

MINUTES



Financial Accounting
Standards Board

To: FASB Board Members

From: Not-for-Profit Team
(Clark, x443)

Subject: Minutes of the November 12, 2008 Board Meeting: Not-for-Profit Organizations—
Mergers and Acquisitions **Date:** November 24, 2008

cc: FASB: Golden, Bielstein, Proestakes, Stoklosa, Bossio, Mechanick, Clark, Prince, Anderson, Willis (consultant), Glotzer, Lott, C. Smith, Lapolla, Gabriele, Sutay, FASB Intranet, Chookaszian, Posta, Klimek, Allen; GASB: Reese, Schermann; IASB: Leisenring

The Board meeting minutes are provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported are tentative and may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Statement, Interpretation, or FASB Staff Position.

Topic: Not-for-Profit Organizations: Mergers and Acquisitions

Basis for Discussion: Board Memorandums 11, 11A, 11B, 11C, and 11D

Length of Discussion: 10:40.–11:30 a.m.

Attendance:

Board members present: FASB: Herz, Linsmeier, Seidman, Siegel, and Smith

Board members participating by phone: None

Board members absent: None

Staff in charge of topic: Bossio

Other staff at Board table: FASB: Golden, Mechanick, Clark, Prince, and Willis (by phone)

Summary of Decisions Reached:

The Board substantially completed redeliberations of its October 2006 Exposure Drafts, *Not-for-Profit Organizations: Mergers and Acquisitions*, and *Not-for-Profit Organizations: Goodwill and Other Intangible Assets Acquired in a Merger or Acquisition*, and directed the staff to begin drafting a final Statement. That Statement will provide guidance on accounting for both mergers of not-for-profit organizations and acquisitions by not-for-profit organizations. It also will amend FASB Statement No. 142, *Goodwill and Other Intangible Assets*, to make that Statement fully applicable to not-for-profit organizations.

The Board affirmed its decision that a merger of two or more not-for-profit organizations involves the creation of a newly formed entity as of the merger date. It clarified that in applying the carryover basis of accounting, the merged entity's statement of activities and statement of cash flows for its first period should (1) reflect the combined amounts of the merging entities' net assets (in total and by classes of net assets) and cash as of the merger date in its opening amounts and (2) include activity from the merger date through the end of the fiscal period. Those opening amounts should be as adjusted to conform the individual accounting policies of the merging entities at the merger date.

In addition, the Board decided to:

1. Require that a newly merged public not-for-profit organization include specified pro forma premerger information as supplementary information.
2. Require certain disclosures for mergers of not-for-profit organizations and acquisitions by not-for-profit organizations. (A draft of those disclosures is available on the FASB [website](#).)
3. Require that:
 - a. Previously recognized goodwill assigned to a reporting unit predominantly supported by contributions and returns on investments be written off as a change in accounting principle and presented, as proposed, as a separate line item in the statement of activities.
 - b. All other previously recognized goodwill be subject to the transitional impairment evaluation of Statement 142, the presentation requirements as proposed, and subsequently, to the provisions of Statement 142.
4. Require that all not-for-profit organizations apply the final Statement in the first fiscal year beginning after December 15, 2009, and not provide a delayed effective date for small organizations.
5. Prohibit early adoption of the final Statement.

Objective of Meeting:

An objective of the meeting was for the Board to substantially complete its redeliberations of the NFP M&A ED and the NFP G&OIA ED. In addition, the staff intended to ask the Board for permission to proceed with preballot drafting of the final Statement. The objectives were met.

Matters Discussed and Decisions Reached

Issue 1—Mergers of Not-for-Profit Organizations and the Carryover Basis of Accounting

Initial Period Recognized on Face of Financial Statements

1. Ms. Clark stated that the staff would like to clarify whether the Board intended that the merging entities be combined as of the merger date rather than as of the beginning of the merged entity's fiscal year, as would be required by APB Opinion No. 16, *Business Combinations*. She stated that a majority of the constituents with whom the staff spoke supported including activity in the financial statements of the newly merged entity only from the merger date through the end of the initial fiscal period. Many of those constituents noted that oftentimes inclusion of premerger information on the face of the financial statements may not be beneficial to users.

