SIMON LEVER
BUSINESS ADVISORS & CPAs

April 6, 2020

Mr. Shayne Kuhaneck
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:

We appreciate the opportunity to comment on the Proposed Accounting Standard Update (ASU), *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

We support the Board's ongoing effort to improve the consistency and transparency of not-for-profit entity (NFP) reporting. The current diversity in practice can provide challenges to stakeholders in understanding the value and use of contributed nonfinancial assets received by NFPs, however, we have concerns about the challenges that could result from the increased disclosure and valuation techniques for certain categories of nonfinancial assets and for some types of NFPs.

The Appendix to this letter includes our responses to the questions raised in the Exposure Draft. We are available to discuss our comments with the Board or staff at their convenience.

Sincerely,

Simon Lever LLC

Appendix – Responses to Questions for Respondents Included in the FASB's proposal

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

Comment

We believe that the standard provides better consistency and transparency but will place a large administrative burden on smaller NFPs with limited accounting staff. We find this particularly true when it comes to determining and disclosing the technique used for fair value. As the types of nonfinancial asset contributed could be different each year, this requirement could add significant burden to the staff to value and appropriately track all required information.

For example, valuing household goods, clothing, and food dropped off at a homeless shelter would be quite time consuming to value using the suggested techniques. Other assets that are not readily available to purchase (i.e. some used assets, right-of-use, and intangibles) would also prove difficult to value and provide the necessary disclosures.

Additionally, this information seems to provide little value to users of the financial statements if all the contributed nonfinancial assets are utilized for the purpose of the NFP. We propose that ASC 958-605-50-1A(c) is changed to only apply to nonfinancial assets that will be monetized by the NFP. We believe this is the information stakeholders would find valuable and would provide significant relief to smaller NFPs.

As a result, additional guidance around disclosing the intent to utilize or monetize is requested as this information can be difficult to accurately provide in some cases based on changing economic factors and needs of the NFP. Disclosing the NFP board's policy for handling contributed nonfinancial assets for various categories would provide more value and accuracy.

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

Comment

As discussed in the response to question 1 above, the presentation and disclosure requirements would place a significant burden on the staff and does not seem to provide valuable information to a reader when the donated assets will be utilized by the NFP. We recommend applying to only assets to be monetized by the NFP or targeted categories where the information would be valuable such as pharmaceuticals and making the additional disclosures optional for all other contributed nonfinancial assets.

Though it may be more unusual for a for-profit entity to receive donated nonfinancial assets, we believe the scope should be extended to all types of entities to maintain consistency across different types of financial statements.

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 disclosure requirements in paragraph 958-605-50-1A(c) would be difficult and costly to apply nonfinancial contributions that are not individually significant, such as food or clothing. Our recommendation is to apply this requirement to only assets to be monetized by the NFP or individually significant donations as those donations will be material to the reader and typically will have information readily available to assist with valuation and disclosure.

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 if enough time was allowed, however we do not believe it provides useful information. We recommend prospective application with retrospectively application being optional.

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

Comment
We believe that NFPs would need to be aware of the requirements prior to the beginning of the fiscal year they are to be adopted. Therefore, we recommend at least one year be allowed to collect applicable data or two years if retrospectively application will be required. Early adoption should be permitted.

Question 6 – *Is education or implementation guidance needed on the valuation of contributed nonfinancial assets? If yes, what type of guidance or additional education should be developed?*

Comment
Additional education and implementation guidance would be useful primarily for assets without an active market for valuation and other complex transactions. Additional examples will also help reduce inconsistencies in practice across NFP reporting.