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Comment letters received on AcSEC's May 19, 1993 exposure draft, The Application of the Requirements of Accounting Research Bulletins. Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-for-Profit Organizations

American Institute of Certified Public Accountants. Not-for-Profit Organizations Committee

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AcSEC Comment Letters

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INTERNAL MEMORANDUM

Date: September 27, 1993
To: Karen Neloms
From: Joel Tanenbaum ✓
Subject: Comment letters

File 3605

Enclosed are comment letters received on AcSEC's May 19, 1993 exposure draft, The Application of the Requirements of Accounting Research Bulletins. Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-for-Profit Organizations.

The letters should be available for public inspection at the library until September 27, 1994.

**List of Respondents to the Proposed SOP on
The Application of the Requirements of Accounting
Research Bulletin, Opinions of the Accounting
Principles Board, and Statements and Interpretations of
the Financial Accounting Standards Board to
Not-for-Profit Organizations**

| <u>Letter Number</u> | <u>Commentator</u> |
|--------------------------|--|
| 1 | Willis A. Smith |
| 2 | Office of Auditor of State - State of Iowa |
| 3 | California Society of CPA's (Letter A) |
| 4 | State of Arizona - Office of the Auditor General |
| 5 | State of Colorado Higher Education Accounting Standards Committee |
| 6 | St. Vincent De Paul Church |
| 7 | California Society of CPA's (Letter B) |
| 8 | GrantThornton |
| 9 | National Charities Information Bureau, Inc. |
| 10 | Gilbert Accountancy Corporation, CPA's |
| 11 | Coopers & Lybrand |
| 12 | Association of Government Accountants |
| 13 | NY State Society of CPA's |
| 14 | Accounting & Auditing Standards Committee Louisiana Society of CPA's |
| 15 | Ernst & Young |
| 16 | Financial Executives Institute |
| 17 | U. S. General Accounting Office |

- 18 Massachusetts Society of CPA's
 Inc.
- 19 National State Auditors
 Association
- 20 Illinois CPA Society &
 Foundation
- 21 PCP Executive and PCPS Technical
 Issues Committee

①
Rcv'd
6-28-93

WILLIS A. SMITH
792 Willowbrook Drive, #404
Naples, Florida 33963

Tel: (813) 591-3483

June 22, 1993

Mr. Joel Tanenbaum, Technical Manager
Accounting Standards Division
File 3605.AP
American Institute of Certified Public Accountants
New York, NY 10036-8775

Dear Mr. Tanenbaum:

Re: Proposed Statement of Position - The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations

Thank you for the opportunity to comment on the above Proposed SOP.

I have great difficulty understanding this proposed statement. As a former auditor with over 28 years of experience, I do not believe that this proposed statement in its present format gives much direction to the second, third and fourth year field accountant. Paragraph 9 without the parenthetical sentence states plainly the principles that an auditor should follow in an examination of a not-for-profit organization. Paragraphs 10 through 21 insert qualifications that would confuse the field auditor. I recommend that these qualifying paragraphs, if needed, be removed to an appendix (together with the parenthetical sentence).

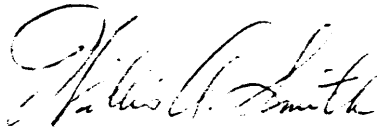
It appeared to me that some of paragraphs 10 through 21 infer that accounting guides take precedent over ARBs, APB Opinions and FASB Statements and Interpretations in certain situations. I believe that the FASB would take issue with that concept. For example, paragraph 15 states that not-for-profit entities operating business enterprises "should follow the display guidance in the AICPA not-

1 cont'd

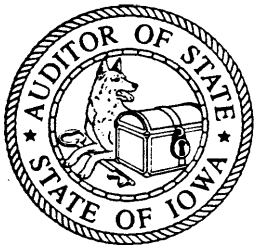
for-profit guides." Accounting guides are valuable to the field auditor and, in my opinion, should only give information that conforms to generally accepted accounting principles as prescribed by the FASB and its predecessors.

I recommend that all accounting guides be reviewed and changed to reflect the conclusion set forth in paragraph 9. Trying to adapt the paragraph 9 conclusions to the accounting guides by means of an over-all statement of position (this approach), produces a paper that confuses the field auditor and gives little direction.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Willis A. Smith".

Willis A. Smith



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Richard D. Johnson, CPA
Auditor of State

2
Rev'd 8-5-93

July 28 , 1993

Joel Tanenbaum, Technical Manager
Accounting Standards Division
File 3605.AP
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

Re: Exposure Draft - AICPA-SOP - The Application of the
Requirements of, Etc.

We have read this exposure draft. Our comments are limited to those items mentioned in the cover letter.

- (1) Change in accounting principles.
 - (a) The number of changes should not have an affect on the accounting treatment.
 - (b) It is our opinion that the change(s) resulting from this SOP should be applied retroactively.
- (2) Pro forma affect.

We agree that the pro forma affect need not be required.

Should you wish further comments form this office, please contact Don Meadows at this address or at 515-281-5538.

Sincerely,

Richard D. Johnson

RDJ/sc

3

August 6, 1993



California
Society

Certified
Public
Accountants

Joel Tanenbaum
Technical Manager
Accounting Standards Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

RE: File 3605.AP, The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations.

Dear Mr. Tanenbaum:

The Accounting Principles and Auditing Standards Committee of the California Society of Certified Public Accountants ("AP&AS Committee") has discussed the Exposure Draft of the proposed Statement of Position, The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations and has developed certain comments on that Exposure Draft.

