AICPA

March 9, 2020

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2020-100

Dear Mr. Kuhaneck:

The Financial Reporting Executive Committee (FinREC) of the American Institute of Certified Public Accountants (AICPA) appreciates the opportunity to comment on the Financial Accounting Standards Board's February 10, 2020, Exposure Draft of a Proposed Accounting Standards Update—*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

FinREC supports the Board's efforts to improve consistency and transparency in the presentation and disclosures related to valuing of contributions of nonfinancial assets that are received by not-for-profit entities (NFPs). Because diversity in practice exists, we support the effort to codify the best practices employed by NFPs that receive contributions of material amounts of nonfinancial assets currently and present those transactions in a way that is useful to financial statement users. However, there are certain categories of nonfinancial assets that are especially challenging or subjective to value. Additional disclosure for these types of nonfinancial assets may aid financial statement users in assessing the NFP's financial position.

However, we have some concerns about the operability of certain aspects of the proposed requirements. Those are addressed in the answers to the questions in the appendix to this letter.

Representatives of FinREC and the AICPA Not-for-Profit Expert Panel are available to discuss our comments with Board members or staff at their convenience.

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The Appendix to this letter includes our responses to questions raised in the Exposure Draft.

Sincerely,

Angela Newell	Jennifer Hoffman
Chairman	Chairman
FinREC	AICPA Not-for-Profit Entities Expert Panel

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Appendix

Question 1: *Are the proposed amendments operable? If not, which proposed amendment or amendments pose operability issues and why?*

Comment
We believe that the standard is broadly written in a way that would permit flexibility in implementation, but that there are some areas where the intent of the standard is unclear, which would lead to continued diversity in practice rather than transparency. Those areas include:

- We believe that the examples provided in a standard are critical to ensuring that the standard is implemented as intended. We identified the following areas that would improve operability of the standard through the examples:
  - The examples provided do not illustrate how the standard would apply to an NFP where the nonfinancial assets were monetized. We believe that there could be confusion in understanding the requirements for a qualitative disclosure. Please add an example to address that situation.
  - Providing additional examples for a variety of types of nonfinancial assets that organizations receive such as such as right-of-use, contributed services, and intangible assets.

- The proposed standard includes a requirement to disclose intent to be monetized or utilized. This would seem to be difficult to audit and would not lead to information that the financial statement user would be able to rely on. We recommend that this requirement be changed to require disclosure of the NFP's board-approved policy for each type or category of item rather than for the specific contributions received during that year.

- The amendments indicate that the types of assets should be disaggregated but do not clearly indicate that the amounts recognized should be presented for each type. If the goal is to present the totals by type, that editorial change should be made. This would make the disclosure requirements clearly align to the examples presented in the standard.

Question 2: *Should the scope of the presentation and disclosure requirements be applicable to all contributed nonfinancial assets? If not, what types of nonfinancial contributions should be excluded from the scope? Should the scope of the presentation and disclosure requirements be extended to business entities? If yes, why?*

Comment
We noted that certain disclosure requirements in these amendments were written to apply only to NFPs while others apply to all entities. Conversely, FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* is applicable to all entities, including business entities. We believe that consistent application of requirements for contributions received to be the better approach. Therefore, we recommend that this proposed standard, which addresses a specific type of contributions, apply to all entities to maintain alignment with the requirements in FASB ASU 2018-08 and other existing provisions in the FASB ASC regarding contributions received.

Question 3: *Should the disclosure requirements in paragraph 958-605-50-1A(c) be required for each category of contributed nonfinancial assets? If not, please explain why.*

Comment
The requirement to disclose the principal (or most advantageous) market used in determining fair value would be unique to contributions of nonfinancial assets to NFPs. While this might be relevant information to users of financial statements prepared for NFPs that have material amounts of pharmaceuticals and medical equipment, it would not be cost beneficial for the vast majority of nonfinancial asset contribution transactions. We recommend that this requirement be made optional for contributions of nonfinancial assets other than pharmaceuticals and medical equipment.

Question 4: *Would retrospective application of the proposed amendments be operable and would that application provide decision-useful information? If not, please explain why and what you would recommend?*

Comment
We believe that retrospective application would be operable, given sufficient time for information gathering to allow comparative financial statement presentation.

Question 5: *How much time would be necessary to adopt the proposed amendments? Should early adoption be permitted?*

Comment
We believe that 2 years would be sufficient to allow NFPs to implement any changes needed to collect data and to allow preparation of comparative financial statements. We believe that early adoption should be permitted.

Question 6: *Do you think that additional education or implementation guidance is needed on the valuation of contributed nonfinancial assets? If yes, what type of guidance or education should be developed?*

Comment
We believe that NFPs would benefit from FASB Staff Q&As that address the process of valuation and include examples of both simple and complex transactions to reduce overall diversity in practice.