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Technical Director
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Proposed Accounting Standards Update, *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*

The Accounting Principles and Assurance Services Committee (the "Committee") of the California Society of Certified Public Accountants ("CalCPA") respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 43,500 members. The Committee consists of 55 members, of whom 45 percent are from local or regional firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

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

- a. Please indicate whether you primarily are a preparer, user, or public accountant. If other, please specify.
- b. If you are a preparer of financial statements, please indicate whether your entity is an NFP and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).
- c. If you are a public accountant, please describe the size of your firm (in terms of the number of partners or other relevant metric) and indicate whether your practice focuses primarily on NFPs, for-profit entities, or both.
- d. If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, analyst, rating agency, donor, or grantor) and whether you primarily use financial statements of NFPs or those of both NFPs and for-profit entities

See description of committee above

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.

We agree that the current guidance in existing GAAP should be temporarily retained. We understand that the Board is currently involved in a project to potentially reorganize and clarify Subtopic 810-10. This project may impact the current guidance for the consolidation of partnerships by for-profit general partners. As such, we agree that any attempt to permanently align the guidance provided to both for-profit and not-for-profit general partners should be delayed. We agree that the most expedient approach is to retain the current guidance in Subtopic 820-10.

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

Yes, we believe the proposed amendments to Subtopic 985-810 clarify the requirements in Update 2015-02 for NFP entities that are general partners.

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, we believe the transition requirements are appropriate and clear.

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.

We believe that transition disclosures should be required only where a change in principle has actually occurred.

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, the proposed amendments should be effective immediately for entities that elected to early adopt the amendments in Update 2015-02.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "A.J. Major III". The signature is stylized and includes a horizontal line at the end.

A.J. Major III
Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants