

FINANCIAL ACCOUNTING SERIES

FASB ACCOUNTING STANDARDS UPDATE

No. 2020-07
September 2020

Not-for-Profit Entities (Topic 958)

Presentation and Disclosures by Not-for-Profit Entities
for Contributed Nonfinancial Assets

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

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401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Please ask for our Product Code No. ASU2020-07.

FINANCIAL ACCOUNTING SERIES (ISSN 0885-9051) is published monthly with the exception of May, July, and October by the Financial Accounting Foundation, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. Periodicals postage paid at Norwalk, CT and at additional mailing offices. The full subscription rate is \$312 per year. POSTMASTER: Send address changes to Financial Accounting Series, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. | **No. 498**

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Summary

Why Is the FASB Issuing This Accounting Standards Update (Update)?

The Board is issuing this Update to improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities.

Who Is Affected by the Amendments in This Update?

The amendments in this Update apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, *gifts*, *donations*, *grants*, *gifts-in-kind*, *donated services*, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. *Contribution* and *nonfinancial asset* are both defined terms in the Master Glossary of the Codification and are understood in practice. The term *nonfinancial asset* includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

What Are the Main Provisions?

The amendments in this Update require that an NFP:

1. Present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets.
2. Disclose:
 - a. A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.
 - 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, an NFP will disclose a description

of the programs or other activities in which those assets were used.

- ii. The NFP'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. 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.
- 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.

How Do the Main Provisions Differ from Current Generally Accepted Accounting Principles (GAAP) and Why Are They an Improvement?

Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition, specifies requirements for the recognition and initial measurement of contributions and disclosure requirements for contributed services. Subtopic 958-605 does not include specific presentation requirements for contributed nonfinancial assets or specific disclosure requirements for contributed nonfinancial assets other than contributed services. The amendments in this Update improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements in Subtopic 958-605 for those assets.

When Will the Amendments Be Effective and What Are the Transition Requirements?

The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

Amendments to the *FASB Accounting Standards Codification*[®]

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–13. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Amendments to Master Glossary

2. Add the following Master Glossary terms to Subtopic 958-605 as follows:

Most Advantageous Market

The market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs and transportation costs.

Principal Market

The market with the greatest volume and level of activity for the asset or liability.

Amendments to Subtopic 820-10

3. Add paragraph 820-10-50-2H, with a link to transition paragraph 958-10-65-4, as follows:

Fair Value Measurement—Overall

Disclosure

820-10-50-2H See paragraph 958-605-50-1A(d) through (e), which provides disclosures for a **not-for-profit entity** (NFP) that recognizes contributed nonfinancial assets within the scope of Subtopic 958-605. Paragraph 958-605-50-1A(d) requires that an NFP disclose a description of the valuation techniques and

inputs used in fair value measurement of those assets in accordance with paragraph 820-10-50-2(bbb)(1) at initial recognition.

Amendments to Subtopic 958-10

4. Add paragraph 958-10-65-4 and its related heading as follows:

Not-for-Profit Entities—Overall

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*

958-10-65-4 The following represents the transition and effective date information related to Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*:

- a. The pending content that links to this paragraph shall be effective for a **not-for-profit entity** (NFP) for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.
- b. An NFP shall apply the pending content that links to this paragraph retrospectively to all periods presented.
- c. An NFP shall provide the transition disclosures required by paragraph 250-10-50-1 in the period of adoption.

Amendments to Subtopic 958-205

5. Add paragraph 958-205-45-36 and its related heading, with a link to transition paragraph 958-10-65-4, as follows:

Not-for-Profit Entities—Presentation of Financial Statements

Other Presentation Matters

> Contributed Nonfinancial Assets

958-205-45-36 An NFP shall present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, as discussed in paragraph 958-605-45-7A.

