

Richard F. Larkin, C.P.A.  
9029 Timberwolf Court  
Vienna, Virginia 22182



LETTER OF COMMENT NO. 14

22 January 2007

Ms. Sue Bielstein, Director of Major Projects and Technical Activities  
Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, Conn. 06856

File References No. 1500-100 and 1500-200

Dear Ms. Bielstein:

I am pleased to offer comments on the FASB's October 9, 2006 Exposure Drafts of proposed Statements of Financial Accounting Standards, *Not-for-Profit Organizations: Mergers and Acquisitions*, and *Not-for-Profit Organizations: Goodwill and Other Intangible Assets Acquired in a Merger or Acquisition*.

***Mergers and Acquisitions: Question 1:*** I do not agree with the proposed requirement to treat all mergers of not-for-profits as acquisitions. I believe very strongly that many such mergers are, in fact, true mergers of equals, with neither organization being an acquirer of the other. In fact, I believe that many such mergers are very deliberately and carefully structured by the parties to be mergers of equals, and the merger would not occur at all if either party felt that it was being acquired by the other. I have been a board member of an organization which underwent such a merger; we went to great lengths to avoid even a perception on either side that it was a takeover. I therefore believe that, in very many cases, it will prove impossible to identify an acquirer, using the proposed, or any, criteria.

Accordingly I urge the Board to permit either pooling (first preference) or fresh start (second preference) accounting in cases where an acquirer cannot be identified by using the criteria in paragraphs 10, 11, and A-8 of the draft (see comment on Question 5, below).

Question 5: I agree that these are appropriate criteria to use when an acquirer can be identified.

***Goodwill: Questions 2 and 3:*** I believe that the criteria for using the qualitative vs. quantitative impairment tests should be more flexible. An organization may have a majority of its revenue from earned income, but still have goodwill that is purely related to contributions, which should then be evaluated by a qualitative test.

I also find the proposed process of identifying reporting units and testing for impairment to be unduly cumbersome, and especially urge that not-for-profits not be required to undertake the sometimes considerable effort needed to comply with SFAS No. 131 (*Segments*).

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(Please note that these comments are mine alone and are not attributable to any firm or organization.)

Sincerely yours,

Richard F. Larkin, C.P.A. (46 years personal and professional experience with not-for-profit organizations)