Deloitte.

Deloitte & Touche LLP
695 East Main Street
Stamford, CT 06901-2141

Tel: +1 203 708 4000
Fax: +1 203 708 4797
www.deloitte.com

September 30, 2016

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2016-280
Re: Proposed Accounting Standards Update, *Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity*

Dear Ms. Cosper:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (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 FASB's proposal to amend the consolidation guidance in ASC 958-810 to specify when a not-for-profit entity (NFP) that is a general or a limited partner should consolidate a for-profit limited partnership or similar legal entity.

We agree that incorporating the guidance that is currently in ASC 810-20, which will be superseded when ASU 2015-02 is adopted, into ASC 958-810 is the most cost-effective solution until the Board completes its project on reorganizing and clarifying the consolidation guidance in ASC 810-10. Although we support the proposed ASU, we believe that the best long-term solution is to provide a single consolidation model that can be applied to all entities (variable interest entities, voting interest entities, and NFPs). A single consolidation model would reduce complexity by eliminating inconsistences in the assessment of "control," thus resulting in consistent consolidation conclusions.

Appendix A of this letter includes our responses to the proposed ASU's questions for respondents, and Appendix B contains additional suggestions for the Board's consideration.

We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please feel free to contact Shahid Shah at (203) 563-2749 or Brandon Coleman at (312) 486-0259.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

Appendix A
Deloitte & Touche LLP
Responses to the Proposed ASU's Questions for Respondents

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 proposed amendments should retain the consolidation guidance in ASC 810-20 that clarifies that a general partner is presumed to control a limited partnership unless that presumption is overcome.

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

Although we agree that the proposed guidance clarifies the application of ASC 810-10 (as amended by ASU 2015-02) regarding when an NFP should consolidate a for-profit limited partnership or a similar entity, we believe that the FASB should amend the "General" subsection in ASC 810-10-15 to clarify when an NFP should apply the proposed guidance. For example, the FASB may consider including a cross-reference in ASC 810-10-15 to the guidance in ASC 958-810.

Some additional considerations related to improving the readability and implementation of the final standard are noted in Appendix B.

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 reason.

We agree with the proposed transition requirements in ASC 810-10-65-2.

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.

A reporting entity should be required to provide the transition disclosures specified in the proposed ASU. We have not identified any other disclosures that should be required.

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?

Although the proposed amendments are aimed at clarifying the guidance as a result of the adoption of ASU 2015-02, we believe that the FASB should consider conducting outreach with preparers that may have early adopted the guidance in ASU 2015-02 to determine whether they would need additional time to implement the proposed guidance. If the FASB decides on an effective date for the final standard that is not immediately upon the standard's issuance, we recommend that the Board permit early adoption.

Appendix B
Deloitte & Touche LLP
Additional Suggestions

Some additional suggestions are provided below (proposed additions are underlined; deletions are ~~struck through)~~.

Title of ASU

We recommend making the following addition to the ASU's title to clarify that an NFP can be either a general partner or a limited partner:

> Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity

Summary — Who Would Be Affected by the Amendments in This Proposed Update?

We recommend conforming the wording in this section to the proposed amendments in ASC 958-810-15-4 as follows:

> The amendments in this proposed Update would apply to an NFP that is a general partner or a limited partner of a for-profit limited partnership or a similar legal entity.

ASC 958-810-05-1

We recommend conforming the wording in ASC 958-810-05-1(e) to the amendments in ASC 958-810-15-4 as follows:

> Reporting relationships between (1) an NFP that is a general partner or a limited partner and (2) a for-profit limited partnership or similar legal entity.

ASC 958-810-15-4(c) (Effective Upon the Adoption of ASU 2016-01)

The proposed amendments to ASC 958-810-15-4(c) are difficult to understand. If their purpose is to require application of the equity method of accounting in ASC 323-10 to investments that make up 50 percent or less of the voting stock in a for-profit entity unless such investments must be measured at fair value, we recommend that the paragraph be revised as follows:

> An NFP that owns 50 percent or less of the voting stock in a for-profit entity shall apply the guidance in Subtopic 323-10, unless the investment is measured at fair value in accordance with applicable GAAP.

We believe that the above revision improves readability and understandability because an NFP entity can elect (or is required) to measure an investment at fair value in any of the following circumstances:

- The entity elects to account for the investment that qualifies for equity method accounting at fair value by using the fair value option in ASC 825-10.

- The entity does not exercise significant influence (and thus would not apply ASC 323-10) and is required to measure equity investments (within the scope of ASC 321-10 or ASC 958-321, as added by ASU 2016-01) at fair value.
- The entity holding investments that are within the scope of ASC 958-325 (as amended by ASU 2016-01) is permitted to measure such investments at fair value in accordance with ASC 958-325-35-1 or 958-325-35-3.

ASC 958-810-15-4(e) (Effective Upon the Adoption of ASU 2016-01)

The proposed amendments to ASC 958-810-15-4(e) are difficult to understand. If their purpose is to permit a fair value option for investments described in ASC 958-810-15-4(a) through (d) and ASC 958-325, provided that the fair value option is elected for all such investments, we recommend that the paragraph be revised as follows:

> NFPs other than those within the scope of Topic 954 may elect to report investments described in (b) through (d) and paragraph 958-325-15-2 at fair value, with changes in fair value reported in the statement of activities, provided that all such investments are measured at fair value.

Recognition

Since the Recognition section contains guidance on when a general partner or a limited partner controls a limited partnership, we recommend that the subtitle be amended as follows:

>> General Partners ~~Are Presumed to~~ or Limited Partners That Control a Limited Partnership

ASC 958-810-25-21

We recommend eliminating the word “protective” as follows:

> Limited partners’ ~~protective~~ rights that are only protective in nature do not overcome the presumption that the general partners control the limited partnership.

ASC 958-810-25-22

We recommend updating the cross-reference as follow:

> These rights are considered illustrative of substantive participating rights but are not necessarily an all-inclusive list. [Content amended as shown and moved from paragraph ~~810-20-25-13~~ 810-20-25-15]

ASC 958-810-55-4

The flow chart indicates that if an NFP controls an entity by contract, it should apply the guidance in ASC 810-10 on consolidation of entities controlled by contract. It is unclear how this guidance corresponds to the guidance in ASC 958-810-25-4, which states that consolidation is permitted (or encouraged if certain conditions are met) but not required.