6. Amend paragraphs 958-205-55-13 through 55-17 and 958-205-55-21, with a link to transition paragraph 958-10-65-4, as follows:

Implementation Guidance and Illustrations

> Illustrations

> > Example 1: Illustrative Financial Statements

> > > Statement of Activities

958-205-55-10 The following illustrates the requirements of Subtopic 958-220. Three formats of statements of activities are presented. To facilitate comparison of the formats, the same level of aggregation is used in each of the statements of activities. The guidance in Subtopic 958-220 permits flexibility to present information in a number of ways as long as the requirements are met. Each format has certain advantages, as follows:

- a. Format A reports information in a single column. That format most easily accommodates presentation of multiyear comparative information.
- b. Format B reports the same information in columnar (or multicolumn) format with a column for each class of net assets. Use of a total column is optional as long as the change in total net assets is presented in accordance with paragraph 958-210-45-1. That format makes evident that the effects of expirations on donor restrictions result in **reclassification of net assets**. It also accommodates presentation of aggregated information about contributions and investment return for the entity as a whole. However, care is needed for labels and headings to ensure that they clearly communicate all columns and subtotals.
- c. Format C reports information in two statements with summary amounts from a statement of revenues, expenses, and other changes in net assets without donor restrictions (Part 1 of 2) and a statement of changes in net assets (Part 2 of 2). Alternative formats for the statement of changes in net assets—a single-column and a multicolumn or columnar—are illustrated. The two-statement format focuses attention first on changes in net assets without donor restrictions. That format may be preferred by membership organizations and other NFPs that view certain transactions and events, including the receipts of donor-restricted revenues and gains from contributions and investment return, as incidental or insignificant to their daily operations.

958-205-55-11 The three illustrative statements of activities show items of revenues and gains first, then expenses, then losses; reclassification of net assets, which must be shown separately, is reported with revenues and gains. Those items could be arranged in other ways and other subtotals may be included. For example, the items may be sequenced using any one of the following sequences:

- a. Revenues, expenses, gains and losses, and reclassification of net assets shown last
- b. Certain revenues, less directly related expenses, followed by a subtotal, then other revenues, other expenses, gains and losses, and reclassification of net assets
- c. Expenses followed by revenues, gains and losses, and the reclassification of net assets.

Although in the illustrative statements of activities, expenses are reported by nature in the single-column format example and by function in the multicolumn format example, expenses may be reported in the statement of activities by either natural classification or functional classification or by both.

958-205-55-12 The following provide additional illustrations of statements of activities:

- a. Example 1 in Subtopic 958-220 (see paragraph 958-220-55-5) provides an illustration that shows how items may be sequenced to distinguish between operating and nonoperating activities or to make other distinctions, if desired.
- b. Example 2 in Subtopic 958-220 (see paragraph 958-220-55-7) illustrates the display of an appropriately labeled subtotal for change in a class of net assets before the effects of a discontinued operation.
- c. Example 3 in Subtopic 958-220 (see paragraph 958-220-55-8) provides three possible methods of displaying fundraising efforts in the revenue section of the statement of activities if an NFP acts as an **agent, trustee,** or **intermediary** in raising resources for another.
- d. Example 1 in Subtopic 958-320 (see paragraph 958-320-55-4) provides an illustration of an NFP that presents:
 1. Net investment return
 2. Appropriation of funds from the quasi-endowment
 3. Appropriation of funds from a donor-restricted endowment fund in which the purpose restrictions on the appropriated amount have been met during the period.

958-205-55-13 Format A (a single-column format) is as follows.

Not-for-Profit Entity A
Statement of Activities
Year Ended June 30, 20X1
(in thousands)

Changes in net assets without donor restrictions:

Revenues and gains:	
<u>Contributions</u>	\$ 8,640
<u>Contributions of cash and other financial assets</u>	\$ 6,790
<u>Contributions of nonfinancial assets</u>	1,850
Fees	5,200
Investment return, net	6,650
Gain on sale of equipment	200
Other	150
Total revenues and gains without donor restrictions	20,840

Net assets released from restrictions (Note D):

Satisfaction of program restrictions	8,990
Satisfaction of equipment acquisition restrictions	1,500
Expiration of time restrictions	1,250
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	7,500
Total net assets released from restrictions	19,240
Total revenues, gains, and other support without donor restrictions	40,080

Expenses and losses:

Salaries and benefits	15,115
Grants to other organizations	4,750
Supplies and travel	3,155
Services and professional fees	2,840
Office and occupancy	2,528
Depreciation	3,200
Interest	382
Total expenses (Note F)	31,970
Fire loss on building	80
Total expenses and losses	32,050
Increase in net assets without donor restrictions	8,030

Changes in net assets with donor restrictions:

<u>Contributions</u>	8,390
<u>Contributions of cash and other financial assets</u>	7,430
<u>Contributions of nonfinancial assets</u>	960
Investment return, net	18,300
Actuarial loss on annuity trust obligations	(30)
Net assets released from restrictions (Note D)	(19,240)
Increase in net assets with donor restrictions	7,420
Increase in total net assets	15,450

Net assets at beginning of year	270,640
Net assets at end of year	\$ 286,090

Note: See paragraph 958-205-55-21 for the notes to financial statements.

