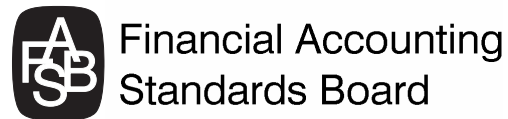


MINUTES



To: Board Members

From: Not-for-Profit Mergers and Acquisitions Team
(Delmonico, Ext. 393)

Subject: Minutes of the March 27, 2007 Not-for-Profit Mergers and Acquisitions Roundtable Meeting **Date:** May 25, 2007

cc: FASB: Bielstein, L. Smith, MacDonald, Bossio, Mechanick, Posta, Tamulis, Tully, Bolash, Delmonico, Rhine, Lott, Lapolla, Gabriele, Sutay, FASB Intranet, Chookaszian, Polley, 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 or Interpretation.

Topics: Proposed FASB Statements:
Not-for-Profit Organizations: Mergers and Acquisitions
Not-for-Profit Organizations: Goodwill and Other Intangible Assets Acquired in a Merger or Acquisition

Basis for Discussion: Not-for-Profit Roundtable Meeting Agenda and Discussion Questions (Attachment A)

Length of Discussion: 9:00 a.m. to 12:00 p.m.

Attendance:

Board members present: Crooch, Herz, Seidman, Trott and Young

Board members absent: Batavick, Linsmeier

Board/staff in charge of topic: Posta

Other staff at Board table: Bielstein, Bossio, Delmonico, Mechanick, and Tully

Constituent participants: See Participant Listing (Attachment B)

Summary of Decisions Reached:

On March 27, 2007, the FASB held a public roundtable discussion with constituents to listen to the views of and obtain information from respondents to the October 9, 2006 FASB 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*. Participants and members of the Board expressed their views. No decisions were reached.

Objective of Meeting:

The objective of this roundtable meeting was to provide information to assist the Board in their redeliberations of the proposed Statements. That objective was met.

Matters Discussed and Decisions Reached:

1. Mr. Crooch began the meeting by asking Mr. Euwema about the due diligence procedures that United Way of America (UWA) performs when considering mergers or acquisitions. Mr. Euwema provided the following information.

Background

2. The UWA is structured as a 501(c)(3) for purposes of the U.S. Internal Revenue Code. The 1,300 plus United Way local member chapters also are structured as separate 501(c)(3)s. For the past five or six years, the UWA encouraged the local member chapters to collaborate and consolidate and look at the best mix for providing programs and services to the local community. For example, some member chapters work together through collaboration arrangements and others merge together their chapters.

Due Diligence

3. UWA's due diligence is performed on behalf of the United Way local member chapters and primarily relies upon audited financial statements, IRS Form 990, and management inquiries. It includes both financial and nonfinancial due diligence procedures.

4. UWA's financial due diligence includes an analysis of the assets, liabilities, changes in net assets, and unrecorded gain and loss contingencies of the local member chapters that are considering merging. For example, UWA analyzes:

- a. Cash to ensure that there is one to three months of operating cash.
- b. The adequacy of the expected cash flow of the merged organization.
- c. Pledge receivables, the campaign cycle, collections, and the allowance for uncollectibles. When analyzing the collections and the related allowance, UWA assesses the age of the collectibles, as well as the need for and the amount of the reserve.
- d. The investment portfolio to understand the associated risks.
- e. The beneficial interests in assets and commitments to transfer the rights from the foundations that own the associated assets to a newly formed organization.
- f. Property, plant and equipment (PP&E), from the standpoint of postmerger location. The PP&E assets should be positioned to best serve the community, which might require buying, selling, or leasing assets.
- g. The overall net assets, giving special focus to any restrictions and designations to ensure that the merging parties are aware of the true financial position.
- h. Temporarily restricted net assets, typically comprising campaign amounts for the following year and unexpended grants, to understand the types of restrictions involved.
- i. Balances for grants and designations payable to ensure that the balances are correct relative to the expected payoff cycle.
- j. Long-term debt to ensure that the organization has the financial ability to repay the debt.
- k. Lawsuits, contractual obligations, any severance agreements, focusing on whether there are any unrecognized liabilities ("Trojan horses").
- l. Changes that would be triggered as a result of the merger and general performance trends.

5. The due diligence procedures go beyond the financial and economic trends. UWA performs a mission and community impact analysis to see how well the merging organizations are aligned, what will be the new mission, and how well the merged organization will fit within that mission. It also analyzes nonfinancial variables of differentiation, such as the reputation and trust of the merging entities in the community, staff and board alignment of the merging entities, and donor satisfaction with the merging

entities. UWA presents the preliminary due diligence package to each of the parties considering the merger for their review.

Reporting Requirements

6. No specific legal reporting structure is required for merging the local member United Way organizations. In some mergers, a new organization is formed. In other mergers, the existing legal structure of one of the merging organizations is used to effect the merger.

7. UWA suggests that its chapters look to the Unified Chart of Accounts when developing their financial reports, which allows financial information to flow more easily to IRS Form 990. The Financial Issues Committee, comprising members from many of the largest United Way chapters, addresses financial reporting issues, develops guidance and sets financial reporting standards for all United Way chapters.

8. UWA requires that its member chapters follow a uniform set of financial reporting standards. Those standards include all relevant authoritative financial reporting guidance and current best practices in the industry. Large member chapters must annually provide audited financial statements and their entire IRS Form 990 to UWA.

Reasons for Mergers

9. The driving forces behind the mergers among United Way member chapters are increasing efficiency, adding value to the process of soliciting funds, and bringing together financial resources and personnel to serve the community more effectively. Over the past four years, the typical United Way merger involved two member chapters. In 2004, there were 12 mergers among 24 member chapters; in 2005 there were 12 mergers among 25 member chapters. The largest merger in the past involved 93 member organizations that merged into one organization. In more recent United Way mergers, member organizations merge without attempting to “equalize” the chapters with different financial strengths prior to the merger. This issue is typically avoided by structuring the merger so that there is equal representation from the merging organizations in the new organization.

