Charter
COMMUNICATIONS

September 22, 2021

Technical Director
File Reference No. 2021-004
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Delivered Electronically

Re: File Reference No. 2021-004, Invitation to Comment, *Agenda Consultation*

Dear Technical Director:

Charter Communications Inc. ("Charter") is pleased to offer comments on the Financial Accounting Standards Board's ("the Board" or "the FASB") Invitation to Comment on potential future agenda items to be addressed by the Board (the "Comment Letter").

Charter Business Overview

Charter is a leading broadband connectivity company and cable operator serving more than 31 million customers in 41 states through our Spectrum brand as of December 31, 2020. We offer a full range of residential and business services including Spectrum Internet, TV, Mobile and Voice. In addition, we sell video and online advertising inventory to local, regional and national advertising customers and fiber-delivered communications and managed information technology solutions to larger enterprise customers. We also own and operate regional sports networks and local sports, news and original programming channels. Charter had total revenues of approximately $48.1 billion for the latest fiscal year ended December 31, 2020 and is a public registrant whose common stock is listed for trading on the NASDAQ Global Select Market under the symbol: CHTR.

Executive Summary

Charter has concerns that a rules-based prescriptive disaggregation of financial reporting information may result in external reporting that is inconsistent with how management views the business. For example, the potential breakdown of operating results by regulatory jurisdiction and product lines is fundamentally inconsistent with how Charter delivers services over a single national network managing profitability at the customer relationship level. Products and regulatory jurisdictions are not the differentiator on performance. Instead, we believe companies are focused on the customer journey and exceeding customer expectations by offering customer a subscription of services. We believe the benefits to product or regulatory jurisdiction level disaggregation would be minimal and would not outweigh the cost to preparers to reconfigure systems and develop new processes and controls to present data that is not how the business is managed.

As it relates to emerging areas in financial reporting, Charter is supportive of the Board developing accounting rules for governmental grants to for-profit companies, digital assets (crypto assets), and ESG related energy transactions (including renewable energy certificates, credits, partnerships, carbon offsets, etc.). However, regarding 'financial KPIs and non-GAAP metrics' we are not supportive of the Board developing accounting rules for non-GAAP metrics in the audited financial statements. For public companies, we feel the non-GAAP metrics are adequately governed by the SEC. Charter would have concerns if the Board created standardized rules for such metrics in the audited financial statements and that such rules could have the potential to diverge from how management views the financial results of the business, as well as differ from company specific lender leverage definitions reflected in certain non-GAAP metrics presented outside the audited financial statements.

Charter is generally supportive of improvements to reduce unnecessary complexity in current GAAP, including complex areas such as variable interest entity (VIE) consolidation, debt modifications, and distinguishing liabilities from equity. However, to maintain consistency in practice, we urge the Board to only pursue targeted improvements and not holistic rewrites of the accounting standards. As it specifically relates to 'balance sheet classification' Charter was supportive of the FASB dropping this project from their agenda and believe the Board adequately evaluated targeted improvements to this area and agree that although balance sheet classification guidance can be complex, it is a necessary complexity and should not undergo further changes.

Regarding improvements to the Board's standard-setting process we believe that there should be an appropriate reference/linkage added to the Codification for non-authoritative accounting guidance such as basis for conclusion, Transition Resource Group (TRG) meetings, and FASB Q&A's. In addition, Charter is also in favor of the Board exploring whether the FASB's Emerging Issues Task Force (EITF) should serve as more of an interpretive body resource compared to its current role in rulemaking.

Questions for Respondents per Invitation to Comment

Question 1: Please describe what type of stakeholder you (or your organization) are, including a discussion of your background and what your point of view is when responding to this ITC:

Public company preparer. See Charter Business Overview above.

Question 2: Which topics in this ITC should be a top priority for the Board?

Prioritization should be given to developing accounting rules for governmental grants to for-profit companies, digital assets (crypto assets), ESG related energy transactions (including renewable energy certificates, credits, partnerships, carbon offsets, etc.). Currently there is no prescriptive guidance for preparers to follow for these topics, and transactions related to these areas are likely to become more material in the future.

Question 3: Are there topics in this ITC that the Board should not address as part of its future standard-setting efforts?