958-205-55-14 Format B (a multicolumn format) is as follows.

Not-for-Profit Entity A
Statement of Activities
Year Ended June 30, 20X1
(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 8,640	\$ 8,390	\$ 17,030
<u>Contributions of cash and other financial assets</u>	<u>\$ 6,790</u>	<u>\$ 7,430</u>	<u>\$ 14,220</u>
<u>Contributions of nonfinancial assets</u>	<u>1,850</u>	<u>960</u>	<u>2,810</u>
Fees	5,200		5,200
Investment return, net	6,650	18,300	24,950
Gain on sale of equipment	200		200
Other	150		150
Net assets released from restrictions (Note D):			
Satisfaction of program restrictions	8,990	(8,990)	
Satisfaction of equipment acquisition restrictions	1,500	(1,500)	
Expiration of time restrictions	1,250	(1,250)	
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	<u>7,500</u>	<u>(7,500)</u>	
Total net assets released from restrictions	<u>19,240</u>	<u>(19,240)</u>	<u>-</u>
Total revenues, gains, and other support	<u>40,080</u>	<u>7,450</u>	<u>47,530</u>
Expenses and losses:			
Program A	13,296		13,296
Program B	8,649		8,649
Program C	5,837		5,837
Management and general	2,038		2,038
Fundraising	<u>2,150</u>		<u>2,150</u>
Total expenses (Note F)	<u>31,970</u>		<u>31,970</u>
Fire loss on building	80		80
Actuarial loss on annuity trust obligations		<u>30</u>	<u>30</u>
Total expenses and losses	<u>32,050</u>	<u>30</u>	<u>32,080</u>
Change in net assets	8,030	7,420	15,450
Net assets at beginning of year	<u>84,570</u>	<u>186,070</u>	<u>270,640</u>
Net assets at end of year	<u>\$ 92,600</u>	<u>\$ 193,490</u>	<u>\$ 286,090</u>

Note: See paragraph 958-205-55-21 for the notes to financial statements.

958-205-55-15 Format C, Part 1 of 2 is as follows.

Not-for-Profit Entity A
Statement of Revenues, Expenses, and
Other Changes in Net Assets without Donor Restrictions
Year Ended June 30, 20X1
(in thousands)

Revenues and gains without donor restrictions:	
Contributions	\$ 8,640
<u>Contributions of cash and other financial assets</u>	<u>\$ 6,790</u>
<u>Contributions of nonfinancial assets</u>	<u>1,850</u>
Fees	5,200
Investment return, net	6,650
Gain on sale of equipment	200
Other	150
Total revenues and gains without donor restrictions	<u>20,840</u>
Net assets released from restrictions (Note D):	
Satisfaction of program restrictions	8,990
Satisfaction of equipment acquisition restrictions	1,500
Expiration of time restrictions	1,250
Appropriation from donor endowment and subsequent satisfaction of any related donor restrictions	7,500
Total net assets released from restrictions	<u>19,240</u>
Total revenues, gains, and other support without donor restrictions	<u>40,080</u>
Expenses and losses:	
Program A	13,296
Program B	8,649
Program C	5,837
Management and general	2,038
Fundraising	2,150
Total expenses (Note F)	<u>31,970</u>
Fire loss on building	80
Total expenses and losses without donor restrictions	<u>32,050</u>
Increase in net assets without donor restrictions	\$ 8,030

Note: See paragraph 958-205-55-21 for the notes to financial statements.

958-205-55-16 Format C, Part 2 of 2 is as follows.

Not-for-Profit Entity A
Statement of Changes in Net Assets
Year Ended June 30, 20X1
(in thousands)

Net assets without donor restrictions:	
Total revenues and gains	\$ 20,840
Net assets released from restrictions (Note D)	19,240
Total expenses and losses	<u>(32,050)</u>
Increase in net assets without donor restrictions	<u>8,030</u>
Net assets with donor restrictions:	
Contributions	8,390
<u>Contributions of cash and other financial assets</u>	<u>7,430</u>
<u>Contributions of nonfinancial assets</u>	<u>960</u>
Investment return, net	18,300
Actuarial loss on annuity trust obligations	(30)
Net assets released from restrictions (Note D)	<u>(19,240)</u>
Increase in net assets with donor restrictions	<u>7,420</u>
Increase in net assets	<u>15,450</u>
Net assets at beginning of year	<u>270,640</u>
Net assets at end of year	<u>\$ 286,090</u>

Note: See paragraph 958-205-55-21 for the notes to financial statements.

