Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed Accounting Standards Update: Not-for-Profit Entities (Topic 958); Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation.

Proposal

The objective of this proposed accounting standards update is to resolve the diversity in practices about the guidance that not-for-profit entities should apply for recognising and measuring personnel services received from an affiliate. The amendments in this proposed Update would require a recipient not-for-profit entity to recognise in its standalone financial statements all personnel services received from an affiliate that directly benefit the recipient not-for-profit entity. Those services would be measured at the cost recognised by the affiliate for the personnel providing those services. A not-for-profit entity that provides a performance indicator would 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. For other not-for-profit entities that do not present a performance indicator, this proposed Update would not prescribe presentation guidance 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. Finally, Subtopic 850-10, Related Party Disclosures – Overall, would apply to personnel services received from an affiliate.
Answers to other specific questions raised by the FASB

**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.

Yes, I 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. This is where the main diversity in practices arises.

**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.

I agree with this. The affiliated relationship, measure of control between affiliated entities and access to information should enable recognition and measurement of the actual costs of such personnel services.

**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.

I support the view that a recipient not-for-profit entity should measure the personnel services received from an affiliate at the cost incurred by the affiliate. This is reasonable and would provide more meaningful information to users of financial statements. Although the type of personnel services could vary from entity to entity, I agree that, at a minimum, cost should include all direct personnel costs.

**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.

For a recipient not-for-profit entity that presents a performance indicator, I agree that personnel services received from an affiliate and for which the affiliate does not seek compensation would meet the definition of an equity transfer. Therefore I agree with this accounting treatment.
Please note that the comments expressed herein are solely my personal views

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.

I strongly agree with this as this would be consistent with the presentation discussions in paragraphs 958-225-45-9 to 45-12.¹

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.

Yes, this is sufficient and complete in order to provide meaningful information to users of financial statements.

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

Yes, this is reasonable.

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.

Yes, this would allow a recipient not-for-profit entity to present consistent accounting for similar transactions in prior periods, thus improving understandability and transparency of its financial reporting.

Yours faithfully

C.R.B.

Chris Barnard

¹ For example, paragraph 958-225-45-9 states that: “Classifying revenues, expenses, gains, and losses within classes of net assets does not preclude incorporating additional classifications within a statement of activities” and paragraph 958-225-45-10 states that: “if an intermediate measure of operations (for example, excess or deficit of operating revenues over expenses) is reported, it shall be in a financial statement that, at a minimum, reports the change in unrestricted net assets for the period”.