DIOCESE OF CHARLOTTE PASTORAL CENTER

1500-100R

LETTER OF COMMENT NO. 3

July 3, 2008

Financial Accounting Standards Board
Technical Director
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1500-100R

Ladies and Gentlemen:

The Accounting Practices Committee of the United States Conference of Catholic Bishops (USCCB) is pleased to offer its comments on the Board's proposed revision to the October 2006 proposed Statement, *Not-for-Profit Organizations: Mergers and Acquisitions.*

Our response is on behalf of 195 (Arch) dioceses and 634 religious institutes of the USCCB, Leadership Conference of Women Religious, and Conference of Major Superiors of Men. These organizations operate and sponsor thousands of religious, educational, charitable and other not-for-profit entities throughout the United States collectively known as the Catholic Church.

The USCCB Accounting Practices Committee consists of eleven members with an (Arch) diocesan affiliation, four members representing religious orders, and four advisors from certified public accounting firms.

The Committee has discussed the aforementioned document and wishes to respond to your request of May 9 for additional comments. First, we appreciate the fact that you are seeking additional comments in light of the previously submitted written responses and the suggestions received at the round-table meeting. We believe that the new proposal involving the ceding of control is a step forward as we believe true mergers can, and do, occur in the world of not-for-profit organizations even though, in the business world, all transactions of a similar nature would be treated as acquisitions.

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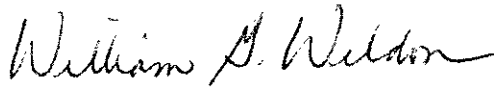
When we studied the request for additional comments and the five questions presented, we felt that all five of the questions, as well as many points in your paper, hinged on an adequate definition of a merger. We believe that a definition should be developed to address the concerns and reservations mentioned in your paper without a long list of conditions or requirements. We propose the following definition of a not-for-profit merger for your consideration.

> A merger is the joining together of two or more previously independent not-for-profit entities by ceding the control each one formerly had to a single new (or re-constituted) not-for-profit entity, with none of the prior entities retaining either a withdrawal right or more than 50% representation on the new governing body, and with no donation or acquisition of net assets among the prior entities during or immediately preceding the process of joining together.

The advantages we see in this definition are that it excludes joint ventures and any other temporary arrangements, and it prevents dominance by any one party of the merger. We believe this definition substantially reduces the risk of an acquisition being incorrectly recorded as a merger.

Thank you for your attention and consideration of our comments. If we can be of any further input or assistance, please do not hesitate to contact me.

Very truly yours,



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