July 15, 2011

Board of Trustees
Financial Accounting Foundation
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116
presidentdesk@f-a-f.org

Dear Financial Accounting Foundation:

I’ve been told that there are over 44,000 CPA firm in the US. Of those firms there are less than 500 firms that employ more than 20 professional staff. To put it another way, 98.8% of all CPA firms in this country are small main street America firms providing services for small main street America type clients. According to the Small Business Administration’s website:

“SBA defines a small business concern as one that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume averaged over a three-year period. Examples of SBA general size standards include the following:

- Manufacturing: Maximum number of employees may range from 500 to 1500, depending on the type of product manufactured;
- Wholesaling: Maximum number of employees may range from 100 to 500 depending on the particular product being provided;
- Services: Annual receipts may not exceed $2.5 to $21.5 million, depending on the particular service being provided;
- Retailing: Annual receipts may not exceed $5.0 to $21.0 million, depending on the particular product being provided;
- General and Heavy Construction: General construction annual receipts may not exceed $13.5 to $17 million, depending on the type of construction;
- Special Trade Construction: Annual receipts may not exceed $7 million; and
- Agriculture: Annual receipts may not exceed $0.5 to $9.0 million, depending on the agricultural product.”

The above referenced sales volume represents the extreme upper end of the sales level for our clients and, I believe, the majority of the clients that the main street America CPA firms service.
Without delay, it is essential that FAF accept and implement the recommendations made by the Blue Ribbon Panel on Private Company Financial Reporting regarding differential standards and a separate standard-setting entity for private companies. Such historic change is necessary to effectively bring about sensible, useful financial reports for private companies and the users of their financial statements (such as bankers/lenders, insurers, venture capitalists and others).

I believe there are serious problems with the current standard setting process.

- The current standard-setting process does not adequately take into account the needs of the private company sector.
- There is an increasing lack of relevance of accounting standards for private companies and their financial statement users.
- Accounting standards have been and are driven by issues affecting public companies.
- FASB carries out the SEC's statutory responsibility for accounting standards, so it is destined to primarily reflect the capital markets and investors' needs.

Further, the panel was correct in that they believe, as I do passionately:

- Private companies are incurring significant unnecessary costs for GAAP financial statement preparation and audit, review or compilation services.
- It does not make sense to incur significant cost to comply with standards that have become ever more irrelevant in the private company world.
- And there does not appear to be a proper weighing of costs and benefits when it comes to setting standards for private companies.

In addition, substantive differences in current and future standards for private companies, where appropriate, are necessary. Private company financial reporting, as it stands now, is too complex, embodies too much irrelevant information and is too costly and time-consuming given its benefits.

Further, a new, separate body with standard-setting authority must be established directly under FAF and not subject to FASB approval. Given the public company reporting pressures placed upon FASB, the board cannot adequately respond to the competing needs of the private company sector.

Differential standards and an autonomous standard-setting body to implement them for private companies are needed now.

Thank you taking providing the time to allow my concerns to be heard.

Sincerely,

[Signature]

Gregory W. LeFils, CPA
Orange City, Florida