10. Mergers also have been explored as an option for several United Way member chapters in a net deficit position. Those member chapters were encouraged to either merge with stronger neighboring United Way members or to discontinue operations. The choice to merge without the assumption of the acquiree's liabilities is not viewed as a viable option by UWA because of the negative effect that nonpayment could have on the United Way brand name. A member chapter that was unable to repay its debts due to financial crisis would have a negative effect on the reputation and value of the United Way brand because donors view United Way as a single organization rather than 1,300 separate member organizations. Additionally, nonpayment of the acquiree's liabilities would significantly affect the recipients of member chapter grants. The bulk of liabilities for a United Way chapter pertain to grant obligations rather than debt or accounts payable. If a United Way chapter failed to meet those obligations, then other organizations that depend on the grant funds (and ultimately the anticipated recipients of the other organizations' services) would suffer.

12. UWA cannot merge its member organizations. Rather, the decision to merge needs to be made by the merging United Way member chapters and their governing boards. The UWA is structured as a type of "not-for-profit franchise." It does not "control" the member organizations, but owns the licensing rights for the use of the name United Way. The only element of "control" that the UWA has over the member organizations is in the use of the name *United Way*. Each member has a licensing agreement to use that name. The UWA Board (and the member chapter) has the option of terminating that agreement.

Issue 1: "True Mergers" Among Not-for-Profit Organizations

13. Mr. Crooch asked participants whether they agreed with the FASB's decision to apply the acquisition method to all mergers and acquisitions by a not-for-profit organization.

14. Mr. Euwema disagreed with the FASB's decision to apply the acquisition method to all transactions in which an organization obtains control of and initially consolidates another business or nonprofit activity. He commented that the appearance of an acquirer on the financial statements would cause United Way member organizations to avoid

merging because the perception of an acquirer creates a fear that those acquired would lose their identity. Untied Way mergers are generally structured to ensure that each organization has equal representation in the resulting organization regardless of the financial size of the individual merging organizations.

15. Mr. Euwema presented an example of a 2006 merger in which five not-for-profit organizations in the Kansas City area merged. The new organization resulting from the merger was named the United Way of Greater Kansas City, Inc. The initial board composition of the resulting organization included equal representation from each of the five United Way member organizations. The boards of the merging member organizations continue to exist, but in an advisory role to the resulting organization. A merger (such as the Kansas City example) that is structured to reflect equal representation would not take place if the largest organization was deemed the “acquirer” in applying the acquisition method. In Kansas City example, the legally surviving organization was actually the **smallest** of the five United Way members.

16. Mr. Trott commented that it appeared as though there was a significant amount of “asset shuffling” between the merging organizations in the Kansas City example that would require a significant amount of valuation and measurement as part of the due diligence. As a result, he questioned why using the pooling-of-interests (pooling) method (a carryover basis) would be an appropriate approach. Mr. Euwema indicated that the primary concern with the acquisition method in transactions such as the Kansas City example is the requirement to identify an acquirer. Both the pooling method and the fresh-start method avoid that concern because there is no acquirer and all merging members are accounted for similarly. He indicated that the fresh-start method is an option; however, he noted that there are issues associated with the valuation costs. Currently, mergers among United Way members are accounted for using either the pooling method or the fresh-start method (limited to tangible assets).

17. Ms. Garner (AcSEC, PricewaterhouseCoopers) commented that some constituents support the continued use of the pooling method for donor supported organizations because many of the assets are already at fair value and the only items that often would

be affected are fixed assets and intangible assets. Those that support retaining the pooling method do not see the benefit in inflating the value of the organization's unrestricted net assets by bring those assets over at higher amounts.

18. Mr. Euwema agreed with Ms. Garner's comments and noted that measuring the assets at fair value could mislead an organization's board members to thinking that they have a larger amount of "available" unrestricted net assets. The inflated values also could cause donors to question whether the board is devoting enough resources to program work. Mr. Euwema indicated that the issue was not how much could be generated from selling the fixed assets, but rather assessing what assets are needed and where those assets should be positioned to create an optimum level of efficiency for the organization and to best serve the needs of the community.

19. Ms. Allen (Ernst & Young) noted that assets such as land and buildings used to support program work should not be measured at fair value as those assets are not fungible and cannot be sold without significantly affecting the organization's operations. She also observed that throughout the not-for-profit sector, combinations that are similar to the United Way members' combinations are typical.

20. Mr. Bossio asked if the identity of the acquiree is important from a user perspective. He questioned whether the resulting organization is considered a new organization or whether it is considered a continuation of the old organizations. Mr. Pascaris (Moody's Investors Services) indicated that each case was unique and needed to be evaluated separately, but that typically the resulting organization and its financial capabilities were viewed as more important than the old predecessor organizations on a go-forward basis. However, the history of the individual old organizations prior to acquisition is important. Mr. Fuqua (Fitch Ratings) agreed with Mr. Pascaris's comments.

21. Mr. Uhl (Deloitte & Touche) indicated that in most cases the acquisition accounting was appropriate because an acquirer could be identified. He believes that the starting point is to presume that there is an acquirer. When an acquirer is identified, he agrees with the Board's conclusion that the acquisition method is appropriate and that fair value provides the most relevant information. In other cases in which an acquirer cannot be

identified, he believes that the fresh-start method is appropriate because the transaction is the formation of the new entity. He believes that using the fresh-start method (as opposed to the pooling method) would provide the most relevant information for that transaction. Mr. Uhl commented that the structuring of the transaction as either a merger or an acquisition depends on the factors and criteria one used in trying to identify the acquirer.

22. Ms. Garner commented that both PricewaterhouseCoopers and the AICPA's Accounting Standards and Executive Committee believe that there should be a high hurdle to establish that the merger of one or more organizations is in fact a merger and not an acquisition. She observed that the motivation behind many mergers by not-for-profit organizations is related to non-economic reasons. In the Kansas City example, the merger is more of a collaboration between the merging organizations to achieve a combined mission rather than an acquisition. Ms. Garner believes that the non-economic motivation to merge is unique to the not-for-profit world.

23. Given the Kansas City example, Ms. Garner commented that if one was to view the merger strictly from a board perspective, it would not make sense to revalue the net assets of the smaller organizations without revaluing the net assets of the larger organization, especially given that control of the larger organization's assets has been given to a new organization. Mr. Herz commented that he believes one could analogize this type of situation to rollups in the for-profit world.