Staff Recommendation

2. The staff recommended that the Board clarify that the use of the carryover method of accounting for mergers of not-for-profit organizations requires the face of the newly merged entity's financial statements to reflect activity from the merger date through the end of the fiscal period rather than as of the beginning of the fiscal period.

Board Vote

3. The Board voted in favor of the staff's recommendation. All Board members agreed.

Initial Recognition Principle

4. Ms. Clark stated that the staff would like to clarify whether the initial recognition of the assets and liabilities of the merging entities should be reflected as part of the initial net assets of the merged entity or as activity of the initial period of the merged entity. She added that reflecting the assets and liabilities of the merging entities as part of the initial net assets of the merged entity would be consistent with Opinion 16 and the carryover basis of accounting. She also stated that doing so would align the guidance with how mergers of not-for-profit organizations are being accounted for in practice.

Staff Recommendation

5. The staff recommended that the initial recognition of the assets and liabilities of the merging entities be reflected as part of the initial net assets of the merged entity.

Board Vote

6. The Board voted in favor of the staff's recommendation. All Board members agreed.

Initial Presentation of Accounting Changes

7. Ms. Clark stated that the staff wanted to clarify how changes in accounting methods to conform the individual accounting methods of the merging entities should be addressed.

Staff Recommendation

8. The staff recommended that accounting adjustments be applied retroactively, consistent with Opinion 16 and the carryover basis of accounting and, given the Board's earlier decision, any adjustment be reflected in the opening amounts (of net assets and cash) as of the merger date. The staff also recommended that the nature and amount of such adjustments be disclosed.

Board Vote

9. The Board voted in favor of the staff's recommendation. All Board members agreed.

Disclosure of Premerger Pro Forma Information

10. Ms. Clark stated that given the Board's decision to require that the merged entity present activity from the merger date through the end of the fiscal period, the staff would like to know whether the Board will also require the newly merged entity to disclose pro forma premerger information and, if so, what form the information will take. She added that the majority of constituents with whom the staff spoke supported requiring the disclosure of premerger pro forma information in the notes to financial statements or as supplemental information and cited that such information is, or could be, beneficial to users. However, those who supported only encouraging disclosure of such information cited concerns about situations in which the inclusion of such information could distort the representational faithfulness and impair the reliability of the financial statements as a whole.

Staff Recommendation

11. The staff recommended that a newly merged public not-for-profit entity disclose certain pro forma premerger information as required supplementary information. [See Appendix 2, disclosure 2(f).] The staff stated that limiting the requirement to public entities addresses concerns raised by respondents to the NFP M&A ED regarding the burden such required disclosures could place on smaller not-for-profit entities. The staff added that limiting the requirement also is consistent with the disclosure requirements of FASB Statement No. 141 (revised 2007), *Business Combinations* (paragraph 68(r)).

Board Vote

12. The Board voted in favor of the staff's recommendation. All Board members agreed.

Board Comments

13. Mr. Smith questioned whether the required supplementary information would be audited. Ms. Clark stated that supplementary information required by Generally Accepted Accounting Principles receives certain limited audit procedures as prescribed by the American Institute of Certified Public Accountants.

14. Ms. Seidman questioned whether the required supplementary information was pro forma in Opinion 16. The staff stated that Opinion 16 requires the face of the financials to present the entire year and, as such, pro forma supplemental information for the year of the merger was not required. (Paragraph 64(d) of Opinion 16 requires disclosure of certain “details of the results of operations of the previously separate companies for the period before the combination is consummated that are included in the current combined net income.”) Ms. Willis added that pro forma supplemental information is also required by Statement 141(R), and Mr. Bossio stated that the staff’s intent was to remain consistent with Statement 141(R). Therefore, the staff proposed requiring the disclosures for public not-or-profit entities only.