The AP&AS Committee is a senior technical committee of the California Society of Certified Public Accountants. The 1993/94 Committee comprises 46 members, of which 17% are from national CPA firms, 52% are from local or regional firms, 20% are sole practitioners in public practice, 4% are in industry, and 7% are in academia. In addition, 5 current or former members of the Accounting Standards Executive Committee serve on the AP&AS Committee.

The following comments represent the results of the AP&AS Committee's deliberations on the Exposure Draft.

The AP&AS Committee supports the conclusions in the Exposure Draft.

The AP&AS Committee supports the flexibility in implementing the SOP if there is more than one change in accounting principles as a result of applying the proposed SOP. We therefore agree with permitting such changes to be reported on a cumulative effect basis without disclosures of the proforma effect of adoption. The AP&AS Committee recommends an additional alternative. We believe entities should be permitted to reflect such changes through retroactive application. Entities may find such presentation most meaningful, so this alternative should be made available to them.

3 cont'd

We would be pleased to discuss our comments with you.

Very truly yours,

A handwritten signature in black ink, appearing to read "D. C. Wilson". The signature is fluid and cursive, with the first name "D" being particularly large and stylized.

David C. Wilson, Chairman
Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants



4

DOUGLAS R. NORTON, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
DEPUTY AUDITOR GENERAL

August 6, 1993

Mr. Joel Tanenbaum
Technical Manager
Accounting Standards Division
File 3605.AP
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

RE: AICPA Exposure Draft - Proposed Statement of Position - The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-for-Profit Organizations

Dear Mr. Tanenbaum:

We have reviewed subject exposure draft and offer the following comments for your consideration.

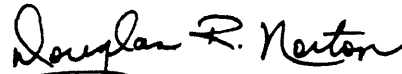
- While we agree with the provisions of paragraph 22 in (1) permitting such changes to be reported as a cumulative effect of a change in accounting principle and (2) not requiring disclosure of the pro forma effect of adoption, if the proposed statement of position is issued as drafted, we think it unnecessarily complicates an already complicated array of authoritative literature. We suggest issuing a much simplified statement of position that merely requires existing pronouncements to be followed, unless not-for-profit organizations are explicitly exempted or a contradictory pronouncement that is applicable to not-for-profit organizations is in effect.
- If the proposed statement of position is published, we recommend either revising paragraph 8 to specifically exclude state and local governmental units from the definition of not-for-profit organizations or clarifying footnote 1. FASB Concepts Statement No. 4, issued in 1980 before the creation of GASB, is cited in footnote 1, but in that statement the FASB deferred a final decision on whether the definition should apply to state and local governmental units. It is FASB Concepts Statement No. 6 that clearly articulates the idea that the definition of "not-for-profit organization" does not include state and local governmental units.

4 cont'd

Mr. Joel Tanenbaum
August 6, 1993
Page 2

If you have any questions concerning this response, please contact David I. Williams or Mina Van Dyne of the Professional Practice Group of my Office at (602) 553-0333.

Sincerely,



Douglas R. Norton
Auditor General

DRN/af

cc: Cindy Upton, CPA
National State Auditors Association

5

STATE OF COLORADO HIGHER EDUCATION ACCOUNTING STANDARDS COMMITTEE

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Jud Hurd
Director of Accounting
University of Colorado at Boulder
Campus Box 48
Boulder, CO 80309-0048
Phone: (303) 492-5551
Fax: (303) 492-5553

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Vice President for Financial Services
Mesa State College
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Grand Junction, CO 81502
Phone: (303) 248-1921
Fax: (303) 248-1903

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Gary Williams
Controller
Auraria Higher Education Center
P.O. Box 4615, Campus Box B
Denver, CO 80204
Phone: (303) 556-3276
Fax: (303) 556-4596

August 5, 1993

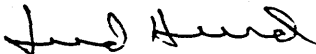
Joel Tanenbaum, Technical Manager
Accounting Standards Division
File 3605.AP
American Institute of Certified
Public Accountants
1211 Avenue of the Americas
New York, NY 10036-9775

Dear Mr. Tanenbaum:

The State of Colorado Higher Education Accounting Standards Committee represents all the public colleges and universities in the State of Colorado. This committee is charged with interpreting generally accepted accounting principles and creating accounting standards which are used by all Colorado colleges and universities for financial statement preparation. Our FASB/GASB Subcommittee is responsible for reviewing and preparing, on behalf of the whole committee, responses to FASB and GASB exposure drafts, discussion memoranda, invitations to comment, and preliminary views.

We would like to comment on the AICPA's statement of position exposure draft - *The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principle Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations*. Our comments are contained in the attached letter prepared by our FASB/GASB Subcommittee. Thank you for the opportunity to comment and I hope that our comments are helpful.

Sincerely,



Jud Hurd
Chair

cc: Dick Schubert, FASB/GASB Subcommittee Chair
Janeen Kammerer, Vice Chair
Gary Williams, Secretary
File

DICK SCHUBERT

**CHAIR, FASB/GASB SUBCOMMITTEE
STATE OF COLORADO HIGHER EDUCATION
ACCOUNTING STANDARDS COMMITTEE
Aims Community College
5401 West 20th Street, P O Box 69
Greeley, Colorado, 80632**

(303) 330-8008, extension 228

July 20, 1993

Joel Tanenbaum, Technical Manager
Accounting Standards Division
File 3605.AP
American Institute of Certified
Public Accountants
1211 Avenue of the Americas
New York, New York, 10036-8775

Dear Mr Tanenbaum:

The State of Colorado Higher Education Accounting Standards Committee -- which represents all of the public colleges and universities in the state of Colorado -- wishes to comment on your exposure draft of the proposed statement of position, *The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations*. The State of Colorado Higher Education Accounting Standards Committee interprets and creates accounting standards which are used by all state colleges and universities in Colorado for financial statement preparation.

