

From: Karissa Johnson <Karissa@momsontherun.com>
Sent: Wednesday, May 6, 2020 2:46 AM
To: Director - FASB <director@fasb.org>
Subject: File Reference No. 2020-300

To the Financial Accounting Standards Board:

I appreciate the extension of the ASC 606 implementation during a time in which business owners need to use all available resources to survive the current pandemic. I agree with the deferral of the new revenue recognition standards as it applies to the franchise industry. I feel further clarification is needed to franchisors and their auditors in terms of what portion of initial franchise fees will be recognizable in year one, vs. over the entire term of the contract.

I'm concerned that the current language is being interpreted by auditors to conclude that all of the initial fee should be recognized over the entire term, which is not at all an accurate picture of the use of the funds among franchisors to fulfill the requirements necessary to help the franchisee get their unit up and running in year one. In our franchise system, we have priced the initial fee to cover the pre-opening sales commission and the administrative time to assist the new unit with opening, and would argue that more than 80% of the initial fee should definitely apply to the first year. It is not clear to us how to present the start-up portion of the initial fee in our documents in a way that our auditor will accept as being a year-one expense.

The deferral of revenue to future years creates troublesome financial statements that do not fairly represent the financial status of an otherwise very healthy company, and could be an extreme hardship for brand new franchise systems. Avoiding negative equity on statements would require excess capital that is simply not needed to actually fund the expenses of the business.

Thank you for your consideration,

Karissa Johnson

Founder & CEO | Moms on the Run



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