

FASB CLARIFIES PRESENTATION AND DISCLOSURES BY NOT-FOR-PROFIT ENTITIES FOR CONTRIBUTED NONFINANCIAL ASSETS

OCTOBER 2020

SUMMARY

The FASB issued ASU 2020-07, (the “ASU”) to clarify the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items. The ASU does not change existing recognition and measurement requirements for contributed nonfinancial assets.

BACKGROUND

Prior to this ASU, there was diversity in the presentation and disclosure of contributed nonfinancial assets by not-for-profit-entities (“NFP”). The term nonfinancial assets includes 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; certain services; and unconditional promises of those assets. Contributions may be disclosed using varying terms such as gifts, donations, or gifts-in-kind. Based on stakeholder feedback, the FASB issued this ASU to enhance the presentation and disclosures of these items. However, the recognition and measurement requirements for these nonfinancial assets remain unchanged in ASC 958-605.¹

MAIN PROVISIONS

The enhanced presentation and disclosure requirements are:

- ▶ The contributed nonfinancial assets are separately stated as an individual line item in the statement of activities, distinct from contributions of cash or other financial assets.
- ▶ The contributed nonfinancial assets are disaggregated in a footnote by category that shows the type of contributed nonfinancial assets in the statement of activities.
- ▶ For each type of contributed nonfinancial assets recognized, an NFP will disclose:
 - The NFP’s policy (if any) on liquidating rather than using contributed nonfinancial assets.
 - Qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period. If used, a description of how the asset was employed should be included.
 - Any donor-imposed restrictions related to the contributed nonfinancial assets.
 - The valuation methods and inputs utilized to determine a fair value² measure at initial recognition.
 - The principal or most advantageous market utilized to calculate fair value if it is a market in which the NFP is restricted by the donor from selling or utilizing the contributed nonfinancial assets.

¹ *Not-for-Profit Entities: Revenue Recognition*

² In accordance with ASC 820, *Fair Value Measurement*
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The ASU includes implementation guidance and examples of the new requirements. In addition, the FASB clarified that the additional disclosure requirements in ASC 958-605-50-1B for contributed services apply to all entities within the scope of ASC 958-605, including both NFPs and business entities.

EFFECTIVE DATES AND TRANSITION

The ASU must be applied retrospectively to all periods presented and is effective for annual reporting periods commencing after June 15, 2021, and interim periods within annual periods starting after June 15, 2022. Early adoption is permitted.