The Committee's interest in this matter is from the perspective of public institutions of higher education. The public colleges and universities in Colorado follow the specialized industry accounting and reporting principles of the AICPA College Guide model as defined in GASB Statement 15.

The proposed statement of position appears to be a useful tool both for the accountants responsible for organizational reporting and the independent accountants auditing that reporting. However, as written, the proposed statement of position is applicable only to those organizations that are within the jurisdiction of FASB. It would be a far more useful tool if it also applied to GASB jurisdiction organizations. We believe this can be done fairly easily.

5 cont'd

A single document showing the differing application of GAAP principles to the FASB and GASB jurisdictions also should be helpful in reducing the accounting and reporting differences within industry groups -- such as colleges and universities -- where standards setting jurisdiction is based on organizational form rather than on substance.

If this is not possible, the proposed statement of position should be prefaced with the following explanation of jurisdiction --

This statement of position is applicable only to organizations that are within the standards setting jurisdiction of the Financial Accounting Standards Board. The Generally Accepted Accounting Principles applicable to organizations within the jurisdiction of the Governmental Accounting Standards Board differ significantly from those cited here.

Thank you for the opportunity to comment on the exposure draft.

best wishes,



Dick Schubert

copies to: Financial Accounting Foundation
Financial Accounting Standards Board
Governmental Accounting Standards Board

ST. VINCENT DE PAUL CHURCH
120 N. FRONT STREET
BALTIMORE, MD. 21202

①

8 Aug 93

Joel Tannenbaum, Tech Mgr
Accty. Svcs. Div., AICPA

SS:

I support enthusiastically E.D.S.O.P. 3605. AP,
Application of Reports of ARB's, etc. This will go a
long way towards integrating commercial and not-for-profit
accounting, as set forth in the FASB Concept Statements.

I cannot support, however, E.D.S.O.P. 3605. CC,
Related Entities. I believe the decision of FASB
to integrate not-for-profits into their entity project
makes an SOP by the AICPA premature at this time,
and could lead to a great deal of unwarranted confusion
in practice.

Should you have any questions, please feel
free to write or call me at 410-962-5078

Sincerely
Richard P. Lawrence
Rev. Richard P. Lawrence



California
Society
Certified
Public
Accountants

August 12, 1993

Joel Tanenbaum, Technical Manager
Accounting Standards Division, File 3605.CC
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, New York 10036-8775

SUBJECT: ~~Two AICPA Exposure Drafts:~~
~~(1) Proposed SOP - Reporting of Related Entities by Not-For-Profit Organizations.~~

(2) Proposed SOP - The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations.

Dear Mr. Tanenbaum:

The California Society of Certified Public Accountants' Governmental Accounting and Auditing Committee has reviewed these two exposure drafts. We support the SOPs, but offer the following comments:

(1) ~~Proposed SOP - Reporting of Related Entities by Not-For-Profit Organizations.~~

~~This SOP does not address the practical difficulties inherent in valuing investments/businesses at market value and recognizing related temporary fluctuations; however, it does provide guidance which is consistent with other industries and seems judgmentally sound and reasonable.~~

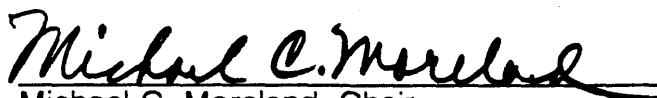
(2) Proposed SOP - The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and

7cont'd

Joel Tanenbaum
Technical Manager
Accounting Standards Division
AICPA
August 12, 1993
Page 2

Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations.

It appears this SOP merely formalizes the hierarchy of pronouncements in a manner consistent with other industries and practices.


Michael C. Moreland, Chair
Governmental Accounting and Auditing Committee

MCM:PR:hk

- cc: Charles H. Gielow, Jr., President
S. Thomas Cleveland, First Vice President
Members, Governmental Accounting and Auditing Committee
James R. Kurtz, Executive Director
Bruce C. Allen, Director, Government Relations
Mike Flanigan, Director, Professional Regulation
Maxine Hosaka, Associate Director, Professional Regulation

8

August 16, 1993

Grant Thornton 

Mr. Joel Tanenbaum, CPA
Technical Manager
Accounting Standards Division, File 3605.AP
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, New York 10036-8775

Accountants and
Management Consultants
The U.S. Member Firm of
Grant Thornton International

Dear Mr. Tanenbaum:

We are pleased to submit our comments regarding the Exposure Draft, dated May 19, 1993, of the proposed Statement of Position ("SOP") - *The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-for-Profit Organizations*. 3605.AP

General Comments

Our Firm enthusiastically supports the issuance of the proposed SOP. We believe that the issuance of the guidance, contained in the proposed SOP is long over due. Based on our experience, the application of the various professional pronouncements to not-for-profit organizations has been somewhat confusing and arbitrary, and it has been a significant practice problem for many preparers and auditors of financial statements of not-for-profit organizations.

Finally, we believe that the Appendices to the proposed Statement of Position are particularly useful.

