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Technical Director
File Reference No. 2020-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail: director@fasb.org

Dear Mr. Kuhaneck:

Moss Adams LLP appreciates the opportunity to share our comments on the Financial Accounting Standards Board's (FASB or Board) Exposure Draft of its Proposed Accounting Standards Update – Not for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (the proposed Update).

Moss Adams LLP is one of the 15 largest accounting and consulting firms in the United States. Our staff of over 3,400 includes more than 350 partners. Founded in 1913, Moss Adams LLP provides accounting, tax, and consulting services to public and private middle-class businesses, not-for-profit and governmental organizations.

Moss Adams LLP supports the Board's desire to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to the presentation and disclosure of these assets. We believe the proposed Update addresses stakeholders' concerns about the lack of transparency in the valuation of contributed nonfinancial assets received by not-for-profit entities and the amounts of those contributions in their programs and activities.

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

We hope that you find our comments and suggestions meaningful. If you would like to discuss our comments or require further information regarding our response, please contact Erica Forhan in our Professional Practice Group at 206-302-6826 or by e-mail at Erica.Forhan@mossadams.com.

Respectfully,

A handwritten signature in cursive script that reads "Moss Adams LLP".



Appendix A

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

We believe the amendments in the proposal are operable. However, the proposed changes to paragraph 958-605-50-1A require that the notes to the financial statements include a disaggregation of contributed nonfinancial assets recognized within the statement of activities **by category** that depicts the type of contributed nonfinancial assets. The term *category* is not defined and we believe it would benefit preparers and auditors to better understand the requirement through further discussion of the level of disaggregation detail that is required.

The illustrative disclosure at 958-605-55-70V includes the following variety of disparate categories: building, household goods, food, medical supplies, pharmaceuticals, clothing and other. However, if the reporting entity was a food bank, and the only contributed nonfinancial asset is essentially food, it is unclear whether it be adequate to disclose only one category (food), or whether further detail of different categories of food product (e.g., perishable, non-perishable) is required to comply with the proposed statement. Additionally, when an organization receives substantial in-kind contributions for a fundraising event, it is unclear whether it is necessary to disclose a disaggregation of types of nonfinancial assets contributed, such as artwork, gift certificates, travel experiences, considering the organization is not intending to retain those assets or use them in operations, and the sole purpose of such gifts is to facilitate fundraising.

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?

For consistency and transparency purposes, we believe the scope of the presentation and disclosure requirements should apply to all contributed nonfinancial assets. We also believe the proposed Update should be extended to business entities, as applicable. We expect users of financial statements will benefit from the transparency the additional disclosures provided and receipt of contributed nonfinancial assets is not limited to not-for-profit entities.

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 agree these disclosure requirements should be required for each category of contributed nonfinancial assets. The fair value of nonfinancial contributions can be a significant estimate in the financial statements of not-for-profit entities. This disclosure provides transparency to the users of the financial statements of the key judgments and assumptions used in determining this estimate.

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.

We believe retrospective application would be operable and is preferable, as it provides decision-useful information to users. However, certain organizations may need more time to implement the proposed



Update retrospectively, especially as it relates to the level of disaggregation required to prepare the disclosures in accordance with paragraph 958-605-50-1A. Current financial systems may not be configured in a way to efficiently provide the level of disaggregated information required by this proposed Update.

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

We believe 2 years (2 annual reporting periods) would be adequate time for organizations to gather the necessary information to implement the proposed Update. 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?

The footnote illustrations in the proposed Update will be helpful to not-for-profit entities as they implement the proposed Update and showcase two different ways the information could be presented. However, we believe additional illustrations would be helpful to include situations where contributed nonfinancial assets are monetized, and we suggest these be included in implementation guidance. We also suggest additional illustrative disclosures for various types of not-for-profit entities that most frequently receive significant amounts of contributed nonfinancial assets to demonstrate how the Board proposes applying the disclosure requirements regarding category and level of disaggregation. Specifically, we suggest illustrating these types of entities and types of contributed nonfinancial assets they receive:

- Food Bank – Variety of food and commodities, services, use of a building, other nonfinancial assets received to be used for fundraising purposes
- Thrift Store – Significant variety of household goods, clothing, food, furniture, and other products received and monetized

We support the requirement in the proposed Update to include a description of valuation techniques and inputs used to arrive at a fair value measure, including information on the principal market (or most advantageous market) if it is a significant factor to the valuation. This information is important to users of the financial statements to understand how the value of items that may be difficult to value, like pharmaceuticals, is determined. However, providing one illustrative disclosure that demonstrates one particular way the valuation of pharmaceuticals may be developed could lead preparers and auditors to assume that this particular method is the most appropriate method in all situations involving pharmaceuticals. Therefore, we believe additional illustrative examples that include alternative valuation methods would be helpful to preparers and auditors to emphasize the key elements of the disclosure requirements.

Finally, we believe there is an opportunity to provide further education and implementation guidance related to ASC Topic 820 and the various valuation techniques that can be used for valuation of nonfinancial assets, specifically pharmaceuticals, as this is a very complex process. For instance, for pharmaceuticals, it may be helpful and increase consistency to include a flowchart that helps preparers identify the most appropriate market to consider when determining the fair value of these assets.