



UCF Graduate Accounting Program  
Financial Accounting for Governmental and Nonprofit Organizations  
4000 Central Florida Blvd,  
Orlando, FL 32816

April 5<sup>th</sup>, 2020

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

**Re: FASB Proposed Accounting Standards Update: Not-for-Profit Entities (Topic 958)**

Dear Technical Director,

As graduate accounting students at the University of Central Florida, we appreciate the opportunity to respond to the FASB's Proposed Accounting Standards Update—*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. We are writing to you as part of a graded assignment for our Financial Accounting for Governmental and Nonprofit Organizations class. Below, we have responded to the six questions that are presented in the above mentioned Exposure Draft.

Sincerely,

Christina Acosta, Robert Berlant, Melissa Carabello, Brittany Jackson, and Nicholas Runyan

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

While these amendments will help in organizing the information of nonfinancial assets, we believe it may be difficult for smaller entities to be able to enact the information in the given timeframe. Since these amendments are to be applied on a retrospective basis, we feel there may need to be some room for those who do not have the privilege of employing a full-time accountant. Not-for-profits will have to spend a significant amount of time changing the presentation of nonfinancial assets on the statement of activities as required by 958-220-45-31. Additionally, they will have to spend significant time adding the required disclosures for contributions received.

With that being said, we do believe that these amendments help in providing useful and relevant information to the users of the financial statements. Therefore we do not necessarily believe that these amendments are “inoperable”, but that they will require a significant amount of time and effort to implement for smaller entities, which may create a disadvantage for them.

**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?**

The term “nonfinancial asset” includes items such as fixed assets, intangible assets, materials and supplies, and services. If the contribution falls into the category of a nonfinancial asset, it should be treated the same manner.

In review of the amendments for disclosure purposes, there are different standards for Contributed Nonfinancial Assets and Contributed Services. The amendment for nonfinancial assets only applies to not-for-profits, while the amendment for services applies to not-for-profits and other business entities. For the purposes of uniformity as well as consistent application of the standard, we believe the scope of the presentation and disclosure requirements should be extended to business entities as well.

**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.**

Providing users of the financial statements with information such as the source and intended use of the entity’s contributions would enable them to have a deeper understanding of the operations of the entity. The expanded requirements presented in paragraph 958-605-50-1A(c) would additionally give the reader an understanding of how the nonfinancial asset contributions are valued and what their principal market is. It is our belief that the disclosure requirements should be applied to each category of contributed nonfinancial assets, only if the category makes up a meaningful amount of the organizations nonfinancial assets. While we recognize the benefit of this disclosure, it does not seem productive to provide this information for any insignificant or

immaterial amounts. As an example, we believe that any assets with a balance over 5% of the total contributed nonfinancial assets for the year, or 5% of total assets on hand, should require the disclosure.

**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.**

Due to the nature of many not-for-profit entities, their ability to effectively apply this new presentation of contributed nonfinancial assets would likely be restricted. The small staff size of many not-for-profit accounting/records departments would hinder their ability to effectively perform the work required for these amendments beyond the standard operating tasks. Adding many details to the report such as what the contributed nonfinancial assets were used for, what their intended uses were, or what their principal market was, would be a significant workload for many entities. Thus, we would suggest that these proposed amendments would be used on the larger contributed nonfinancial assets, such as those over 5% of the total contributed nonfinancial assets for the year, so as to avoid going into unnecessary detail about immaterial contributions.

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

As mentioned in question four, the small size of many not-for-profits' accounting staff would restrict how much detail the organization could go into about their contributions without interfering with the current year's work. We suggest giving the not-for-profits at least two years to fully apply any proposed changes, to allow the organizations ample time to gather the necessary information or expand the accounting staff as needed. Early adoptions should also be permitted so as to allow organizations the chance to apply the amendment changes while not interfering too much with their day to day operations.

**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?**

Due to the potentially complex nature of contributed nonfinancial assets, we believe it is exceedingly necessary to provide both further education and implementation guidance. The more rules and standards given, the more the architect and the user of the financials will struggle with implementation and understanding. Documented examples of various types of nonfinancial assets would be beneficial, as well as detailed guidelines for what constitutes the required qualitative information. The additional education could be a separate report outlining various nonfinancial asset encounters that would beget the use of the new presentation and disclosure rules, with information regarding how detailed the description of the valuation techniques need to be.