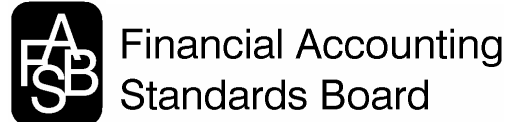


MINUTES



**To:** Board Members  
**From:** Goodman (x295)  
**Subject:** Minutes of the December 20, 2005, Board Meeting on Not-for-Profit Combinations      **Date:** January 16, 2006  
**cc:** FASB: Bielstein, Smith, Petrone, Bossio, Posta, Tamulis, Goodman, Bennett, Vessels, Gerard, Todorova, Swift, Polley, Gabriele, Getz, Carney, Mahoney, Sutay, Intranet; IASB: Leisenring

*The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Statement, Interpretation, or FSP.*

Topic: Combinations by Not-for-Profit Organizations:  
Remaining Issues

Basis for Discussion: Memorandum dated December 6, 2005

Length of Discussion: 9:00 a.m. to 10:00 a.m.

Attendance:

Board members present: Herz, Batavick, Crooch, Schipper, Seidman, Trott, and Young

Board members absent: None

Staff in charge of topic: Posta

Other staff at Board table: Bielstein, Bossio, Gerard, Goodman, and Todorova

Outside participants: None

### Summary of Decisions Reached:

The Board decided to require that a not-for-profit (NFP) organization that acquires a business or nonprofit activity through a merger or acquisition:

1. Account for goodwill and inherent contributions received using a single approach. Under the approach, an acquirer would recognize either (a) goodwill, to the extent that the consideration transferred is *more than* the identifiable net assets acquired, or (b) a contribution received, to the extent that the consideration transferred is *less than* the identifiable net assets acquired.
2. Consistent with the proposed FASB Statement on business combinations:
  - a. Apply the fair value measurement principle for assets acquired and liabilities assumed, including its exceptions for assets held for sale, deferred taxes, operating leases, and certain employee benefits.
  - b. Exclude transaction costs incurred in connection with a merger or acquisition from the measure of the fair value of the consideration transferred for the business or nonprofit activity. Those costs should be accounted for separately from the acquisition in accordance with applicable generally accepted accounting principles (GAAP).
  - c. Apply the guidance for the measurement period and determine what is part of the exchange.
  - d. Apply the same disclosure requirements (paragraphs 71–73 and 75–81), to the extent that they apply. Those disclosure requirements include disclosure objectives and disclosures that are included in the proposed Statement on business combinations but not by FASB Statement No. 141, *Business Combinations*, such as the maximum potential amount of future payments for contingent consideration, the nature of any preexisting relationship, and a reconciliation of the beginning and ending balance of liabilities for contingent consideration and contingencies that are required to be measured at fair value.
  - e. Disclose the information required by paragraph 74, if the acquirer is a *public NFP organization* (including those organizations that have public debt obligations outstanding). Those disclosures are (1) the amounts of revenue and results of operations of the acquiree since the acquisition date, if practicable, and (2) the results of operations of the combined entity as if the acquisition had occurred at the beginning of the period, if practicable.
3. Account for donor-related intangible assets consistent with guidance for customer-related intangible assets that is in the proposed Statement on business combinations.
4. If it reports a performance indicator in accordance with the requirements of the AICPA Audit and Accounting Guide, *Health Care Organizations* (The Health Care Guide), present any contribution inherent in a merger or acquisition separately from the performance indicator, unless the acquired business or nonprofit activity meets the criteria to be classified as held for sale in paragraph 32 of FASB Statement No. 144, *Impairment or Disposal of Long-Lived Assets*.

Additionally, the Board decided to:

1. Provide a 120-day comment period for the Exposure Drafts resulting from this project.
2. Conduct a public roundtable following the issuance of the Exposure Drafts.

3. Link the required transition for all of the Board’s decisions on this project. That is, the proposed amendments to FASB Statement No. 142, *Goodwill and Other Intangible Assets*, and application guidance for noncontrolling interests would be effective in the same period as the mergers and acquisitions portion of the proposal.
4. Apply the provisions to all mergers and acquisitions for which the acquisition date is on or after the effective date, rather than all acquisitions initiated after the effective date.
5. Provide a period of about six months between the effective date and the issuance of the final Statement.
6. Apply the provisions in fiscal years beginning after the effective date.
7. Encourage early adoption of the provisions as long as the provisions of all of the documents (mergers and acquisitions, amendments to Statement 142, and accounting for noncontrolling interests, if applicable) are applied at the same time.

