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December 13, 2011

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

Re: Proposed Accounting Standards Update - Technical Corrections
File Reference No. 2011-190

Technical Director:

We appreciate the opportunity to respond to the Financial Accounting Standards Board (Board) Proposed Accounting Standards Update - Technical Corrections, which was released October 14, 2011.

We commend the Board and its staff for the proposed amendment being released related to reoccupancy contracts, which are prevalent in the Continuing Care Retirement Community (CCRC) industry. We generally agree with the proposed amendment. Paragraphs 3, 46 and 47 of Section A of the proposed amendment discusses that in order for a refundable fee to be treated as deferred revenue, amortized over the life of the facility, any refund payable must be limited to the proceeds of the reoccupancy of the unit. We agree the proposed amendment is representationally faithful of the economics of the transaction. Pursuant to Question #3 in your request for comment, we would like to submit some additional suggestions for your consideration.

Paragraph 3 provides transition guidance as it relates to the issue described above; however, it does not specify an implementation date. In addition, paragraph 3 indicates that initial application of this guidance should be treated as either a change in accounting principle or correction of an error. As evidenced by the comment letters that were submitted to the AICPA on the draft Audit and Accounting Guide - Health Care Entities, the CCRC industry as a whole has struggled with the revenue recognition of reoccupancy contracts. Because of the extent of current diversity in practice, we believe the changes proposed in paragraphs 46 and 47 should generally be treated as a change in accounting principle and not an error correction. We propose the language regarding an error correction be removed. In addition, it would be beneficial to articulate an effective date for this change in accounting principle.

Paragraph 46 is very clear to indicate "to be able to treat a refundable fee as deferred revenue that is amortized over the life of the facility, any refund payable must be limited to the proceeds of reoccupancy of the unit, and it must be the entity's policy or practice to comply with that limitation." (Emphasis added.) Under paragraph 47, the language under the subsequent measurement section currently states "all or a portion of the advance fee may be refundable if the contract holder's unit is reoccupied by another person, the resulting deferred revenue shall be amortized to income over future periods based on the remaining useful life of the facility." We believe additional clarity would be provided if the subsequent measurement section used the same terminology that any refund payable must be limited to the proceeds of reoccupancy of the unit.

Lastly, the language in paragraphs 46 and 47 states a refund must be limited to the proceeds of reoccupancy of the unit, but it does not address that this language should be implicit in the contract with the resident. We believe that additional clarity would be provided if the guidance addressed that a contract with the resident of a CCRC needs to include that the refund payable will be limited to the proceeds of the reoccupancy of the unit.

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We appreciate the opportunity to express our views for the Board's consideration.

Sincerely,

BKD, LLP

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