

Non-Profit Notes Newsletter

Proposed ASU on Accounting for Goodwill and Certain Identifiable Intangible Assets for NFPs

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The Financial Accounting Standards Board (FASB) recently issued a [proposed Accounting Standards Update \(ASU\)](#) that offers not-for-profit entities (NFPs) two alternatives — under generally accepted accounting principles (GAAP) — to the accounting treatment of certain transactions.

The two GAAP alternatives, as described in ASU 2014-02 (Topic 350) and ASU 2014-18 (Topic 805) [both issued in 2014], are currently available only to private companies. They simplify the subsequent accounting for goodwill and the accounting for certain identifiable intangible assets in a business combination.

The objective of the proposed ASU is to extend the same simplified alternatives to not-for-profit entities.

Applicability

The proposed ASU would apply to all not-for-profit entities, including those that are conduit bond obligors.

Main Provisions

Goodwill and Other Intangibles (Topic 350)

Under an election of this alternative, an NFP would:

- amortize goodwill on a straight-line basis over 10 years, or shorter if more appropriate;
- be required to make an accounting policy decision to test goodwill for impairment at either the entity level or the reporting unit level;
- be required to test goodwill for impairment when a triggering event occurs that indicates that the fair value of the reporting unit may be below its carrying amount.

Business Combinations (Topic 805)

Under an election of this alternative, an NFP would:

- subsume into goodwill and amortize customer-related intangible assets that are not capable of being sold or licensed independently from the other assets of a business and all noncompetition agreements acquired.

Adoption Stipulations

NFPs that elect the accounting alternative in Topic 805 must adopt the alternative in Topic 350 to amortize goodwill. However, an NFP adopting the accounting alternative in Topic 350 is not required to adopt the alternative in Topic 805.

Effective Date

An effective date has not yet been determined. The FASB will consider feedback from stakeholders on the amendments in the proposed ASU before deciding on an effective date.

Once an effective date is determined, it is expected that NFPs electing the alternative accounting treatment under Topic 350 would apply it prospectively for all existing goodwill and for all new goodwill generated by acquisitions after the effective date. Under the Topic 805 alternative, NFPs would account for the occurrence of the first transaction within the scope of the alternative.

Contact Us

If you have any questions about this proposed ASU — or not-for-profit accounting and auditing matters in general — please contact Mark Piszko, CPA, CGMA, Partner-in-Charge, Not-for Profit Services, at mpiszko@pkfod.com or 646.449.6316 or the partner in charge of your account.

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