Objective of Meeting:

The meeting’s objectives were to resolve the remaining issues in the NFP combinations project and to obtain the Board’s approval to proceed with drafting the NFP Exposure Drafts. Those objectives were met.

Matters Discussed and Decisions Reached:

**Issue A: Measurement and Recognition of an Acquiree**

1. Issue A is how an NFP acquirer should measure and recognize the value of an acquiree. This issue is important because that value is used to calculate the goodwill and any inherent contribution received by the acquirer that is to be recognized in applying the acquisition method.
2. The decisions reached in this project would require two different approaches to the measurement of an acquiree—the net asset approach and the entity approach—as illustrated in the following table:

		Type of Acquiree	
		Nonprofit Activity	Business
<b>Type of Transaction</b>	<b>Contribution or a Partial Contribution</b>	<i>Box 1</i>	<i>Box 3a &lt; 100%</i>
			<i>Box 3b 100%</i>
	<b>Purchase</b>	<i>Box 2</i>	<i>Box 4</i>

The shaded portions are transactions that would be accounted for using the net asset approach and the non-shaded portions would require the acquirer to use the entity approach—that is, to measure the fair value of the acquiree as a whole. The Board’s decision to use the net asset approach in this project is a departure from the principle in the proposed Statement on business combinations. That departure was made because of the difficulties associated with measuring an acquiree that is an NFP in circumstances in which no consideration is exchanged.

***Alternatives Considered (Issue A)***

3. The Board considered two alternatives to reduce the complexity of using different approaches in determining how an NFP acquirer should measure and recognize the value of an acquiree:

Alternative A is to extend the use of the net asset approach to all acquisitions by NFP organizations—that is, the entire table on page 4 would be shaded. This alternative would result in consistent accounting for all acquisitions by NFP organizations. The difference between this alternative and the decisions that have been reached in the proposed Statement on business combinations is in the accounting for goodwill or an inherent contribution in an acquisition of less than 100 percent of an acquiree. The proposed Statement on business combinations would require the recognition of the goodwill based on the fair value of the acquiree; whereas, NFP acquirers under this alternative would recognize goodwill to the extent of the consideration paid (transferred) in excess of the (fair) values of the identifiable net assets.

Alternative B is to use the net asset approach for the acquisition of a nonprofit activity (that is, shaded boxes 1 and 3) and the entity approach for the acquisition of a business (that is, require that the fair value of the acquiree be measured for boxes 3a, 3b, and 4). This alternative was considered due to concerns about the consistency between the accounting for (a) an acquisition of a business by an NFP and by a for-profit healthcare entity and (b) an acquisition of a business by an NFP and by a mutual enterprise.

Input from resource group members in the healthcare sector on the first concern was mixed—some preferred the use of the net asset approach for all acquisitions by NFP health care organizations, while others viewed NFP health care organizations more like businesses and would support an approach that is consistent with the proposed Statement on business combinations. In addition, while there is often no explicit exchange of consideration in combinations by both NFPs and mutual enterprises, there are some fundamental differences between these entities:

- a. Contributions. NFPs generally receive contributions (donations), while mutual enterprises are not charities but rather are operated like a business for a return to their members.
- b. Who receives the benefit. In a combination by a NFP, the controlling interest gets the benefit of the acquisitions (there is no business or member equity), while in a mutual enterprise combination, the *consideration exchanged* is a membership share of the acquired entity for a membership share of the combined entity.
- c. Measurability. In an acquisition by an NFP, some acquirees pose significant measurement difficulties because of (1) no transaction price, (2) no market comparables and (3) difficulties applying the income approach because the entity does not operate on a for-profit basis; however, an acquiree that is a mutual enterprise or a private business can be measured by using available market information or an income approach or both.

