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To: [President's Desk](#)
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Subject: Private Company Financial Reporting

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

Dear Financial Accounting Foundation:

This letter is to express my support for 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. This change is necessary to effectively bring about sensible, useful financial reporting for private companies and the users of their financial statements (such as bankers/lenders, insurers, venture capitalists and others).

I recently interviewed a user and a preparer of private company financial statements. Their comments were as follows:

A banker says he analyzes an average of a dozen financial statements a week. He and his staff often "back out" non-cash items such as mark-to-market assets and value of intangible goodwill.

"Relevancy is the key throughout this. We're trying to get to an operational cash flow and analyze what the company can afford on payments. A non-cash item doesn't add any value to us.

The last thing the bank wants to do is terminate the loan because the value of a derivative fluctuated in market value and caused a technical violation of a company's loan covenant. The fact that private companies are held to a public company standard seems unreasonable, given the cost of keeping up with that information. A lot are spending thousands if not tens of thousands on this. We support the formation of a separate private company board because our focus is more on ongoing relationships with our borrowers, not focusing on technical non-cash aspects of loan covenants."

The CFO of a private company said "We expend an incredible amount of time on accounting standards because that's GAAP and that's disclosure. It's set by the industry and we have to comply if we want to have a clean opinion, but it has no great value to the readers of our statements"

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

Thank you.

Sincerely,

Jim Brendel
CPA practitioner
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