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Technical Director  
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Proposed Accounting Standards Update: Intangibles - Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not for Profit Entities (Topic 958): Extending Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not for Profit Entities

The California Society of CPA's ("CalCPA") Accounting Principles and Assurance Services Committee (the "Committee") is the senior technical committee of CalCPA. CalCPA has approximately 43,500 members. The Committee consists of 55 members, of whom 45 percent are from local or regional firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

We have the following comments on the proposed ASU.

***Question 1: Would the amendments in this proposed update reduce costs and complexity compared with existing guidance? If not, please explain why.***

The Committee believes that this update should reduce costs and complexity compared with existing guidance.

***Question 2: What effect would the proposed amendments have as it relates to the decision usefulness of financial reporting? For example, would the proposed amendments decrease, increase, or not affect decision usefulness? Please explain.***

The Committee believes that neither proposal sacrifices decision usefulness in favor of reduced cost and complexity. Goodwill and its amortization is generally removed from financial analysis for not-for-profit entities.

***Question 3: Should the accounting alternatives in Topics 350 and 805 be extended to non-for-profit entities? If not, which aspects of the accounting alternatives do you disagree with and why?***

Yes, the Committee agrees that both accounting alternatives should be extended to not-for-profit entities. However, several Committee members do not agree that it should not be extended to non-for-profit entities that are conduit bond obligors. These members observed that such entities have historically been treated like public business entities by the FASB and should be treated as such, relative to this update, for consistency

***Question 4: What reasons would prevent a not-for profit entity from adopting the alternatives on these Topics?***

The Committee identified only one possible reason that would prevent a not-for profit entity from adopting the alternatives on these Topics. As noted in the response to Question 3, non-for-profit organizations that are also conduit bond obligors have been treated by the FASB as PBEs in many instances (for example ASUs 2014-09, 2016-02 and 2017-10, with respect to the effective date), following input from stakeholders. Even if permitted, these entities may feel that adopting this alternative could be confusing to stakeholders.

***Question 5: Do you agree with the optionality of the accounting alternatives? If not, why should the accounting alternatives be required?***

The Committee believes that the same optionality provided to private entities should be extended to not-for-profit entities so that the entity itself can make the choice of alternative best suited to its stakeholders.

***Question 6: Accounting Standards Update No 2016-03 Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance, removes the effective date of these accounting alternatives for private companies. This was done to accommodate those companies that initially chose not to elect those alternatives because of public company exit strategies and may want to later adopt the alternatives without having to establish preferability if their strategies subsequently change. Do not-for-profit entities experience changes in circumstances that would similarly warrant an indefinite effective date? If so, please describe those circumstances in detail.***

The Committee is unaware of any specific changes in circumstances that would warrant an indefinite effective date.

***Question 7: The Board recently added to its technical agenda another project on these Topics that, among other issues, will examine the amortization period for goodwill if the Board decides to pursue amortization as an alternative for public business entities or as a requirement for the system overall. The Board could decide that amendments developed as part of that project also should apply to non-for profit entities within the scope of this proposed Update. Thus, it is possible that entities electing these alternatives could be subject to future changes on the same Topics. Are there any reasons why the Board***

*should exclude non-for-profit entities as part of that other project? If so, please explain why?*

No, the Committee does not believe there is any reason to exclude not for profit entities from the scope of additional guidance and would welcome the inclusion.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require information.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew J. Lombardi".

Matthew J . Lombardi  
Chair  
Accounting Principles and Assurance Services Committee  
California Society of Certified Public Accountants