24. Ms. Allen stated that she believes there should be a rebuttable presumption that an acquirer can be identified, and the first step would be to consider the criteria organizations might need to identify an acquirer. Mergers of equals would be an exception to the presumption that an acquirer can be identified and should be accounted for using a different method. Not-for-profit organizations come together for both economic and non-economic reasons and requiring an acquirer to always be identified could cause many mergers to fail. For mergers of equals, the pooling method (carryover accounting) should be permitted. Ms. McIntosh indicated that Grant Thornton also believes that starting with rebuttable presumption that a transaction is an acquisition is

the correct approach. She commented that one must look to the factors in all situations. She supports the development of a more principles-based approach (as opposed to lots of detailed rules) in attempting to identify and distinguish a “true merger” from an acquisition.

26. Mr. Euwema indicated that UWA disagrees with the Exposure Draft’s use of size or economic value of the organization as a factor in determining the acquirer. With size as a factor, he believes there never will be a “merger of equals” as an acquirer can always be identified. If the factor was removed, then one would look to other factors, such as board governance and control, and may conclude that the transaction is a “merger of equals.”

27. Ms. Kassman (KPMG) commented that, in her experience, an acquirer could always be identified. If quantitative size factors were removed and one was only to look to qualitative measures such as reputation of organization or strength of mission, an acquirer could still be identified. Ms. Kassman then noted that board composition, in her opinion, should be among the last deciding factors rather than among the first.

Issue 2: Considerations for Certain “Small” Not-For-Profit Organizations

28. Ms. Kassman commented that KPMG was generally more in favor of a fresh-start measurement and that she did not think that requiring a fresh-start measurement would result in a significantly different answer than using the pooling method. She believes that some may reject a fresh-start measurement from a cost-benefit standpoint for smaller not-for-profit organizations. The option to use an alternative method should be based on revenue size, program expenses, or operating budget size as opposed to a specific net asset size. Mr. Pascaris noted that “small revenues” is a relative term, and “small revenues” in the health care industry may be very different from “small revenues” in higher education. Ms. Kassman indicated that she considers “small” to mean a community-based not-for-profit organization. Ms. Garner added that small organizations generally do not participate in the bond market, would be considered non-public for financial reporting purposes, and are not affiliated with larger organizations.

29. Ms. McIntosh commented that, in many cases, GAAP financial statements are required by state regulators for small not-for-profit organizations because of contribution thresholds or the types of contributions obtained. Mr. Trott commented that he believes creating an exception for smaller not-for-profit organizations would add additional rules and complexity to the final Statement. Mr. Bossio questioned whether the issue is an FASB financial reporting matter or whether the issue was for the various states to consider in establishing their regulatory reporting requirements. Ms. Garner observed that there is a growing trend of state regulations that require GAAP financial statements for smaller organizations. She stated that AcSEC strongly supports adding an option for small organizations to permit the use of the pooling method, particularly in organizations that are supported by donors. One of AcSEC's concerns with a requirement to use the acquisition method for those small organizations is that the organizations would need to raise the funds to apply that method (for example, to pay for valuation services). She questioned whether fair value information for items such as intangible assets and goodwill is relevant to donors when making a decision to support a particular not-for-profit organization. Based on her conversations, it appears that donors are most interested in what the not-for-profit had received or was expecting to receive compared to what the not-for-profit disbursed or was expected to disburse by program. Mr. Herz commented that from a theoretical perspective, if donor lists and relationships could be valued in a cost-effective manner, that value might be a good indicator of an organization's sustainability and expected future cash flow.

31. Ms. Garner commented that many smaller organizations' staffs do not possess the technical expertise to address the more complex valuation and financial reporting requirements. Therefore, many smaller organizations would need to purchase those services from outside providers. She observed that in many cases smaller organizations merge without performing the extensive due diligence that organizations like the UWA performs. Rather, many smaller organizations are more interested in the cash flows of the combined organization and whether those cash flows allow the organization to achieve its mission.

32. Ms. Kay (Independent Sector) agreed with Mr. Euwema's comments that the perception of being acquired would cause organizations to reject mergers. She emphasized that even if smaller not-for-profit organizations were permitted to apply the pooling method, it is important to ensure that not-for-profit organizations, big and small, are committed to the merger process. She recommended that the staff continue to solicit feedback from small-and medium-sized not-for-profit organizations in determining the proper accounting for mergers.

33. Mr. Uhl commented that he supports different accounting models when the economics of the merger warrant the use of a different model (Issue 1). He disagreed with the suggestions to permit an alternative accounting method based solely on size because that exception would be arbitrary and would add unnecessary complexity to the standard. He added that he might be more supportive of considering whether different disclosures for "smaller" entities would be appropriate.

34. Ms. Garner commented that for mergers and acquisitions by smaller organizations, the costs of providing the required information would outweigh the benefits. However, other transactions, such as those within the scope of FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, are different because the benefits to the users of not-for-profit organizations' financial statements are greater. Statement 116 addresses the accounting for transactions that are frequent and prevalent in the normal course of business for many organizations in the not-for-profit sector (that is, donations), and users need comparable information about those transactions. As donors are the primary users of the smaller organizations' financial statements, the focus in developing the accounting requirements for those organizations should be on providing donors with information they believe to be important and relevant.

Issue 3: Recognition of Donor-Related Intangible Assets

35. Mr. Euwema commented that he believes only tangible assets were identified in United Way mergers and that the United Way struggles with valuing intangible assets, such as donor lists. Donor lists are evaluated in terms of the donor's decision to contribute to the organization, not in terms of the size of the contribution. He believes

that donor lists differ from customer lists because there is no market for donor lists and, therefore, no way to value them. He commented that the UWA and its member organizations are prohibited from sharing or selling donor list information.

36. Mr. Herz asked whether financial statement users (specifically, within the health care sector, based on the representatives at the meeting) believed that the recognition of intangible assets, such as a donor list, was useful information. In terms of hospitals and acute-care hospitals with foundations, Mr. Fuqua indicated that he would not place much weight on the donor list. Mr. Pascaris agreed with Mr. Fuqua's comments about donor-related intangible assets, but added that information about **certain** intangible assets (such as certificates of need) is useful.