Specific Comments

1. Paragraph 13, and Appendix B

We believe that paragraph 13 and Appendix B should be revised to include a comment to the effect that, although entities covered by the SOP do not ordinarily enter into the kinds of transactions covered by the guidance included in the effective provisions of the pronouncements in Appendix B, if they do enter into such transactions that this guidance applies.

Mr. Joel Tanenbaum
August 16, 1993
Page 2

8 cont

2. Appendix D

Although we understand that the proposed SOP applies only to category (a) literature of the hierarchy of generally accepted accounting principles, we believe that the guidance in the proposed SOP would be enhanced if Appendix D discussed the resolution of conflicts between category (b) literature; i.e. the AICPA industry not-for-profit audit guides and other AICPA industry audit and accounting guides. An example of conflicting guidance would apply to a not-for-profit investment trust, which would ordinarily follow the guidance in AICPA Industry Audit and Accounting Guide - *Audits of Investment Companies*, and which is presumably covered by the AICPA Industry Audit and Accounting Guide - *Audits of Certain Nonprofit Organizations*.

3. Reporting of Changes in Accounting Principles as a Result of Applying the Proposed SOP (Paragraph 22)

We agree with permitting changes in accounting principles, as a result of applying the proposed SOP, to be reported as a cumulative effect of a change in accounting principles.

On the contrary, when the cumulative effect of adopting those accounting principles is included in the statement of activity, or similar statement, in the year the proposed SOP is adopted, we believe that the proposed SOP should require the pro forma disclosures required by paragraphs 19(d) and 21 of APB Opinion 20.

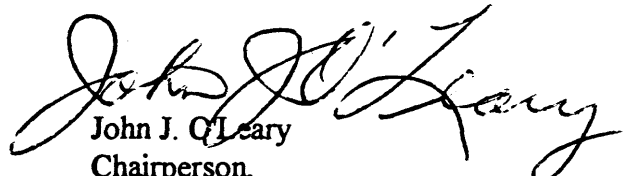
* * * * *

We would be pleased to discuss these matters with you further. If you have any questions or comments regarding the foregoing, please call the undersigned in our Firm's New York office at (212) 599-0100.

Sincerely yours,
GRANT THORNTON



Edward E. Nusbaum
National Director - Accounting
and Auditing



John J. O'Leary
Chairperson,
Exempt Organizations Committee



9

Re: 3605.AP

Promoting Informed Giving Since 1918

19 Union Square West
New York, NY 10003-3395
(212) 929-6300

August 18, 1993

Mr. Joel Tanenbaum
Technical Manager
Files 3605.AP and 3605.CC
Accounting Standards Division
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, New York 10036-8775

BY FACSIMILE AND BY MAIL

Dear Mr. Tanenbaum:

The comments which the National Charities Information Bureau has to offer on the two AICPA Exposure Drafts, "Reporting of Related Entities by Not-For-Profit Organizations" and "The Application of Requirements...,etc." are so brief that we thought them best transmitted in a single letter.

Re: "Reporting of Related Entities..." (File 3605.CC), the NCIB's areas of principal concern fall predominantly within the subject areas referenced (paragraph C.1) as a future FASB investigation, i.e. "the conceptual issues underlying the reporting of relationships not evidenced by ownership."

As do the AICPA and the FASB, NCIB has a keen interest in seeing that all appropriate increases in the standardization of not-for-profit financial reporting are enacted and enforced by the accounting profession.

On what may simply be an editorial note, but might prove an important distinction in the future, we do question the referral to one criterion of control as an "economic beneficial interest" in the "controlled" organization. There may be, deliberately or unfortunately or both, an influential "detrimental economic interest" which is nonetheless pursued/maintained for non-financial program reasons.

Re: "The Application of the Requirements of Accounting Research Bulletins..." (File 3605.AP), we tend to agree that a fairly Draconian approach is the only feasible one.

If we read it aright, the Exposure Draft states categorically that all professional accounting pronouncements that do not specifically exempt not-for-profit organizations from their purview are to be

BOARD OF DIRECTORS:

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*Daniel Lipsky, Treasurer *Lewis A. Helphand, Assistant Treasurer
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John G. Simon *Peirce B. Smith *John D. Taylor *Warren G. Wickersham *Valleau Wilkie, Jr.

*Executive Committee

9 cont'd
Re: 3605-AP

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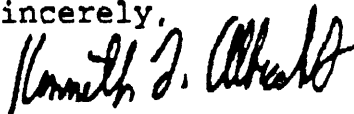
taken as applying to not-for-profits even if such documents do not explicitly or even at all address the particular concerns of not-for-profits in the circumstances contemplated by the document.

Well. A tax retroactive to January 1, 1993 may pale by comparison. Good luck.

Insofar as our expertise qualifies us to respond, it appears to us that we would agree that any such changes that may need to be enacted by not-for-profits in their financial statements as a result of confirmation of the Exposure Draft should be allowed to be reported as "a cumulative effect of a change in accounting principle" and that there be no required disclosure of "the pro forma effect of adoption."

Thank you for the opportunity to comment on the two Exposure Drafts.

Sincerely,



Kenneth L. Albrecht
President

10

GILBERT ACCOUNTANCY CORPORATION

Certified Public Accountants

August 16, 1993

Mr. Joel Tanenbaum
Technical Manager
Accounting Standards Division
File 3605.AP
AICPA
1211 Avenue of the Americans
New York, NY 10036-8775

Dear Mr. Tanenbaum:

In reading the exposure draft of the proposed statement of position "The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations," we agree with permitting such changes to be reported as cumulative effect of change in accounting principles and not requiring disclosure of the proforma effect of adoption.

