



KPMG LLP
345 Park Avenue
New York, N.Y. 10154-0102

Telephone +1 212 758 9700
Fax +1 212 758 9819
Internet www.us.kpmg.com

2016-280
Comment Letter No. 4

September 28, 2016

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Exposure Draft, *Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity* (File Reference No. 2016-280)

Dear Technical Director:

We appreciate the opportunity to comment on the proposed ASU, *Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*.

We support the Board's proposal to require a not-for-profit general partner to continue to apply the consolidation guidance that existed before ASU 2015-02, *Amendments to the Consolidation Analysis*, to its investments in partnerships and similar entities. We believe the proposal would clarify how a general partner should analyze these arrangements after adopting ASU 2015-02 and would minimize diversity in practice.

We also support the Board's proposal to clarify that, after adopting ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, a not-for-profit entity in the scope of Topic 958 can continue to measure its controlling financial interests in limited partnerships and similar entities at fair value in some circumstances.

KPMG's responses to the Board's specific questions are included in the Appendix to this letter.

* * * * *

Technical Director
Financial Accounting Standards Board
September 28, 2016
Page 2

If you have questions about our comments or wish to discuss the matters addressed in this comment letter, please contact Kimber Bascom at (212) 909-5664 or kbascom@kpmg.com, or Angela Storm at (212) 909-5488 or astorm@kpmg.com.

Sincerely,

KPMG LLP

KPMG LLP

Appendix – Responses to the Board’s Questions

Question 1 – Description of the responding entity.

KPMG LLP is a public accounting firm with more than 1,000 partners, providing services to both not-for-profit and for-profit entities.

Questions 2 and 3 – Changes to the consolidation guidance for not-for-profit general partners’ involvement with for-profit limited partnerships and similar entities, and stakeholders’ concerns.

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

We support the Board’s proposal to require a not-for-profit general partner to continue to apply the consolidation guidance that existed before ASU 2015-02, *Amendments to the Consolidation Analysis*, to its investments in partnerships and similar entities. We believe the proposed amendments would clarify how a general partner should analyze these arrangements after adopting ASU 2015-02 and would minimize diversity in practice.

We also support the Board’s proposal to clarify that, after adopting ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, a not-for-profit entity in the scope of Topic 958 can continue to measure its controlling financial interests in limited partnerships and similar entities at fair value in some circumstances consistent with the accounting that previously was available under Subtopic 958-325.

Question 4 – Proposed transition requirements

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?

We agree with paragraph 958-810-65-2(a) which would require an entity that has not yet adopted ASU 2015-02 to apply the proposed amendments at the same time and apply the same transition method it will apply when adopting ASU 2015-02. However, we believe the Board should amend paragraph 958-810-65-2(k) to clarify that an entity that has not yet adopted ASU 2015-02 may apply these amendments retrospectively to only the same number of periods for which it will retrospectively apply ASU 2015-02.

Technical Director
Financial Accounting Standards Board
September 28, 2016
Page 2

In addition, we believe that the Board should require an entity that has already adopted ASU 2015-02 to apply these amendments retrospectively to all prior periods beginning with the earliest annual period in which it applied ASU 2015-02. We believe this transition guidance would increase the comparability of an entity's financial statements, and would be consistent with the Board's transition decisions in its forthcoming ASU, *Interest Held Through Related Parties That Are under Common Control*.

Question 5 – Transition disclosures

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 agree with the proposed transition disclosures and believe they are appropriate in view of the nature of the proposed amendments.

Question 6 – Effective date

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?

We believe that the proposed amendments should be effective for all not-for-profit entities for annual and interim periods in fiscal years beginning after December 15, 2016, regardless of whether an entity has already adopted ASU 2015-02. We believe this effective date would provide a reasonable amount of time for an entity to adopt the proposed amendments and would be consistent with the Board's decisions in its forthcoming ASU, *Interest Held Through Related Parties That Are under Common Control*.

We do not believe that the proposed amendments should be effective immediately for an entity that elected to early adopt ASU 2015-02 because an entity may need additional time to implement the proposed changes.

In addition, we believe that the Board should permit an entity to early adopt the proposed amendments for annual (and interim) financial statements that have not yet been issued or made available for issuance.