July 6, 2012

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

File Reference No. EITF-12A

Dear [Ms. Cosper]:

The Not-for-Profit Organizations Committee and Accounting Principles Committee of the Illinois CPA Society (Committees) appreciate the opportunity to provide its perspective on the Proposed Accounting Standards Update (Revised)—Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale of Donated Securities in the Statement of Cash Flows. Our comments represent the collective views of the Committee members and not the individual views of the members or the organizations with which they are affiliated. The organization and operating procedures of the Committees are outlined in Appendix A to this letter.

Our comments in response to the questions raised in the document are as follows:

**Question 1:** Do you agree that the scope of this proposed Update should be limited to cash receipts of NFPs resulting from the sale of donated securities (a) that upon receipt are directed for sale and (b) for which the NFP has the ability to avoid significant investment risks and rewards through near-immediate conversion into cash? If not, should the scope be expanded by including donated assets other than securities and/or removing criterion (b)? Do you have another recommendation as to scope?

We agree with the scope of the proposed Update as written. The Background Information and Basis for Conclusions section (“Background”) indicates there was some group discussion of a broader application of the proposed Update to include other donated services. Examples of other cash flows discussed in the Background included cash flows from the sale of cars and works of art. Although we would agree that these other cash flows are not as common as donated securities, we also believe that there is some diversity in practice in accounting for other donated items, and the accounting guidance may need to be studied separately and clarified in the future. Other donated assets may have different liquidity and other characteristics and as such, should not be included in the scope of this proposed Update.
Question 2: Do you agree that cash receipts of NFPs resulting from the sale of donated securities (a) that upon receipt are directed for sale and (b) for which the NFP has the ability to avoid significant investment risks and rewards through near-immediate conversion into cash should be classified as operating cash flows unless the cash receipts meeting conditions (a) and (b) must be classified as a financing activity because the donor restricted the use of the contributed resources to long-term purposes? Do you also agree that all other cash receipts of NFPs resulting from the sale of debt and equity securities not meeting those conditions would be classified as investing cash flows? If not, please explain why.

We agree with the conclusions that cash receipts meeting these two stated conditions should be treated as operating cash flows (in the absence of donor restrictions) and financing cash flows (in the case of stated donor restrictions). We understand and have observed that NFPs at times treat these cash receipts as investing activities since these transactions directly affect and are accounted for in the organization’s investment accounts. We also believe that the condition requiring “near immediate conversion into cash” as described in the amendments may need further clarification. That clarification can be provided through a definition of “near immediate conversion into cash” (emphasis on what period of time or organizational policy would be needed to comply) and/or examples demonstrating compliance with this condition.

We agree that all other cash receipts, not meeting the two stated conditions, should be classified as investing activities.

Question 3: If you are a user of the financial statements of NFPs, would the amendments in the proposed Update affect your analysis? If so, please explain how.

Yes, we believe that more sophisticated users will be more easily able to understand the operating, investing and financing cash flows activities of an NFP as a result of the amendments. For smaller NFPs, we do recognize that certain users may not be sophisticated enough to understand the nuances in the statements of cash flows with respect to the importance of the classification of an organization’s activities.

Question 4: Do you agree that the proposed amendments should be applied prospectively but permit retrospective application to all prior periods presented upon the date of adoption? If not, please explain why.

No, we believe that the amendments should be required to be applied retrospectively to the earlier periods presented, due to the importance of providing comparative information for the financial statement users. Consistency in presentation for all prior periods presented allows users of the financial statements to better understand changes in operating, investing and financing cash flows from year to year. We believe that most organizations will already have the information available in their accounting records and will be able to apply the amendments to prior periods with little burden.

Question 5: How much time is needed to implement the proposed amendments?

We do not believe the proposed amendments will require a significant investment of time to implement and the cost to implement would be de minimis to the entity. We believe the records required to comply with the proposed amendments are already used and readily available for the reporting NFP.
If prospective application is required with retrospective application permitted, we believe that the effective date of the proposed Accounting Standards Update should be for periods ending after December 15, 2012. However, if only retrospective application is required, we believe that the effective date of the proposed Accounting Standards Update should be for periods ending after June 15, 2013.

We also recommend that early adoption be permitted.

We appreciate the opportunity to offer our comments.