15. Mr. Herz expressed the concern that given a situation in which the newly merged entity is not a public entity, there would be no history or comparative information provided. However, Mr. Mechanick stated that the predecessor entities would still have audited financials and/or IRS Form 990s and users would have access to that information.

16. Mr. Mechanick also stated that having the pro forma supplemental information for the year in which the merger takes place is particularly important. He added that the presentation of *comparative information* would not be consistent with the way in which the Board has defined a merger of not-for-profit organizations. Mr. Bossio agreed. Mr. Linsmeier suggested that the disclosure use language suggesting *if in future periods, more than one year of financial information is expected to be presented, two years of pro forma information should be required in the year of the merger.*

17. Mr. Herz stated that the two issues at hand are (a) the number of years (current and prior) the pro forma information should depict and (b) whether the requirement should be only for public not-for-profit entities or for all not-for-profit entities. Mr. Herz stated that if the requirement were to apply to public not-for-profit entities only, users might want to see more than one year of pro forma information depicted. However, he added that such information may still be relevant to not-for-profit entities that are not public.

18. Mr. Bossio stated that the staff's proposal is tailored to Statement 141(R) and, therefore, includes an impracticability exception. However, he acknowledged Mr. Herz's concern that the newly merged not-for-profit organization will lack the benchmark year of financial information that entities have under the scope of Statement 141(R). Mr. Linsmeier stated that given these concerns, he is growing comfortable with requiring the pro forma information regarding the year of the merger for all entities and the comparative information only for public entities.

19. Mr. Siegel questioned whether the staff considered presenting the pro forma information in notes to the financial statements rather than as a supplemental schedule. Ms. Clark stated that for cost-benefit reasons arising because the notes to the financial statements must be audited (supplemental schedules required by GAAP receive only limited audit procedures), the constituents with whom the staff spoke mostly supported requiring disclosure of pro forma information in a supplemental schedule. Ms. Seidman added that another reason the information is being required in a supplemental schedule is because doing so is consistent with Statement 141(R) and, therefore, it would make sense not to place an additional burden upon not-for-profit entities relative to their business entity counterparts.

20. Mr. Golden stated that the difference between the not-for-profit merger guidance and Statement 141(R) is that with acquisitions by business entities, the historical information of the acquirer is available. However, the staff reiterated that users will have access to the audited financial statements of the legacy entities, if the entities were audited, as well as the entities' IRS Form 990s. Mr. Linsmeier noted that users might have a hard time obtaining that access.

21. Mr. Golden suggested that the information should just be included in the notes and audited because the audit work would be limited to footing and cross-footing the mathematical accuracy of the schedule. However, the staff suggested that a good deal of audit work would be required if, for example, conforming accounting adjustments were needed, a large number of merging entities were involved, or the entities merging had various differing fiscal years.

22. Mr. Mechanick reiterated that the staff could operationalize the proposed disclosure of pro forma comparative information by utilizing Mr. Linsmeier's suggested language or some variation thereof. Mr. Golden raised concerns that preparers would confuse the supplemental pro forma information as requiring supplemental pro forma financial statements. The other Board members expressed their opinion that preparers would not be confused.

23. Mr. Herz expressed his desire to stay consistent with (similar to) the requirements of Statement 141(R). Ms. Seidman stated that she would require the disclosure of pro forma premerger information for the complete the year of the merger for public not-for-profit entities. If comparative information is presented in the year subsequent to the merger, she would require that same pro forma information. Messrs. Herz, Siegel, and Smith agreed.¹

Issue 2—Disclosures for Acquisitions and Mergers

Acquisition Disclosures

24. Ms. Clark stated that the disclosures in Appendix 1 are based on those proposed by the NFP M&A ED with modifications to conform to (a) the changes resulting from redeliberations of that document and (b) the disclosures of Statement 141(R). She added that as an example, the staff had removed all references made to mergers from the suggested list of acquisition disclosures.

