May 15, 2020

David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116 Re:

Project No. 3-34

Dear David:

On behalf of the National Association of College and University Business Officers (NACUBO), we submit the following comments on the Exposure Document (ED) of the Governmental Accounting Standards Board, Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements—an amendment of GASB Concepts Statement No. 3. NACUBO’s comments on the ED were developed with input from our member institutions and our Accounting Principles Council (APC). The APC consists of experienced business officers from various types of institutions who, collectively, possess a thorough knowledge of higher education accounting and reporting issues and practices.

NACUBO is a nonprofit professional organization representing chief financial and administrative officers at approximately 2,000 colleges and universities. In its capacity as a professional association, NACUBO issues accounting and reporting industry guidance for higher education and educates more than 2,000 higher education professionals annually on accounting and reporting issues and practices.

**Overall Observations**

We appreciate the time and effort that the staff have devoted to this project to revise the conceptual framework for evaluating the purpose and content of notes to financial statements.

**Specific Provisions**

*Responsibilities of users of notes to financial statements*

We find it very helpful to understand the foundational approach the Board uses when evaluating disclosure requirements for financial statement users. This useful information will inform our thinking when commenting on proposed disclosure requirements in future accounting standards.
Information that is not appropriate to include in notes to financial statements
We agree with the Board’s conclusions that excluding subjective assessments and predictions continue to be valid. However, we offer the following comments concerning “general or educational information that is not specific to the government” as an addition to the types of information that are not appropriate for notes to the financial statements to convey.

- The inclusion of voluntary information in notes to financial statements: While we appreciate that the GASB believes that voluntarily information including general educational information can confuse users when it is not decision useful or needed to assess accountability, NACUBO believes that notes to the financial statements belong to the governmental reporting entity. Perhaps the Board can offer suggestions for preparers that choose to provide additional information in the notes.
- Along the lines of the above bullet, it would be helpful to have examples, perhaps in the basis for conclusions, that illustrate the Board’s distinction when differentiating between:
  - general or educational information that informs users about accounting and finance-related issues that are unique to the government environment, and
  - general or educational information that is not specific to the reporting government.

Evaluation of the costs and benefits for the notes to financial statements:
To dispel confusion, we suggest that paragraph 14 in the ED be revised by incorporating content from the Basis for Conclusions paragraph B19, as follows (added content underlined, deleted content struck through):

14. Notes to financial statements are affected by the limitations of governmental financial reporting, including considerations of the expected benefits resulting from the information in notes to financial statements relative to the perceived costs of disclosing that information. The evaluation of the expected benefits and perceived costs of note disclosure requirements in a pronouncement disclosing information in notes to financial statements should be evaluated separately from (and in addition to) the overall analysis of expected benefits and perceived costs associated with the overall pronouncement.

In closing, we wish to express our appreciation for the opportunity to comment. We welcome the opportunity to participate at any of your public hearings and look forward to answering any questions the Board or the staff may have about our response. Please direct your questions to me at 202-861-2542 or smenditto@nacubo.org.

Sincerely,

Susan M. Menditto
Senior Director, Accounting Policy