowments? Who will really understand, or care, about the nature of underwater endowments? I believe the better way to tell the story of a NFP is not elongated or tweaking the financial statement disclosures, but rather have a MD&A equivalent that can actually be used and understood by Joe Donor, XYZ Granting Agency, and Joe Board Member.	Completed
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.)	In contrast to the above, I do believe these disclosures are important IF significant. Obviously disclosures are only necessary if material, but I think there should be additional thresholds for many of the additional disclosures. For example, if it's a $10m endowment, and its material, but underwater a few thousand dollars, do all of the additional disclosure need to be made and will they be useful? Perhaps use other liquidity ratios to determine if additional underwater disclosures are needed.	Completed
4. Do you agree that providing information in notes	I do not believe the liquidity horizon disclosure is going to be an effective way to communicate relevant information. I believe this information is forcing NFPs to make up an	Completed

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.)	arbitrary number. What if a NFP receives draw-down grants, reimbursable grants, runs a gift shop, has an annual campaign, and has various fee-for-service lines? There is no way you can come up with a liquidity horizon/cycle for all of these streams combined, nor would it make sense to disclose the liquidity horizons for each of those channels. I am not sure why there is a need for addition liquidity disclosures. You could mandate a classified balance sheet, and in turn, the users can see liquidity positions of the NFP. It could be beneficial to require total current and non-current assets and liabilities, with and without restrictions. Perhaps that would add to the desired transparency. You could also have in a supplemental schedule select liquidity ratios.	
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	No. I think the proposed disclosures attempting to enhance liquidity will not be sufficient such that you can remove the standards around the balance sheet liquidity presentation. As noted above, I believe these required disclosures are going to be quite subjective and can vary greatly from one NFP to the next. The already required disclosures around future payments on long-term liabilities and the classified presentation of the balance sheet with current disclosures would suffice, in my opinion.	Completed

balance sheets? If not, why?		
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.)	I do not believe that GAAP financial statements of NFPs will ever be able to be comparable across the industry. To be comparable, you would have to get down into sub-markets within the NFP industry. Even taking an entity such as the United Way- their operations and markets that they operate in can greatly vary from one chapter to the next. Trying to compare a museum's operating measure to a food bank's would not be feasible. Getting to this operating measure and tracking all transfers in and out as well as with and without restriction is going to cause significant problems for most NFPs, their systems, and their auditors. Most NFPs are short staffed and don't have large surpluses of resources to properly and accurately track this information.	Completed
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	Yes that is fine but why? Isn't detailing the S.O.A. by revenue and income type enough? Aren't the current disclosures around restrictions already enough? Why make the S.O.A. any longer? Could you imagine a 3 entity consolidating statement of activity...each listing inflows and outflows from operations, from non-operations, with and without donor restrictions? Either the statements themselves or the footnotes would be even more enormous than they already are.	Completed

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.)		
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	No- I think this should be footnoted if it must. See my point above, we are adding undue complexities to the face of the statements and also making them much longer. The additional disclosures are not adding to the effectiveness of the statements.	Completed

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.)		
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.)	Yes.	Completed

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- this will just add to reporting and tracking complexities of NFPs. This suggests that once a contribution is received, it's immediately transferred, and then transferred again when used. Wouldn't it make more sense to keep it the way it is currently- simply as a restricted asset and then an asset released from restriction? NFPs have already been required to disclose what the restrictions are for, so if it's for a long-lived asset, say a building, that information has already been disclosed. The less moving parts the better for the NFP. The more concise, yet meaningful disclosures, the better they are for the users.	Completed
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.)	No- the performance indicator is unique to the health-care entities, and if it is proven that it makes the statements more comparable, why change it? This operating measure proposed, much like the liquidity horizon, is not practical to apply across all NFPs.	Completed

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?	Retained. It is going to be an adventure for most NFPs if a majority of these proposed changes are adopted. They will need to get creative to find ways to make their statements attractive and readable.	Completed
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. This is already required for VH&W organizations and many others are already tracking them internally or optionally reporting them in the financial statements. Showing the functional breakdown of expenses is information that actually can be compared across the industry.	Completed
14. Do you agree that requiring investment income to be reported net of external and direct internal investment expenses will increase comparability and	Yes.	Completed

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.)		
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.)	Yes- I believe the disclosure is unnecessary. I believe salaries netted against investment return should be disclosed, and frankly, disallowed. Even if a NFP employee's job is managing investments, that salary should be disclosed with other wages in functional expenses and not netted with investment income.	Completed
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	Yes.	Completed

activities? If not, why? (See paragraphs BC59–BC60.)		
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	a. Yes b. Yes- as long as it is an acquisition within the NFPs mission, as noted at BC62(b) c. Yes	Completed

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).)		
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.)	Yes.	Completed
19. Does the indirect method's reconciliation of cash flows from operations to the	No.	Completed

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.)		
20. Do you agree that although operating activities is defined differently for the statement of cash flows than for the statement of	No. Presenting the new operating measure in the S.O.A. is the issue. It adds a false sense of comparison between NFPs and forces NFPs to further track unnecessary details. Why would the cash flow categories for a NFP be different than any other entity? If the S.O.A were left alone in its core presentation, instead of trying to make it an accrual equivalent of the statement of cash flows, I believe it would be much easier on the NFP, users, and auditors.	Completed

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.)		
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.	All of the changes around the operating measure will take the longest and will be the most time consuming. Getting a solid starting point with all of the required tracking of moving parts (to/from operations/non-operations and with/without restriction) will be very difficult, and most likely, inaccurate. It is an unnecessary change.	Completed
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.	No.	Completed

Please provide any additional comments on the proposed Update:	I really think moving to a direct method for the cash flow statement will help to better paint the picture and elaborate the liquidity position of a NFP. I think the operating measure on the SOA should be scratched altogether as there are enough additional changes with functional expenses and presentation of restrictions.	Completed
Please provide any comments on the electronic feedback process:	This has been nice- my first time.	Completed
Below is a summary of your responses to the questions in this feedback form:	Not Answered	Not Answered
Thank you for your participation. If you are finished providing comments, click the 'Submit' button.	Not Answered	Not Answered