

September 19, 2016

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

By e-mail: [director@fasb.org](mailto:director@fasb.org)

**Re: Proposed Accounting Standards Update—*Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity***

**(File Reference No. 2016-280)**

Dear Ms. Cospers:

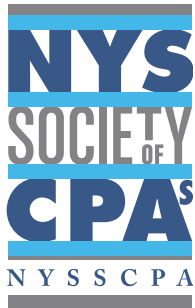
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Craig T. Goodman, Chair of the Financial Accounting Standards Committee, at (212) 324-7048, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

F. Michael Zovistoski  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**PROPOSED ACCOUNTING STANDARDS UPDATE—*NOT-FOR-PROFIT ENTITIES—  
CONSOLIDATION (SUBTOPIC 958-810): CLARIFYING WHEN A NOT-FOR-PROFIT  
ENTITY THAT IS A GENERAL PARTNER SHOULD CONSOLIDATE A FOR-PROFIT  
LIMITED PARTNERSHIP OR SIMILAR ENTITY***

**(File Reference No. 2016-280)**

**September 19, 2016**

**Principal Drafters**

**Deepak K. Doshi  
Robert A. Dyson  
William Epstein  
Sharon Sabba Fierstein  
Craig T. Goodman**

## **NYSSCPA 2016–2017 Board of Directors**

F. Michael Zovistoski, <i>President</i>	Edward L. Arcara	Barbara A. Marino
Harold L. Deiters III, <i>President-elect</i>	Sol S. Basilyan	Kevin Matz
John J. Lauchert, <i>Secretary/Treasurer</i>	Paul E. Becht	Mitchell J. Mertz
Gregory J. Altman, <i>Vice President</i>	Christopher G. Cahill	Jacqueline E. Miller
Susan M. Barossi, <i>Vice President</i>	Jack M. Carr	Tracey J. Niemotko
Anthony S. Chan, <i>Vice President</i>	Salvatore A. Collemi	Kevin P. O’Leary
John S. Shillingsford, <i>Vice President</i>	Mitchell A. Davis	Iralma Pozo
Joanne S. Barry, <i>ex officio</i>	Edward F. Esposito	Renee Rampulla
	Joseph M. Falbo, Jr.	Brian M. Reese
	Rosemarie A. Giovinazzo- Barnickel	M. Jacob Renick
	Elizabeth A. Haynie	Warren Ruppel
	Elliot L. Hendler	Steven A. Stanek
	Jan C. Herringer	Denise M. Stefano
	Patricia A. Johnson	Janeen F. Sutryk
	Jean G. Joseph	Michael M. Todres
		David G. Young

## **NYSSCPA 2016–2017 Accounting and Auditing Oversight Committee**

Robert M. Rollmann, <i>Chair</i>	Michael J. Corkery	Adam S. Lilling
Charles Abraham	Lourdes Eyer	Renee Mikalopas-Cassidy
Matthew T. Clohessy	Craig T. Goodman	Rita M. Piazza
Salvatore A. Collemi	Jan C. Herringer	William M. Stocker III

## **NYSSCPA 2016–2017 Financial Accounting Standards Committee**

Craig T. Goodman, <i>Chair</i>	Fred R. Goldstein	John J. McEnerney
Margaret A. Wood, <i>Vice Chair</i>	Abraham E. Haspel	Joseph Montero
Agwu Agwu	Orumé A. Hays	Denise E. Moritz
Brian M. Aledort	Edward P. Ichart	Lingyun Ou
Olga Bashkatova	Tamar Kadosh	Pedro D. Pile
Christina K. Catalina	Min Jung Kang	Richard M. Posen
Timothy P. Demetres	Michael D. Kasperski	Laura C. Prevratil
J. Roger Donohue	Angela V. Katehis	Renee Rampulla
Deepak K. Doshi	Jeffrey A. Keene	Viktoriya Riggs
Robert A. Dyson	Young G. Kwon	Robert M. Rollmann
William Epstein	Kevin Lee	Ahmed Shaik
Roseanne T. Farley	Martin Lee	Daniel Shea
Sharon Sabba Fierstein	Joseph A. Maffia	Mark Springer
Christopher Gagliardi	Sean Martell	Yan Zhang
Jo Ann Golden	Sean D. Matthews	