However, the wording "more than one change in accounting principle" poses a problem. What if, as a result of applying the statement of position, there is only one change in accounting principle? In that case, do you have to disclose proforma effect? This wording could cause an inconsistency in reporting. We feel it should be changed to "one or more changes..."

Also it would be helpful if a statement was put in the final draft that statements issued after December 31, 1992, must be added to the appendixes by readers.

Very truly yours,

GILBERT ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Darla A. Colson
Darla A. Colson
Certified Public Accountant

DAC:ama

**Coopers
& Lybrand**

certified public accountants

1251 Avenue of the Americas
New York, New York 10020-1157

telephone (212) 536-2000

facsimile (212) 536-3035

11

August 19, 1993

Mr. Joel Tanenbaum
Technical Manager
Accounting Standards Division
File 3605.AP
American Institute of Certified
Public Accountants
1211 Avenue of Americas
New York, NY 10036-8775

Comments on the Exposure Draft
of a Proposed Statement of
Position, *The Application of
the Requirements of Accounting
Research Bulletins, Opinions of
the Accounting Principles
Board, and Statements and
Interpretations of the
Financial Accounting Standards
Board to Not-for-Profit
Organizations.*

Dear Mr. Tanenbaum,

We are pleased to submit our comments on the May 19, 1993 Exposure Draft of the Proposed Statement of Position, *The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-for-Profit Organizations* (the "ED"). We support the conclusions in the ED. We commend the Not-for-Profit Organizations Committee for providing this comprehensive review of the application of accounting literature and for its interpretive comments concerning the application of certain pronouncements to not-for-profit organizations.

* * * * *

We appreciate this opportunity to express our views. If you have any questions concerning our comments, please call Nelson W. Dittmar, Jr. (212-536-2449) or Verne E. Bragg (212-536-2897) in our National office.

Very truly yours,

Coopers & Lybrand

ASSOCIATION of GOVERNMENT ACCOUNTANTS

12

August 18, 1993

Joel Tanenbaum, Technical Manager
Accounting Standards Division, File 3605-cc
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

Dear Mr. Tanenbaum:

The Financial Management Standards Committee of the Association of Government Accountants has reviewed the proposed Statement of Position, The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board and Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations. Those of us in government accounting are especially interested in accounting by not-for-profit organizations since billions of government funds are passed through many of these entities.

Our Committee generally agrees with the draft although one member questions whether all of the guidance in the ARB's, etc., should apply the same to not-for-profit entities as it does to for-profit entities.

Paragraph 22 is another matter. We have differences of opinion on how to handle the transition but we do agree that the proposal in the draft is not correct. Questions:

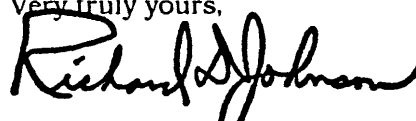
Why would more than one change result in different presentation than if there is only one?

Have you considered reporting the changes as prior period adjustments?

Should the transition rules for a particular principle prevail when an entity has, in affect, been forced to make a change?

Thank you for allowing our committee to comment on this exposure draft. Should you have questions you can write or call Richard D. Johnson, or Don Meadows, Auditor of State, State Capitol, Des Moines, IA 50319, telephone 515-281-5983, or Jo Ellen M. McCormack, telephone 202-512-9557.

Very truly yours,



Richard D. Johnson, Co-Chair
Jo Ellen M. McCormack, Co-Chair

RDJ/sc

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nysscpa

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August 19, 1993

Mr. Joel Tanenbaum, Technical Manager
Accounting Standards Division, File 3605.AP
AICPA
1211 Avenue of the Americas
New York, New York 10036-8775

Re: Exposure Draft-Proposed Statement of Position-The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-For Profit Organizations.

Dear Mr. Tanenbaum:

The Financial Accounting Standards Committee of the New York State Society of Certified Public Accountants agrees, with one exception, to the issuance of the proposed Statement of Position.

The exception relates to the guidance contained in paragraph 22 relating to the transition rules to be followed. Where there is more than one change in accounting principles, the guidance contained in the third and fourth sentences of that paragraph is to be followed. Presumably where there is only one change in accounting principles, the guidance in the second sentence of that paragraph should be followed. The committee feels the second sentence should specifically state it is referring to a single accounting change and explain the reason the guidance for one vs more than one accounting change is different.

The Society is pleased to forward this comment to you. If you wish to pursue this point further, please let me know and I will arrange for someone from the Committee to contact you.

Very truly yours,

Walter M. Primoff, CPA
Director of Professional Programs

WMP/jz

cc: Accounting and Auditing Committee Chairmen

**EXPOSURE DRAFT
PROPOSED STATEMENT OF POSITION**

**THE APPLICATION OF THE REQUIREMENTS OF ACCOUNTING RESEARCH
BULLETINS, OPINIONS OF THE ACCOUNTING PRINCIPLES BOARD, AND
STATEMENTS AND INTERPRETATIONS OF THE FINANCIAL ACCOUNTING
STANDARDS BOARD TO NOT-FOR-PROFIT ORGANIZATIONS**

May 19, 1993
Comment Date: August 19, 1993
No: 800052
By: Accounting Standards Division, AICPA

Response Prepared By: Accounting and Auditing
Standards Committee
Louisiana Society of CPAs

Glenn J. Vice, Chairman
Jon Flair, Member
Danny McCaskill, Member
J. M. Fried, Jr., Member
Stephen Alderdice, Member
Lyn Tew, Member
Jimmie Self, Member
Lindsay Calub, Member

Response Submitted By: Jon Flair, Member

Comments:

The Committee members agree with the conclusions set forth in the proposed SOP.