958-205-55-17 Format C, Part 2 of 2 (Alternate) is as follows.

Not-for-Profit Entity A
Statement of Changes in Net Assets
Year Ended June 30, 20X1
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Revenues and gains without donor restrictions	\$ 20,840		\$ 20,840
Revenues and gains with donor restrictions:			
<u>Contributions</u>		\$ 8,390	8,390
<u>Contributions of cash and other financial assets</u>		\$ 7,430	7,430
<u>Contributions of nonfinancial assets</u>		960	960
Investment return, net		18,300	18,300
Net assets released from restrictions (Note D)	19,240	(19,240)	-
Total revenues, gains, and other support	40,080	7,450	47,530
Expenses and losses:			
Expenses and losses	32,050		32,050
Actuarial loss on annuity trust obligations		30	30
Total expenses and losses	32,050	30	32,080
Change in net assets	8,030	7,420	15,450
Net assets at beginning of year	84,570	186,070	270,640
Net assets at end of year	\$ 92,600	\$ 193,490	\$ 286,090

Note: See paragraph 958-205-55-21 for the notes to financial statements.

> > Notes to Financial Statements

958-205-55-21 The following are illustrative notes to financial statements. Note B provides information required by paragraph 958-210-45-9. Note DD provides information required by paragraph 958-210-45-11. Note F provides information required by paragraph 958-720-45-15. Note G provides information required by paragraphs 958-210-45-7(c) and 958-210-50-1A. Note D and Note E provide information that is useful to users but is not explicitly required. Note H provides information required by paragraphs 230-10-50-7 through 50-8. Comparative statements of financial position are provided in the illustrative example in paragraph 958-205-55-9 only to facilitate understanding of the statement of cash flows. For purposes of applying paragraphs 230-10-50-7 through 50-8 to this illustrative example, assume that the year ended June 30, 20X1, is the only period for which a statement of financial position is presented. Additional disclosure examples for contributed nonfinancial assets recognized are illustrated in paragraph 958-605-55-70U. Additional endowment disclosure requirements are illustrated in Example 3 included in this Section. All amounts are in thousands.

[The remainder of this paragraph is not shown here because it is unchanged.]

Amendments to Subtopic 958-220

7. Add paragraph 958-220-45-31 and its related heading, with a link to transition paragraph 958-10-65-4, as follows:

Not-for-Profit Entities—Income Statement—Reporting Comprehensive Income

Other Presentation Matters

> Contributed Nonfinancial Assets

958-220-45-31 An NFP shall present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, as discussed in paragraph 958-605-45-7A. See paragraph 958-605-50-1A for disclosure requirements for contributed nonfinancial assets.

Amendments to Subtopic 958-605

8. Add paragraphs 958-605-45-7A, 958-605-50-1A through 50-1B, and 958-605-55-70U through 55-70W and the related headings and supersede paragraph 958-605-50-1 and its related heading, with a link to transition paragraph 958-10-65-4, as follows:

Not-for-Profit Entities—Revenue Recognition

Other Presentation Matters

Contributions Received

> Contributed Nonfinancial Assets

958-605-45-7A An NFP shall present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. See paragraph 958-605-50-1A for disclosure requirements for contributed nonfinancial assets.

Disclosure

Contributions Received

> Contributed Services

958-605-50-1 Paragraph superseded by Accounting Standards Update No. 2020-07. ~~An entity that receives contributed services shall describe the programs or activities for which those services were used, including the nature and extent of contributed services received for the period and the amount recognized as revenues for the period. Entities are encouraged to disclose the fair value of contributed services received but not recognized as revenues if that is practicable. The nature and extent of contributed services received can be described by nonmonetary information, such as the number and trends of donated hours received or service outputs provided by volunteer efforts, or other monetary information, such as the dollar amount of contributions raised by volunteers. Disclosure of contributed services is required regardless of whether the services received are recognized as revenue in the financial statements. [Content amended and moved to paragraph 958-605-50-1B]~~

> Contributed Nonfinancial Assets

958-605-50-1A A not-for-profit entity (NFP) shall disclose in the notes to financial statements a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. For each category of contributed nonfinancial assets, an NFP also shall disclose the following:

- a. Qualitative information about whether 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 shall be disclosed.
- b. The NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
- c. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
- d. A description of the valuation techniques and inputs used to arrive at a fair value measure in accordance with paragraph 820-10-50-2(bbb)(1), at initial recognition.
- e. 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.

