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Ms. Susan M. Cosper
Technical Director
File Reference No. 2016-280
Financial Accounting Standards Board
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3 October 2016

**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 (File Reference No. 2016-280)***

Dear Ms. Cosper:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), *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,* issued by the Financial Accounting Standards Board (FASB or Board).

We support the FASB's objective of retaining the consolidation guidance that requires a not-for-profit (NFP) entity that is a general partner in a for-profit limited partnership or similar entity to presume that it controls the entity, unless that presumption can be overcome. We agree with these proposed changes, except as noted in our response to Question 2.

Secondly, we support the FASB's intent of clarifying that the consequential amendments in the new guidance on classifying and measuring financial instruments in ASU 2016-01 were not intended to affect the ability of NFPs with investments in certain for-profit entities to elect to measure those investments at fair value. However, we have suggestions to clarify these amendments.

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We would be pleased to discuss our comments with the Commission or its staff at your convenience.

Very truly yours,

Ernst + Young LLP

**Appendix A — Responses to specific questions raised in the Proposed ASU, *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***

**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.

We are one of the largest firms that audits both for-profit and NFP entities. Our current NFP audit clients range from large health care organizations, for which we are the leading audit provider among the Big Four, to other prominent NFPs and private foundations.

**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 with the FASB's objective of retaining the consolidation guidance in existing US 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. Retaining this guidance would provide clarity to NFPs that are general partners in for-profit limited partnerships or similar entities on how to apply the consolidation guidance once they adopt ASU 2015-02.

However, it is not clear why the Board proposed adding paragraph 958-810-45-2. This paragraph was not added to 810-10 when 810-20 was deleted upon issuance of ASU 2015-02. Paragraph 810-10-45-11 already allows the presentation of consolidating financial statements. If the FASB believes that allowing presentation of information on the face of the balance sheet is a necessary alternative to the information allowed under paragraph 810-10-45-11, it is not clear why this alternative would only be retained for NFPs in 958-810, and not for all entities in 810-10.

**Questions 3-6.**

We agree with the proposal.

**Appendix B — Additional comments on clarifications of consequential amendments from ASU 2016-01**

We believe the Board should provide additional information in the Background Information and Basis for Conclusions about the origin of the ability of NFPs (other than business-oriented health care entities) with investments in certain for-profit entities to elect to measure those investments at fair value. We believe this information would clarify the amendments, including the guidance with respect to partnerships that an NFP would otherwise be required to consolidate, and help minimize diversity in practice.

Additionally, we think that the effective date for the fair value amendments should be addressed separately in the ASU summary to clarify that those amendments would be pending content when the ASU is issued. We note that the proposed clarifications to 958-810 related to the NFP fair value election in that Subtopic are effective upon adoption of ASU 2016-01, while the other proposed amendments relate to the effective date of ASU 2015-02.