Sincerely,

Kimberley A. Waite, CPA
Chair, Not-for-Profit Organizations Committee

Jeffery P. Watson, CPA
Chair, Accounting Principles Committee

Scott G. Lehman, CPA
Vice-chair, Accounting Principles Committee
The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee’s comments reflect solely the views of the Committee and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to fully study and discuss exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

**Public Accounting Firms:**
- **Large:** (national & regional)
  - Ryan Brady, CPA
  - John A. Hepp, CPA
  - Gergana G. Gencheva
  - Joshua D. Lance, CPA
  - Scott G. Lehman, CPA (Vice Chair)
  - Elizabeth A. Prossnitz, CPA
  - Robert B. Sledge, CPA
  - Jeffery P. Watson, CPA (Chair)
- **Medium:** (more than 40 professionals)
  - Michael Kidd, CPA
  - Tad N. Render, CPA
  - Steven C. Roiland, CPA
  - Jennifer L. Williamson, CPA
- **Small:** (less than 40 professionals)
  - Barbara Dennison, CPA
  - Brian T. Kot, CPA

**Industry:**
- Rose Cammarata, CPA
- Timothy R. Henrichs, CPA
- Farah. Hohenbeck, CPA
- Marianne T. Lorenz, CPA
- Michael J. Maffei, CPA
- Anthony Peters, CPA
- Amanda M. Rzeptka, CPA

**Educators:**
- James L. Fuehmeyer, Jr., CPA
- Leonard C. Soffer, CPA

**Staff Representative:**
- Gayle S. Floresca, CPA
The Not-for-Profit Organizations Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting and audit and attestation standards for not-for-profit organizations. The Committee’s comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

Current members of the Committee and their business affiliations are as follows:

**Public Accounting Firms:**

- Kris H. Allen, CPA — KPMG LLP
- Nicole M. Bencik, CPA — Crowe Horwath LLP
- Paul G. Betlinski, CPA — Sassetti LLC
- Howard I. Blumstein, CPA — BDO USA, LLP
- George H. Bodenberg, CPA — Frost Ruttenberg & Rothblatt PC
- Thomas E. Brean, CPA — Grant Thornton LLP
- Sheree M. Brugmann, CPA — Capin Crouse LLP
- Rose G. Doherty, CPA — Legacy Professionals LLP
- John M. Fedus, CPA — Mueller & Company
- Jody A. Gauthier, CPA — Wolf & Company LLP
- Richard L. Grafton, CPA — Estes, Bridgewater & Ogden CPA’s
- James D. Hagestad, CPA — Plante & Moran PLLC
- Wayne L. Harder, CPA — McGladrey LLP
- Susan R. Jones, CPA — Miller Cooper & Company Ltd
- Jennifer S. Ramage, CPA — Bansley & Kiener, LLP
- Jennifer B. Ryan, CPA — Ostrow Reisin Berk & Abrams Ltd
- Mickey M. Scheffki, CPA — CliftonLarsonAllen LLP
- Frank J. Schimmel, CPA — Ernst & Young LLP
- Judith A. Segal, CPA — Baker Tilly Virchow Krause LLP
- Angie M. Sivak, CPA — Desmond & Ahern Ltd
- Marcy Steindler, CPA — Mann, Weitz & Associates LLC
- Melissa E. Struck, CPA — CliftonLarsonAllen LLP
- Brian T. Zygmunt, CPA — Crowe Horwath LLP
- Kimberley A. Waite, CPA (Chair) — Frost Ruttenberg & Rothblatt PC

**Industry:**

- Steven M. Andes, CPA — University of Illinois School of Public Health
- Mark Barenie, CPA — Institute of Food Technologies
- Estelle Berger, CPA — Executive Service Corps of Chicago
- Michael K. Bozovich, CPA — WellSpring Resources
- Carla S. Denison-Bickett, CPA — The Cara Program
- Steven J. Krach, CPA
- Annie H. Leong, CPA — American Association of Endodontists
- Kim R. Michael-Lee, CPA — Concrete Reinforcing Steel Institute
- Charlotte A. Montgomery, CPA — Illinois State Museum
- Raymond S. Naegle, CPA — Medical Library Association
- David W. Stumpf, CPA — Rotary International
- Andrea Wright, CPA

**Educator:**

- Steven M. Andes, CPA — University of Illinois School of Public Health

**Staff Representative:**

- Gayle S. Floresca, CPA — Illinois CPA Society