3. a) Tell us about any issues or concerns you have with current U.S. GAAP accounting standards as those standards apply to private company financial statements.

In general, the level of complexity of US GAAP standards has for some time creating problems with our issuers, auditors, and users. The information most pertinent to our stakeholders is not enhanced by volume or complexity. Our stakeholders are focused on their primary considerations which include cash flows, obligations, and accurate representation in the financial statements of the decisions of our regulators. Fair value, for example, is of much less concern to our stakeholders since our members are highly capital-intensive industries involved in long-term planning horizons. While we appreciate the efforts of the FASB to modify disclosure requirements for private companies and to extend the effective date of certain pronouncements, the majority of the complexity even in these instances has been retained in the new or proposed standards.

b) Are those issues or concerns confined to one or more specific standards, or are they more systemic?

We comment on all exposure drafts that contain issues of concern for us. We also don’t hesitate to tell the FASB that we agree with the direction of any proposed standard. Our concerns regarding current US GAAP are more systemic and involve the overall complexity of the disclosures, the pace of the standard-setting process, and the impact upon our member cooperatives and their independent auditors as they continuously try to cope with accounting which is primarily driven by public company considerations. As more fair value gets embedded in our financial statements, and the statement of financial position includes assets and liabilities which are not easily translated into future cash flows, the users of our financial statements struggle to understand and make sense of the financial statements the related footnotes. Increasingly we believe that they are wondering about the relevance of financial reporting in a world in which accounting has become more theoretical and less practical.

c) Do you believe that those issues or concerns are largely confined to private companies, or are they broader?

Please be as specific as possible in your answers.

Our concerns are primarily limited to the issues that our members are facing in interpreting, implementing and explaining new standards to their member-owners and lenders. One example is the impact of SFAS 158 upon our industry. Even
today, we have members that are struggling with the complexity of the disclosure requirements and having to explain the concept of a post-retirement benefit obligation to users of our financial statements.

4. What short-term and/or long-term actions do you believe are necessary to address those issues or concerns? Please be as specific as possible in your answer, and explain your reasoning.

We believe that the concerns of the users of our members financial statements include reducing complexity and making disclosures more relevant and timely. For many private companies, including our members, the focus must be said to be first on cash flows, then on accurate representation of obligations and potential obligations of the enterprise. We whole-heartedly support the work of the Blue Ribbon panel and we look forward to participating in the evolution of private company GAAP in the US.

5. a) To what extent, if any, would an SEC requirement for public companies to adopt IFRS at a date certain affect your answers above? Why?

While the IASB has attempted to deal with the private company GAAP issue by created the Small and Medium Size Entity (SME) set of GAAP, we do have some significant issues with the specific SME standards and also with the three year process by which the SME cannon is reconciled to IFRS. We are pleased to see that the Blue Ribbon Panel has rejected the SME approach. We concur with the Panel’s conclusion and, while some aspects of the SME standard might be a good starting point, we would not want to adopt it under the current circumstances.

b) To what extent, if any, would other outside factors affect your answers above? Which factors and why?

One of the concerns we have regarding movement toward IFRS, is the potential lack of comparability between our member’s reported financial results. While we do have issues with the complexity of US GAAP, and have seen that complexity have a direct impact upon comparability, switching to a more principles-based approach could lead to a lack of commonality based upon our members various interpretations of IFRS.

6. Is there any other input that you'd like to convey to the Panel?

We could accept any of the three models currently being considered by the Panel, but our preference would be for a separate, stand-alone GAAP for private companies based upon US GAAP. We believe that the Codification is a wonderful and necessary achievement. That it was such a laborious and lengthy process highlights the significant expansion of the standard setting process since
the turn of the 21st century. We believe that current US GAAP for public companies would be a reasonable starting point for the development of GAAP for private companies, but the goal of the new standards should be based upon simplification, relevance, and comparability.

Consequently, the development of any new private company standards should rely most heavily on the needs of the users of private company financial statements. One of the primary requirements of any new set of standards, from our point of view, is to ensure that the actions of our regulators, that is, our boards and, where applicable, public service commissions, be accurately reflected in our financial statements. Since our regulators have the ability to significantly affect the timing of recognition of revenues and expenses in ways that would differ from what would otherwise be reported under GAAP for enterprises in general, it is important to our stakeholders that our financial statements reflect the decisions of our regulators since many of our financial covenants are based upon GAAP which has historically embedded regulatory decisions in our financial reporting.

Since we believe that cash flows and disclosure surrounding the risks to the private company are going to become increasingly important in future financial reporting, we would prefer that private company GAAP be based on standards which embody these underlying concepts. Also, the cooperative model has certain unique considerations since we operate under US GAAP for accounting purposes but we also operate on a not-for-profit basis. We would like the see the development of standards which don’t disadvantage our business model and which are relevant and understandable to the users of our financial statements.

7. Do these responses represent your individual views or are they submitted to represent the views of the organization with which you are associated?

These responses have been vetted with our membership and represent their views.