Staff Recommendation

25. The staff recommended the set of acquisition disclosures outlined in Appendix 1 of these minutes.

Board Vote

26. The Board voted in favor of the staff's recommendation. All Board members agreed.

¹ The staff was able to clarify the Board's intent with regard to the presentation of pro forma supplemental information in the year subsequent to the merger in conversations with Board members following the November 12, 2008 meeting. .

Board Comments

27. Ms. Seidman reminded the staff that those disclosures dealing with contingent assets and liabilities acquired in a business combination may need to be updated based on the conclusions reached during deliberations surrounding the [proposed FASB Staff Position](#) on assets and liabilities arising from contingencies in a business combination.

Merger Disclosures

28. Ms. Clark directed the Board to the merger disclosures outlined in Appendix 2 of these minutes.

Staff Recommendation

29. The staff recommended the set of merger disclosures outlined in Appendix 2 of these minutes (as modified for the Board's suggestions).

Board Vote

30. The Board voted in favor of the staff's recommendation, subject to the revision outlined below. All Board members agreed.

Board Comments

31. Ms. Seidman suggested that disclosure 2(d)(2) include parenthetical references to collections and pledges to receive rather than parenthetical references to contingent gains. She stated that she is not as concerned with the parenthetical reference to contingent losses.

Issue 3—Disclosures for Goodwill and Other Intangible Assets

32. Ms. Clark stated that in determining whether the NFP G&OIA disclosures needed revision, the staff juxtaposed those disclosures against the disclosures promulgated by Statement 142 to ascertain what differences existed between the two documents. She added that although the documents are largely consistent with one another, a few differences do exist. She stated that, for example, the NFP G&OIA does not propose requiring disclosure of the amounts of research and development assets acquired in a transaction outside of the business combination written off during the period and the line item in which such a write-off is presented.

Staff Recommendation

33. The staff recommended that the differences be addressed in drafting or via update of the Accounting Standards Codification. For example, the staff would add the aforementioned research and development disclosure to the NFP guidance, making it consistent with Statement 142.

Board Vote

34. The Board voted in favor of the staff's recommendation. All Board members agreed.

Issue 4—Transition Guidance and Effective Date

Transition Guidance

35. Mr. Prince stated that the staff considered three alternatives with regard to how previously recognized goodwill would be treated upon adoption of the final guidance. Those alternatives are :

Alternative A: Previously recognized goodwill assigned to a reporting unit predominantly supported by contributions and returns on investments should be written off as a change in accounting principle and presented as proposed in paragraphs 63 and 64 of the NFP G&OIA ED (which are based on Statement 142). All other previously recognized goodwill shall be subject to a transitional impairment evaluation and presentation requirements as proposed in the NFP G&OIA ED and, subsequently, to the provisions of Statement 142.

Alternative B: All previously recognized goodwill should be subject to a transitional impairment evaluation and presentation requirements as proposed in the NFP G&OIA ED and, subsequently, to the provisions of Statement 142.

Alternative C: Previously recognized goodwill assigned to a reporting unit predominantly supported by contributions shall continue to be amortized; all other previously recognized goodwill should be subject to a transitional impairment evaluation and presentation requirements as proposed in the NFP G&OIA ED and, subsequently, to the provisions of Statement 142.

Staff Recommendation

36. The staff recommended Alternative A. The staff noted that this recommendation is an extension of the Board's decision to require an acquiring not-for-profit organization to recognize a charge to statement of activities (rather than recognize goodwill) when an acquiree is expected to be predominantly supported by contributions and investment income.