Charter believes the Board should not address disaggregation of financial reporting information that specifically requires uniform financial statement line items that could be inconsistent with how management views the business. Charter also believes the Board should not address balance sheet classification any further than it already has extensively deliberated given its necessary complexity. Further, Charter does not believe the Board should develop accounting rules for non-GAAP metrics in the audited financial statements since they are adequately governed by the SEC for public companies and our concern that standardized rules for such metrics could create divergence from how management views the financial results of the business. Divergence from a Company's internal management reporting used to evaluate its performance and how it allocates resources will result in additional burden and cost to preparers to develop new processes and controls to realign to rules-based uniform reporting.

Question 4: Are there any financial reporting topics beyond those in this ITC that should be a top priority for the Board to address?

None noted.

Question 5: The objective of this ITC and the related 2021 Agenda Consultation process is to ensure that the FASB continues to allocate its finite resources to standard-setting activities that fulfill its primary mission of improving financial accounting and reporting standards and that are of the highest priority to its stakeholders. Therefore, feedback on the prioritization of projects on the FASB's technical agenda (see Appendix A) would be helpful. Do you have any feedback on the FASB's technical agenda, including the following:

a.Which projects on the FASB's agenda should the Board prioritize completing? Please explain.

The FASB should prioritize for-profit entity accounting for government assistance since there is no prescriptive guidance for preparers other than to analogize to International Accounting Standards or FASB not-for-profit government grant accounting guidance. However careful consideration should be given to the scoping of governmental assistance disclosures in order to achieve the Board's disclosure objective and to avoid disclosure overload. This includes FASB's current presentation and disclosure project 'Disclosures by Business Entities about Government Assistance' and any recognition and measurement project that may result from this ITC.

b.Which projects, if any, should the Board deprioritize or consider removing from the agenda? Please explain.

Charter believes the Board should remove the 'Identifiable Intangible Asset and Subsequent Accounting for Goodwill' project (i.e. goodwill amortization project) from the technical agenda as we believe goodwill amortization for public companies will promote the proliferation of more non-GAAP disclosures, create unnecessary financial statement comparability issues, distort effective tax rates, and ultimately not improve usability of the financial statements.

Charter believes the Board should deprioritize the 'Financial Performance Reporting-Disaggregation of Performance Information' project based on our concerns noted above that the rules-based prescriptive disaggregation of financial reporting information may result in external reporting that is inconsistent with managements view of the business and the burden and cost to preparers to develop new processes and controls to present such information in this inconsistent manner from how managed internally.

c.Which projects, if any, need to be redefined to improve the objective and/or scope? Please explain

Charter believes the Board should broaden the "Joint Venture Formations" project beyond the narrowly focused standalone joint venture (investee) financial statements, and address misalignments of equity basis differences in the accounting by the venturer (investor) for its equity method investment in the joint venture.

Question 6: Greater disaggregation and granularity of the types of financial reporting information described in Chapter 1 have been identified as decision useful to investors. The following insights would be helpful to the FASB when considering this area:

a. Investors and other financial statement users—Which, if any, of the areas described in Chapter 1 should be a top priority for the FASB to consider requiring greater disaggregation—on the income statement, the statement of cash flows, or the notes to financial statements? Would this information be most useful in the financial statements or in the notes to financial statements? How would this information be used to analyze a company and make capital allocation decisions?

Not applicable.

b. Preparers— What requests or questions does your company receive from analysts on the areas described within Chapter 1? Please explain any requests or questions your company has received

Charter has historically received minimal requests from analysts regarding access to greater disaggregation of financial reporting information and in fact, is generally highly regarded in the investment community as to the level of detail provided and transparency of its disclosures. Further, the costs of providing such disaggregated information may be significant as systems would need to be reconfigured and controls put in place to validate new data for external presentation. Rules-based line items on uniform financial statements may result in reporting information contradictory to the way in which Charter manages its business. As such, Charter does not believe this should be an area of focus for the Board. Charter's preference is to continue to follow the current principles based approach versus establishing prescriptive rules, which may not align with internal reporting and how business is managed.

Question 7: Investors and other financial statement users— What cash flow information, if any, required for your analysis is missing in a statement of cash flows prepared using the indirect method? How would this information influence your decisions and behavior? Please explain.

Not applicable.

Question 8: Preparers— What requests or questions, if any, does your company receive from analysts on cash flow information? Please explain.

Consistent with Question 6 (b) above, Charter has received minimal requests from analysts on cash flow information outside of what is already provided in the audited financial statements.

