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April 10, 2020

Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Via Email to director@fasb.org

Re: File reference No. 2020-100

Dear Mr. Kuhaneck:

Grant Thornton LLP appreciates the opportunity to comment on proposed Accounting Standards Update (ASU), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

We agree with the proposed guidance on presentation and disclosure for contributed nonfinancial assets and believe the amendments would provide additional transparency in the accounting for this type of contribution in the financial statements.

We observed that the proposed guidance does not address contributed collection items that NFPs may choose to recognize, or not. See our response to Question 3.

Our responses to questions from the exposure draft are below.

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

We understand that some NFPs—especially smaller preparers—may feel that the additional presentation and disclosure requirements are a burden. However, NFPs have recognized contributions of nonfinancial assets at fair value for over two decades. We expect that the incremental effort would be limited, since there are no new recognition or measurement requirements in the proposed standard.

We suggest that operability could be improved by the following clarifications:

The first sentence of proposed paragraph 958-605-50-1A requires a disaggregation of contributed nonfinancial assets. We suggest adding the word ‘quantitative’ for clarity.

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Subparagraph -50-1A(a) requires qualitative information. The second sentence of -50-1A could be clarified by indicating that subparagraphs a, b, and c require information that is incremental to the quantitative disaggregation. Those suggestions are reflected below in underscore:

> A not-for-profit entity (NFP) shall disclose in the notes to financial statements a quantitative disaggregation of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. For each category of contributed nonfinancial assets, an NFP shall also disclose the following:
>
> …

In proposed Example 22, paragraphs 958-605-55-70V (table and narrative) and -55-70W (tabular) appear to have differences as to what is disclosed. We suggest that the content be conformed:

- Subparagraph -55-70V includes dollar totals, whereas -55-70W does not. We suggest adding a total to the latter.
- Subparagraph -55-70V discloses that no assets were monetized, whereas 55-70W does not.
- Subparagraph -55-70W has a column labeled “Utilization in Programs”. We suggest that the label might be clearer if it were “Programs or Other Activities in Which Utilized”.

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?

We support the Board’s decision to apply the scope of the amendments to all contributed nonfinancial assets, including services as discussed in BC8. We suggest that the board enhance proposed Example 22 to include contributed services.

The required disclosures for contributed services in 958-605-50-1B are applicable to NFPs and business entities. To assist readers, we recommend a link to the Master Glossary definition of ‘Business’ in the proposed revision.

Recently issued guidance in both ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* and ASU 2019-03 *Updating the Definition of Collections,* applies equally to all not-for-profit and business entities. While businesses might receive few contributed nonfinancial assets, it seems inconsistent with those recent amendments that the proposed disclosures apply only to NFPs. This results in different disclosure for transactions that otherwise are accounted for in the same manner.

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 that there should be disclosure for each category and agree with the statement in BC8 that a broader scope would support transparency.

The proposed amendments do not appear to contemplate contributed collections. NFPs either recognize or do not recognize collections. In either case, the items are neither utilized in a program nor monetized. Paragraph 958-360-50-6 requires specified disclosures for collection items. We expect that questions might arise as to whether contributed collection items are in the scope of the proposed disclosures and suggest that the Board consider addressing contributed collection items in the amendments. Our thought is that collection items already have sufficient disclosure requirements and need not be in the scope of the proposed amendments.

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 defer to the views of preparers and users as to the operability and usefulness of retrospective application. However, we believe that retrospective application may be burdensome for some preparers, and suggest a reconsideration of the benefits and costs tradeoff in requiring retrospective application for all NFPs.

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

We defer to the views of preparers as to the timeline needed to adopt the proposed amendments. We believe early adoption should be available.

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?

We believe that not-for-profit preparers, auditors, and stakeholders alike would benefit from a refresher on applying the existing fair value guidance in ASC 820 to contributed nonfinancial assets. The Board and Staff might have some fair value materials that could be repurposed without too much effort. Specifically, we believe that education around the concepts of principal market and most advantageous market would be beneficial.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Doug Reynolds, Managing Director (617-848-4877 or doug.reynolds@us.gt.com) or Carolyn Warger, Senior Manager (617-848-4838 or carolyn.warger@us.gt.com).

Sincerely,

/s/ Grant Thornton LLP