



April 10, 2020

Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, Connecticut 06856-5116

File Reference No. 2020-100

Topic: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*

The Not-for-Profit Organizations Committee and Accounting Principles Committee of the Illinois CPA Society (“Committees”) appreciate the opportunity to provide their perspective on the Proposed Accounting Standards Update (ASU), Not-for-Profit Entities (Topic 958) – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our comments represent the collective views of the Committees and not the individual views of the members or the organizations with which they are affiliated. The organization and operating procedures of the Committees are outlined in Appendix A to this letter.

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

The following amendments pose operability issues:

958-605-50-1A (a) An NFP shall disclose qualitative information about whether the contributed nonfinancial assets were or are **intended** to be either monetized or utilized during the reporting period and future periods. If utilized, an NFP would disclose a description of the programs or other activities in which those assets were or are intended to be used.

We believe the inclusion of the intention of the organization raises operability issues due to the subjective nature of determining the intent. This will likely create diversity in practice and would create significant challenges for auditors to support the conclusions drawn. As a result, we believe it would be more appropriate to disclose the organization’s policy as it relates to contributed nonfinancial assets.

958-605-50-1A (b) An NFP shall disclose a description of any donor restrictions associated with the contributed nonfinancial assets.

We believe the amount of contributed nonfinancial assets subject to donor restrictions would already be presented in the statement of activities under the proposed 958-605-45-7A, which would require the presentation of a separate line item. We do not believe there is added value in further disaggregating the donor restrictions on contributed nonfinancial assets. We believe any remaining donor restrictions associated with contributed nonfinancial assets would be properly disclosed under 958-210-45-9.



Example 22: Contributed Nonfinancial Assets.

We believe the example provided in the standard is not sufficient and will create operability issues. The example only presents utilized contributed nonfinancial assets and does not show other types of nonfinancial assets that could be recognized in revenue such as contributed services, leasing arrangements or other right of use assets, or intangible assets. A more comprehensive example would provide much needed guidance.

Additionally, we believe the absence of an example disclosure for the monetization of contributed nonfinancial assets will create diversity in practice.

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?

Yes, we believe the presentation and disclosure requirements should apply to all contributed nonfinancial assets.

We note that the provisions of ASC 958-605-50-1A apply to NFPs only and ASC 958-605-50-1B applies to NFPs and business entities. There is no clear rationale why there is diversity in the application within the standard. Additionally, we note that recent pronouncements, such as ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, applied to all entities. As such, we believe there should be consistency for all contributions and application to all 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) provide value to users for long-lived contributed nonfinancial assets such as buildings or land and thus application of ASC 820 is warranted. For small organizations who receive large volumes of food, supplies, clothing, etc. that could have any number of principal markets, an undue burden would be placed on these organizations to meet the requirements under ASC 820.

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.

Although a retrospective application would be operable, it would be time consuming and without significant value to the users of the financial statements. Since the FASB made the determination not to require organizations to quantify the utilization of contributed nonfinancial assets in future periods, a prospective application would be more appropriate in the year of adoption.



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

At least two years would be required for organizations to update their accounting systems and build stronger internal tracking systems to categorize contributed nonfinancial assets and develop a stronger system of controls around fair value measurement of these items. Early adoption could be permitted as long as organizations already had the tools in place to provide the information required in assessing the fair value by disclosing principal markets.

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?

Yes, we believe additional education and implementation guidance will be needed to assist organizations with the valuation of nonfinancial assets. Providing examples of common contributed nonfinancial assets and acceptable approaches to reach a valuation would be helpful to reduce some of the complexity in implementing this standard.

We appreciate the opportunity to offer our comments.

