

STRENGTH MATTERS® Financial Statement Disclosures Sample #5: Investments

The fifth paper generated from the **STRENGTH MATTERS®** Financial Statement Disclosures Project **Lindquist, von Husen & Joyce LLP** led in 2014 (to read previous issues on *Restricted & Designated Net Assets*, *List of Affiliates*, *Notes Payable* and *Commitments & Contingencies* papers, [click here](#)), provides a suggested format for the disclosure of an organization's **investments**.

The lenders and CFOs from organizations across the nation that we worked with found it meaningful to **separately identify and describe investments maintained on the cost, equity and fair value methods of accounting** and to **include a table summarizing those investments balances into categories by accounting method** utilized, before providing the details about each category.

Here are some of the additional insights and suggestions included in the paper:

- The summary table of investments begins with investments stated at fair value, which are typically marketable securities. In the details following the table, the required information about Level 1, Level 2 and Level 3 investments can be presented.
- The group that worked on this paper felt specific details about the nature of the marketable securities wasn't necessary. Information such as the amount held in U.S. equities, short-term bond funds, international equities, etc. was not useful to these lenders or CFOs.

- The summarized financial information for entities accounted for under the equity method should contain a subtotal to disclose net operating income before depreciation and interest. This gives the reader more information about performance of these companies, which are generally real estate partnerships.
- Investments accounted for using the cost method are generally non-marketable and where the investor controls less than 20% of the decision-making ability of the investee. Board representation is a consideration that could give an investor more control, but the 20% threshold should still be considered. If there are more than five voting board members, the investor wouldn't appear to have more than a 20% share of the influence.
- The footnote should disclose enough information about the nature of these investments to let the reader know what each category of investment represents.

Click [here](#) to download a copy of *Investments* best practice paper on the Strength Matters website (www.strengthmatters.net). Subscription is required.

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