## **NYSSCPA Staff**

Ernest J. Markezin

# New York State Society of Certified Public Accountants

## Comments on

### **Proposed Accounting Standards Update—*Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity***

**(File Reference No. 2016-280)**

#### **General Comments**

We welcome the opportunity to respond to the Financial Accounting Standards Board’s (FASB or the Board) invitation to comment on the Proposed Accounting Standards Update—*Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity* (Proposed Update).

In its “Summary and Questions for Respondents,” the Board reported that this proposed amendment clarifies when a not-for-profit entity (NFP) that is a general partner should consolidate a for-profit limited partnership or similar entity once the amendments in Accounting Standards Update 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*, become effective. As a result, this proposed amendment appears to be a technical correction of an earlier decision for NFPs to consolidate for-profit limited partnerships.

Although a technical correction may be a short term solution, the Board should consider revising guidance under which an NFP should consolidate a for-profit limited partnership. Such consolidation typically results in the “grossing up” of individual line items in the statements of financial position and activities, with a one line offset to non-controlling interest. Such presentation could distort the availability of assets to meet cash needs and the amount of expenses incurred by both their natural and functional classification.

The Board should identify circumstances when consolidation is appropriate if an NFP is a general partner of a for-profit limited partnership. For example, consolidation may be appropriate when a for-profit limited partnership provides substantial resources to the NFP or performs activities that are consistent with the NFP’s exempt purpose. The Board could consider this during the second phase of its project on financial statements of NFPs, as described in paragraph BC17 of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*.

#### **Specific Comments**

We have the following responses to the questions posed in the Proposed Update.

**Question 1: Please describe the entity or individual responding to this request.**

**For example:**

- a. Please indicate whether you primarily are a preparer, user, or public accountant. If other, please specify.**
- b. If you are a preparer of financial statements, please indicate whether your entity is an NFP and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).**
- c. If you are a public accountant, please describe the size of your firm (in terms of the number of partners or other relevant metric) and indicate whether your practice focuses primarily on NFPs, for-profit entities, or both.**
- d. If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, analyst, rating agency, donor, or grantor) and whether you primarily use financial statements of NFPs or those of both NFPs and for-profit entities.**

**Response:** The New York State Society of Certified Public Accountants (NYSSCPA) represents more than 26,000 CPAs in public practice, business, government and education. See our website at <http://www.nysscpa.org/about/about-nysscpa> for additional information about the NYSSCPA.

**Question 2: The proposed amendments would retain the consolidation guidance in existing GAAP under which NFPs that are general partners are presumed to control a limited partnership, regardless of the extent of their ownership interest, unless that presumption is overcome. The presumption would be overcome if the limited partners have either substantive kick-out rights or substantive participating rights. Do you agree with this approach? If not, please explain why.**

**Response:** We agree with this approach.

**Question 3: Would the proposed amendments clarify the amendments in Update 2015-02? If not, what would make the guidance clearer and why?**

**Response:** We agree with the proposed approach.

**Question 4: Do you agree with the proposed transition requirements in paragraph 810-10-65-2? If not, how would you modify those requirements? Please explain your reasons.**

**Response:** We agree with the transition requirements.

**Question 5: Should a reporting entity be required to provide the transition disclosures specified in this proposed Update? Should any other disclosures be required? If so, please explain why.**

**Response:** We agree with the transition disclosures.

**Question 6: Should the proposed amendments be effective immediately upon issuance of a final Update for all entities that elected to early adopt the amendments in Update 2015-02?**

**Response:** The proposed amendments should be effective immediately because they reflect existing generally accepted accounting principles.