***Board Decision and Rationale (Issue A)***

4. The Board decided to apply a single approach to account for goodwill and inherent contributions for all mergers and acquisitions of businesses and nonprofit activities by NFP organizations (Alternative A). Under the approach, an acquirer would recognize either (a) goodwill, to the extent that the consideration transferred is *more than* the identifiable net assets acquired or (b) a contribution received, to the extent that the consideration transferred is *less than* the identifiable net assets acquired. [GJB, GMC, KAS, LFS, and EWT preferred Alternative A, DMY preferred Alternative B. No Board members objected to Alternative A.]
5. The key reasons that the Board supported this alternative were:
  - a. The practical cost-benefit reasons underlying the initial reasoning for a departure from the proposed Statement on business combinations

- b. That the voluntary nonreciprocal nature of an inherent contribution in an acquisition is idiosyncratic to NFP organizations and is common in NFP acquisitions
  - c. The analogous departure for bargain purchases in the proposed Statement on business combinations
  - d. Simplification.
6. The Board considered but rejected Alternative B primarily because of the potential difficulties of discerning a business of an NFP organization from a nonprofit activity.
7. Mr. Young stated that he would prefer the use of the entity approach in all acquisitions by NFP organizations of for-profit entities, adding that the ensuing capital structure should determine which method is used. Mr. Herz expressed a similar concern about certain NFP organizations, such as some foundations, that own large for-profit entities; however, he noted that goodwill would be the same under the net asset approach and the entity approach in a 100 percent acquisition. Mr. Young requested that the staff obtain input from users of the financial statements about their preference and whether the information provided by one approach is more useful than the information provided by the other approach.

**Issue B: Conformance of Measurement and Recognition Decisions**

8. Issue B is whether to conform the guidance for mergers and acquisitions by NFP organizations to the measurement and recognition decisions reached in the proposed Statement on business combinations, including the provisions and guidance for:
- a. Certain specific exceptions to the basic principle requiring the recognition of assets acquired and liabilities assumed at fair value
  - b. Transaction-related costs
  - c. Measurement period
  - d. Determining what is part of the acquisition.

***Board Decision and Rationale (Issue B)***

The Board decided that:

- a. The same exceptions to the fair value measurement principle for assets acquired and liabilities assumed—assets held for sale, deferred taxes, operating leases, and certain employee benefits—should apply to mergers and acquisitions by NFP organizations.
- b. Transaction costs incurred in connection with a merger or acquisition by an NFP organization are not part of the consideration transferred in exchange for the business or nonprofit activity and should not be included in the measure of the fair value of the consideration transferred for the business or nonprofit activity. Those costs should be accounted for separately from the acquisition in accordance with applicable GAAP.

- c. The guidance on the measurement period should apply to mergers and acquisitions by NFP organizations.
- d. The guidance on what is part of the exchange for the acquiree should apply to mergers and acquisitions by NFP organizations.

[All Board members agreed.]

9. The key reason for the Board's decision was that the Board did not observe any compelling differences between business entities and NFP organizations that would call for differences from the guidance in the proposed Statement on business combinations in these areas. Ms. Schipper clarified that while the principles should be consistent with the proposed Statement on business combinations, slight modifications to the guidance would be necessary for differences in accounting or terminology (as indicated in the staff's memorandum). For example, an acquisition by an NFP organization (a) may include an inherent or subsequent contribution and (b) generally does not involve contingent consideration.

#### **Issue C: Donor-Related Intangible Assets**

10. Issue C is whether to provide further guidance for the recognition of donor-related intangible assets acquired in a merger or acquisition. A resource group member suggested that the Exposure Draft resulting from this project provide guidance for recognizing donor-related intangible assets, such as donor lists and donor relationships, apart from goodwill. The proposed Statement on business combinations requires that an acquirer recognize, separately from goodwill, the acquisition date fair value of intangible assets acquired in a business combination that are identifiable. An intangible asset is identifiable if it either:

- a. Arises from contractual or other legal rights, regardless of whether they are separable from the entity (the contractual-legal criterion); or
- b. Is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged (regardless of whether there is an intent to do so) either individually or in combination with a related contract, asset, or liability (the separability criterion).

11. Donor lists are similar to customer lists as described in the proposed Statement on business combinations and are sometimes an NFP organization's most valuable asset. Some charities have written policies that state they will not sell or trade the personal information of their donors, and those policies state that the charity will not sell or trade the personal information of its donors and are prominently displayed on the charity's website or in its marketing and solicitation materials. Those restrictions play

an important role in assessing whether the donor list meets the separability criterion for recognition apart from goodwill.

12. The proposed Statement on business combinations also provides guidance for contractual and noncontractual customer relationships, which codifies EITF Issue No. 02-17, “Recognition of Customer Relationship Intangible Assets Acquired in a Business Combination.” That guidance is helpful in determining whether a relationship meets the criteria for recognition apart from goodwill.