37. Ms. Garner expressed concern that donor relationships were being analogized to contractual customer relationships, especially those evidenced in the form of pledges. Contractual customer relationships represent exchange transactions that will generate revenue in future periods as compared to donor relationships and current pledges that represent revenue that has already been recognized. Past experience with donors and pledge amounts does not imply that the relationship will continue.

38. Ms. McIntosh noted that the application guidance on donor relationships indicated that a written promise to give was a contractual right. She questioned whether the basis for assuming a written promise to give is a contractual right because that may be a finding of legal fact and does not appear to be supported by the Statement 116's basis for conclusions. In Statement 116's basis for conclusions, the Board observed that promises to give that made it to court were often enforced by analogy to contract law. However, in Statement 116, the Board concluded that even if a promise to give was not legally enforceable, the promise still represents a moral or ethical obligation and therefore met the definition of an asset. She questioned whether it is appropriate to conclude that a promise to give is always a contractual right for the purpose of identifying donor-relationship intangible assets. She expressed concern about the recognition of donor relationships for circumstances in which an organization has no current contractual right, but has a practice of soliciting contributions. She added that although a donor-related

intangible asset may be **measured**, there are some donor-related intangible assets that are not separately recognizable and should be subsumed into goodwill. Ms. McIntosh questioned whether the recognition of donor-related intangible assets related to contributed services would be appropriate. Specifically, in cases in which there are exceptions to the recognition of contributed services, she suggested that those relationships might be analogous to a workforce.

39. Mr. Uhl commented that if the donor intangible asset was either legal or contractual in nature or separable, then that intangible asset should be recorded. Mr. Uhl believes that a promise to give is a contractual obligation. Mr. Herz added that the EITF addressed whether customer relationships exist only if there is an existing contract or whether “contractually based” is a broader concept. The EITF’s conclusions on that issue were part of the Board’s consideration in developing the guidance in the Exposure Draft.

40. Mr. Mechanick commented that, in his experience, unrestricted, non-confidential donor lists are regularly rented or exchanged between not-for-profit organizations. He asked the participants whether their experiences were similar. Mr. Euwema responded that United Way’s donor information is often bound by confidentiality agreements and believes there would be substantial difficulty in determining the appropriate value of these lists. Although some not-for-profit organizations exchange these lists, others do not.

41. Mr. Tully commented that when measuring the value of a donor list, a market-based approach (as described in FASB Statement No. 157, *Fair Value Measurements*) or a type of expected cash flows model might be appropriate. Regardless of the valuation approach, the comparability of the data would be a factor to consider and judgment would be required to make any necessary adjustments to that data. Ms. Kassman noted that the purpose or type of the list would need to be considered when trying to determine its value. For example, a donor list for an alumni campaign is a different type of list than a donor list for a capital campaign. She believes there are some donor-related intangible assets that could not be and should not be valued, but at the same time recognizes that there are some that could be and should be valued and recognized in an acquisition.

Issue 4: Recognition of Goodwill

42. Mr. Uhl stated that the question of the appropriate recognition of goodwill comes back to complexity. Therefore, to the extent possible, he believes that the recognition requirements for goodwill by a not-for-profit organization should be consistent with the guidance for for-profit entities. However, in transactions in which no consideration is transferred and the liabilities assumed from the acquiree exceed the assets acquired, he questions whether the appropriate model is to record goodwill or a contribution made.

43. Ms. McIntosh commented that she believes that, conceptually, goodwill exists as an asset in a net deficit combination. It includes both a going-concern element, as well as the value of intangible assets that are subsumed into goodwill (that is, those that are not contractual-legal or separable and recognition exceptions). She stated that goodwill assigned to reporting units that are primarily supported by contributions should be written off for cost-benefit and practical reasons (not conceptual reasons). Goodwill assigned to reporting units that are primarily supported by resources other than contributions should be evaluated for impairment using the fair-value-based evaluation.

44. Ms. McIntosh noted that the reason why certain goodwill should be written off is that there is concern about the operationality, representational faithfulness, and decision usefulness of the information provided using the qualitative evaluation that is described in the Exposure Draft. She commented that the proposed model for the impairment of recognized goodwill is too subjective and that the impairment model should be principles-based. That is, the principle should be to write off goodwill if it is significantly impaired rather than requiring an analysis of the various triggers that could signal impairment. In developing the impairment evaluation guidance for goodwill for for-profit entities, she stated that the Board sought a model that was more robust than the impairment evaluation that was in FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. She believes that the qualitative evaluation for not-for-profit organizations is much less robust; it is basically the same impairment test that is required in APB Opinion No. 17, *Intangible Assets*, with some “bells and whistles” and without the ongoing amortization

requirement. Additionally, the types of triggers that signal impairment are definite-lived whereas goodwill is indefinite-lived. She stated that any answer for the subsequent accounting for goodwill is a trade off, but she believes the information provided by the qualitative evaluation is ineffective in communicating when an impairment has occurred.

45. Mr. Mechanick noted that some participants objected to the recognition of goodwill in a net deficit combination. Mr. Trott noted that net deficit situations would be a significant source of goodwill under the proposed requirements. Mr. Euwema and Ms. Kay commented that the motivation in a net deficit combination was not to protect creditors, but rather was to protect the reputation of other organization members and to continue providing services to the community. Ms. Kassman commented that many not-for-profit organizations work hard to settle their liabilities and commitments so that only assets remain when the merger is effected.

46. Ms. Allen indicated that most mergers she is familiar with involved net deficit situations in which one of the merging organizations made a contribution to the other in the net deficit position. This allowed the organization in the net deficit position to continue serving the community and fulfilling its mission. In those types of situations, the payables being protected are typically grant obligations and, to a lesser extent, long-term debt obligations and trade payables. Ms. Seidman commented that she believes many of those organizations felt that it was unacceptable to have default at the community level for an obligation. Ms. Allen and Mr. Euwema indicated that they both believe there would be a ripple effect if a default in a local community occurred.

47. Mr. Herz asked participants whether there were state fiduciary requirements that would require consideration if a “failing” organization was a going concern. Mr. Euwema responded that states may not mandate specific requirements in those circumstances, but they often look to see what controls and organizational risk management processes failed and why. Ms. Kay added that each state’s role often is to try to see what can be done to maintain the community services, which is often facilitated by starting a task force.

