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Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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Via Email to *director@fasb.org*

Re: **File Reference No. EITF-12B**, Proposed Accounting Standards Update (ASU), *Not-For-Profit Entities: Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation*.

Dear Technical Director:

We appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB) Proposed Accounting Standards Update (ASU), Not-For-Profit Entities: Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation. We are supportive of the FASB's efforts to address the divergent application of accounting guidance in this area. In that regard, we have included in this letter responses to the "Questions for Respondents" posed in the proposed ASU. Our responses to the questions raised in the document follow.

Question 1: Do you agree that the scope of this proposed Update should be limited to the standalone financial statements of not-for-profit entities that receive personnel services from an affiliate, that is, a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the recipient not-for-profit entity? If not, please explain why.

We have observed that in certain instances, a not-for-profit entity may be included in a reporting group that issues combined or consolidated financial statements, yet the affiliate providing the personnel services outlined in the proposed ASU is not included within that reporting group. Since the financial statements of the combined or consolidated group do not appear to be standalone statements under the proposed ASU, it appears the not-for-profit entity in this situation would be excluded from the scope of the proposed ASU. As such, we recommend clarifying the proposed ASU to address such instances.

Question 2: Do you agree that a recipient not-for-profit entity should recognize all personnel services received from an affiliate that directly benefit the recipient not-for-profit entity (that is, are similar to personnel directly engaged by the recipient not-for-profit entity) but for which the affiliate does not seek compensation for the services provided? If not, please explain why.

Yes, we believe the proposed guidance allows the users of the financial statements to better understand the monetary value of the resources provided and related expenses for program services and supporting activities provided by the affiliate and its overall impact to the entity's operations. We believe this information is relevant to the users of not-for-profit entities' financial statements, particularly donors and grantors, in comparing various not-for-profit operations.

Question 3: Do you agree that a recipient not-for-profit entity should measure the personnel services received from an affiliate at the cost incurred by the affiliate? Furthermore, do you agree that, at a minimum, cost should include all direct personnel costs (for example, compensation and any payroll-related fringe benefits) incurred by the affiliate in providing the services to the recipient not-for-profit entity? If not, please explain why.

Yes, we agree cost is the appropriate measurement to use for personnel services received from an affiliate. Further, to record the value of these services using an alternative measurement (i.e. fair value) as opposed to cost would potentially be burdensome to some not-for-profit entities. In addition, using an alternative method such as fair value may also result in diversity due to the complexity of applying the fair value model in certain instances.

The proposed ASU also indicates that a not-for-profit entity should include all direct personnel costs at a minimum in its measurement. Therefore, some not-for-profit entities may only record the direct cost minimum, while others may record direct costs plus indirect costs (i.e. allocation of overhead costs) which could impact comparability and may create further diversity in practice. We recommend limiting the proposed ASU to direct costs only. While we recommend a single approach, we understand that some NFP entities may have the ability to accurately measure direct and indirect costs. If the Board believes it is preferable to allow either approach, we recommend that additional financial statement disclosure requirements be considered to define the types of personnel costs provided by an affiliate.

Question 4: Do you agree that a recipient not-for-profit entity that presents a performance indicator (such as a not-for-profit business-oriented health care entity) should report the increase in net assets associated with personnel services received from an affiliate and for which the affiliate does not seek compensation as an equity transfer, regardless of whether those personnel services are received from a not-for-profit affiliate entity or a for-profit affiliate entity? If not, please explain why.

Yes, we agree, that the benefit of providing a not-for-profit business-oriented entity with personnel services should not result in reportable revenues included within the performance indicator. Doing so would not be commensurate with similar for-profit entities.

Question 5: For a recipient not-for-profit entity that does not present a performance indicator, do you agree that presentation guidance should not be prescribed for the increase in net assets associated with personnel services received from an affiliate other than prohibiting reporting as a contra-expense or a contra-asset? If not, please explain why.

Yes, we agree that aside from prohibiting the presentation of these services as contra-expense or as a contra-asset, no additional presentation guidance is needed for entities that do not present a performance indicator.

Question 6: Do you agree that, except for the related party disclosures in Subtopic 850-10, no other recurring disclosures should be required for a not-for-profit entity that receives personnel services from an affiliate? If not, please explain why.

As noted in our response to Question 3, if the FASB retains the minimum measurement requirements regarding these services, we believe expanded disclosure requirements should be considered.

Question 7: Do you agree that a recipient not-for-profit entity should apply the proposed amendments prospectively? If not, please explain why.

Although we believe that the modified retrospective approach is the preferred approach due to the importance of providing comparative information to the financial statement users, we understand that there may be instances when this information may not be readily available. Therefore, we agree with the option to adopt either prospectively or under the modified retrospective approach as noted in the proposed ASU.

Question 8: Do you agree that a recipient not-for-profit entity should be provided with an option to apply the proposed amendments under a modified retrospective approach in which all prior periods presented upon the date of adoption would be adjusted but no adjustment would be made to the beginning balance of net assets of the earliest period presented? If not, please explain why.

As noted in our response to Question 7, we agree that entities should be provided an option to apply the provisions of the proposed ASU prospectively or using the modified retrospective approach.

Question 9: Do you agree that a recipient not-for-profit entity should be permitted to early adopt the proposed amendments? If not, please explain why.

Yes, we believe that early adoption should be permitted.

Question 10: How much time is needed to implement the proposed amendments? Please explain.

We concur with FASB's basis for conclusions that since these transactions are often consummated with affiliates, that the records and information necessary to comply with the proposed ASU are likely to be readily available. However, we believe the preparer community is in a better position to respond to this question.

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Thank you for the opportunity to provide our comments on the Proposal. Should you have any questions please contact James A. Dolinar.

Regards,

Crowe Horwath LLP

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