Question 9: What challenges, if any, are there in applying the guidance on the definition of a derivative and the related derivative scope exceptions in Subtopic 815-10? Please explain the challenges and whether and how they could be addressed through standard setting.

Charter acknowledges that derivatives are a complex accounting area; however, it has not been Charter's experience to see arrangements scoped into derivative accounting that should not have been.

Question 10: Investors—How significant are holdings in digital assets, such as crypto assets, in the companies you analyze? What type of financial reporting information about holdings in digital assets do you use in your analysis of a company? How does that information influence your decisions and behaviors? If there is other financial reporting information about digital assets that would be decision useful, what is that information and why is it decision useful?

Not applicable.

Question 11: Preparers and practitioners—Does your company (or companies that you are involved with) hold significant digital assets, such as crypto assets? What is the purpose of those holdings?

Charter does not currently hold significant digital assets.

Question 12: If the Board were to pursue a project on digital assets, which improvements are most important, what types of digital assets should be included within the scope, and should this guidance apply to other nonfinancial assets?

Charter is in favor of the FASB establishing accounting guidance for digital assets, as the use of such assets will likely become more prevalent in the future.

Question 13: Are there common ESG-related transactions in which there is a lack of clarity or a need to improve the associated accounting requirements? Please describe the specific transactions and why standard setting is needed.

Charter is in favor of the Board developing accounting guidance for renewable energy credits, renewable energy certificates, renewable energy partnerships, and carbon offsets, as currently there is no prescriptive guidance to follow. Uncertainty exists today on what GAAP accounting literature to apply (intangible, inventory, derivative, equity method investment, etc.). As Charter and others work towards becoming carbon neutral in the future and potentially enter into more environmental energy related transactions, it would be helpful to have an accounting framework to apply.

Question 14: Are there common financial KPIs or metrics—either widely applicable to all companies or industry specific—that would provide decision- useful information if they were defined by the FASB? Please explain.

Charter believes it is important for these metrics to be derived based on management's view and evolve with industry practice, and therefore should not follow a standardized rule prescribed by the FASB. An adequate level of standardization already exists within the non-GAAP guidance under Regulation S-K for public companies in that non-GAAP metrics are to be consistently applied and reconciled to relevant GAAP numbers. Such metrics are best left up to management and the way in which companies manage their business. Standardizing a non-GAAP metric in the audited financial statements may result in companies presenting a different non-GAAP metric outside the audited financial statements as derived by how business is actually managed, which would create more confusion to investors.

Question 15: If the FASB were to define certain financial KPIs or metrics, should all companies be required to provide those metrics or should providing those metrics be optional?

No, such metrics should not be required for presentation within the financial statements for all companies. Refer to Question 14 above.

Question 16: If the Board were to pursue a project on the recognition and measurement of government grants, should the FASB leverage an existing grant or contribution model (such as the models in IAS 20 or Subtopic 958- 605) or develop a new model? If you prefer leveraging an existing model, which would be most appropriate and why? If the FASB were to develop a new model, what should the model be?

The Board should prioritize a project on the recognition and measurement of government grants. Charter is generally in favor of leveraging the existing grant model under IAS 20 as a starting point.

Question 17: The FASB has encountered challenges in identifying a project scope that can be sufficiently described for government grants. If the Board were to pursue a project on the recognition and measurement of government grants, what types of government grants should be included within the scope and why (for example, narrow or broad scope)?

The Board should focus the scope primarily on individually significant nonreciprocal monetary grants and exclude routine types of government assistance broadly available to all eligible participants per law, regulation, and common practice when paying for transaction taxes. Disclosure, recognition and measurement of such individually insignificant routine government assistance such of property tax abatements, sales tax exemptions, and payroll tax incentives would create a disclosure overload and potentially result in different accounting from the underlying tax transaction in which they relate. We believe separate disclosure, recognition and measurement of these routine types of government assistance would be overreach in achieving the Board's objective in addressing the need for government assistance accounting and disclosure.

Question 18: The FASB has encountered challenges in identifying a project scope that can be sufficiently described for intangible assets. If the Board were to pursue a project on intangible assets, what types of intangible assets should be included within the scope and why? Within that scope, should a project on intangible assets be primarily focused on improvements to recognition and measurement or to disclosure?

Given the evolution of the software market since original accounting guidance was issued, Charter is supportive of the FASB revisiting the internal use software capitalization guidance.