***Board Decision and Rationale (Issue C)***

13. The Board considered whether the differences between customer and donor lists and relationships warrant a difference in the accounting. The Board decided that the guidance for donor lists and donor relationships should be consistent with the proposed Statement on business combinations but that a question in the Notice for Recipients should be included to get more feedback about the measurability and separability of those donor relationships that are identifiable. [Six Board members agreed; KAS disagreed with the Board’s decisions for donor relationships.]
14. The following guidance would be provided for donor lists in the application guidance of the NFP Exposure Draft:

A donor list consists of information about donors, such as their names and contact information. A donor list also may be in the form of a database that includes other information about the donors, such as their donation histories and demographic information. A donor list does not generally arise from contractual or other legal rights. However, donor lists are frequently leased or exchanged. Therefore, a donor list acquired in a merger or acquisition by a not-for-profit organization normally meets the separability criterion. However, a donor list acquired in a merger or acquisition by a not-for-profit organization would not meet the separability criterion if the terms of confidentiality or other agreements prohibit an entity from selling, leasing, or otherwise exchanging information about its donors.

15. The following guidance would be provided for donor relationships in the application guidance of the NFP Exposure Draft :

A donor relationship exists between an entity and its donor if (a) the entity has information about the donor and has regular contact with the donor and (b) the donor has the ability to make direct contact with the entity. Donor relationships meet the contractual-legal criterion when an entity has a practice of soliciting and receiving contributions from its donors. That is, donor relationships generally arise through past contributions received and an



entity's ongoing contacts and *servicing* and collection efforts related to promised contributions.

A written promise to contribute (for example, a completed contribution form) represents an unconditional promise to give and, even if cancelable, represents a contract arising from equitable or legal rights. Therefore, both the unconditionally promised contributions and the related donor relationships acquired in a merger or acquisition by a not-for-profit organization meet the contractual-legal criterion. This will be the case even if confidentiality or other contractual terms prohibit the sale or transfer of an unconditionally promised contribution separately from the acquiree.

An unconditionally promised contribution (receivable) and the related donor relationship intangible asset may represent two distinct assets. Both the useful lives and the patterns in which the economic benefits of the two assets are consumed may differ.

Additionally, an example that is similar to those in the proposed Statement on business combinations but instead focuses on donor relationships would be provided in the application guidance of the NFP Exposure Draft.

16. The Board supported this approach because (a) previous input from constituents indicated that donor relationships are often the main reason for a combination, just as customer relationships are often the main reason for a business combination and (b) the methods used to value a donor relationship are similar to those that could be used to value customer relationships. Some Board members also expressed concerns about whether donor-related intangible assets could be measured with sufficient reliability and could be separated from the value of the acquiree. Therefore, to seek further input on this matter, the Board decided to include a question in the Notice for Recipients to get more feedback on this specific concern. Ms. Schipper disagreed with the Board's decision. She acknowledged that a wish to obtain access to donor relationships may be a motivating factor for a not-for-profit combination, just as a wish to obtain to access to customer relationship may be a motivating factor for a business combination, but that does not mean that donor relationships are similar to customer relationships. Donor relationships differ from customer relationships because donor relationships arise from voluntary nonreciprocal transactions that have distinct characteristics that separate them from the transactions considered in Issue 02-17 and Statement 141. First, unlike customers, donors do not expect to receive goods and services in return for payments made to not-for-profit entities, and second,

donors have psychological and affective attachments, not commercial attachments, to not-for-profit entities.

**Issue D: Presentation of a Contribution Received in Financial Statements**

17. Issue D is whether to report a contribution recognized in a merger or acquisition as part of a performance indicator, if such a measure is reported. FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*, does not require a specific performance measure or provide explicit guidance on the items that an organization should include or exclude; rather, it leaves that determination to the discretion of the organization or other guidance.
18. The Health Care Guide defines a performance indicator and standardizes what is included as part of the indicator (operations) or excluded from the performance indicator (nonoperating income) for health care organizations. Paragraphs 10.19 and 10.20 of the Health Care Guide provide the requirements for and information about this performance indicator:

The statement of operations for not-for-profit organizations should include a performance indicator that reports results of operations. This performance indicator and the income from continuing operations reported by for-profit health care enterprises generally are consistent, except for transactions that clearly are not applicable to one kind of entity (for example, for-profit health care enterprises typically would not receive contributions, and not-for-profit health care organizations would not award stock compensation). That is, the performance indicator is analogous to income from continuing operations of a for-profit entity. . .

