Ma’am:

Please note the following as by the entirety a comment on the above-named Proposed Accounting Standards Update. This narrator has read the Proposed ASU and the comment here is the narrator’s own, and declarations and statements here on this very important topic are nor exhaustive nor all-inclusive and are submitted given the comment privilege in order to encourage further and more definitive dialog and discussion on this vital topic concerning the accounting treatment of a significant economic and commercial activity, the treatment of goodwill and other intangibles including covenants by not-for-profit entities (hereafter “NFP” entities).

**Question 1:** Would the amendments in this proposed Update reduce overall costs and complexity compared with existing guidance? If not, please explain why.

This Proposed Accounting Standards Update, “Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities” appears overall to appeal to a perceived need for uniformity in the not-for-profit sector with private and public company rules, simply perhaps for sake of simplicity and expediency, and relevance having to do with financial statement disclosures. In this way, again perhaps, the drafter(s) of this ASU hope to accede to needed accounting changes and then to make the financial statements of not-for-profit entities generically more relevant again and understandable to stakeholders; that is, financial statement users, analysts, creditors and the like.

While the commenter in this narrative is against financial statement opacity in many respects, the seeming abandoning the equity method of accounting, and of the traditional treatment of investments for a purportedly simple and closer nit, more transparent method of accounting is against a litany of proper reasons, mostly within the headline accounting principles and assertions themselves and even of the current ASC itself insofar as the computation of value of...
intangibles including goodwill and covenants, etc., are concerned – events that trigger re-
evaluation and assessment of goodwill and intangibles in this Proposed ASU should be limited
to those involving an exchange of assets or stock for assets or stock, or various among
reorganizations; dissolutions; liquidations; all involving the application of the equity method.
That intangible assets are actually productive, and over a period of years, not just ten or so
years as is in part proposed in this ASU, is undercut by the possible repeated evaluation and
assessment that separates the future benefits of historical costs from their role in the recording
of assets for value, or internally – generated or acquired goodwill and other intangibles, and
turns the evaluation and assessment of value of the intangibles into a mechanism for
assessment through management economics, not finance nor accounting. The proposed
changes are clearly an unnecessary for but expedient change in methods of accounting for
intangibles as called for by perceived economic values or woes in successive and additional
evaluations and assessments that are an important subject for dialog. Historical cost,
regardless of the complexity involved nor the economic persuasiveness of proposed guidance
being considered for change, as the foundation for accounting recordation for value of future
benefits and intangible assets thereby, appears to inform this in all respects anyway given
rights, existence, occurrence, valuation and completeness considerations.

Question 2: What effect would the proposed amendments have as it relates to the decision
usefulness of financial reporting? For example, would the proposed amendments decrease,
increase, or not affect decision usefulness? Please explain.

The current commenter of this narrative believes consistency, representational faithfulness and
economic substance, valuation and rights and obligations, existence, completeness and
matching should govern the accounting treatment in rules such as the Proposed ASU within the
topic of financial reporting, and that usefulness itself be governed by those versed and expert,
and perhaps equally non – expert in these matters. Actual, so – called usefulness of the
financial statements, including decision usefulness has more to do with the above principles
and assertions themselves in these matters uniquely than to do with readability of the
disclosures to stakeholders, especially given the possibility of unnecessary window – dressing
that can occur vis – a – vis similar technical matters at times.

Question 3: Should the accounting alternatives in Topics 350 and 805 be extended to not-for-
profit entities? If not, which aspects of the accounting alternatives do you disagree with and
why?

The extension of private company Topics 350 and 805 to NFP entities, this narrator overall
agrees, should be at the discretion of the Director and of the Board, and this despite any
dissenting language in this writing.
**Question 4:** What reasons would prevent a not-for-profit entity from adopting the alternatives on these Topics?