Question 19: What challenges, if any, exist in applying the capitalization thresholds in Subtopics 350-40 and 985-20? What improvements, if any, could be made to the software capitalization guidance to overcome those challenges? Should there continue to be a capitalization threshold when accounting for software depending on whether it is for internal use or whether it is to be sold, leased, or otherwise marketed? Please explain.

Charter's capitalization of software development costs is primarily for internal use software and not for software held for sale. Challenges exist in the capitalization assessment due to judgment needed to determine how today's software development activities fit into the software accounting rules given technological advancements that have occurred since the software accounting framework was originally established. We believe internal use software accounting should be revisited by the FASB given its evolution in the software marketplace.

Question 20: Should the Board prioritize a potential project on current and noncurrent classification of assets and/or liabilities in a classified balance sheet? If yes, what should be the scope? Please explain.

The Board should not prioritize a project on current and noncurrent classification of assets and/or liabilities in a classified balance sheet. Charter was supportive of the FASB removing the ‘Balance Sheet Classification’ project from their agenda and believe the Board adequately evaluated targeted improvements to this area and agree that although balance sheet classification guidance can be complex, it is a necessary complexity and should not undergo further changes.

Question 21: Should the Board prioritize a potential project to simplify the consolidation guidance in Topic 810? Please explain why or why not. If yes, should the approach focus on targeted improvements or a holistic review of Topic 810?

Charter acknowledges that the consolidation guidance within Topic 810 is a difficult accounting area; however, complex transactions warrant complex accounting guidance. If the Board does decide to pursue a project within this Topic, Charter recommends targeted improvements rather than a holistic refresh of the guidance. We would be supportive of targeted improvements such as the elimination of unnecessary VIE disclosures and simplifying the complicated VIE scoping guidance.

Question 22: What challenges, if any, exist in accounting for debt modifications in accordance with the guidance in Subtopic 470-50, Debt— Modifications and Extinguishments? Please explain the challenges and how they could be overcome through standard setting.

Charter would be supportive of an accounting alternative to allow all companies to account for all debt modifications as extinguishments without any rollover of unamortized debt issue costs, discounts or premiums to the new debt instrument. We understand this idea was initially raised as a possible accommodation for private companies. If the FASB pursues such an accommodation, we believe it should be an alternative allowed by both public and private companies. This would remove the complexities that currently exist when calculating the “substantially different” 10% cash flow test to determine whether transaction is a modification or not.

Question 23: Stakeholders noted many challenges in applying the liabilities and equity guidance, but they had mixed views on how the Board should improve the accounting for financial instruments with characteristics of equity. The Distinguishing Liabilities from Equity Phase 2 project is intended to align the two existing indexation models in Topic 480 and Subtopic 815-40. Should the Board continue pursuing this project in its current scope and objective, or does the Board need to reevaluate this project? Please explain why or why not and if the project scope and objective need to be reevaluated, what should the approach be?

Charter is supportive of the Board’s current efforts under the Phase 2 project to align the existing indexation models and any other targeted improvements to this guidance. However, Charter does not believe an overhaul of the existing liabilities and equity guidance is warranted.

Question 24: How helpful would it be in evaluating disclosure materiality if the materiality guidance in paragraph 105-10-05-06 that "the provisions of the Codification need not be applied to immaterial items" was repeated in the Disclosure Section of each Codification Subtopic? Please explain.

Charter is in favor of clarifying throughout the Codification that disclosures need not be applied to immaterial items.

Question 25: Which, if any, of the FASB processes described in Chapter 4 of this ITC could be improved? Please explain your rationale for each, including the following:

a. Why that process needs improvement

Charter is in favor of an appropriate reference/linkage added to the Codification for non-authoritative accounting guidance such as basis for conclusion, TRG meetings, and FASB Q&A's.

In addition, Charter is also in favor of the Board exploring whether the EITF should serve as more of an interpretive body resource compared to its current role in rulemaking.

b. How the FASB should improve that process

These items noted in Question 25 (a) above would improve codification accessibility and the interpretive process, respectively.

c. What the urgency is of that process improvement.

These items noted in Question 25 (a) above would be helpful; however, the Board should prioritize the items noted in Question 2 above.

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We appreciate the opportunity to provide comments on potential future Board agenda items and welcome further discussion regarding items covered in this Comment Letter. Please reach out with any questions or concerns.

Respectfully submitted,

/s/ Kevin D. Howard

Executive Vice President, Chief Accounting Officer and Controller

Charter Communications, Inc.