April 6, 2020

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

By e-mail: director@fasb.org

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:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 23,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Jeffrey A. Keene, Chair of the Financial Accounting Standards Committee, at (732) 750-0900, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Ita M. Rahilly
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

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)

April 6, 2020

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New York State Society of Certified Public Accountants

Comments on

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

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on Proposed Accounting Standards Update—*Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (proposed Update). We support the Board's proposal to clarify and improve the guidance in Topic 958. We believe the proposed Update provides transparency, consistency and uniformity among reporting entities relating to contributions of nonfinancial assets. Our responses to the specific questions for respondents follow.

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

Response: Yes, we believe the proposed amendments are operable.

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?

Response: We believe that the scope of the presentation and disclosure requirements should apply to all contributed nonfinancial assets.

We believe guidance for contributed nonfinancial assets should apply to all entities that receive contributed nonfinancial assets, however, it is our view that this is primarily an issue for not-for-profit entities. Further, for most business entities, contributed nonfinancial assets would be a rare, and likely immaterial, event.

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.

Response: Yes, the proposed disclosure requirements for each category of contributed nonfinancial assets adds value through further understanding of the unique attributes of differing types of nonfinancial assets and the impact those types of contributions have on the financial statements as whole.

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.

Response: Retrospective application of the proposed amendments would be operable and provide decision-useful information. However, we suggest that the guidance in paragraph 958-605-50-1A(c) in reference to the disclosure of the valuation methodologies employed should be a phased-in process in order to allow preparers the time and ability to further articulate the requisite qualitative information. In other words, we believe the comparative year on the statement of activities should be in comparative form to the year of adoption, but the disclosures in the notes to the financial statements should be on a prospective basis and not required for the comparative year, similar to the availability disclosure requirements of ASU 2016-14 during the year of adoption.

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

Response: We believe that an implementation date of a year or more from issuance of a final ASU (e.g. periods beginning after December 15, 2021) would permit not-for-profit entities sufficient time to implement the proposed Update, while these entities are in the process of implementing *FASB Accounting Standards Codification®* (ASC) Topic 606, *Revenue from Contracts with Customers*, Topic 842 *Leases,* etc. We also recommend a phased-in approach with respect to the disclosure of the valuation methods as noted in our response to Question 4. We are supportive of permitting early adoption.

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?

Response: Yes, we believe that education and implementation guidance is crucial to successful application of a new accounting standard, such as through webcasts or other special presentations. Multiple specific examples within the implementation guidance in the codification (Section 55) will enhance preparers' understanding of the ASU while limiting diversity in practice, especially with more difficult to value nonfinancial assets. Specifically, we suggest that the implementation guidance include reference to the contribution of nonfinancial assets such as long-term rent and land easements.

With respect to contributed long-term rent, we suggest that the Board consider addressing valuation issues surrounding such gifts. For example, if a not-for-profit entity received a gift of long-term rent of office space in the most expensive part of a city, when space in a geographically proximate section of the city would meet its needs, we question the propriety of ascribing a higher value for such contribution (pursuant to ASC 820, *Fair Value*) than the value of less expensive office space in a city that would meet the entity's needs. By ascribing a higher value, a not-for-profit entity's ratio of general and administrative expenses or program expenses as a percentage of revenue can be positively or adversely impacted. We realize that this concept diverges from the ASC 820 concept of highest and best use, however, such a proposed concept is not inconsistent with current generally accepted accounting principles (GAAP) for valuation of contributed services provided by affiliated entities. For example, if accounting services were provided to a not-for-profit entity by the chief financial officer of an affiliated entity who earns $300 per hour, yet the entity could purchase accounting services that meet its needs for $100 per hour, GAAP allows for recognition of a $100 per hour in-kind contribution.