



# District of Columbia Institute of Certified Public Accountants

*Incorporated 1923*

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January 17, 1996

Director of Research and Technical Activities  
Financial Accounting Standards Board  
File Reference 154-D

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**Letter of Comment No: 133**  
**File Reference: 1082-154**  
**Date Received: 1/24/96**

Dear Sir:

The Accounting Principles Committee of the District of Columbia Institute of Certified Public Accountants has reviewed the Proposed Statement of Financial Accounting Standards "Consolidated Financial Statements: Policy and Procedures" and offer the following comments.

The Committee found it appropriate to include not-for-profit entities in the scope of this proposed standard. However, the members of the Committee who have not-for-profit clients expressed the concern that consolidating a charity with the sole foundation from which a majority of the charity's income is derived may have the unintended effect of hindering the charity's ability to raise money through its foundation, since the consolidated entity's financial position would appear dramatically better than the charity's financial position alone. Although the Committee does not recommend that the Board give an exception in these instances, it does expect that certain entities will attempt to structure its fundraising foundations in ways to avoid consolidation, the effects of which might be lost comparability.

The Committee agreed with the proposal that a subsidiary should not be consolidated if control is temporary at the date it becomes a subsidiary. Moreover, the Committee recognizes that disposition of a newly acquired subsidiary may take longer than one year. However, a majority of the Committee recommended that the one-year exception be eliminated altogether while other members recommended that the one-year exception not apply when management has decided, but is not obligated, to relinquish control. The Committee felt that the

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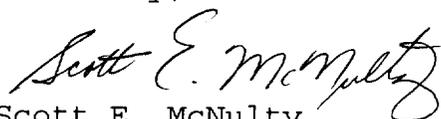
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one-year exception is too arbitrary and not requiring consolidation in instances when management is not obligated to relinquish control could put an auditor in the position of evaluating the likelihood and timing of disposition. If the Board decides to keep the one-year exception, the Committee recommends that the parent disclose the specific reason(s) why any unconsolidated subsidiaries were not disposed of within one year, assuming the disposition had not taken effect at the time the financial statements were issued.

Sincerely,

A handwritten signature in cursive script that reads "Scott E. McNulty". The signature is written in black ink and is positioned above the printed name.

Scott E. McNulty  
Committee Member