August 24, 1993

Mr. Joel Tanenbaum
Technical Manager
Accounting Standards Division, File 3605.AP
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Proposed Statement of Position

**“The Application of the Requirements of Accounting Research Bulletins,
Opinions of the Accounting Principles Board, and Statements and
Interpretations of the Financial Accounting Standards Board to Not-For-
Profit Organizations”**

Dear Mr. Tanenbaum:

We support the proposed Statement of Position (SOP) referred to above. The objective of the SOP is to provide guidance on the application of Accounting Research Bulletins (ARBs), Opinions of the Accounting Principles Board (APB) of the American Institute of Certified Public Accountants (AICPA), and Statements and Interpretations of the Financial Accounting Standards Board (FASB) to not-for-profit organizations. Pursuant to the SOP, not-for-profit organizations should follow the guidance in effective provisions of ARBs, APB Opinions, and FASB Statements and Interpretations except for the specific pronouncements that explicitly exempt not-for-profit organizations (as listed in Appendix A of the proposed SOP). We believe that the issuance of the SOP will help clarify the applicability of the authoritative literature to not-for-profit organizations.

If there is more than one change in accounting principle as a result of applying the proposed SOP, entities would be permitted to adopt such changes in accounting principles through the cumulative effect method, regardless of the transition requirements of the APB Opinions and FASB Statements adopted. We support this proposed approach. In addition, we believe that for not-for-profit entities, the costs associated with disclosing the pro forma effect of adoption of multiple changes would frequently exceed the benefits obtained. Therefore we support the proposed approach of not requiring this disclosure.

We assume that the final SOP will be updated to include FASB Statements and Interpretations issued through the date of issuance of the SOP. In particular, reference

Mr. Joel Tanenbaum

Page 2
August 24, 1993

should be made to FASB Interpretation 40 and FASB Statement 117 (paragraph 7), which specifically address the application of authoritative accounting pronouncements to financial statements that are intended to be in conformity with generally accepted accounting principles.

* * * * *

We appreciate the opportunity to present our views on the SOP and would be pleased to discuss any aspect of our letter with AcSEC or its staff at your convenience.

Very truly yours,

Ernst + Young



16

FINANCIAL EXECUTIVES
INSTITUTE

Joseph A. Sciarrino
Vice President and Technical Director

August 19, 1993

Mr. Joel Tanenbaum
Technical Manager
Accounting Standards Division, File 3605.AP
American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775

Dear Mr. Tanenbaum:

The Committee on Corporate Reporting (CCR) of the Financial Executives Institute (FEI) is pleased to comment on the AICPA's May 19, 1993 proposed Statement of Position (SOP) entitled, "The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-for-Profit Organizations."

CCR fully supports the objectives of the proposed SOP to eliminate any ambiguity concerning the need for not-for-profit entities to follow generally accepted accounting principles (GAAP). The SOP, when issued, will positively foster greater consistency in the accounting and financial reporting practices of these types of organizations.

Given the issuance of FASB Statement No. 116 and 117, paragraph 21 of the proposed SOP and the applicable references within the appendixes should be revised to incorporate these new pronouncements. CCR would also suggest that the title of the proposed SOP be changed to simply refer to the application of GAAP to not-for-profit organizations. In this regard, we find footnotes 2 and 5 to be very confusing and inconsistent with the overall objectives of the proposed SOP, and therefore recommend that these footnotes be deleted and that the appropriate appendixes be modified to fully embrace all sources of GAAP applicable to not-for-profit organizations. Finally, CCR agrees with the transition provisions as outlined in paragraph 22 of the proposed SOP.


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Mr. Joel Tanenbaum
Page Two

August 19, 1993

This response was developed by the AICPA Subcommittee of the CCR. The individual responsible for preparing the response was Mr. Alan J. Schneider of CBI Industries. Should you have any questions, Alan can be reached at (708) 572-7830.

Sincerely,


Joseph A. Sciarrino

JAS/afc

Accounting and Information
Management Division

August 20, 1993

Mr. Joel Tanenbaum, Technical Manager
Accounting Standards Division
File 3605.AP
American Institute of Certified
Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Dear Mr. Tanenbaum:

We have reviewed the exposure draft (ED) of the proposed Statement of Position (SOP) on Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-for-Profit Organizations. We appreciate this opportunity to provide our comments.

The central issue in this ED is whether Accounting Research Bulletins (ARBs), Opinions of the Accounting Principles Board (APB), and pronouncements of the Financial Accounting Standards Board (FASB) apply to not-for-profit (NFP) entities. The ED says the applicability is unclear to some.

Applicability of FASB Pronouncements and APB Opinions

In our opinion there can be no reasonable uncertainty as to whether APB and FASB pronouncements apply to NFP entities. We, therefore, question the appropriateness of issuing category (b) guidance (SOP) to say follow category (a) guidance when category (a) guidance already applies. We recommend that the AICPA consider whether the problem would be better addressed through a Practice Bulletin. If a Practice Bulletin is used, we recommend the listing of pronouncements as provided in the appendices to this ED be retained as a useful aid.

