



DoD NAF Accounting Working Group Meeting Minutes

Thursday, August 23rd, 2018
0900-1000 EDT

Attendees

- MC&FP
 - Michael Curtis
- DFAS – Indianapolis
 - Maranda Summers, Robert Haines
- Army IMCOM G9
 - Bryan Hartsell, Sonia Daugherty
- Air Force A-1
 - Lisa Hughes
- AFSVA
 - Tina Hudson, Connie Lipko, Marivic Penman, Becky Karnafel, Tom Marsh, Marcus Whitehead, Stephen Holekamp
- MCCS
 - John Johnston, Pat Craddock, Courtney Pulis
- Army – DFAS – Texarkana
 - Lena Anderson
- Navy CNIC
 - Nancy Stephens, Jeff Potter, Jennifer Wilkinson
- Navy OPNAV N462B
 - Annie Fowler
- Air Force Secretariat SAF-MRR
 - Lt. Col. Carina Harrison
- Grant Thornton (GT)
 - Jeremy Blain, Ariane Whittemore, Mary Saldivar, Sumner Higginbotham, Vishal Ayyagari

Welcome and Introductions – Mr. Mike Curtis, MWR & Resale Policy

- Mr. Curtis welcomed everyone, acknowledged that all the Services were present, and thanked everyone for participating.

OSD Update- Mr. Mike Curtis, MWR & Resale Policy

- Mr. Curtis began the meeting with a discussion of the minutes of the July meeting
 - No discussion necessary on the action items from the July meeting.
- Mr. Curtis noted that he thought it would be a good idea to have an established schedule to update the NAFSGL on an annual basis
 - Mr. Curtis requested the Services begin considering a date for the finalization of annual NAFSGL updates for use starting on October 1 of each year. From this date, the group can backwards plan to establish a starting time for future NAFSGL updates.
- Mr. Curtis noted that the September working group meeting will be a 2 hour session.
- Mr. Curtis mentioned the read ahead with the proposed Working Group meeting dates for FY 2019. If no one has any issues with the dates, he will send out the “final” list of dates for next month’s meeting.



DoD NAF Accounting Working Group Meeting Minutes

Thursday, August 23rd, 2018
0900-1000 EDT

- Mr. Curtis informed the Working Group that DFAS Indianapolis has recently provided updates to Volume 13 of the FMR. Mr. Curtis listed the specific chapters that were affected by these updates:
 - Chapter 2 (NAFSGSL)
 - Chapter 5 (Income and Expense)
 - Chapter 8 (NAF Payroll).
- Mr. Curtis provided an update regarding Tableau Server. He noted that some Working Group members have been successful in accessing the Tableau visualizations on Tableau Server including those with .org addresses. He noted he will begin to onboard additional Working Group members to Tableau Server.

Position Paper Update – Mr. Jeremy Blain, Grant Thornton

- Mr. Blain started out the discussion of Position Papers by explaining that MC&FP and Grant Thornton had worked together and there were three papers to be discussed with the goal of re-concurrence, due to the long period of time since the last discussion and concurrence.
 - Mr. Blain noted that the goal of this review was to provide the Working Group members with a (hopefully) final opportunity to comment on these papers.
 - There were three previous papers that were incorporated into NAFSGSL 1.0:
 - Amortization vs Depreciation – Position Paper #3
 - Dividend Classification – Position Paper #9
 - Royalty Fees – Discussion Document F
- Mr. Blain began with the Amortization vs Depreciation paper.
 - This paper concluded that intangible items are amortized and tangible items depreciated in accordance with GAAP.
 - Mr. Holekamp asked if depreciation was being accounted for as a non-operating expense. Mr. Curtis and Mr. Higginbotham clarified that depreciation was later classified by the Working Group as an operating expense, with the changes being reflected in both the NAFSGSL 2.0 and 3.0 versions.
 - All concurred with the Amortization vs. Depreciation Position Paper which concludes that intangible items are amortized, and tangible items depreciated in accordance with GAAP.
- Mr. Blain then discussed the next item: dividend classification.
 - This paper concluded that the Services should treat dividend income received from the exchanges as non-operating income. .
 - Mr. Tom Marsh asked a why there would be two separate dividend GLACs for dividend income. Mr. Blain responded to Mr. Marsh that this was proposed previously by one of the Services to separate dividends going to Headquarters and those going directly to the installations.
 - Ms. Nancy Stephens also raised the question as to why two GLAC's are needed. Mr. Blain said his recollection from the initial Working Group off-site in 2014 was that the Services originally wanted to capture two different flows due to the