See paragraph 958-605-50-1B for additional disclosures for contributed services.

> Contributed Services

958-605-50-1B An entity (NFPs and business entities) that receives contributed services shall describe the programs or activities for which those services were used, including the nature and extent of contributed services received for the period and the amount recognized as revenues for the period. Entities are encouraged to disclose the **{remove glossary link}fair value{remove glossary link}** of contributed services received but not recognized as revenues if that is practicable. The nature and extent of contributed services received can be described by nonmonetary information, such as the number and trends of donated hours received or service outputs provided by volunteer efforts, or other monetary information, such as the dollar amount of **contributions** raised by volunteers. Disclosure of contributed services is required regardless of whether the services received are recognized as revenue in the financial statements. **[Content amended as shown and moved from paragraph 958-605-50-1]**

Implementation Guidance and Illustrations

Contributions Received

> Illustrations

> **Example 22: Contributed Nonfinancial Assets**

958-605-55-70U This Example illustrates the requirements described in paragraph 958-605-50-1A. Those disclosure requirements are not prescriptive on how the information should be disclosed; therefore, this Example demonstrates two alternative formats. This Example does not illustrate all categories of contributed nonfinancial assets, such as intangible assets. An NFP may be required to include disclosure information about valuation techniques and inputs, including assumptions and judgments that an NFP makes, in addition to those included in this Example, which is consistent with the **fair value** disclosures required by Topic 820. The valuation language used in this Example is not intended to provide guidance on how contributions of nonfinancial assets should be valued, including whether the principal market (or most advantageous market) disclosed is appropriate in the circumstances. While not illustrated in this Example, there may be additional information about the nature and extent of contributed services, including nonrecognized contributed services, that an entity may disclose in accordance with paragraph 958-605-50-1B.

958-605-55-70V The following illustration includes a table disclosing the amounts recognized within the statement of activities by category as well as a narrative disclosure about donor-imposed restrictions and valuation techniques and inputs for each category of contributed nonfinancial asset.

[For ease of readability, the new table is not underlined.]

Contributed Nonfinancial Assets

For the years ended December 31, contributed nonfinancial assets recognized within the statement of activities included:

	<u>20X9</u>	<u>20X8</u>
Building	\$ 550,000	\$ -
Household goods	95,556	100,486
Food	85,407	86,633
Medical Supplies	90,389	115,173
Pharmaceuticals	111,876	113,982
Clothing	85,765	83,890
Vehicles	127,900	-
Services	73,890	65,392
	<u>\$ 1,220,783</u>	<u>\$ 565,556</u>

NFP K recognized contributed nonfinancial assets within revenue, including a contributed building, vehicles, household goods, food, medical supplies, pharmaceuticals, clothing, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

It is NFP K's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the period were restricted for use. All vehicles were sold and valued according to the actual cash proceeds on their disposition.

The contributed building will be used for general and administrative activities. In valuing the contributed building, which is located in Metropolitan Area B, NFP K estimated the fair value on the basis of recent comparable sales prices in Metropolitan Area B's real estate market.

Contributed food was utilized in the following programs: natural disaster services, domestic community development, and services to community shelters. Contributed household goods were used in domestic community development and services to community shelters. Contributed clothing was used in specific community shelters. Contributed medical supplies were utilized in natural disaster

services. In valuing household goods, food, clothing, and medical supplies, NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Contributed pharmaceuticals were restricted by donors to use outside the United States and were utilized in international health services and natural disaster services. In valuing contributed pharmaceuticals otherwise legally permissible for sale in the United States, NFP K used the Federal Upper Limit based on the weighted average of the most recently reported monthly Average Manufacturer Prices (AMP) that approximate wholesale prices in the United States (that is, the principal market). In valuing pharmaceuticals not legally permissible for sale in the United States (and primarily consumed in developing markets), NFP K used third-party sources representing wholesale exit prices in the developing markets in which the products are approved for sale (that is, the principal markets).

Contributed services recognized comprise professional services from attorneys advising NFP K on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

958-605-55-70W The following table illustrates the disclosures in paragraph 958-605-55-70V for each category of contributed nonfinancial asset. It includes both amounts and narrative disclosure. For illustrative purposes, only one year is presented.