Board Vote

37. The Board voted in favor of the staff's recommendation. All Board members agreed.

Board Comments

38. Mr. Mechanick clarified that the transitional impairment test and subsequent impairment testing would be taken from guidance in Statement 142. Mr. Herz stated that both Alternative A and Alternative C do not have a lot of cost or operationality concerns associated with them. Mr. Linsmeier stated that Alternative C has some costs because reporting units would have to be identified and presumably unamortized goodwill would still be subjected to an impairment evaluation. Mr. Bossio added that Alternative A would best promote comparability.

Effective Date

39. Mr. Prince stated that the staff considered two potential effective dates for the final Statement: fiscal years beginning after September 15, 2009, and fiscal years beginning after December 15, 2009. The staff also considered a constituent's comment about providing a delayed effective date for smaller not-for-profit organizations.

Staff Recommendation

40. The staff recommended that the final Statement be made effective for fiscal years beginning after December 15, 2009, with earlier adoption permitted. The staff noted that the December 15, 2009 effective date will give constituents adequate time to prepare to implement the provisions of the final Statement and is more in line with the transition period provided by the Board for implementation of Statement 141(R). The staff also recommended that smaller not-for-profit organizations not receive a delayed effective date.

Board Vote

41. The Board supported the staff's recommendation that the final Statement be made effective for fiscal years beginning after December 15, 2009, and agreed that smaller not-for-profit organizations should not receive a delayed effective date. However, the Board rejected the staff's recommendation that early adoption be permitted. Instead, the Board voted in favor of prohibiting early adoption of the final guidance 3-2. (Messrs. Herz, Linsmeier, and Sigel favored prohibiting early adoption. Ms. Seidman and Mr. Smith favored permitting early adoption.)

Board Comments

42. Mr. Linsmeier stated that Mr. Golden had previously given the Board a reason not to support permitting early adoption of the guidance. That is, permitting early adoption could impair the comparability of financial statements across not-for-profit organizations. Messrs. Golden, Linsmeier, Siegel, and Herz shared the concern that permitting early adoption could induce a not-for-profit organization predominantly supported by contributions and returns on investments to adopt the guidance for the sole purpose of writing off previously recognized goodwill.

43. Mr. Mechanick stated that not-for-profit organizations predominantly supported by contributions and returns on investments will likely not have recognized a significant amount of goodwill (if they have recognized any goodwill at all). He added that not permitting early adoption could delay health care organizations from making their financial statement information more comparable to that of business entities that will have already applied the guidance in Statement 141(R).

44. Mr. Bossio stated that the staff and Board have argued that the goodwill and other intangible asset guidance to be applicable to not-for-profit organizations is better practice and will be giving them more time, which will delay the implementation of better practice. Mr. Linsmeier stated that making the guidance effective on September 15, 2009, would alleviate some of those concerns.

45. Mr. Bossio stated that the Board would have to balance the comparability concerns about the early adoption option with the benefit of earlier improvement to practice. Mr. Mechanick added that choosing the December 15, 2009 date as opposed to the September 15, 2009 date will give smaller not-for-profit entities enough time become familiar with the new guidance.

Issue 5—Drafting Structure

46. Mr. Bossio stated that the staff sought direction from the Board regarding the structure of the final not-for-profit guidance and whether that guidance should *stand on its own* or *describe requirements that are unique to not-for-profit organizations and refer to the appropriate paragraphs in Statement 141(R) for requirements that apply to both business entities and not-for-profit organizations*.

Board Comments

47. The Board stated its preference for the final Statement to provide all the guidance necessary to not-for-profit mergers and acquisitions without, or with very limited, reference to guidance outside that Statement (that is, stand alone).

Issue 6—Authority to Proceed Toward a Preballot Draft of a Final Statement

48. Mr. Bossio stated that because the Board had deliberated the issues enumerated above, the staff believed that redeliberations of the issues raised in response to the NFP M&A ED, G&OIA ED, and May 2006 *Request for Additional Comment* have been substantially completed. The staff asked the Board for permission to proceed toward a preballot draft of the final Statement on mergers and acquisitions that will also include amendments to Statement 142 that make Statement 142 fully applicable to not-for-profit organizations. Mr. Bossio also asked whether any members plan to dissent to the issuance of a final Statement.

