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Re: File reference number 2016-280

Dear Ms. Cospers:

Grant Thornton LLP is pleased to comment on 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*. We broadly support the Board's decision to retain, for not-for-profit (NFP) entities, the guidance in extant Subtopic 810-20, which will be eliminated upon the effectiveness of ASU 2015-02, by incorporating that guidance in Subtopic 958-810. If the guidance in extant Subtopic 810-20 were not retained in Subtopic 958-810, then, upon the effectiveness of ASU 2015-02, there would be no applicable guidance regarding whether an NFP that is a general partner of a for-profit limited partnership or similar entity should consolidate that entity. We also support the Board's decisions to (1) add guidance to Subtopic 958-810 on when an NFP limited partner should consolidate a for-profit limited partnership, (2) align certain key definitions in Subtopic 958-810 (specifically, *kick-out rights*, *participating rights*, and *protective rights*) with the amended definitions of those same terms in ASU 2015-02, without changing their application, and (3) clarify in Subtopic 958-810 when an NFP may elect to account for certain investments at fair value, with changes in fair value recognized in the statement of activities.

However, we have identified several specific matters in the consolidation guidance applicable to NFPs that are unclear. We would encourage the Board to consider addressing these matters in the final ASU to further improve clarity in the consolidation guidance for NFP entities. We have noted these specific matters in our response to questions for respondents #3 below.

Our responses to selected questions for respondents follow.

Responses on Invitation to Comment questions

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 this approach and with incorporating the content of Subtopic 810-20, eliminated by ASU 2015-02, within Topic 958-810 to retain the consolidation guidance for NFPs that are the general partners of for-profit limited partnerships or similar entities. Furthermore, we agree with the additional guidance regarding whether NFPs that are limited partners in limited partnerships or similar entities should consolidate the limited partnership and believe its inclusion in Subtopic 958-810 is helpful.

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

We generally believe that the proposed amendments clarify the amendments in Update 2015-02. However, we have identified below several specific matters in the consolidation guidance applicable to NFPs that are unclear.

Applicability of the Variable Interest Entities Subsection of ASC 810

Paragraph 810-10-15-17 states that NFPs are among certain “legal entities” exempted from the guidance in the Variable Interest Entities (VIE) Subsections of Topic 810. As the term “legal entities” is typically reserved for entities being evaluated by a reporting entity for consolidation, it could be read to mean that NFPs should not be analyzed for consolidation by a reporting entity pursuant to the VIE Subsections of Topic 810. However, paragraph 958-810-15-4(a) is written so as to suggest that NFP reporting entities should not evaluate another legal entity pursuant to the VIE Subsections of Topic 810. Accordingly, it may be unclear whether, taken together, these paragraphs indicate that NFP reporting entities should not analyze other entities pursuant to the VIE Subsections, that NFP legal entities should not be analyzed for consolidation by a reporting entity pursuant to the VIE Subsections, or both.

We recommend that paragraph 810-10-15-17(a) be amended as follows to explicitly state that NFP reporting entities should not evaluate legal entities for consolidation pursuant to the VIE Subsections of Topic 810, nor should a reporting entity evaluate an NFP for consolidation pursuant to the VIE Subsections of Topic 810:

- a. Not-for-profit entities are not subject to should not be evaluated for consolidation pursuant to the Variable Interest Entities Subsections, nor should NFPs evaluate other legal entities for consolidation pursuant to the Variable Interest Entities Subsections, except that they may be related parties for purposes of applying paragraphs 810-10-25-45 through 25-44.

Election of fair value accounting by an NFP for certain investments

The interaction between the guidance in 958-810-15-4(b), (c), and (d) and the guidance in 958-810-15-4(e) is unclear. Specifically, it is unclear in what order the guidance should be applied. Paragraph 958-810-15-4, prior to subparagraphs (a) through (e), indicates that the purpose of those / these subparagraphs is to direct a reader to other guidance in the Codification that may be applicable. However, subparagraph (e) does not provide clarifying guidance, but rather incremental guidance, by allowing NFPs to account for certain investments that other guidance in the Codification does not permit. Accordingly, we would encourage the Board to consider making subparagraph 958-810-15-4(e) its own paragraph within Subtopic 958-810. Furthermore, we believe the guidance could be further enhanced by including a brief explanatory example illustrating for which investments, and in which circumstances, an NFP may elect fair value accounting.

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.

We agree with the proposed transition requirements.

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 agree with the proposed transition disclosure requirements. We do not believe additional disclosures should be required as this guidance largely retains existing GAAP.

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?

We believe the effectiveness of the proposed amendments should align with the effectiveness of Update 2015-02, and, accordingly, we believe the proposed amendments should be effective immediately upon issuance of a final Update for all entities that elected to early adopt the amendments in Update 2015-02.

We would be pleased to discuss our comments with you. If you have any questions, please contact Graham Dyer, Partner, Accounting Principles Consulting Group, 214-561-2385, graham.dyer@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP