Ms. Susan M. Cosper  
Technical Director  
Financial Accounting Standards Board  
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Proposed Accounting Standards Update, Intangibles — Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities (File Reference No. 2018-320)

Dear Ms. Cosper:

We appreciate the opportunity to comment on the proposed Accounting Standards Update (ASU), Intangibles — Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities, issued by the Financial Accounting Standards Board (FASB or Board).

We support the FASB's proposal to allow not-for-profit (NFP) entities to elect the accounting alternatives that are currently available only to private companies to simplify their subsequent accounting for goodwill and their accounting for certain acquired identifiable intangible assets. We believe the proposal would reduce the cost and complexity of performing impairment tests for goodwill and accounting for certain intangible assets for NFPs without affecting the information users of their financial statements are most interested in.

We note that the primary users of NFP entities’ financial statements are typically donors, trustees, regulatory agencies, rating agencies and bondholders. In general, these users focus on an entity’s ability to carry out its mission, the efficiency of its operations and its ability to repay debt. Accordingly, these users generally do not focus on goodwill and acquired intangible assets. Also, by giving NFPs the option to elect the alternatives, the proposal would allow each entity to consider its facts and circumstances and determine what information is most relevant to its stakeholders.

We recommend that the Board consider providing NFPs with an indefinite effective date, as it did for private companies. At the time, the Board was responding to concerns that a private company that didn't initially elect the alternatives might change its strategic plans and would have to justify preferability to elect the alternatives at a later date. We believe that an NFP that changes its acquisition strategy after initially choosing not to elect the alternatives would be in a similar position. Providing an indefinite
effective date also would allow an NFP that wants to wait for the Board to make decisions in its other project on goodwill and intangible assets before deciding whether to elect the alternatives to do so without having to justify preferability.

We agree that the Board should consider the accounting for NFPs as part of the project it recently added to its agenda to more broadly consider the subsequent accounting for goodwill and identifiable intangible assets. However, the Board should consider the unique needs of NFP entities and their stakeholders in making any changes to the guidance.

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We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

Ernst & Young LLP