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- importance and value of the Exchange dividends. Mr. Blain noted the discrete transactions of the dividend split were intended to provide visibility into how the exchange dividends come into the MWR program as income. Ms. Stephens indicated that the Navy tracks the dividends via shredding codes in their own system, and the Navy does not need two GLACS for dividends. Mr. Curtis commented that, due to time constraints, this issue can be addressed at a later time.
- Getting back to the original topic, the Working Group concurred with the recommendation of the position paper that exchange dividend income be classified as non-operating income.
 - Mr. Blain then discussed the Royalty Fee position paper.
 - Mr. Blain explained that in the original Working Group off-site in 2014, the Services were interested in separating franchise fees and royalty fees. It was recommended that long-term royalty and franchise fees were accounted for separately from other intangible assets with the addition of a new GLAC (#198). NAFSGL 1.0 reflects the addition of this GLAC.
 - The Working Group agreed with the additional of the new GLAC and there were no further comments.
 - Mr. Curtis thanked Mr. Blain and noted that the plan is to post the finalized and completed Position Papers and Discussion Papers on the NAF Accounting Website.

Working Group Position on NAFSGL 3.0 Issues - Mr. Jeremy Blain, Grant Thornton

- Donations of In-kind assets (read ahead)
 - This topic was discussed in the last working group meeting. For donations of in-kind assets, the Air Force provided its policy paper as a read ahead on how they handle donations of in kind assets including asset valuation. Mr. Blain then opened the discussion to the other Services asking them for feedback on the Air Force approach and if any of the other Services had any comments.
 - Ms. Sonia Daugherty stated that the Army has no feedback at this point. The Army would review the issue and would provide a position at a later date.
 - Mr. Johnston indicated the Marine Corps would be against valuing donated assets. He stated that the Marine Corps does not have the internal expertise to appraise assets and doing so could be put them in an adverse situation.
 - Ms. Stephens agreed with Mr. Johnston, and noted that the Navy shares the same concerns as the Marine Corps.
 - Mr. Higginbotham noted that GAAP requires, based on materiality, donations to be recognized in the financial statements, which would require an asset and revenue journal entry to be made.
 - Ms. Hudson said the Air Force is curious as to how the other Services set their thresholds for materiality. Mr. Johnston responded by indicating he would like to discuss the Air Force policy and valuation process with Ms. Hudson.
- Gaming and Slots Financial Reporting (read ahead)
 - Mr. Higginbotham provided a quick summary of the issue.



DoD NAF Accounting Working Group Meeting Minutes

Thursday, August 23rd, 2018
0900-1000 EDT

- Mr. Higginbotham provided an overview of current reporting practices. The question is whether amusement gaming activity should be reported separately from slots/bingo and whether slots/bingo should be reported as a stand-alone activity or integrated into the other programs which host and operate the machines.
- Mr. Blain commented that options include removing amusement altogether or make slots and bingo a separate activity. From an OSD perspective, Mr. Curtis commented that separating bingo as its own activity might be considered, as bingo has grown considerably since the DoDI 1015.10 was last updated. Mr. Curtis noted that Bingo is not addressed in the DoDI 1015.10, and that policy considerations should be taken into account with this issue.
 - Ms. Sonia Daugherty responded that the Army would prefer to not separate Bingo and Slots into distinct activities. Mr. Hartsell added that amusement machines are not activities, and are only offered in conjunction with other programs. Mr. Hartsell pointed out that bases do not have separate facilities for bingo and slots. They are an ancillary program offered within other activities and, therefore, should not be accounted for as a standalone activity.
 - Ms. Tina Hudson agrees that they should not be a stand-alone activity. The Air Force believes that slots/bingo can be reported separately but they agree with the Army not to separate them into separate activities in policy.
 - Mr. Curtis noted that this issue may be resolved via improved definitions in the NAF Program-Metric Report and in proposed policy revisions.

Wrap-up– Mr. Mike Curtis, MWR & Resale Policy

- The working group did not raise additional questions and Mr. Curtis concluded the meeting.

Action items

- Air Force and Marine Corps to discuss via teleconference the accounting treatment for Donations in Kind and be prepared to discuss at the September NAF Accounting Working Group meeting.
- Army and Navy to further review the Air Force Donations in Kind policy and be prepared to discuss at the September NAF Accounting Working Group meeting.