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April 3, 2020

Mr. Shane Kuhaneck
Senior Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2020-100

Dear Mr. Kuhaneck:

RSM US LLP is pleased to provide feedback on the proposed Accounting Standards Update (ASU), *Not-for-Profit Entities (Topic 958) – Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets.* We appreciate the efforts the Financial Accounting Standards Board is putting forth to improve presentation and disclosure in a manner that provides more transparency into the significance and valuation of contributed nonfinancial assets. We are supportive of the proposed amendments and commend the use of disclosure examples, which should not only improve the quality of disclosures, but also may have the benefit of promoting more consistent and appropriate valuation practices by providing additional insight into how certain nonfinancial assets typically are valued. Responses to the specific questions raised in the proposed ASU and additional comments follow.

Responses to Questions for Respondents

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

We are not aware of any proposed amendments that are not 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?*

We believe the scope of the presentation and disclosure requirements should apply to all contributed nonfinancial assets that are recognized. As such, we are in agreement with the wording in proposed paragraph 958-605-50-1A, which makes it evident that the disclosure requirement does not apply to contributed nonfinancial assets that are not recognized (for example, as a consequence of applying ASC 958-605-25-19).

We believe the scope of the proposed ASU should be extended to business entities to the extent ASC 958-605 is already applicable to business entities under ASC 958-605-15-4. In other words, we believe business entities should continue to be excluded from the presentation requirements, as currently indicated in ASC 958-605-15, including the proposed requirement to present contributed nonfinancial assets as a separate line in the income statement or statement of activities, apart from contributions of cash and other financial assets. Generally, we would expect contributed assets to be of less significance to the activities of a business entity. Excluding them from the proposed presentation requirement would also simplify the application of ASC 958-605 to business entities as it would not be an exception to the current scope of the guidance in ASC 958-605.

We do believe, however, that business entities should be subject to the disclosure requirements in both ASC 958-605-50-1A and 50-1B because they sometimes receive contributions of nonfinancial assets, and in some cases rely on contributions of nonfinancial assets in order to run their business. While such contributions are likely to be less material to the financial statements of a business entity, consistent with the overarching disclosure principle, immaterial amounts are not required to be disclosed. This would create a standard disclosure for all entities and could result in more appropriate and consistent valuations of contributed nonfinancial assets across companies and industries due to the transparency provided by the proposed requirement to disclose the techniques and inputs used to arrive at a fair value measure. We, therefore, suggest that proposed paragraphs 820-10-50-2H and 958-605-50-1A be modified to indicate their applicability to all entities that receive contributed nonfinancial assets (rather than only 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 believe the disclosure requirements in paragraph 958-605-50-1A(c) should be required for each category of recognized contributed nonfinancial assets.

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 that retrospective application of the proposed amendments generally would be operable and would provide decision-useful information. However, we believe that, while retrospective application should be permitted and encouraged, it should not be required given that some entities may have system limitations that would make it costly or difficult to obtain the necessary information.

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

We believe that a reasonable amount of time to adopt the proposed amendments would be two years after issuance, with early adoption permitted. This will give affected entities time to develop and implement new systems that may be needed in order to properly track the values of contributed nonfinancial assets in sufficient detail to meet the disclosure requirements. We acknowledge that entities subject to the requirement to report noncash contributions by type of property on Schedule M, “Noncash Contributions,” of Form 990, *Return of Organization Exempt from Income Tax,* may have the necessary systems in place; however, other entities likely do not. Additionally, we believe allowing two years for adoption would be beneficial given the time it takes for entities to become aware of a new ASU, the number of major new standards being implemented recently or required to be implemented in the next few years and the recent disruption attributable to the coronavirus.

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 commend the Board for including the implementation examples in ASC 958-605-55-70U through 958-605-55-70W and suggest the Board expand the examples to include harder-to-value assets, such as artwork or other capitalized collection items.

Additional comments

We would like to bring to the Board's attention the need to modify the Illustrative Financial Statements in ASC 958-205-55 to reflect the proposed amendments. This would include (a) the statement of activities examples that begin at ASC 958-205-55-13 to demonstrate the breakout of contributions between financial and nonfinancial as will be required by proposed paragraphs 958-205-45-36 and 958-220-45-31, and (b) the notes to financial statements examples that begin at ASC 958-205-55-21 to illustrate the application of the proposed new disclosure requirements to the facts and transactions related to contributed nonfinancial assets in ASC 958-205-55-5.

Lastly, we believe it would be helpful to add "If significant," to the opening clause of proposed paragraphs 958-220-45-31 and 958-605-45-7A to state, "*If significant, a*n NFP shall present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets." We understand that, as a general rule, consideration can be given to materiality in applying accounting principles generally accepted in the United States (U.S. GAAP), but we believe that explicitly qualifying this clause by indicating "If significant," would make it clear that immaterial contributed nonfinancial assets do not need to be reported on a separate line item in order to fully comply with U.S. GAAP.

We greatly appreciate the efforts the Board has put forth to improve not-for-profit accounting and the opportunity to provide feedback on this proposed ASU. We would be pleased to respond to any questions the Board or its staff may have concerning our comments and ask that questions be directed to Faye Miller at 410.246.9194 or Brian Schebler at 612.455.9913.

Sincerely,

RSM US LLP

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