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Sent: Thursday, October 18, 2018 3:03 PM
To: Director - FASB <director@fasb.org>
Cc: Susan King <ssking@beaconhealthsystem.org>; Jeff Costello <JCostello@beaconhealthsystem.org>
Subject: Accounting Treatment of restricted donations - a request for consideration

Dear Director FASB –

I am writing to you today to share with you an interesting dilemma that I think most not for profit organizations face every year. That dilemma is the recording of restricted donations.

As I understand it, a restricted donation is not eligible to be recorded as income on the income statement and thus flows through the balance sheet. I am not challenging the notion that because the funds are designated, they cannot be treated like unrestricted free flowing cash. However, what I would like to share is the dilemma that creates for organizations like ours, Beacon Health System.

First, a little about our health system. Beacon Health System is located in Northern Indiana. We are the primary provider of Trauma, Children's, Acute, Physician and Behavioral Health Services in the region. We have approximately 7000 associates all working to take care of our communities..

We have a Beacon Foundation whose primary objective is to raise funds to support those functions within the organization, that otherwise, do not support themselves. Meaning the cost of providing the service is more than what we might get reimbursed, even IF we are reimbursed at all. It is here where we experience the dilemma. Our services mentioned above, are worthy of fundraising efforts and philanthropic support. And we receive great support from the community. As our fundraising has grown, we have added expense to the foundation to continue to see this effort support our services. However, as you can guess, many of the donations are restricted. And, this is just opinion, more and more of them will be as donors take a much more active role in how their donations are utilized and expended.

So, as we have added expense, and grown our donations, the Foundation begins to show an operating loss on its income statement. Since we are a health system, this not only affects the Foundation, but also the Health System. We are viewed by external agencies and rated for our performance. Agencies such as Fitch, Moody's, Standard and Poor, etc.. We are impacted with our access to capital rates based on their ratings. They look at many indicators. One of the most important is operating income.

Now, as you can imagine, when the foundation shows a loss, that "loss" has to be picked up by other operating components of the organization in order for us to offset this and maintain the operating income performance for the system. Again, an important metric for many who evaluate us. So, it does create a dilemma for us. Even though we may be 'doing better', and our balance sheet might improve – our income statement goes in the opposite direction. This seems to me to be an inconsistency.

My request is that the FASB review this issue and take into consideration where philanthropy is headed and how the type of donations will impact many organizations and their ability to show profitability while at the same time strengthening their balance sheet and most importantly, supporting the many needed services in the communities they serve.

Thank you for your time and consideration in advance.

Kreg Gruber
CEO
Beacon Health System