Issue 5: Accounting for Goodwill after the Acquisition Date

48. Ms. Garner disagreed with the proposed recognition requirements for goodwill following the acquisition and suggested that the acquisition date accounting and postacquisition date accounting for goodwill be considered together. In net deficit scenarios, the accounting should reflect the acquirer's rationale for entering into the merger. Recognizing goodwill would be appropriate in mergers that are economically motivated (for example, the acquisition of synergistic value). However, recognizing a contribution or a decrease in net assets would be appropriate in mergers that are mission motivated (for example, the acquirer's intent is to make a contribution).

49. Ms. Bielstein asked Ms. Garner whether AcSEC supports the split between organizations supported by fees (exchange transactions) and those supported by donations and investment income. Ms. Garner indicated that AcSEC does not distinguish between the funding sources for organizations. She believes it would be rare for goodwill to exist in a net deficit combination; rather, in most cases, the combination involves a decrease in net assets (contribution made). In the rare circumstance in which the net deficit combination involves goodwill, that value should be capitalized on the balance sheet. In that rare circumstance, AcSEC supports a quantitative approach in evaluating goodwill regardless of the source of the organization's primary support. Although specific criteria were not discussed, AcSEC believes that the acquirer's motivation for entering into the transaction would be clear. She noted that if the acquirer's motives were charitable, then the accounting should reflect that substance.

Issue 6: Other Key Areas

Opt-out Clauses

50. Ms. Garner stated that an opt-out clause allows an organization the option to unwind the merger within a specified period subsequent to the merger closing date. She commented that opt-out clauses generally last for as long as 3 years, with some lasting longer (up to 10 years). Opt-out clauses have not been a financial reporting issue in the past because most mergers are accounted for using the pooling method (carryover basis).

Applying the acquisition method would require the acquirer to measure the fair value of the acquired assets and assumed liabilities. The requirement to remeasure the acquiree's assets and liabilities raises questions about how to account for the unwinding of a merger. Ms. Garner observed that continuing to carry the stepped-up values for the assets and liabilities after the unwinding of the merger did not seem like an appropriate outcome.

51. Mr. Trott commented that it seems that unwinding a merger would be difficult, regardless of whether carryover basis or acquisition method accounting was used, because of subsequent transactions by the merged organizations. Mr. Herz echoed Mr. Trott's concerns and questioned how transactions made for the benefit of the combined organization would be separated. Ms. Garner responded that often the merging organizations are operated as separate subsidiaries and maintain separate records to meet regulatory requirements. That reporting structure makes information about the separate organizations more easily accessible in the event of the unwinding of a merger.

52. Ms. Bielstein asked whether there were any provisions that would place constraints on the parent-subsidary relationship, such as provisions that would prevent the parent from controlling the operations of the subsidiary until the expiration of the opt-out clause. Ms. Garner commented that specific opt-out provisions could affect the ongoing operations, but that those provisions would be unique to the transaction. Because of the lack of guidance and the Board's differences-based approach to this project, she suggested that the Board address opt-out clauses in the final Statement resulting from this project.

53. Ms. Seidman noted that opt-out clauses called into question the notion of control and, therefore, have implications for AICPA Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, and the not-for-profit and healthcare guides regardless of the not-for-profit mergers and acquisitions project. Ms. Garner agreed with Ms. Seidman's comments and believes that without further guidance, questions about the appropriate accounting for transactions with opt-out clauses will become prevalent. Ms. McIntosh commented that business combinations with opt-out clauses also occur in the for-profit world. Mr. Bossio and Ms. Bielstein noted that it

might be more appropriate to address this issue and the subsequent accounting issues it raises in a consolidation project. Ms. Garner stated that she believes the Board would not undertake a consolidation project prior to the issuing of a final Statement on mergers and acquisitions by not-for-profit organizations and should consider the need to address the issue prior to the issuance of that final Statement.

54. Mr. Uhl commented that requiring consolidation (and the fair value measurement of the assets and liabilities) in a merger with an opt-out clause may not be the answer. For example, a fair value remeasurement for a merger with an opt-out clause that is, in substance, a collaborative agreement with an option to “opt-in” on certain activities might not be appropriate. Mr. Uhl questioned whether control was achieved in those situations.

Other Intangible Assets

55. Mr. Mechanick raised a question about the suggestion AcSEC’s presented in its comment letter of allowing “tax exempt status” as an intangible asset. Ms. Garner commented that the AcSEC’s discussion focused on how the tax exempt status of a not-for-profit organization provides different economic benefits than a taxable status. AcSEC included tax exempt status in its letter to raise the question about whether those benefits associated with the tax exempt status would need to be valued in a merger. Ms. Garner noted, however, that she believes that this intangible asset does not meet the Board’s criteria for recognition apart from goodwill.

Use of the Existing Segment Guidance to Evaluate Goodwill Impairment

56. Ms. Kassman commented that KPMG has concerns about how operational the guidance for segment reporting would be for not-for-profit organizations. The issue for not-for-profit organizations is how to separate the organization into different reporting units when not-for-profit organizations traditionally view their organization as a single unit. She stated that the starting point should be the principal source of an organization’s funding (either primarily contributions and returns on investments or other sources). Then, an organization would try to determine the reportable units based on how the organization views itself, which might be difficult. Ms. Allen echoed Ms. Kassman’s

comments and expressed concern about the lack of familiarity not-for-profit organizations have with segment reporting (FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*). She commented that it would be difficult to allocate unrestricted funding to specific reporting units. Mr. Uhl commented that from a cost-benefit perspective, it might be better to develop a different model because the economics of a not-for-profit organization are typically different for a for-profit organization. Participants did not provide any specific suggestions about a more appropriate level of evaluating goodwill.

Other Topics

57. Ms. McIntosh commented that the proposed definition of a business in a not-for-profit context was very broad and would include transactions currently being accounted for as asset acquisitions. Ms. McIntosh expressed concern that the Board had not communicated to constituents the possible effects on transactions that are not historically viewed as a business combination. Ms. McIntosh also expressed concern over the use of the term *control* in the Exposure Draft. She commented that it was not used consistently and the terms *control* and *controlling financial interests* were confused in various sections (such as describing the acquisition date in paragraph 13). She noted that trying to link the legacy not-for-profit consolidation guidance to the Exposure Draft also created additional implications about the use of the term *control*.