Board Vote

49. The Board gave the staff the authority to proceed toward a preballot draft of the final Statement. All Board members agreed. Mr. Linsmeier stated that he thinks the analysis of whether a not-for-profit entity is predominantly supported by contributions and returns on investments should occur at the level of the combined entity and not at the level of the acquiree.

He added that he disagrees with the Board's earlier decision to make the analysis at the level of the acquiree and added that he is not sure if the issue is one that would cause him to dissent with regard to issuance of the final Statement.

Follow-up Items

The staff was directed to proceed with the preballot drafting of the final not-for-profit guidance on mergers and acquisitions and goodwill and other intangible assets.

General Announcements

None.

Acquisition Disclosures

1. The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of an acquisition that occurs either:

- a. During the current reporting period; or
- b. After the reporting date but before the financial statements are issued.

2. To meet the objective in paragraph 1, the acquirer shall disclose the following information for each acquisition that occurs during the reporting period:

- a. The name and a description of the acquiree.
- b. The acquisition date.
- c. The percentage of ownership interest acquired, such as voting equity instruments (if applicable).
- d. The primary reasons for the acquisition and a description of how the acquirer obtained control of the acquiree.
- e. A qualitative description of the factors that make up either the:
 - (1) Goodwill recognized, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition (for example, donor relationships), or other factors (for example, nonrecognition of works of art and similar assets of a permanent collection); or
 - (2) Separate charge recognized in the statement of activities in accordance with paragraph XX.
- f. The acquisition-date fair value of the total consideration transferred (or if no consideration was transferred, that fact) and the acquisition-date fair value of each major class of consideration, such as:
 - (1) Cash
 - (2) Other tangible or intangible assets, including a business or subsidiary of the acquirer
 - (3) Liabilities incurred, for example, a liability for contingent consideration.
- g. For contingent consideration arrangements and indemnification assets:
 - (1) The amount recognized as of the acquisition date
 - (2) A description of the arrangement and the basis for determining the amount of the payment
 - (3) An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact.
- h. For acquired receivables not subject to the requirements of AICPA Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*:

- (1) The fair value of the receivables
- (2) The gross contractual amounts receivable
- (3) The best estimate at the acquisition date of the contractual cash flows not expected to be collected.

The disclosures shall be provided by major class of receivable, such as loans, direct finance leases in accordance with FASB Statement No. 13, *Accounting for Leases*, and any other class of receivables.

- i. The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed.
- j. For assets and liabilities arising from contingencies:
 - (1) The amounts recognized at the acquisition date or an explanation of why no amount was recognized
 - (2) The nature of recognized and unrecognized contingencies
 - (3) An estimate of the range of outcomes (undiscounted) for contingencies (recognized and unrecognized) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. An acquirer may aggregate disclosures for assets and liabilities arising from contingencies that are similar in nature.
- k. The amount of collection items acquired in an acquisition recognized as a decrease in the acquirer's net assets in the statement of activities, under the permitted noncapitalization policy of FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*.
- l. The amount of conditional promises made to the acquiree that are acquired in an acquisition and a description and amount for each group of promises that have similar characteristics, such as amounts of promises conditioned on establishing new programs, completing a new building, and raising matching gifts by a specified date.
- m. The total amount of goodwill that is expected to be deductible for tax purposes.
- n. For transactions that are recognized separately from the acquisition of assets and assumptions of liabilities in the acquisition paragraph XX:
 - (1) A description of each transaction
 - (2) How the acquirer accounted for each transaction
 - (3) The amounts recognized for each transaction and the line item in the financial statements in which each amount is recognized
 - (4) If the transaction is the effective settlement of a preexisting relationship, the method used to determine the settlement amount.
- o. The disclosure of separately recognized transactions required by paragraph 2(o) shall include the amount of acquisition-related costs, the amount recognized as an expense, and the line item or items in the income statement in which those expenses are recognized. The amount of any issuance costs not recognized as an expense and how they were recognized also shall be disclosed.

