

October 3, 2016

Susan M. Cospers, CPA
Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: August 3, 2016 Exposure Draft (ED) of a Proposed Accounting Standards Update (ASU), *Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity* [File Reference No. 2016-280]

Dear Ms. Cospers:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting standards profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the ED and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC supports the proposed ASU which would amend the consolidation guidance in Subtopic 958-810 to clarify when a not-for-profit entity (NFP) that is a general partner should consolidate a for-profit limited partnership or similar entity. TIC shares the Board's concerns that once the amendments to ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, become effective, the guidance in Subtopic 810-20 no longer will exist, creating uncertainty about when an NFP that is a general partner should consolidate a for-profit limited partnership. TIC agrees with the current accounting guidance in Subtopic 810-20 and believes this guidance should be retained and reinstated in Subtopic 958-810.

TIC also agrees with the proposed technical corrections made with respect to the fair value alternative in Subtopic 958-325 for NFPs other than health care entities. The corrections provide further clarification regarding the amendments in ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. TIC has included comments on these technical corrections in the “Additional Comments” section below.

SPECIFIC COMMENTS

Question 1: Please describe the entity or individual responding to this request.

TIC is a committee of CPA practitioner volunteers working to represent the views of local and regional firms and their clients in the standards-setting process. The committee is currently comprised of 13 partners, directors, owners, and managers of public accounting firms ranging in size from small firms up to firms with over 2,500 professionals. All TIC members belong to firms that have an NFP audit practice, with almost every member of the group being directly involved in engagements involving NFP entities.

Question 2: The proposed amendments would retain the consolidation guidance in existing GAAP under which NFPs that are general partners are presumed to control a limited partnership, regardless of the extent of their ownership interest, unless that presumption is overcome. The presumption would be overcome if the limited partners have either substantive kick-out rights or substantive participating rights. Do you agree with this approach? If not, please explain why.

Yes. TIC agrees with this approach. TIC believes that retaining the consolidation guidance in existing GAAP, which is currently included in Subtopic 810-20 and which would otherwise be superseded upon adoption of ASU 2015-02, is appropriate.

Question 3: Would the proposed amendments clarify the amendments in Update 2015-02? If not, what would make the guidance clearer and why?

Yes. TIC believes the proposed amendments in this ED, which will effectively restore the guidance that would be eliminated by ASU 2015-02, would alleviate existing concerns and provide necessary clarity. TIC does not have any additional suggestions to make this guidance clearer.

Question 4: Do you agree with the proposed transition requirements in paragraph 810-10-65-2? If not, how would you modify those requirements? Please explain your reasons.

Yes. TIC believes that the proposed transition requirements seem reasonable. TIC agrees that an entity that has not yet adopted the amendments in ASU 2015-02 should be required to adopt the amendments in this ED at the same time and to use the same transition method chosen for the adoption of ASU 2015-02. For entities that have already adopted the amendments in ASU 2015-02, TIC agrees that the Board will have to determine an effective

date for these entities prior to the issuance of this ED. This issue is addressed in Question 6 below. TIC does not have any suggested modifications to the transition requirements.

Question 5: *Should a reporting entity be required to provide the transition disclosures specified in this proposed Update? Should any other disclosures be required? If so, please explain why.*

Yes. TIC believes that the transition disclosures, whereby the reporting entity shall describe the transition method(s) applied and shall disclose the amount and classification in its statement of financial position of the consolidated assets or liabilities by the transition method(s) applied, seems reasonable and relevant. TIC also agrees with the additional transition disclosures for entities that elect the fair value option. TIC does not suggest any additional disclosures to be included in the ED.

Question 6: *Should the proposed amendments be effective immediately upon issuance of a final Update for all entities that elected to early adopt the amendments in Update 2015-02?*

Yes, TIC agrees that an immediate effective date is appropriate if the amendments in ASU 2015-02 already have been adopted. To the extent the amendments in this ED result in a change in accounting from application of the amendments in ASU 2015-02, those changes should be recognized in the financial statements as soon as practicable. TIC believes that a delayed effective date does not seem warranted since the proposed amendments are simply reinstating current accounting guidance under a different Subtopic.

ADDITIONAL COMMENTS

TIC supports the technical corrections proposed with respect to the portfolio-wide fair value alternative in Subtopic 958-325, *Other Investments*, which applies to all NFPs other than healthcare NFPs. ASU 2016-01, effective in 2019, correctly removed the ability of an NFP to carry investments in the form of partnership or venture capital interests or nonmarketable equity securities at cost. This is consistent with the ASU's requirement to carry all such equity investments, other than those involving significant influence or a controlling financial interest, at fair value (through net income), with a couple of practical expedients. However, in striking out those items from the scope of Subtopic 958-325, the Board inadvertently also eliminates the ability of such NFPs (once ASU 2016-01 is effective) to carry investments over which they have significant influence or a controlling financial interest at fair value under the portfolio-wide alternative, rather than using the equity method or consolidating, respectively.

TIC has reviewed the Board's proposed amendments related to this issue in proposed "Pending Content" in paragraph 958-810-15-4 regarding the scope of the standard, the proposed revisions to paragraph 958-810-25-15, as well as to the flowchart in paragraph 958-810-55-4. TIC believes the suggested changes are appropriate and help to clarify the unintended consequences caused by the issuance of ASU 2016-01.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Michael A. Westervelt". The signature is written in a cursive style with a large initial 'M' and 'W'.

Michael A. Westervelt, Chair
PCPS Technical Issues Committee
cc: PCPS Executive and Technical Issues Committees