



September 17, 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. EITF-12H

Dear Technical Director:

On behalf of the National Association of College and University Business Officers (NACUBO), we submit the following comments on the Proposed Accounting Standards Update, "Service Concession Arrangements (Topic 853) a consensus of the FASB Emerging Issues Task Force" (the ASU). NACUBO's comments on the proposal were developed with input from our member institutions and our Accounting Principles Council (APC). The APC consists of experienced business officers from various types of institutions who, collectively, possess a thorough knowledge of higher education accounting and reporting issues and practices.

NACUBO is a nonprofit professional organization representing chief financial and administrative officers at more than 2,100 nonprofit colleges and universities. In its capacity as a professional association, NACUBO issues accounting and reporting guidance for the higher education industry and educates over 2,000 higher education professionals annually on accounting and reporting issues and practices.

We appreciate the Board's effort to provide accounting guidance for service concession arrangements which does not currently exist. Following are our responses to the questions posed by the Board.

Question 1: Do you agree that the scope of this proposed Update should include only service concession arrangements for which the grantor is a public sector entity? If not, what other types of arrangements should be included within the scope of this proposed Update? Please explain why.

It is unclear to us why the scope has been limited to public sector grantors. We note that IFRIC Interpretation 12 makes no such distinction. Although a service concession arrangement involves a public service, there are many non-governmental organizations such as Not-for-Profit entities that may be grantors in these types of arrangements. For example, a higher education institution may contract with an outside company to manage and maintain a recreational facility that is open to the public. Under the proposed

guidance, the operator of the recreation facility would account for that arrangement differently depending on whether the higher education institution was public (governmental) or private (independent). The substance of the arrangement would be the same – only the grantor entity would be different. We do not believe that these arrangements should be accounted for differently and, therefore, recommend that the scope be broadened to include all entities.

Question 2: Do you agree that a service concession arrangement within the scope of this proposed Update should not be accounted for as a lease under Topic 840? If not, please explain why.

We are struggling to come up with an example of an arrangement that resembles a lease. With service concession arrangements, the operator is compensated for performing a service. If the transferor/grantor owns the asset that the operator uses to perform the service, the operator is not being granted the right to use the asset for its benefit. Rather, the operator is involved in the arrangement for the benefit of the transferor/grantor.

Question 3: Do you agree that the infrastructure that is the subject of a service concession arrangement within the scope of this proposed Update should not be recognized as property, plant, and equipment (PPE) of the operating entity? If not, please explain why.

We believe that the treatment of the infrastructure should depend upon the terms of the arrangement. One of the conditional requirements for an arrangement to be considered a “Service Concession Arrangement” in Statement 60 of the Governmental Accounting Standards Board, “Accounting and Reporting for Service Concession Arrangements,” is that the transferor be entitled to a significant residual interest in the facility or infrastructure at the end of the arrangement. Consequently, if this is the case, then the PPE should be an asset of the transferor and not the operator. However, if an operating entity makes significant improvements to say, a building, and those improvements will not benefit the building or the transferor at the end of the arrangement (like leasehold improvements) then those should be capitalized by the operator.

Question 4: Do you agree that the amendments in this proposed Update should be applied using a modified retrospective approach to all arrangements existing at the beginning of the reporting entity’s fiscal year of adoption? If not, please explain why.

We think that a cumulative effect adjustment at the beginning of the earliest period presented is reasonable.

Question 5: Would the transition requirements in this proposed Update be difficult to apply? If yes, please explain why.

We do not see any obvious difficulties in applying the proposed transition requirements.

Question 6: The proposed amendments would apply to public and nonpublic entities. Should the proposed amendments be different for nonpublic entities? If so, please describe how and why you think they should be different.

Because the proposal would require an operator to follow the appropriate guidance in existing GAAP, we don't see a need for a difference between public and nonpublic entities, especially since there would be no additional disclosures required.

We wish to express our appreciation for the opportunity to comment. We look forward to answering any questions the Board or the staff may have about our response. Please direct your questions to Sue Menditto at 202-861-2542 or sue.menditto@nacubo.org.

Sincerely,

Susan M. Menditto
Director, Accounting Policy