58. Ms. Garner commented that AcSEC would like the Board to address the accounting by a not-for-profit organization for a minority interest in another not-for-profit organization. She commented that some minority interests in other not-for-profit organizations are currently being reported in the health care sector. She noted that the healthcare Guide provides guidance for minority interests in other not-for-profit organizations. However, the proposed accounting for a noncontrolling ownership interest in a subsidiary in Appendix D of the Exposure Draft does not apply to the accounting for minority interests in other not-for-profit organizations.

Follow-Up Items:

None.

General Announcements:

None.

ATTACHMENT A: MEETING AGENDA AND DISCUSSION QUESTIONS

FASB ROUNDTABLE MEETING AGENDA Mergers and Acquisitions by a Not-for-Profit Organization

**March 27, 2007
9 a.m.–12 p.m.**

Norwalk, Connecticut

Focal Areas

1. “True mergers” among not-for-profit organizations
 - a. Appropriateness of the proposed acquisition method
 - b. Criteria to distinguish “true mergers” from acquisitions
 - c. Alternative methods suggested by respondents
2. Certain “small” not-for-profit organizations considerations
 - a. Appropriateness of the proposed acquisition method
 - b. Criteria to identify or define certain “small” not-for-profit organizations
 - c. Alternative methods suggested by respondents or other alternatives to reduce costs if acquisition method is required
3. Recognition of donor-related intangible assets
4. Recognition of goodwill
 - a. Net-deficit (“bailout”) transactions
 - b. Acquirees that are supported by contributions and returns on investment
 - c. Full goodwill (measuring the acquiree at fair value, as a whole) for business-like not-for-profit organizations
5. Accounting for acquired goodwill after the acquisition date
 - a. Write-off certain goodwill
 - b. Evaluate for impairment: Qualitative and Quantitative Methods

Other Key Areas

6. Definition of a *business* and a *nonprofit activity*
7. Unique not-for-profit organization considerations related to certain identifiable assets acquired and liabilities assumed
8. Reliance on existing consolidation requirements and use of *control*
 - a. Opt-out clauses
 - b. Conflicts between AICPA SOP 94-3 and the Health Care Guide
 - c. Noncontrolling interests in not-for-profit health care organizations
9. Use of the existing segment guidance to determine reporting units
10. Other issues or concerns of participants

FASB ROUNDTABLE MEETING DISCUSSION QUESTIONS

Mergers and Acquisitions by Not-for-Profit Organizations

March 27, 2007

The FASB's 2006 Exposure Drafts, *Not-for-Profit Organizations: Mergers and Acquisitions* (NFP M&A Exposure Draft), and *Not-for-Profit Organizations: Goodwill and Other Intangible Assets Acquired in a Merger or Acquisition* (NFP Goodwill Exposure Draft), were issued to solicit comments on proposed improvements to the accounting and disclosures for mergers and acquisitions by not-for-profit organizations. The proposals reflect the Board's commitment to the not-for-profit community's reporting needs and to ensure that financial statement users have access to decision-useful information.

The following discussion questions will be used as a guide for the roundtable meeting. However, the FASB will allow time for participants to raise additional issues at that meeting.

FOCAL AREAS

ISSUE 1—“TRUE MERGERS” AMONG NOT-FOR-PROFIT ORGANIZATIONS

The NFP M&A Exposure Draft reflects the FASB’s belief that virtually all mergers and acquisitions are, in substance, the acquisition of net assets. Paragraph 2 of the NFP M&A Exposure Draft proposes that the acquisition method be applied to “any event that results in the initial recognition of another business or nonprofit activity (acquiree) in the financial statements of a not-for-profit organization.” Those transactions include a merger of a not-for-profit organization’s net assets with those of one or more organizations, as well as an acquisition of a business or nonprofit activity by purchase, contribution, or other means. The Board concluded that using a single method of accounting—the acquisition method—results in similar transactions and events being accounted for similarly, improving the relevance, faithful representation, comparability, and understandability of financial information about mergers and acquisitions by not-for-profit organizations.

The NFP M&A Exposure Draft proposes to eliminate the pooling-of-interests method (pooling method) for transactions in which an organization obtains control of and initially consolidates another business or nonprofit activity. The NFP M&A Exposure Draft proposes that the accounting for transactions and events in which an organization does **not** control and consolidate a business or nonprofit activity be unaffected. For example, an organization that participates in the formation of a joint venture would not apply the acquisition method to that formation because it does not control and consolidate the venture.

The Board considered whether the reasons that support the use of the acquisition method for business combinations also apply to all mergers and acquisitions by not-for-profit organizations. In developing this proposed Statement, the Board also studied transactions that some might describe as “true mergers” or “mergers of equals.” The Board acknowledged that the application of the fresh-start method in those “true merger” circumstances would be a more faithful representation, which would increase the benefits

to users of the financial statements. However, the Board concluded that those benefits are outweighed by the disadvantages of creating and maintaining two different methods of accounting and the potential cost of constant revaluation for those organizations that undergo a series of mergers. The Board's main concern about using two methods is the difficulty of drawing unambiguous and nonarbitrary boundaries between circumstances in which the acquisition method or the fresh-start method should be applied. Additionally, the Board is concerned that requiring two methods of accounting could maintain a potential for accounting arbitrage.

Question 1(a)—Do you agree with the FASB's decision to apply the acquisition method to all transactions in which an organization obtains control of and initially consolidate another business or nonprofit activity? If not, why?

Question 1(b)—If you support a different accounting method for certain mergers and acquisitions by not-for-profit organizations, what criteria would you use to define those transactions and what method do you believe would be more appropriate?

ISSUE 2—CERTAIN “SMALL” NOT-FOR-PROFIT ORGANIZATIONS CONSIDERATIONS

The NFP M&A Exposure Draft proposes that **all** not-for-profit organizations apply the acquisition method to any merger or acquisition, regardless of their size or primary source of support.

Question 2(a)—Do you agree with the FASB’s decision to require the same accounting for all mergers and acquisitions not-for-profit organizations, regardless of their size or primary source of support? If not, why?

