

From: Wills, Stephen G.
Sent: Monday, July 29, 2013 2:24 PM
To: Loughan, Melissa L
Subject: RE: FASAB ED (Reporting Entity)
Importance: High

Good afternoon,

Please post this response to the FASAB website; and, I am very interested in speaking to this issue at the upcoming hearing.

Regards, Stephen G. Wills

Smithsonian Institution Response to Question 4:

Q4. The Statement provides for each reporting entity (the government-wide and component reporting entities) to consolidate financial information for all consolidation entities for which it is accountable without regard to funding source (for example, appropriations or donations). For certain organizations, such as museums and performing arts organizations, this may lead to consolidating funds from sources such as donations that are presently not consolidated in the government-wide GPFFR. Refer to paragraphs 54-64 of the proposed standards and paragraph A19 in Appendix A - Basis for Conclusions for a discussion and related explanation.

Do you agree or disagree that each component reporting entity (for example, museums) and the government-wide reporting entity should consolidate in their entirety organizations for which it is accountable without regard to funding source, including those receiving appropriations and donations? Please provide the rationale for your answers

Response:

We strongly disagree with the exposure draft position of consolidation of each component reporting entity and government-wide reporting entity regardless of funding source. This position is in contrast to the tenants of consolidation accounting, that is to say, component reporting entities should be consolidated based upon funding source; otherwise, the reader will be misled in terms of comparing apples with oranges. Funding sources to a governmental entity outside the federal government appropriation process (OMB circular A-11) CANNOT be “commingled” with appropriated funds. These funding sources are under the mandate of the donor in terms of purpose and time restriction. Upon fulfillment of these two restrictions, of course, the nature of the funding is changed from either restricted or temporarily restricted to unrestricted. Question: How can this change of color of money be captured in this proposed exposure draft? What is the value or importance to the reader of “confusing and misleading” statements? Generally speaking, this proposed exposure draft will only confuse the reader more; and, thus render the ability for the reader (taxpayer) to make a rational decision to be nullified. If the Board is interested in making this proposal palatable to the reader, then, perhaps, a footnote disclosure is warranted in which non-federal funding can be identified and reported separately.