



NRECA is the national service organization for more than nine hundred rural electric utilities and public power districts that provide electric energy to approximately forty-two million consumers in forty-seven states or thirteen percent of the nation's population. Kilowatt-hour sales by rural electric cooperatives account for approximately eleven percent of all electric energy sold in the United States. Because an electric cooperative's electric service customers are also members of the cooperative, the cooperative operates on a not-for-profit basis and all the costs of the cooperative are directly borne by its consumer-members.

Additionally, there are approximately 30,000 cooperatives in the United States. Cooperatives operate in many different types of businesses including commercial sales and marketing, farm supply and marketing, biofuels, grocery, arts and crafts, social and public services, healthcare, childcare, housing, transportation, education, financial services, credit unions, the farm credit system, mutual insurance, cooperative finance, as well as electric, telephone and water among others.

Nearly 30,000 U.S. cooperatives in the United States operate at 73,000 business locations throughout the country. These cooperatives own over \$3 trillion in assets, and generate over \$500 billion in revenue and over \$25 billion in wages. Americans hold 350 million memberships in cooperatives, which generate nearly \$79 billion in total impact from patronage refunds and dividends. Nearly 340 million of these memberships are in consumer cooperatives.<sup>1</sup>

Russ Wasson, NRECA Director of Tax, Finance and Accounting Policy serves on the FASB's Small Business Advisory Committee (SBAC) representing NRECA and the members of the National Cooperative Business Association.

We are pleased to offer these comments to the Financial Accounting Foundation (FAF) in their three year review of the Private Company Council's (PCC) role with regard to its effectiveness, accomplishments and future role in setting standards for private companies.

Our responses to the specific questions of the FAF and our views on the future of the Small Business Advisory Committee are noted below.

1. A primary responsibility of the PCC has been to review and propose Generally Accepted Accounting Principles (GAAP) alternatives that will sufficiently address

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the needs of users of private company financial statements. Do you believe that the PCC has been successful in proposing alternatives within GAAP that address the needs of users of private company financial statements? Please elaborate.

We believe the PCC has been very successful in developing GAAP alternatives. Perhaps the two which have the most impact on cooperatives include the improvements made to VIE accounting and accounting for goodwill.

2. Do you believe the PCC's review of areas of existing GAAP that require reconsideration for private companies (referred to as the "look-back" phase) is complete or almost complete? Please elaborate on what will indicate that the look-back phase (for existing GAAP) is complete.

We think that the answer to this question depends on the strategic purpose of the look-back phase – that is, should the "look-back" phase be limited to specific areas in which problems have been identified for private company accounting, or should the strategic direction include looking back at all of GAAP to determine if disclosures (as opposed to recognition and measurement) could be simplified for private companies though out the GAAP hierarchy? Given the mission of the PCC as established by the FAF, we believe that the "look-back" phase is almost complete.

3. Another key responsibility for the PCC is to serve as the Financial Accounting Standards Board (FASB)'s primary advisory body on the appropriate treatment for private companies on issues that the FASB is actively considering. Do you believe that the PCC has been effective in assisting the FASB in its standard-setting process for active projects? Please explain.

We do believe that the PCC has been effective in assisting the FASB on standard setting considerations for private companies with regard to active projects, however, for the reasons explained below, we do not necessarily think that the PCC can serve as an effective advocate for cooperatives, considering our unique not-for-profit business model and the fact that cooperatives are subject to GAAP as it applies to enterprise in general. As we look at the current membership of the PCC, we don't see any member with cooperative experience. As noted above, cooperatives in the United States are a very substantial portion of the private company landscape and we are concerned that the PCC, as presently configured, does not have sufficient expertise to advise the FASB on issues of interest to cooperatives which continually arise in the active project agenda.

4. What improvements, if any, are needed to ensure the PCC is an effective advisory body to the FASB on issues that the FASB is actively considering?

From our point of view, especially if the FASB does away with the Small Business Advisory Committee (SBAC), the structure of the PCC going forward should include individuals with a rigorous technical background and experience as practitioners or users in dealing with cooperatives in the United States.