Question 2(b)—If you support a different accounting method for certain mergers and acquisitions by not-for-profit organizations, what criteria would you use to define those organizations and what method do you believe would be more appropriate?

Question 2(c)—Are there ways that the FASB could reduce the costs of the application of the acquisition method for “smaller” not-for-profit organizations without substantially reducing the benefits of applying the acquisition method to those transactions?

ISSUE 3—RECOGNITION OF DONOR-RELATED INTANGIBLE ASSETS

The NFP M&A Exposure Draft proposes that the acquirer recognize separately the acquisition date fair values of **identifiable** intangible assets acquired in a merger or acquisition, with the exception of an assembled workforce. An intangible asset is identifiable if it either:

- a. Arises from contractual or other legal rights regardless of whether they are separable from the entity (the contractual-legal criterion); or
- b. Is capable of being separated or divided from the acquired entity and sold, transferred, licensed, rented, or exchanged (regardless of whether there is an intent to do so) either individually or in combination with a related contract, asset, or liability (the separability criterion).

That proposal includes separate recognition of donor-related intangible assets acquired in a merger or acquisition that meet either the contractual-legal criterion or the separability criterion.

Donor Lists

A donor list consists of information about donors, such as their names and contact information. Paragraph A23 of the NFP M&A Exposure Draft indicates “that a donor list acquired in a merger or acquisition by a not-for-profit organization would not meet the separability criterion if the terms of confidentiality or other agreements prohibit an entity from selling, leasing, or otherwise exchanging information about its donors.”

Donor Relationships

A donor relationship exists between an entity and its donor if the entity has information about the donor, has regular contact with the donor, and if the donor has the ability to make direct contact with the entity. Paragraph A26 of the NFP M&A Exposure Draft indicates that “generally both the donor and customer contracts and the related relationships acquired in a merger or acquisition meet the contractual-legal criterion. That will be the case even if confidentiality or other contractual terms prohibit the sale or transfer of a contract separately from the acquiree.”

Question 3(a)—Do you agree that donor-lists that meet either the contractual-legal criterion or the separability criterion should be recognized? If not, why?

Question 3(b)—Do you agree that donor-relationships that meet either the contractual-legal criterion or the separability criterion should be recognized? If not, why?

ISSUE 4—RECOGNITION OF GOODWILL

The NFP M&A Exposure Draft proposes that the acquirer recognize either the goodwill purchased or the contribution inherent in the merger or acquisition. The requirement to recognize inherent contributions is consistent with FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, which requires that contributions received be recognized as assets (or reductions in liabilities). In some mergers or acquisitions, an acquirer may receive either a full contribution or a partial contribution of an acquiree. Current practice often results in no recognition of goodwill or contributions received in a merger or acquisition. Thus, the application of this proposed Statement would result in additional information about the goodwill acquired and contributions received.

The NFP M&A Exposure Draft proposes that goodwill and the contribution received be calculated and measured as a residual value, rather than measured at fair value:

Goodwill would be measured as the amount by which the fair value of the consideration transferred (if any) exceeds the net of the acquisition date values of the identifiable assets acquired and liabilities assumed. For transactions that occur without any transfer of consideration, goodwill would be measured as the amount by which the acquisition date value of the liabilities assumed exceed the identifiable assets acquired.

The **contribution** received in the merger or acquisition would be measured as the amount by which the acquisition date values of the identifiable assets acquired exceed the consideration transferred (if any) and the liabilities assumed.

The acquirer would not be required to measure the fair value of the acquiree as a whole, which is a departure from the proposed requirements for for-profit business combinations. The Board decided that departure is appropriate to avoid the difficulties and costs that otherwise would be incurred to measure the acquisition date fair values of certain acquired organizations and for simplicity. For example, the application of other valuation approaches could be significantly more problematic for acquired organizations with an absence of available and comprehensive comparable market transactions for similar nonprofit activities and an absence of a profit-driven “business” motive. The departure for not-for-profit organizations could result in recognition of less goodwill and less contribution revenue in those acquisitions that are in the form of a contribution.

Question 4(a)—In mergers and acquisitions in which consideration is transferred, do you agree that the acquirer should limit its recognition of goodwill to the amount that is purchased? If not, what would you suggest and why?

Question 4(b)—Do you agree that the acquirer should recognize goodwill in a net-deficit merger or acquisition (a merger or acquisition in which the liabilities assumed exceed the identifiable assets acquired)? If not, what would you suggest and why?

Question 4(c)—Do you agree that the acquirer should recognize goodwill in a merger or acquisition in which the acquiree is primarily supported by contributions and returns on investments? If not, what would you suggest and why?

ISSUE 5—ACCOUNTING FOR ACQUIRED GOODWILL AFTER THE ACQUISITION DATE

For purposes of evaluating goodwill for impairment, the NFP Goodwill Exposure Draft proposes that a not-for-profit organization determine and assign acquired assets and assumed liabilities to reporting units. The NFP Goodwill Exposure Draft proposes that goodwill that is assigned to reporting units be evaluated for impairment using one of the following evaluations:

Qualitative Evaluation—For those reporting units that are primarily supported by contributions and returns on investments, a qualitative evaluation described in the NFP Goodwill Exposure Draft would apply. That impairment evaluation would require a not-for-profit organization to:

- a. Identify the reasons why goodwill arose in the merger or acquisition at the acquisition date and identify specific events that would indicate that the acquired goodwill subsequently has become impaired.
- b. Determine whether any identified events occurred. If any identified events occurred, an organization would recognize an impairment loss equal to the carrying amount of goodwill related to that acquisition. If no identified impairment event has occurred, an organization would not recognize a change to the carrying amount of goodwill assigned to a reporting unit for that acquisition.

Fair-Value-Based Evaluation—For those reporting units that are primarily supported by resources other than contributions and returns on investments, a fair-value-based evaluation (the impairment evaluation currently required for business entities by FASB Statement No. 142, *Goodwill and Other Intangible Assets*) would apply.

Therefore, for reporting units that are primarily supported by contributions and returns on investments, the goodwill impairment evaluation would depart from the approach in Statement 142 and a different impairment evaluation would be required. The Board is considering that departure primarily for cost-benefit reasons.

