



LETTER OF COMMENT NO. 3

January 25, 2007

File Reference 1500-100

Technical Director  
Financial Accounting Standards Board  
of the Financial Accounting Foundation  
401 Merritt 7  
PO Box 5117  
Norwalk, CN 06856-5116

Via email – [director@fasb.org](mailto:director@fasb.org)

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

Dear Technical Director:

The Accounting and Auditing Standards Committee of the Maryland Association of Certified Public Accountants has reviewed and discussed the above mentioned exposure draft. Our committee contains a diverse range of academics, practitioners and industry members and we were able to discuss this matter from a variety of different perspectives.

Question #1

Yes, the objectives in this proposed Statement are appropriate for all mergers and acquisitions by a not-for-profit organization, except as noted in our responses to subsequent comment questions.

Question #2

The proposed definition of a merger or acquisition is too broad. Reference should be made to SOP 94-3 and the health care Guide.

Question #3

Yes, we believe it is appropriate to retain the existing guidance.

Question #4

Yes, the definitions of a business and a nonprofit activity are appropriate.

Question #5

Yes, the factors identified are appropriate.

Question #6

Yes, the requirement is appropriate.

Questions #7

Yes, we agree that identifiable donor-related intangible assets can be measured with sufficient reliability to be recognized separately from goodwill.

Question #8

Yes, the departures from recognition and measurement requirements are appropriate.

Question #9

We could not identify any additional types of intangible assets to be included as examples.

Question #10

Yes, the requirement is appropriate.

Question #11

*At first, we were not sure of comparability of FASB Statement No. 116 and the proposed Statement No. 141-R with regard to circumstances where the fair market value of the net assets are greater than the consideration received (i.e., inherent contribution for a Not-for-Profit vs. bargain purchase treatment for a for-profit). After considerable discussion and research, we decided it was not an issue. The way this particular segment of the draft was presented was not very clear.*

In most instances, there seems to be symmetry between 141-R, 116 and this proposed exposure draft. However, the symmetry ends in the presumption that the difference should be recognized as a gift. Instead, consideration should be given to recognizing it as extraordinary income or other income in the case of involuntary conversions. During our discussion, we considered the tax consequences, such as reporting on the 990.

Question# 12

We agree with the measurement period concept and we concur that the one year limit is adequate.

Question #13

We agree that the guidance provided is appropriate. Our recommendation would be to research the work of the Emerging Issues task force to determine if the for-profit guidance is similar and consistent with this treatment.

Question #14

Yes, we agree with the disclosure objectives.

Question #15

Yes, we agree that the disclosures for public entities would be useful.

Question #16

It has been our collective experience that noncontrolling ownership interests in a NFP's consolidated financial statements is not prevalent, and in fact, is very rare.

We like the fact that the guidance mirrors the minority interest treatment of for-profit entities. We do not like the "boiler-plate" approach and would prefer to see it pared down, possibly using references to for-profit guidance and giving examples specific to NFPs. Could the guidance be simplified and disclosure requirements made more general by using principles-based criteria?

Question #17

No, we do not agree on the presentation requirements. We would like to offer three possible suggestions:

1. Make these types of disclosures applicable to publicly-traded acquirer's only.
2. Make the disclosures applicable to NFPs of a "certain size" using thresholds of revenue or other benchmarks.
3. Require these disclosures when they would be meaningful for proper understanding of financial statements for the users.

Yes, we agree with the accounting for noncontrolling ownership interests in a NFPs consolidated financial statements and for the loss of control of subsidiaries. The examples in the exposure draft were appropriate and clear.

Question #18

See our overall comments. We agree with the expected benefits mentioned in the exposure draft. There will definitely be an increase in accounting and auditing fees for NFPs.

*The committee appreciates the opportunity to comment on the exposure draft of the Proposed Statement of Financial Accounting Standards, Not-for-Profit Organizations: Mergers and Acquisitions.*

Sincerely yours,

Shirley A. Appleby, CPA  
Chair, Accounting and Auditing Standards Committee