Sincerely,

Alison Fetzer, CPA
Chair, Not-for-Profit Organizations Committee

Brian Kot, CPA
Chair, Accounting Principles Committee

William Keirse, CPA
Vice Chair, Accounting Principles Committee



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APPENDIX A

ILLINOIS CPA SOCIETY
NOT-FOR-PROFIT ORGANIZATIONS COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2019-2020

The Not-for-Profit Organizations Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from government and public accounting. These members have Committee service ranging from newly appointed to more than 18 years. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered and discussed by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

Public Accounting/Professional Service Firms:

Steven Andes	Steven M. Andes, CPA
Megan Angle	Porte Brown LLC
Gary Bausch	Baker Tilly Virchow Krause, LLP
Paul Betlinski	Desmond & Ahern Ltd
Thomas Bishop	RSM US LLP
Joshua Bream	Mueller & Company LLP
Jennifer Burke	Crowe LLP
Jennifer Casacchia	Sikich LLP
Jennifer Culotta	Plante Moran, PLLC
Rose Doherty	Legacy Professionals LLP
Rebekuh Eley	RSM US LLP
Alison Fetzer	Ostrow Reisin Berk & Abrams Ltd
Davida Finkle	Mann, Weitz & Associates LLC
Jody Gauthier	BKD CPAs & Advisors
Nancy Gonsiorek	Nancy L. Gonsiorek, CPA, LLC
Susan Greggo	Warady & Davis LLP
Susan Jones	Miller Cooper & Co., Ltd.
Jack Medor	Jack S. Medor, CPA
Emmett Murphy	The Murphy Financial Group
Ronald Pressler	Ronald B. Pressler, CPA
Izabela Poludniak	Sassetti, LLC
Michelle Scheffki	Morningbelle Consulting
Rosemarie Sison	E.C. Ortiz & Co. LLP
Marcy Steindler	Mann, Weitz & Associates LLC
Laurie Styron	Styron Consulting
Linda Swick	MissionFirst Accounting PC
Gabriela Ursu	CJBS, LLC
Nancy Wallace	Nancy Wallace, CPA
Seth Weener	Crowe LLP
Maureen Wheeler	Maureen J. Wheeler, CPA

Not-for-Profit Organizations:

Deborah Barnes	YMCA of Metropolitan Chicago
Edwin Czopek	CHiME College of Healthcare Information Management Executives



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Kathleen Hopkinson
Dennis James
Kim Michael-Lee
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College of DuPage
Big Shoulders Fund
Allendale Association
Adler University
University of Illinois Chicago
The Arts Club of Chicago

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APPENDIX A
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2019-2020

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to fully study and discuss exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

Large: (national & regional)

Ryan Brady, CPA	Grant Thornton LLP
Ashley Carboni, CPA	KPMG LLP
Michael Couillard, CPA	Baker Tilly Virchow Krause LLP
Matthew Denton, CPA	Sikich LLP
Jason Eaves, CPA	Crowe LLP
William Keirse, CPA (Vice Chair)	Ernst & Young LLP
Scott Lehman, CPA	Crowe LLP
Melissa Lynch, CPA	Plante Moran, PLLC
Reid Mitchell, CPA	Wipfli LLP
Jason Plourde, CPA	Grant Thornton LLP
Darshana Raigaga, CPA	BDO USA LLP

Medium: (more than 40 professionals)

Danielle Martin, CPA	Porte Brown LLC
Jeffery Watson, CPA	Miller Cooper & Company Ltd

Small: (less than 40 professionals)

Peggy Brady, CPA	Selden Fox, Ltd.
Brian Kot, CPA (Chair)	Cray Kaiser Ltd CPAs
Matthew Mitzen, CPA	Bronswick Benjamin P.C.

Educators:

Mollie Adams, CPA	Bradley University
John Hepp, CPA	University of Illinois at Urbana-Champaign

Industry:

Jeffrey Ellis, CPA	FTI Consulting, Inc.
Almira Goethe, CPA	Consultant
Michael Maffei, CPA	GATX Corporation
Thomas Masterson, CPA	Medix
Elizabeth Prossnitz, CPA	Consultant
Lisa Sezonov, CPA	Northern Trust
Richard Tarapchak, CPA	Reynolds Group Holdings
William Wang, CPA	MAT Holdings, Inc.
Daniel Wilfong, CPA	Sunset Transportation, Inc.

Staff Representative:

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