Question 5(a)—Do you agree with the departure from the goodwill impairment evaluation in Statement 142 for reporting units that are primarily supported by contributions and returns on investments? If not, what would you suggest and why?

Question 5(b)—Do you agree that the proposed qualitative evaluation is operational for the intended reporting units and will adequately identify a significant impairment of goodwill in the correct period? If not, what would you suggest (for example, improvements to the guidance, write-off of certain goodwill) and why?

OTHER KEY AREAS

ISSUE 6—DEFINITION OF A *BUSINESS* AND A *NONPROFIT ACTIVITY*

The NFP M&A Exposure Draft distinguishes between an acquisition of a business or nonprofit activity and a purchase or contribution of a group of assets. The NFP M&A Exposure Draft proposes to define a business and a nonprofit activity as follows:

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing economic benefits in the form of a return to investors. Those returns are reflected in the market price of the equity interests or through dividends or through other forms, such as lower costs that are provided directly and proportionately to owners, members, or participants. A business often is, but need not be, a separate legal entity. [paragraph 4(d)]

A nonprofit activity is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing benefits, other than goods or services at a profit or profit equivalent, as a fulfillment of an organization's purpose or mission (for example, goods or services to beneficiaries, customers, or members). As with a not-for-profit organization, a nonprofit activity possesses characteristics that distinguish it from a business or a for-profit business entity. A nonprofit activity often is, but need not be, a separate legal entity. [paragraph 4(p)]

The definition of a business is consistent with the definition in the guidance proposed for for-profit acquirers. Currently, the definition of a business in EITF Issue No. 98-3, "Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business," is used to determine whether the net assets acquired constitute a business. The definition proposed in the NFP M&A Exposure Draft is broader than the Issue 98-3 definition and would result in more transactions being accounted for as mergers and acquisitions.

Question 6—Do you agree with the broader definition of a business (and the corresponding definition of a nonprofit activity)? If not, why?

ISSUE 7—UNIQUE NOT-FOR-PROFIT ORGANIZATION CONSIDERATIONS RELATED TO CERTAIN IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

The NFP M&A Exposure Draft proposes to require a not-for-profit acquirer to recognize (with certain exceptions) the identifiable assets acquired and liabilities assumed that compose the acquiree and to measure them at their acquisition date fair values.

Question 7—Are there specific types or unique aspects of intangible assets (other than donor-relationships), tangible assets, or liabilities that are prevalent in not-for-profit organizations that the Board should further consider?

ISSUE 8—RELIANCE ON EXISTING CONSOLIDATION REQUIREMENTS AND USE OF *CONTROL*

The NFP M&A Exposure Draft proposed to require a not-for-profit organization to account for any event that requires an organization to consolidate a previously unconsolidated entity as a merger or acquisition. It also proposed to retain the existing guidance used by a not-for-profit organization in determining whether another entity should be consolidated. That guidance, which includes AICPA Statement of Position (SOP) 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, and AICPA Audit and Accounting Guide, *Health Care Organizations*, describes circumstances in which consolidation is not required or is prohibited. This proposed Statement would **not** change that existing guidance.

Consistent with the approach in FASB Statement No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, the NFP M&A Exposure Draft proposes **no** changes to the definition of control. Rather, the NFP M&A Exposure Draft includes references to existing consolidation guidance and includes the definition of control from that existing guidance:

Control is “the direct or indirect ability to determine the direction of management and policies through ownership, contract, or otherwise” (paragraph 20 of AICPA Statement of Position (SOP) 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, and paragraph 11.08 of AICPA Audit and Accounting Guide, *Health Care Organizations*). [paragraph 4(i)]

Question 8(a)—Are there conflicts in or necessary clarifications or improvements in the existing consolidation guidance that you believe the Board should consider within this project?

Question 8(b)—Several comment letters referred to “opt-out clauses” in mergers and acquisitions by not-for-profit organizations. How do those clauses affect the current accounting in practice and, more specifically, the determination of the initial consolidation date? What suggestions, if any, would you recommend the Board consider in applying the proposed requirements to mergers and acquisitions with opt-out clauses?

ISSUE 9— USE OF THE EXISTING SEGMENT GUIDANCE TO DETERMINE REPORTING UNITS

For purposes of evaluating goodwill for impairment, the NFP Goodwill Exposure Draft proposes to require that a not-for-profit organization determine and assign acquired assets and assumed liabilities to reporting units.

Statement 142 requires that the relevant provisions of FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*, and related interpretive literature be used to determine the reporting units in evaluating goodwill. Statement 131 excludes not-for-profit organizations from its requirements to report information about its operating segments. Nevertheless, the NFP Goodwill Exposure Draft proposes that a not-for-profit organization apply the guidance in Statement 131 for determining its reporting units because the Board concluded that such guidance is relevant to not-for-profit organizations and is helpful in determining their operating segments.

Question 9—Do you agree with the proposed requirement to assign acquired assets and assumed liabilities to reporting units based on the operating segments of a not-for-profit organization? If not, why and what alternative would you suggest?

ATTACHMENT B: MEETING PARTICIPANTS

Participant List

Participants

<u>Participants</u>		<u>Comment Letter No.</u>
Elaine Allen	Ernst & Young	M&A #21, GW #20
Kenneth Euwema	United Way of America	M&A #4, GW #5
Garey Fuqua	Fitch Ratings (Health Care)	—
Martha Garner	AcSEC, PricewaterhouseCoopers	M&A #23, GW #21 M&A #16 (same as GW #16)
Ilene Kassman	KPMG	M&A #8 (same as GW #8)
Malvina Kay	Independent Sector	—
Ann McIntosh	Grant Thornton	M&A #13, GW #13
Rosanna O'Guynn	Individual	GW #1
Mark Pascaris	Moody's Investors Service (by phone)	—
Bob Uhl	Deloitte & Touche	M&A #12, GW #9

FASB

Bob Herz	Board Chairman
Mike Crooch	Board Member
Leslie Seidman	Board Member
Ed Trott	Board Member
Donald Young	Board Member
Sue Bielstein	Director of Major Projects and Technical Activities
Ron Bossio	Senior Project Manager
Jeffrey Mechanick	Project Manager
Alicia Posta	Project Manager
Mike Tully	Fellow
Andrew Delmonico	Postgraduate Technical Assistant