5. Since the establishment of the PCC, do you believe that the FASB has been appropriately responsive to the needs of private companies and the recommendations from the PCC?

Indeed we do, however, from our perspective; a great deal of the responsiveness of the FASB to issues impacting cooperatives has occurred through the SBAC, not the PCC. While we have had opportunity to comment on issues before the PCC, considering that we are commenting after the proposals are essentially fully formed, and we have not had an opportunity to participate in discussions surrounding the evolution of the standards, we feel the SBAC fulfills this need in an way that perhaps the PCC, because of its structure and direction, cannot.

6. Do you believe that further changes to the standard-setting process for private companies are warranted? Please elaborate.

We believe that the current structure, including the PCC and the SBAC, are critical to the success and strategic direction of private company GAAP in the United States from the point of view of cooperatives.

7. Do you have any suggestions regarding changes to the size, composition, term length, or responsibilities of the PCC?

If the FASB intends to eliminate the SBAC, then we believe that the FAF should ensure that the PCC includes a member with extensive cooperative experience.

8. When the Trustees established the PCC in 2012, the Trustees envisioned that their existing Standard-Setting Process Oversight Committee would assume the oversight responsibilities for the PCC after three years. Is there a reason that the Standard-Setting Process Oversight Committee should not assume those responsibilities in 2016?

We believe that the transition to the Standard-Setting Process Oversight Committee should occur as planned.

9. What is your reaction to the possible improvements included in the prior section?

We believe that cooperatives are a sufficiently large and unique form of private companies that we should warrant direct representation on the SBAC or, if the SBAC is to be eliminated, on the PCC itself.

10. What other improvements to the PCC or its process would you suggest?

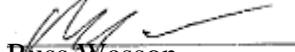
We believe the strategic objectives of the FAF and FASB are being met within the current structure. However, we strongly encourage the FASB to retain the SBAC for the following reasons:

- The SBAC members have access to the entire active project agenda of the FASB including groups such as the Emerging Issues Task Force among others. We wonder if the PCC is involved with the FASB in the same wide-ranging manner as the SBAC.
- Our discussions and access to FASB board members and staff at the SBAC meetings are of immense benefit to the SBAC members – it is not clear to us that such interaction would take place in the absence of the SBAC and this learning opportunity would cease to exist.
- One of the primary benefits from the point of view of cooperatives is that through the SBAC, we have had the opportunity to provide the FASB and staff with direct input on the impact of standards upon cooperatives as they are being developed, specifically, liabilities and equities, leases, revenue recognition, impairment and the disclosure framework, just to name a few.
- The intense and vibrant interaction between SBAC participants and the FASB board members and staff is of immeasurable benefit to all the members of the SBAC and, we suspect, to the FASB and their staff as well.
- The insight the SBAC members obtain from discussions with the FASB board members and staff on their current thinking and rationale for decisions is very important. We are not certain that cooperatives would have this same opportunity if the SBAC were to be eliminated.
- The wide variety of the backgrounds of the SBAC members ensures a rich and fertile opportunity for the group to liaise with each other and the FASB and FASB staff. While the FASB staff is diligent in conducting outreach activities to groups they believe may have an interest in certain projects, they cannot know the impact of all projects on the myriad varieties of private companies, including cooperatives, which exist in the United States. For example, it was through conversations with FASB staff and the SBAC that the staff realized there were issues of importance to cooperatives on certain projects. We cannot

recall a single time anyone associated with the PCC reached out to us to obtain our insight on issues they were considering. We therefore believe that transparency and the opportunity to influence the evolution of GAAP as it pertains to private companies is best served by keeping the SBAC intact.

We appreciate the opportunity to comment on the past performance of the PCC and assist the FAF in its three year review and overall assessment of the PCC. We believe that the PCC has been a success thus far and we have great anticipation for its continued success in the future.

With warm regards,



Russ Wasson

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The National Rural Electric Cooperative Association