Health care organizations should report the following items separately from the performance indicator— . . .

- c. Receipt of restricted contributions, including temporary restrictions (such as time or purpose) or permanent restrictions.
- d. Contributions of (and assets released from donor restrictions related to) long-lived assets. [Items (a), (b), (e), and (f) from the Health Care Guide are omitted, as they are not applicable to the analysis of Issue D.]

***Alternatives Considered (Issue D)***

19. The Board considered the requirements of Statement 117 for the classification within a statement of activities of contributions received as part of a merger or acquisition. Moreover, the Board considered whether an acquirer of a business or nonprofit activity that applies the provisions of the Health Care Guide should include those

contributions in the performance indicator. Three alternatives were discussed for reporting a contribution recognized in a merger or acquisition as part of a performance indicator, if such a measure is reported:

Alternative A: Consider the individual assets acquired (and associated liabilities assumed). Split the contribution received into two parts based on the fair values of (1) assets acquired with restrictions on their use and long-lived assets acquired (net of related obligations) and (2) other net assets acquired. Present the contribution related to assets with restrictions and long-lived assets separately from the performance indicator and present the contribution related to other assets as part of the performance indicator.

Alternative B: Consider the business or nonprofit activity as a whole and, in the absence of compelling evidence to the contrary, presume that as a whole the business or nonprofit activity is a long-lived asset. Thus, in accordance with the Health Care Guide, the contribution generally would be presented separately from the performance indicator because the business or nonprofit activity is (1) restricted by the donor (temporary or permanent) (2) presumed to be a long-lived asset, or (3) both. The presumption would be overcome if the business or nonprofit activity meets the criteria to be classified as held for sale in paragraph 32 of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. In other words, the contribution would be presented separately from the performance indicator *unless* the acquired business or nonprofit activity meets the criteria to be classified as held for sale.

Alternative C: Do not provide any additional guidance as to whether the contribution should be included in the performance indicator based on the guidance in the Health Care Guide.

***Board Decision and Rationale (Issue D)***

20. The Board decided not to make any changes to the requirements of Statement 117 for the classification within a statement of activities of contributions received as part of a merger or acquisition. The Board supported Alternative B for those organizations that report a performance indicator in accordance with the Health Care Guide. [GJB, GMC, KAS, and LFS preferred Alternative B. RHH, EWT, and DMY preferred Alternative C. No Board member objected to Alternative B.] The key reason that the Board rejected Alternative C was that based on feedback from resource group members, constituents sought guidance in this area and would look to the Board to provide this guidance (either as part of this project or following the issuance of a final Statement). The Board rejected Alternative A because the allocation between what is classified as part of the performance indicator seems arbitrary and complex.

## **Issue E: Conformance of Disclosure Decisions**

21. Issue E is whether to conform the disclosure decisions reached in the proposed Statement on business combinations to mergers and acquisitions by NFP organizations.

### ***Alternatives Considered (Issue E)***

22. The Board considered whether there were any compelling differences between business entities and NFP organizations that would call for any differences from the guidance in the proposed Statement on business combinations for the general disclosures. As part of those considerations, the Board discussed three alternatives for public NFP entities to apply the pro forma disclosures in paragraph 74 of the proposed Statement on business combinations. Paragraph 74 of that proposed Statement requires disclosure of (a) the amounts of revenue and net income of the acquiree since the acquisition date (referred to as the acquired growth disclosure) and (b) the results of operations of the combined entity as if the acquisition had occurred at the beginning of the period (referred to as the pro forma disclosure). The three alternatives considered by the Board were:

Alternative A—The Proposed Statement on Business Combinations Approach: Require the same disclosures for public NFP organizations as the proposed Statement on business combinations requires for public business enterprises. Those disclosures would include both the pro forma disclosure and acquired growth disclosure, if practicable.

Alternative B—The No Additional Disclosures Approach: Exclude all (both public and nonpublic) NFP organizations from the requirements that the proposed Statement on business combinations proposes for public for-profit acquirers.

Alternative C—The Opinion 16 Approach: Require the pro forma disclosure for public NFP organizations, if practicable, but exclude all NFP organizations from the acquired growth disclosure.

