



UCF Graduate Accounting Program
Financial Accounting for Governmental and
Nonprofit Organizations Class – ACG6519
4000 Central Florida Blvd
Orlando, FL 32816

April 07, 2020

Mr. Shayne Kuhaneck
Technical Director
File Reference No. 2020-100
Financial Accounting Standards Board
401 Merritt 7
PO BOX 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update – *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (File Reference No. 2020-100)*

Dear Mr. Kuhaneck,

As members of the Financial Accounting for Governmental and Nonprofit Organizations class at the University of Central Florida, we appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. Our group members represent a population of students in the Master of Science in Accounting (MSA) program and future graduates. We believe the amendments are operable with some possible suggestions described in the response to the questions in the appendix below.

Sincerely,

Chelsea Johnson, Zhi Shan Ou, Taylor Williams, Karina Zevallos

Appendix:

Comments on: Proposed Accounting Standards Update – Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

As MSA students and future graduates, we appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our group responses to the questions in the proposed accounting standards update are listed below.

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

The amendments in this proposed Update are operable and are flexible for Not-for-Profit entities (NFPs) to implement, yet we believe a clarification or amendment on some areas would increase the transparency of financial statements.

- Disclosures of qualitative information for reclassification of nonfinancial assets: According to 958-605-50-1A (proposed), NFPs are required to disclose the intended use of a contributed nonfinancial asset received for the reporting period and future periods. In addition, we believe the Update should add an amendment for required qualitative information when a contributed nonfinancial asset is received in the current reporting period and when it is reclassified from the financial assets. This recommendation considers the changes in intended use of a contributed nonfinancial asset in the future reporting period.

However, the costs of implementing this amendment should be considered and it should not exceed the benefit to the users of the financial statements.

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?

The scope of the presentation and disclosure requirements should apply to all contributed nonfinancial assets and none of the nonfinancial contributions should be excluded. They should be aggregated by type and disclosed of in this manner.

We believe that the scope of the presentation and disclosure requirements should be extended to business entities. Contributed nonfinancial assets are nonreciprocal value to the business entities. As such, business entities should present contributed nonfinancial assets in a separate line item in the statement of activities and disclose the information in the *Notes to Financial Statements*. These requirements are beneficial and increase the transparency on the assets received to existing and potential donors.

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.

We do not believe that the disclosure requirements in paragraph 958-605-50-1A(c) should be required for each category of contributed nonfinancial assets. Disclosures of valuation techniques for some nonfinancial assets, such as food and household goods, are not cost-effective and are high turnover assets. We recommend the disclosure requirements should be required for those using Level 2 or Level 3 of the fair value hierarchy and optional for Level 1 of the fair value hierarchy.

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.

Retrospective application of the proposed amendment may not be operable as the information provided will not be relevant to users. Information will be relevant if it is two-year retrospective as it can be used to compare financial statements. The Board should provide guidance as to the time period expected to be included. Depending on the time period required, applying this amendment retrospectively, this information would not provide decision-useful information. For information to be useful, it must be timely. Applying this retrospectively would take away the timely aspect of the information.

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

Early adoption should be permitted as this would allow for real-life examples for other later implementers to follow. We believe two years would be needed to adopt the proposed amendments for NFPs, especially for organizations who did not already implement amendments in their current financial statements.

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?

Education and guidance on the valuation of the contributed nonfinancial assets would be necessary. Most NFPs have the information readily available and some already include the specified information in the financial statements. Guidance would be necessary for the retrospective application of the amendments and to provide implementation guidance on presentation and disclosures of the fair value measurement for tangible and intangible assets.