- p. In situations in which there is an excess of assets acquired over liabilities assumed and consideration transferred (paragraphs XX–XX):
 - (1) The amount of the credit recognized in accordance with paragraph XX and the separately presented line item in the statement of activities in which the credit is recognized
 - (2) A description of the reasons why the transaction resulted in an increase of net assets.
- q. For each acquisition in which the acquirer holds less than 100 percent of the equity interests in the acquiree at the acquisition date:
 - (1) The fair value of the noncontrolling interest in the acquiree at the acquisition date
 - (2) The valuation technique(s) and significant inputs used to measure the fair value of the noncontrolling interest.
- r. In an acquisition achieved in stages:
 - (1) The acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date
 - (2) The amount of any gain or loss recognized as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the acquisition (paragraph XX) and the line item in the statement of activities in which that gain or loss is recognized.
- s. If the acquirer is a public entity, as defined in paragraph XX of this Statement:
 - (1) Each of the following amounts attributable to the acquiree since the acquisition date that are included in the statement of activities for the reporting period:
 - (a) Revenues
 - (b) Earnings or an equivalent performance indicator of a not-for-profit entity, if reported by the acquiree
 - (c) Changes in unrestricted net assets
 - (d) Changes in temporarily restricted net assets
 - (e) Changes in permanently restricted net assets.
 - (2) The changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets of the entity for the current reporting period as though the acquisition date for all acquisitions that occurred during the current year had been as of the beginning of the annual reporting period (*supplemental pro forma information*).
 - (3) The revenue of the combined entity for the current reporting period as though the acquisition date for all acquisitions that occurred during the year had been as of the beginning of the annual reporting period (*supplemental pro forma information*).
 - (4) The earnings or an equivalent performance indicator of a not-for-profit entity, if presented, of the combined entity for the current reporting period as though the

acquisition date for all acquisitions that occurred during the year had been as of the beginning of the annual reporting period (*supplemental pro forma information*).

- (5) If comparative financial statements are presented, the changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets of the entity for the comparable prior reporting period as though the acquisition date for all acquisitions that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period (*supplemental pro forma information*).
- (6) If comparative financial statements are presented, the revenue of the combined entity for the comparable prior reporting period as though the acquisition date for all acquisitions that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period (*supplemental pro forma information*).
- (7) If comparative financial statements are presented, the earnings or an equivalent performance indicator of a not-for-profit entity, if presented, of the combined entity for the comparable prior reporting period as though the acquisition date for all acquisitions that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period (*supplemental pro forma information*).

If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This Statement uses the term *impracticable* with the same meaning as *impracticability* in paragraph 11 of FASB Statement No. 154, *Accounting Changes and Error Corrections*.

3. For individually immaterial acquisitions occurring during the reporting period that are material collectively, the acquirer shall disclose the information required by paragraphs 2(e)–2(s) in the aggregate.
4. If the date of an acquisition is after the reporting date but before the financial statements are issued, the acquirer shall disclose the information required by paragraph 2 unless the initial accounting for the acquisition is incomplete at the time the financial statements are issued. In that situation, the acquirer shall describe which disclosures could not be made and the reason why they could not be made.
5. **The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognized in the current reporting period that relate to acquisitions that occurred in the current or previous reporting periods.**
6. To meet the objective in paragraph 5, the acquirer shall disclose the following information for each material acquisition or in the aggregate for individually immaterial acquisitions that are material collectively:

