

## Non-Profit Notes

# FASB Issues Updated Guidance on Reporting for Gifts of Nonfinancial Assets

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Recently, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB issued the update to address concerns about the apparent lack of transparency concerning the measurement of contributed nonfinancial assets by not-for-profits (NFPs) and the amount of those contributed assets used in an NFP's programs and other activities.

### Scope

- The ASU applies to NFPs that receive contributed nonfinancial assets. Nonfinancial assets may include land, buildings, equipment, the use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.
- Contributed nonfinancial assets may be presented as contribution revenue in the financial statements using different terms, such as gifts, donations, grants and gifts-in-kind.
- Current guidance addresses recognition and initial measurement of contributions and disclosure requirements for contributed services. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements concerning contributed nonfinancial assets, and includes additional disclosure requirements for recognized contributed services.

### Main Provisions of the ASU

- **Financial Statement Changes**

Contributed nonfinancial assets should be shown on a separate line in the statement of activities, apart from contributions of cash and other financial assets.

- **Note Disclosures Requirements**

A disaggregation of the amount of contributed nonfinancial assets by category that details the type of contributed nonfinancial assets reported in the statement of activities.

For each category of contributed nonfinancial assets recognized, include:

- Qualitative information about whether the contributed nonfinancial assets were monetized or utilized and, if utilized, a description of the specific programs or other activities in which those contributed nonfinancial assets were used;
- The NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets;
- A description of any donor-imposed restrictions on the contributed nonfinancial assets;
- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition; and

- The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

## Transition

The ASU should be applied on a retrospective basis and is effective for fiscal periods beginning after June 15, 2021, and interim periods within fiscal periods beginning after June 15, 2022. Early adoption is permitted.

## Contact Us

If your not-for-profit organization needs assistance understanding the revisions to reporting for contributions of nonfinancial assets, or with any accounting, auditing, tax or business consulting services, please contact the partner in charge of your account or:

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