

O'DELL VALUATION CONSULTING, LLC CPA

PO Box 153
Laporte, PA 18626
443-480-5800
www.odellvalue.com

May 8, 2015

FAF Trustees
401 Merritt
Norwalk, CT

Re: Three Year PCC Review

Dear Trustees:

I write these comments from the perspective of a former FAF trustee and former Chair of the Private Company Financial Reporting Committee and participant in the Blue Ribbon Panel as well from a career long involvement with private companies and their financial reporting .

1. A primary responsibility of the PCC has been to review and propose GAAP alternatives that will sufficiently address 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.

As noted in the Request for Comment, the PCC has been effective in addressing the “low hanging fruit” issues that private company constituents had been raising for many years prior to the formation of PCC. The four ASUs that were the result of PCC’s proposals to FASB specifically address user needs. For example my current practice is limited to business valuations of private companies thus I am a “user.” Financial statements that consolidate related party leasing entities are useless since I am valuing only the operating company. If the CPA firm has not provided consolidating schedules (which adds to the cost), more effort is needed to obtain operating company only financial information. Because private companies can choose to whether to adopt the alternatives, flexibility exists in the system and the number of audits, reviews and compilations with GAAP exceptions reported should decrease.

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.

I don’t believe the “look back” phase will ever be complete. As new standards are issued, even those where the PCC has been involved, there will be unforeseen private company implementation or user needs issues that may arise that may necessitate a “look back.” I can foresee this especially in the revenue recognition and leases projects. The PCC should continue to have the authority to place any such issues on its agenda and propose modifications or exceptions to the Board.

3. Another key responsibility for the PCC is to serve as 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

Other than reading meeting minutes it is hard to judge whether the PCC has been effective in this area of its responsibility. The PCFRC discovered that it could be most effective when it was working with staff

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on existing projects. To make our views known we wrote comment letters both as a project was in process and when an exposure draft was issued. Because these letters are public, this was one way to make constituents aware of the potential issues. One example of the effectiveness of this approach was in the leases project. The Board was discussing the use of the incremental borrowing rate for calculating the right of use asset. The PCFRC pointed out that many private companies have no debt and thus no incremental borrowing rate. The Board expressly addressed this when providing for an alternative interest rate in the proposed standard.

There should be more communication to constituents as to what the PCC is doing and what potential issues they see in the pending FASB projects that might affect private companies.

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 my experience with the PCFRC I know it is very difficult for a part-time volunteer body to stay abreast of all of the active FASB projects. In addition, not every PCC member will have experience with everything FASB is working on- financial instruments might be an example of this. Adequate staffing for the PCC is critical and internal communication between PCC assigned staff and other staff is essential. The idea of establishing working groups within the PCC to monitor specific projects and inform the full Council of any issues that should be addressed is a good one. The working groups could communicate by phone with FASB staff between meetings to hear updates and provide feedback. Minutes of calls can be sent out to the full PCC.

I agree with the suggestion that the PCC write formal comment letters on EDs. These letters do not have to address each question posed in the ED, but should highlight areas where there could be implementation issues or results that don't meet user needs. Such letters could be highlighted in FASB in Focus and it is likely that the comments contained in them would be reported in the accounting press. As a result, perhaps more private company constituents would become aware of the issues and make their views known.

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?

From a distance it seems that the current FASB board and staff have been appropriately responsive to the needs of private companies and PCC recommendations. However, as board and staff turn over it is critical that FAF trustees ensure that awareness of private company constituent needs is embedded in the culture of the organization. This should be done by appointing Board members and FAF trustees with private company backgrounds.

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

The current standard setting process for private companies seems to be working well. Even though the "burning issues" for private companies have been addressed, the PCC's role of informing the board of private company issues emerging in projects in process is a vital one. There has been some negative press coverage lately about GAAP exceptions and modifications for private companies from private equity investors. Perhaps it is not clear that these modifications are elective and that companies that plan to go public or need to attract private equity will most likely not elect the alternatives.

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

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It appears that the size and composition of the PCC is appropriate. Users of private company financial statements are very important members of the PCC and it may take a special recruiting effort to find those users with sufficient understanding of accounting standards to participate in the discussions. I agree with the recommendation to add a member with surety industry experience especially since the construction industry will face implementation issues with the revenue recognition standard and the majority of construction companies are private.

Term length is appropriate but some staggering of terms is needed so that the current members do not all rotate off at once. I agree with the goal of an annual turnover of one-third of the members.

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?

If there are FAF trustees with private company experience or backgrounds and if those trustees are automatically members of the Standard Setting Process Oversight Committee, then it would be appropriate for it to assume oversight of the PCC.

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

Overall I think the possible improvements are appropriate. Some specific comments:

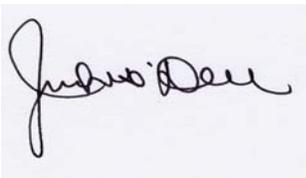
The PCC has the authority to set its own agenda. From a distance it appears that there may be some “turf issues” when the PCC makes suggestions for private company changes that also could be appropriate for public companies and not-for-profits. I agree with the recommendation that some protocol be established so that agendas are coordinated.

Although there is no magic in the number of 5 required meetings, it is important that enough meetings be scheduled to adequately address pending issues even if those meetings are later cancelled if not needed.

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

I am very concerned about the recent discussions on the preferability requirement (ASC 250) as it relates to the election of PCC-originated alternatives. It seems as though this is an issue that should have been identified when the PCC was formed. Now it seems to place some roadblocks and confusion into the adoption process. This should be clarified quickly.

Very Truly Yours,

A handwritten signature in black ink on a light blue background. The signature is cursive and appears to read "Judith H. O'Dell".

Judith H. O'Dell CPA CVA