



July 23, 2018

Jeffrey D. Mechanick
Assistant Director – Nonpublic Entities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

Dear Mr. Mechanick:

I am writing to alert FASB to an issue that may be under discussion at the present time and which has the potential to negatively affect state charity regulators' ability to regulate some aspects of the nonprofit sector.

As you may be aware, several States have filed and/or are contemplating filing regulatory actions against charities that are improperly reporting gift-in-kind pharmaceutical donations and/or using highly inflated valuations for those pharmaceutical donations in their solicitations to potential donors. These cases highlight significant problems in the public reporting of donated pharmaceuticals, which many states first became aware of in the 50-state multistate action against the Cancer Fund of America and related charities. While the Cancer Fund cases were settled, the allegations in those Complaints clearly included the issues of both lack of variance power and overvaluation of pharmaceutical donations.

State charity officials have found some charities are purchasing pharmaceuticals for minimal cost from international wholesalers, and then publicly reporting the pharmaceutical donations using very high values for drugs sold in the U.S. instead of reporting the actual purchase price. In addition, some charities are obtaining pharmaceutical donations which cannot be used in the United States because of international-use-only restrictions imposed by the drug companies, and these same pharmaceutical donations are passed from charity to charity, with each charity in the chain valuing the donations using U.S. market prices; the international market prices of these restricted pharmaceuticals are a fraction of the prices these charities are reporting. As regulators we believe charities need to be transparent and accurate in their public filings and the values reported must reflect the actual cost of these pharmaceuticals and not be reported at inflated prices. When charities report gifts in kind at a substantially inflated value the resulting joint cost allocation skews the revenue and program expense reported by the charity in a manner which may be misleading to potential donors.

Because state charity officials regulate charities, and also protect potential donors from misleading and deceptive solicitations, we request FASB include representatives of the National Association of State Charity Officials in any dialogue concerning potential changes to the gift-in-kind accounting rules.

Thank you for your consideration of this request and if you have any questions please do not hesitate to contact me.

Yours truly,



Karen Gano

President, National Association of State Charities Officials (NASCO)

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