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FASB Approves Accounting Updates to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

By Frank Jakosz, Partner

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU), ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations.

Nonfinancial assets include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing, or pharmaceuticals; intangible assets; and recognized contributed services. Note that the use of fixed assets such as land and buildings by means of reduced or below-market rent is not a contributed service.

FASB's new ASU 2020-07 addresses presentation and disclosure of nonfinancial gifts-in-kind, but valuation is a different challenge. The recognition and measurement (accounting and valuation) requirements for these nonfinancial assets remain unchanged in ASC 958-605. Two recent articles from the *AICPA NFP Audit Risk Alert,* Gifts-in-Kind: Reporting Contributions of Nonfinancial Assets and Challenges in Auditing GIK, address and discuss these issues.

ASU 2020-07 requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets.

It also requires a not-for-profit to disclose:

a. Contributed nonfinancial assets recognized within the statement of activities disaggregated by category that depicts the type of contributed nonfinancial assets, and
b. For each category of contributed nonfinancial assets recognized (as identified in (a)):
   i. Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used.
   ii. The not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
   iii. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
   iv. 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.
   v. 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.

The amendments in ASU 2020-07 should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted.

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About the Author

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Frank has more than 45 years of public accounting and nonprofit expertise. He has a deep understanding of nonprofit organizational best practice financial functions and operations, and his expertise includes financial reporting and analysis, investments, internal controls, endowments, and grants management. As the firm's Quality Assurance Director, Frank provides oversight to all functions of internal quality assurance, including continuing professional education, systems and processes, and monitoring and implementing new technical standards.

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