### ***Board Decision and Rationale (Issue E)***

23. The Board decided:

- a. That the NFP Exposure Draft should require the same disclosures as the proposed Statement on business combinations in paragraphs 71–73 and 75–81, which include the addition of disclosure objectives and disclosures that were required by that proposed Statement but not by Statement 141.
- b. To support Alternative A, which would require the same disclosures for public NFP organizations as the proposed Statement on business combinations requires for public business enterprises. Those disclosures would include both the pro forma disclosure and acquired growth disclosure, if practicable. In addition, the Board decided to solicit feedback from users about the benefits of this information in the Notice for Recipients.

c. To require specific pro forma metrics for the disclosures in paragraph 74. Rather than reporting the results of operations or net income:

(1) NFP organizations that report a performance indicator should report the pro forma disclosure and the acquired growth disclosure based on that performance indicator.

(2) NFP organizations that do not report a performance indicator should report the pro forma disclosure and the acquired growth disclosure based on either total changes in net assets or total changes in net assets excluding changes in permanently restricted net assets.

d. That the definition of a public NFP entity should include an entity that has issued tax exempt debt or one on whose behalf a governmental entity has issued debt.

[All Board members agreed.]

24. The key reason that the Board supported these decisions was that no compelling differences between business entities and NFP organizations were observed that would call for any differences from the guidance in the proposed Statement on business combinations in these disclosures. For the pro forma and acquired growth disclosures, Board members supported Alternative A because NFP organizations receive credit ratings on the debt issued (either by the NFP organization or by a municipality on behalf of an NFP organization). Disclosures of revenue growth and the ability to fund issued debt based on combined activity would be equally important to users of the financial statements, regardless of whether the entity is an NFP or for-profit entity.

#### **Issue F: Comment Period and Public Roundtables**

##### ***Board Decision and Rationale (Issue F)***

25. The Board voted to support (a) a comment period of 120 days and (b) include in the NFP Exposure Draft a notice of a public roundtable meeting, its tentative date and location, and a request asking respondents whether they wish to participate. [All Board members voted in favor of this decision.] The key reasons that the Board supported a 120-day comment period were that (a) assuming the Board issues the Exposure Drafts in late March 2006, the comment period would overlap many NFP organizations' fiscal year-end (June) and (b) many of the same decisions were exposed in the business combinations project.

## **Issue G: Transition and Effective Dates**

26. Issue G concerns the transition and effective dates for the Board's decisions in this project. Although the Board's prior decisions are consistent with the transition provisions in Statement 141—that is, they would require prospective application to all acquisitions *initiated* after the issuance of a final Statement—they are inconsistent with the approach in the proposed Statement on business combinations. Additionally, the Board discussed the effective date that should be included in the NFP Exposure Drafts. The decisions in this project include not only the transactional-type guidance for acquisitions by NFP organizations, but also changes to the accounting for goodwill, changes to the accounting for intangible assets acquired in a merger or acquisition by an NFP organization, and the accounting for noncontrolling interests by those organizations.

### ***Board Decision and Rationale (Issue G)***

27. Consistent with the transition in the proposed Statement on business combinations, the Board decided that:

- a. The effective date and transition for all of the Board's decisions on the NFP mergers and acquisitions project be linked together. Therefore, the amendments to Statement 142 and application guidance for noncontrolling interests would be effective in the same period as the mergers and acquisitions portion of the proposal (collectively referred to as the NFP Exposure Drafts).
- b. The provisions be applied to all mergers and acquisitions for which the acquisition date is on or after the effective date, rather than all acquisitions *initiated* after the effective date.
- c. The provisions be applied in fiscal years beginning after a certain date.
- d. Early adoption of the provisions be encouraged as long as the provisions of all documents (mergers and acquisitions, amendments to Statement 142, and accounting for noncontrolling interests [if applicable]) are applied at the same time.

[All Board members agreed.]

28. The Board also decided that the period between issuance of the final documents and effective dates should be about six months. The key reasons that the Board supported this period of time were: (a) it would provide a reasonable period for constituents to implement the changes and (b) depending on the issuance date of the final standard on NFP and on business combinations, it may be possible for those NFP organizations with a fiscal year-end in June to have an effective date of July 1, 2007.

[All Board members agreed.]

Follow-up Items:

Mr. Young requested that the staff obtain input from users of the financial statements about their preference and whether the information provided by one approach is more useful than the information provided by the other approach.

General Announcements:

None.