It does appear overall with respect to NFP adherence to this guidance on intangibles that existence and valuation assertions could become, in compliance, more costly concepts within the framework of some NFP disclosures, especially if goodwill and covenants, etc., are evaluated and then re-evaluated every year, or even less periodically. Observably, the more re-evaluations and assessments intangibles are subject to, regardless of the economic condition of a business under this Proposed ASU, the more complicated and laborious disclosure issues become.

**Question 5:** Do you agree with the optionality of the accounting alternatives? If not, why should the accounting alternatives be required?

This commenter overall does not agree that yearly or even less formally frequent reviews of asset values are necessary, yet again necessary pending any transaction that calls for application of the equity method of accounting at which time evaluation and assessment, and then re-valuation of assets is called for to determine proper investment amounts in any exchanges. Nonetheless, this commenter defers to the Director under the circumstances and or a consensus of the Board to allow implementation of this new guidance as written.

**Question 6:** Accounting Standards Update No. 2016-03, *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance*, removes the effective date of these accounting alternatives for private companies. This was done to accommodate those companies that initially chose not to elect those alternatives because of public company exit strategies and may wish to later adopt the alternatives without having to establish preferability if their strategies subsequently change. Do not-for-profit entities experience changes in circumstances that would similarly warrant an indefinite effective date? If so, please describe those circumstances in detail.

Changes in accounting methods, as are suggested by the ASU in the question stem above, do require bookkeeping adjustments that can provoke a tax liability and perhaps adjustment debits or additional costs and obligations by the entity or business. Said adjustments, costs or obligations are subject to scrutiny and are technical in nature, again requiring the valuation work of experts, and non-experts alike. Said adjustments have signaling power indicating at once the continuing and healthy character of the entity, of course, or going concern items. The magnitude of such adjustments, sometimes hard to quantify when ASU adoption is planned should at least be carefully considered regardless of when or under what circumstances.
adoption of the ASU should happen. Given uncertainties around the effects of, e.g., Internal Revenue Code Section 481 Adjustments and the like allowing the adoption of these methods, an indefinite effective date seems appropriate for adoption of the alternatives in this question stem.

Question 7: The Board recently added to its technical agenda another project on these Topics that, among other issues, will examine the amortization period for goodwill if the Board decides to pursue amortization as an alternative for public business entities or as a requirement for the system overall. The Board could decide that amendments developed as part of that project also should apply to not-for-profit entities within the scope of this proposed Update. Thus, it is possible that entities electing these alternatives could be subject to future changes on the same Topics. Are there any reasons why the Board should exclude not-for-profit entities as part of that other project? If so, please explain why.

This commenter overall defers to the foresight of the FASB and its Director in consideration of the relation of rules and guidance from entity to entity and in the adoption of said rules and guidance. Nonetheless, and for lack of better language here at its limit given the complexities of NFP financial disclosures and controls in view of private and public entity guidance, and their possible parallels with private and public company disclosures and controls, NFP accounting is founded upon factors emphasizing static economics whereas financial people talk much more of cash flow and financial dynamics with private business and public entities as a subject matter. Different guidance in these areas are and should be separate as are the NFP and for-profit character of separate entities with different business purposes. Adoption of the new guidance obviously calls for different disclosures for intangibles between NFP and for-profit business, indeed different adjustments and different financial statement treatment based upon just consideration of accruals and deferrals, and then asset adjustments realizing and recognizing costs. Thereby, for sake of distinction between business purpose and even business charter, one need not group NFP guidance with the for-profit private and public company guidance if the entities in capital structure, operations and in their controls and disclosures are separate and different in character as they appear.

This commenter does greatly respect the F.A.S.B. for its continuing and ongoing examination of the topic at hand and its intake of this document and the wisdom of the Board in drafting this Proposed Accounting Standards Update on this matter. Again, the comment privilege in this matter is appreciated.

Sincerely yours,

Thomas Heaton Spitters, Member A.A.A., I.A.A.E.R.
San Francisco, CA 94104 U.S.A. – Telephone : (415)800-4499