



**BOARD ACTION MEMORANDUM**

**TO:** NCUA Board **DATE:** September 16, 2010  
**FROM:** Chief Financial Officer **SUBJ:** FASAB adoption

**ACTION REQUESTED:** Board approval to adopt accounting standards promulgated by the Federal Accounting Standards Advisory Board for the National Credit Union Share Insurance Fund (NCUSIF).

**DATE ACTION REQUESTED:** September 16, 2010

**OTHER OFFICES CONSULTED:** The Office of General Counsel, the Office of Examination and Insurance, and the Office of the Inspector General were consulted.

**VIEWS OF OTHER OFFICES CONSULTED:** All concurred

The purpose of this action is to request Board approval for the NCUSIF to adopt accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB) effective as of January 1, 2010, the beginning of the fund's financial reporting year.

Background:

The American Institute of Certified Public Accountants (AICPA) has designated the FASAB as the source of GAAP for federal reporting entities. As such, the FASAB is responsible for designating the GAAP hierarchy for federal reporting entities. FASAB's Statement of Federal Financial Accounting Standards No. 34, *The Hierarchy of Generally Accepted Accounting Principles* (SFFAS No. 34), requires the application of FASAB standards for federal entities, but also allows, in rare instances, application of the Financial Accounting Standards Board accounting standards, commonly referred to as commercial accounting standards, to federal entities.

On June 17, 2010, the NCUA Board acted to adopt accounting standards promulgated by the FASAB for the Temporary Corporate Credit Union Stabilization Fund (TCCUSF).

The NCUA Board has the opportunity to revisit the accounting standards used by the NCUSIF and select the standards that would be most appropriate for fulfilling the Board's stewardship responsibilities to the fund's stakeholders. A major function for effective stewardship is the timely communication of financial activities in a format that

is clear and understandable to stakeholders and that promotes comparability of financial information.

The following sets out the reasons for adopting FASAB standards for the NCUSIF:

- a) More appropriate financial presentation – With the adoption of FASAB accounting standards for the TCCUSF, financial reporting experience has been gained and has shown that FASAB standards would more appropriately meet the financial presentation requirements of the NCUSIF and its stakeholders.
- b) Clear financial reporting to NCUA's prime stakeholders – The prime stakeholders of the NCUSIF are Congress, the Office of Management and Budget (OMB), and the public.

The majority of federal entities reporting to Congress and OMB prepare FASAB financial statements. Accordingly, Congress and OMB are educated users of FASAB financial statements, familiar with the nuances and methods of evaluating programs presented therein.

Additionally, FASAB considered the public as significant users when it established the framework for the form and content of its financial statements. Accordingly, the FASAB financial statements address the needs of the public.

In reporting to our prime stakeholders in a format designed for them, we can promote more complete, accurate, and transparent communication of the NCUSIF's financial condition.

- c) Preferred standard for federal entities – FASAB is the body designated by the AICPA as the source of GAAP for federal reporting entities. Additionally, SFFAS No. 34 establishes FASAB as the preferred method of reporting for federal entities.
- d) Facilitating comparability in reporting NCUA's insurance activities – On June 17, 2010, the NCUA Board acted to adopt FASAB accounting standards for the TCCUSF. The NCUSIF currently reports under commercial accounting standards. While the majority of FASAB accounting standards align with commercial accounting standards, there are differences, especially with the presentation of information in the financial statements. By adopting FASAB accounting standards for the NCUSIF, the financial statements for both the NCUSIF and the TCCUSF will be presented in conformity with the same standards setting body, FASAB. This will enhance the ability of stakeholders to compare these financial statements and the insurance activities therein.

Additionally, legal interpretations from NCUA's Office of General Counsel were obtained to support the adoption by the NCUSIF of accounting standards promulgated by FASAB.

Recommendation:

We recommend that the NCUA Board change the accounting standards for the National Credit Union Share Insurance Fund from those issued by the Financial Accounting Standards Board to those issued by the Federal Accounting Standards Advisory Board, the change being retroactive to January 1, 2010.