

DIOCESE OF CHARLOTTE PASTORAL CENTER

June 25, 2010

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

RE: File Reference No. 1770-100

Dear Mr. Golden:

The Accounting Practices Committee of the United States Conference of Catholic Bishops (USCCB) is pleased to offer its comments on the proposed Statement of Financial Accounting Concepts titled Conceptual Framework for Financial Reporting: The Reporting Entity.

Our response in on behalf of 195 (arch)dioceses and approximately 600 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 fiscal officers from (arch)dioceses throughout the United States, four members representing religious orders, and five advisors from public accounting firms.

Although the exposure draft is addressed to commercial entities, we note that the draft indicates that the Board intends to consider its applicability to not-for-profit entities. We appreciate the attentiveness to that possibility even at this early stage of development.

Nevertheless we trust that, in accordance with the Board's due-process procedures, any extension to not-for-profit entities of a concept statement that may result from the current process will be the subject of a new exposure draft on which we may comment in detail.

The Committee discussed many aspects of the current exposure draft, but has decided not to comment on most of them now because the draft is focused on commercial entities. However, three areas of concern did stand out: control, combined reports, and the status of concepts statements. Our comments on these issues follow:



A. Control (Paragraphs RE 7, RE 8, BC 11, and BC 22). The Committee is concerned about the concept of control in this exposure draft as well as in subsequent standards that may be produced in accordance with these concepts. Paragraph RE7 defines control as the power to direct the activities of another entity to generate benefits for (or limit losses to) the controlling entity. As was promulgated in FSP SOP 94-3-1 (now superseded), the implicit assumption in this exposure draft may be that the power to direct activities of another entity is a function of having the ability to appoint or elect a majority of the members of the governing board of another entity. Especially in international organizations, including certain church-related not-for-profit entities, that may not always be true.

Because of significantly differing civil laws from country to country—and, within the United States, from state to state—international organizations may make use of various civil structures that are available in each jurisdiction in which they operate. But they may also have internal law that more accurately and consistently expresses their organizational structures. This code of internal law would be a better gauge of control when it clearly stipulates the power of one entity in relation to another.

In 2007, the Committee made this point in commenting on an exposure draft of FSP SOP 94-3-1. We suggested that consideration be given to a definition of control that included consideration of an entity's internal law and, thus, did not depend exclusively on the ability to elect or appoint a majority of the members of the organization's governing board.

B. Combined Reports (Paragraphs RE 12 and BC 25). Combined reports are sometimes issued by a group of entities that are not necessarily subsidiaries of a common parent, but rather have other common denominators, e.g., doing similar work, having a common mission, common funding sources, etc., in order to report the totality of activity of the entities sharing a common denominator. The reports of the individual entities that are included in the combined reports would not be as meaningful in reporting on the total activity as it relates to a single area of concern. We believe this is a legitimate use of a combined report that should continue to be an option when the entities concerned believe that the issuance of such a report would be appropriate.

The current draft seems to take a different position. It appears that a combined report would be appropriate only in the case of subsidiaries reporting, without including the controlling or parent entity. Thus, every included entity would have to be a subsidiary of the same entity (which is not included in the statements, but presumably identified in the supporting notes). If the meaning of 'combined' reflected in the draft stands, we believe this would be an undue narrowing of the definition of a combined report.

C. Status of Concept Statements (Paragraphs P 12 and P 14). Initially we are inclined to agree that the elevation of concept statements to authoritative status would be a sound decision. But we also believe that this is too significant a decision to be made without due-process evaluation by all FASB constituents. Upgrading would change procedures that have been in effect since the 1970's. Since its inception, FASB has issued seven concept statements with the understanding that they were not new

accounting standards but indicators of the directions in which FASB would be moving in the future. Would an upgrade apply to any or all of the earlier concept statements, or would an upgrade be limited to concept statements produced in relation to the convergence efforts of IASB and FASB (as is the draft concept statement now under discussion)? If an upgrade of concept statements were to be all-inclusive, we believe there should be a full due-process procedure. If, however, an upgrade excludes the previously issued concept statements, we think that a less cumbersome process, perhaps an invitation to comment addressed to all interested parties, would be appropriate and sufficient. In either case, we believe that the relationship between standards and any upgraded concept statements will need clarification.

Thank you for your attention and consideration of these matters of concern to our Committee. If you have any questions about these comments, we would be glad to discuss them further with you.

Very truly yours,

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