Our opinion on applicability is based upon Statement on Auditing Standards (SAS) No. 69 which establishes the hierarchy "for financial statements of entities other than governmental entities." This clearly includes the NFP entities. SAS 69 also establishes category (a) accounting literature, which is applicable to NFPs, to include FASB pronouncements, APB Opinions, and ARBs. In addition, the FASB/GASB jurisdiction agreement states that the GASB will

set standards for governmental entities and FASB will establish them for all other entities (which includes NFPs).

Given that these Boards had/have jurisdiction for NFP standard-setting, we believe their pronouncements already apply (even though not specifically stated) unless (1) there is a statement in the pronouncement which specifically excludes NFP organizations or (2) the pronouncement pertains to transactions or situations that are clearly not encountered by NFP entities.

In those cases where the issuing Board has stated that NFPs are exempt from a particular category (a) pronouncement, then one can see a possible need for category (b) guidance should NFPs encounter the types of transactions or events addressed. Indeed, that has been done as illustrated in Appendix A with regard to APB 18, FAS 12, and FAS 95. In those cases, AICPA Audit Guides or SOPs took up the slack.

Applicability of ARBs

We agree that there may be some confusion about the application of ARBs to NFP organizations. The Committee on Accounting Procedure stated in ARB 43 that "...except where there is a specific statement of a different intent by the committee, its opinions and recommendations are directed primarily to business enterprises organized for profit." The committee issued another nine ARBs (44-51) and each included this same statement indicating that ARBs are applicable primarily to for-profit entities. This is not the same, however, as saying that the ARBs do not apply to NFPs.

It is appropriate for the SOP to provide guidance on the application of non-superseded and non-amended portions of ARBs to NFP entities in the absence of any FASB guidance. This would include providing guidance on situations akin to that presented by FASB Statement No. 94 which amends ARB 51 without providing guidance as to whether it applies to NFPs.

Other Comments

- Paragraph 15 requires NFPs conducting certain business-type activities to follow the recognition and measurement guidance in the APB and FASB documents listed in Appendix D. However, the ED also states that those entities should not follow the reporting display guidance in those documents. Instead they should follow the display guidance in the AICPA NFP audit guides.

FASB issued Statement No. 117 on financial statements of NFP organizations in June 1993. The AICPA needs to assess how this new FASB guidance will affect the display

requirements contained in the AICPA audit guides and how it may require changes in this SOP.

This paragraph also causes concern regarding the hierarchy of accounting literature. If category (a) guidance applies to NFP entities, the proposal in this paragraph seems to have the effect of using category (b) guidance (SOP) to supersede category (a) guidance (FASB display requirements). The AICPA should carefully review the ED to be certain that such a situation does not occur.

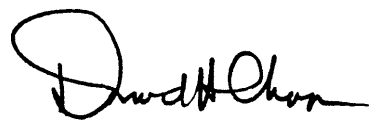
- Paragraph 3 of the introduction says that financial reporting guidance in the AICPA audit and accounting guides is, in some cases, inconsistent with APBs and FASB Statements. Examples are given with regard to SOP 78-10, APB 18, and FAS 94. The draft states that these inconsistencies have led to confusion on the part of preparers and users and implies that this is a reason for issuance of the SOP.

The ED is not clear about how these inconsistencies are resolved. If the draft does resolve such inconsistencies, this should be highlighted so that confusion is removed. If it does not, this portion of ¶ 3 should be deleted.

* * * * *

If there are any questions relating to our response, you may contact JoEllen McCormack at (202) 512-9557 or Larry Modlin at (202) 512-9533.

Sincerely yours,



Donald H. Chapin
Assistant Comptroller General



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August 26, 1993

Joel Tanenbaum
Technical Manager
Accounting Standards Division
File 3605.AP
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

RE: Exposure Draft - Proposed Statement of Position - The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-For-Profit Organizations

Dear Mr Tanenbaum:

The Accounting Principles and Auditing Procedures Committee is the senior technical committee of the Massachusetts Society of Certified Public Accountants (MSCPA). The Committee consists of over thirty members who are affiliated with public accounting firms of various sizes from the sole practitioner to the international "big six" firms, as well as members in both industry and academia.

The Committee has reviewed and discussed the exposure draft on the proposed statement of position and is in substantial agreement with its content. We feel that presenting accounting changes resulting from the implementation of the statement as a cumulative effect of a change in accounting principles when more than one change is required is a reasonable and practical solution. Since not-for profit entities reporting on a fund accounting model typically do not present complete prior year information, we did not feel that proforma information was necessary.

Very truly yours,

P. Daniel Hurley, Jr. Chairman
Accounting Principles & Auditing
Procedures Committee of the MSCPA

National State Auditors Association

19

August 27, 1993

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Delaware

Joel Tanenbaum
Technical Manager
Accounting Standards Division

File 3605.AP
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, New York 10036-8775

Dear Mr. Tanenbaum:

On behalf of the National State Auditors Association (NSAA), I am pleased to provide you these comments regarding the exposure draft of the proposed statement of position (SOP), *The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board, and Statements and Interpretations of the Financial Accounting Standards Board to Not-for-Profit Organizations*. The following comments are not intended to represent a single response for each NSAA member individually. The views of some members may not be fully in concert with all comments presented here. Individual state auditors may wish to comment on this proposed statement separately.

NSAA members agree with permitting such changes to be reported as a cumulative effect of a change in accounting principle, although we believe that the number of changes should not be a deciding factor in determining the level of disclosure. In addition, NSAA members agree that the pro forma effect need not be required.

However, NSAA members believe that this proposed SOP complicates an already complicated array of authoritative literature. We offer two suggestions to simplify and clarify this proposal.