- a. If the initial accounting for an acquisition is incomplete (paragraph XX) for particular assets, liabilities, noncontrolling interests, or items of consideration and the amounts recognized in the financial statements for the acquisition thus have been determined only provisionally:
 - (1) The reasons why the initial accounting is incomplete
 - (2) The assets, liabilities, equity interests (net assets), or items of consideration for which the initial accounting is incomplete
 - (3) The nature and amount of any measurement period adjustments recognized during the reporting period in accordance with paragraph XX.
 - b. For each reporting period after the acquisition date until the entity collects, sells, or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:
 - (1) Any changes in the recognized amounts, including any differences arising upon settlement
 - (2) Any changes in the range of outcomes (undiscounted) and the reasons for those changes
 - (3) The disclosures required by paragraph 32 of FASB Statement No. 157, *Fair Value Measurements*.
 - c. For each reporting period after the acquisition date until the acquirer collects, sells, or otherwise loses the right to recognized assets arising from contingencies, or the acquirer settles recognized liabilities or its obligation to settle them is cancelled or expires:
 - (1) Any changes in the recognized amounts of assets and liabilities arising from contingencies and the reasons for those changes
 - (2) Any changes in the range of outcomes (undiscounted) for both recognized and unrecognized assets and liabilities arising from contingencies and the reasons for those changes.
 - d. A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period as required by Statement 142, as amended.
7. **If the specific disclosures required by this Statement and other GAAP do not meet the objectives set out in paragraphs 1 and 5, the acquirer shall disclose whatever additional information is necessary to meet those objectives.**

Merger Disclosures

1. **The newly merged entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of the merger that results in its formation.**
2. To meet the objective in paragraph 1, the newly merged entity shall disclose the following information for the merger that results in its formation:
 - a. The name and a description of each merging entity
 - b. The merger date
 - c. The primary reasons for the merger
 - d. For each merging entity
 - (1) The amounts recognized as of the merger date for each major class of assets, liabilities, and net assets
 - (2) The nature and amounts, if applicable, of any significant assets (for example, conditional promises receivable, collections) or liabilities (for example, conditional promises payable) not otherwise required to be recognized under GAAP
 - e. The nature and amount of any significant adjustments made to conform the accounting policies of the entities
 - f. If the newly merged entity is a public entity, as defined in paragraph XX of this Statement, and:
 - (1) If the year in which the merger takes place is less than a full fiscal year:
 - a. The changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets of the entity for the current reporting period as though the merger date had been as of the beginning of the annual reporting period (*supplemental pro forma information*).
 - b. The revenue of the newly merged entity for the current reporting period as though the merger date had been as of the beginning of the annual reporting period (*supplemental pro forma information*).
 - c. The earnings or an equivalent performance indicator, if reported, of the newly merged entity for the current reporting period as though the merger date had been as of the beginning of the annual reporting period (*supplemental pro forma information*).
 - (2) If the newly merged entity presents comparative financial information in the year subsequent to the year during which the merger takes place:
 - a. The changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets of the newly merged entity for the comparable prior reporting period as though the merger date had

occurred as of the beginning of the comparable annual reporting period (*supplemental pro forma information*).

- b. The revenue of the newly merged entity for the comparable prior reporting period as though the merger date had occurred as of the beginning of the comparable prior annual reporting period (*supplemental pro forma information*).
- c. The earnings or an equivalent performance indicator, if presented, of the newly merged entity for the comparable prior reporting period as though the merger date had occurred as of the beginning of the comparable prior annual reporting period (*supplemental pro forma information*).

If disclosure of any of the information required by this subparagraph is impracticable, the newly merged entity shall disclose that fact and explain why the disclosure is impracticable. This Statement uses the term *impracticable* with the same meaning as *impracticability* in paragraph 11 of FASB Statement No. 154, *Accounting Changes and Error Corrections*.

If the specific disclosures required by this Statement and other GAAP do not meet the objective set out in paragraph 1, the newly merged entity shall disclose whatever additional information is necessary to meet that objective