

May 14, 2015

The National Society of Accountants for Cooperatives (NSAC) is a professional society, formed in 1936, comprised of approximately 2,000 individual members actively involved with the financial management and planning of cooperative business. NSAC members are either employed by a cooperative or provide professional services for cooperatives. The largest category of members are employees of cooperatives who are accountants, bookkeepers and office managers; controllers and tax directors; internal auditors and in-house legal staff, as well as CFOs and other finance professionals. The second category of members are professionals advising and providing services to cooperatives such as independent auditors and CPAs, tax advisors and preparers, cooperative bank professionals, professionals working for law firms, government employees advising cooperatives and cooperative association employees.

NSAC adds value to membership by providing:

- Continuing Educational Programming
- Continuing Professional Education (CPE) credits
- Resources on Financial Reporting Programs for both Small and Large Cooperatives
- A Directory of Other Cooperative Professionals
- Networking Opportunities
- A Quarterly Technical Journal

NSAC members come from the approximately 30,000 cooperatives in the United States. These 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.

NSAC is pleased to offer 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. The following responses were drafted by Phil Miller, an Education Director at NSAC and Chairman of NSAC's Accounting and Auditing Committee. 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

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.

Not only do we believe the PCC has been very successful in developing GAAP alternatives, as (private company) cooperatives, we view the very existence of the PCC as a major positive development for private companies. The alternative for accounting for goodwill is a great example.

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.

Based upon the mission of the PCC as established by the FAF, we believe that the "look-back" phase is probably almost complete. However, we are not convinced that the parameters set by the FAF looked back as far (and wide) as could eventually be very beneficial to private companies.

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 believe that the PCC has been effective in assisting the FASB on standard setting considerations for private companies with regard to active projects. We are not convinced that all types of private companies are being considered as you develop standards for them. Private companies are comprised of some very unique business models, cooperatives being among those. You should populate the PCC with persons with experience in as many of these unique business models as possible. We all (private companies) will be subject to whatever GAAP you develop.

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?

NSAC represents cooperatives. We would very much hope that a future PCC have at its disposal someone with adequate experience in cooperatives and that their unique needs be heard and considered.

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?

Yes we do. But we are aware that much of the responsiveness of the FASB to issues impacting cooperatives has occurred through the SBAC, not the PCC. We are very concerned that should the SBAC not exist in the future, where and how will our unique needs and characteristics be considered, given the current structure and direction of the PCC? WE strongly recommend continuation of the SBAC.

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

Yes, very much so! This has become a high profile topic/effort worldwide. Just take a look at how many countries have adopted IFRS for SMEs. It has to be that many companies in many of those countries are private companies, and includes many cooperatives in their numbers. Given very recent developments here in the US, it now appears that a decade of convergence efforts will be for naught. Here in the private company sector, we were paying close attention to IFRS for SMEs. Admittedly, no one was looking forward to the task of adopting IFRS, but if convergence did happen, we were looking forward to the possibilities that IFRS for SMEs might provide.

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

Include someone on the PCC with cooperatives experience, especially if FASB eliminates the SBAC.

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?

If you are referring to number 8, then our reaction is that it is always a positive move to eliminate redundancy within the system, at the same time ensuring that all types of private companies receive consideration, Is there anyone on the SSPO with any experience with cooperatives? We are not redundant and do not want to be lost in the shuffle.

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. We suggest two strategies to add to your process:

- Study the structure, processes and results of the SBAC. If the SBAC were to be eliminated, leverage their efforts and results to improve the PCC.*
- Study the impact IFRS for SMEs is having in some of the major markets where it is being used. If the impacts are positive or negative, leverage their experience in the deliberations of the PCC.*

We here at NSAC truly appreciate the opportunity to comment on your proposals. Our intentions are certainly not to criticize the efforts of the PCC. We are advocates

for the many cooperatives represented within our membership. Our comments are grounded within that advocacy responsibility. The PCC is an important development in a fair and rational standard-setting process. Keep up the great work!

With warm regards,

Philip W. Miller
Education Director
National Society of Accountants for Cooperatives