1. Simply require existing pronouncements to be followed, unless not-for-profit organizations are explicitly exempted or a contradictory pronouncement that is applicable to not-for-profit organizations is in effect.
2. Revise paragraph 8 to specifically exclude state and local governmental units from the definition of not-for-profit organizations, or clarify footnote 1. Footnote 1 states, "The term *not-for-profit organization* in this SOP encompasses nonbusiness organizations described in FASB Concepts Statement No. 4" However, in that statement, the FASB deferred a final decision on whether the definition should apply to state and local governmental

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NSAA Response to AICPA ED on ARBs, APBs, etc. to NFP Organizations
August 27, 1993
Page 2 of 2

units. FASB Concepts Statement No. 6 is where state and local governmental units are excluded from the definition of a not-for-profit organization.

NSAA appreciates the opportunity to provide these comments to the AICPA. If you have any questions, please call Arthur A. Hayes, Jr., Chairman of the NSAA Audit Standards and Reporting Committee, at 615-741-1910, or Cindy Upton at NSAA at (606) 276-1147.

Sincerely,



Robert H. Attmore
President



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Revid 9-7-93

August 30, 1993

Mr. Joel Tanenbaum
Technical Manager
Accounting Standards Division
File 3605.AP
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

Dear Mr. Tanenbaum:

The Committee on Accounting Principles of the Illinois CPA Society ("Committee"), with the assistance of the Committee on Not-for-Profit Organizations, is pleased to have the opportunity to comment on the Exposure Draft of the Proposed Statement of Position (SOP), The Application of the Requirements of Accounting Research Bulletins, Opinions of the Accounting Principles Board and Statements and Interpretations of the Financial Accounting Standards Board to Not-for-Profit Organizations.

The organization and operating procedures of the Committee are reflected in the Appendix of this letter. These recommendations and comments represent the position of the Illinois CPA Society rather than any of the members of the Committee and of the organizations with which they are associated.

The Committee supports the AICPA in its efforts to improve the quality and usefulness of financial reporting including disclosures in the notes to financial statements of all not-for-profit organizations. We concur with the conclusion that Generally Accepted Accounting Principles, unless specifically exempt, should apply to all not-for-profit organizations.

Our comments with respect to the two items for which opinions have been requested are as follows:

- . A change of more than one accounting principle as a result of applying this proposed SOP should be reported as a cumulative effect of a change in accounting principle.

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Mr. Joel Tanenbaum
AICPA
August 30, 1993
Page 2

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Disclosure of the proforma effect of adoption should not be required. It was felt that this information would not be useful and justified on a cost/benefit basis.

We would be pleased to discuss our comments with the Accounting Standards Executive Committee or their designee.

Very truly yours,

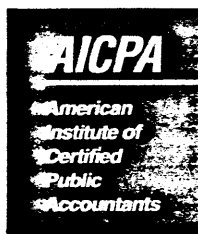
Bernard W. Revsine

Bernard W. Revsine
Chairman
Committee on Accounting Principles

APPENDIX**ILLINOIS CPA SOCIETY
COMMITTEE ON ACCOUNTING PRINCIPLES
ORGANIZATION AND OPERATING PROCEDURES**

The Committee on Accounting Principles of the Illinois CPA Society (the Committee) is composed of 26 technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to 15 years. The Committee is a 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 principles.

The Committee usually operates by assigning a subcommittee of its members to study and discuss fully exposure documents proposing additions to or revision of accounting principles. The subcommittee ordinarily develops a proposed response which 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.



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Rec'd 9-7-93

21

September 7, 1993

Mr. Joel Tanenbaum, Technical Manager
Accounting Standards Division
File 3605.AP
American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775

Re: Exposure Draft on Proposed Statement of Position "The Application of the Requirements of Accounting Research Bulletins (ARBs), Opinions of the Accounting Principles Board (APB Opinions), and Statements and Interpretations of the Financial Accounting Standards Board (FASB) to Not-For-Profit Organizations (NPOs)"

Dear Mr. Tanenbaum:

One of the objectives that Council of the American Institute of CPAs established for the Private Companies Practice Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective.

TIC members have reviewed the guidance provided in the above referenced proposed statement of position. We unanimously agree that NPOs should be required to follow the provisions of ARBs, APB Opinions and FASB Statements and Interpretations unless specifically exempt therefrom. We believe this proposal would clarify the uncertainty that exists about the applicability of those pronouncements to NPOs. It should help narrow the current diversity of practice and improve financial reporting by making the financial statements of NPOs more comparable.

TIC commends the members and staff of the Accounting Standards Executive and Not-for-Profit Organizations Committees for their exhaustive analysis of existing accounting standards and for the useful appendixes provided in the pronouncement. The appendixes contain comprehensive summaries of the various pronouncements that should and should not be applied to NPOs and, as a consequence, will provide excellent practice aids for NPOs and practitioners.

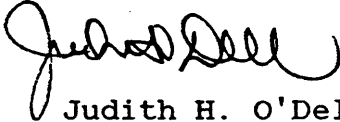
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We appreciate this opportunity to present these comments on behalf of the Private Companies Practice Section. We would be pleased to discuss our comments with you or representatives of the Accounting Standards Executive Committee or Not-for-Profit Organizations Committee at your convenience.

Sincerely,



Judith H. O'Dell, Chair
PCPS Technical Issues Committee

JHO:al
File 2220

cc: Arleen K. Rodda, Director, Accounting Standards (for AcSEC)
PCP Executive and PCPS Technical Issues Committees