[For ease of readability, the new table is not underlined.]

Contributed Nonfinancial Assets

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Building	\$550,000	General and Administrative	No associated donor restrictions	In valuing the contributed building, which is located in Metropolitan Area B, NFP K estimated the fair value on the basis of recent comparable sales prices in Metropolitan Area B's real estate market.
Household goods	\$95,556	Domestic Community Development; Community Shelters	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	\$85,407	Natural Disaster Services; Domestic Community Development; Community Shelters	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Medical supplies	\$90,389	Natural Disaster Services	No associated donor restrictions	NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Pharmaceuticals	\$111,876	International Health Services; Natural Disaster Services	Restricted to use outside the United States	In valuing contributed pharmaceuticals otherwise legally permissible for sale in the United States, NFP K used the Federal Upper Limit based on the weighted average of the most recently reported monthly Average Manufacturer Price (AMP) that approximate wholesale prices in the United States (that is, the principal market). In valuing pharmaceuticals not legally permissible for sale in the United States (and primarily consumed in developing markets), NFP K used third-party sources representing wholesale exit prices in the developing markets in which the products are approved for sale.
Clothing	\$85,765	Natural Disaster Services; Domestic Community Development; Community Shelters	No associated donor restrictions	In valuing clothing, NFP K estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Vehicles	\$127,900	It is NFP K's policy to sell all contributed vehicles immediately upon receipt unless the vehicle is restricted for use in a specific program by the donor. All vehicles received were sold.	No associated donor restrictions	Proceeds from vehicles sold are valued according to the actual cash proceeds on their disposition.
Services	\$73,890	Various Administrative Legal Matters	No associated donor restrictions	Contributed services from attorneys are valued at the estimated fair value based on current rates for similar legal services.

Amendments to Status Sections

9. Amend paragraph 820-10-00-1, by adding the following item to the table, as follows:

820-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
820-10-50-2H	Added	2020-07	09/17/2020

10. Amend paragraph 958-10-00-1, by adding the following item to the table, as follows:

958-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
958-10-65-4	Added	2020-07	09/17/2020

11. Amend paragraph 958-205-00-1, by adding the following items to the table, as follows:

958-205-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
958-205-45-36	Added	2020-07	09/17/2020
958-205-55-13 through 55-17	Amended	2020-07	09/17/2020
958-205-55-21	Amended	2020-07	09/17/2020

12. Amend paragraph 958-220-00-1, by adding the following item to the table, as follows:

958-220-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
958-220-45-31	Added	2020-07	09/17/2020

13. Amend paragraph 958-605-00-1, by adding the following items to the table, as follows:

958-605-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Most Advantageous Market	Added	2020-07	09/17/2020
Principal Market	Added	2020-07	09/17/2020
958-605-45-7A	Added	2020-07	09/17/2020
958-605-50-1	Superseded	2020-07	09/17/2020
958-605-50-1A	Added	2020-07	09/17/2020
958-605-50-1B	Added	2020-07	09/17/2020
958-605-55-70U through 55-70W	Added	2020-07	09/17/2020

The amendments in this Update were adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Richard R. Jones, *Chairman*
 James L. Kroeker, *Vice Chairman*
 Christine A. Botosan
 Gary R. Buesser
 Susan M. Cospers
 Marsha L. Hunt
 R. Harold Schroeder

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. The Board is issuing the amendments in this Update to enhance the transparency of an NFP's reporting of contributed nonfinancial assets by requiring additional presentation and disclosure requirements for those contributions.

Background Information

BC3. Stakeholders raised concerns about an NFP's reporting of gifts-in-kind, specifically contributed nonfinancial assets. Some stakeholders expressed concerns about the lack of transparency for contributed nonfinancial assets, specifically the amount of contributed nonfinancial assets received and used in an NFP's programs and other activities. Other stakeholders expressed concerns about the clarity of certain aspects of the measurement guidance in Topic 820 about certain contributed nonfinancial assets. In response, the staff created a working group to assist the staff in identifying potential changes to GAAP to address the concerns brought to the Board's attention about an NFP's reporting of gifts-in-kind, specifically contributed nonfinancial assets.

BC4. Subtopic 958-605 has (a) requirements for the recognition and initial measurement of contributions and (b) disclosure requirements for contributed services. However, Subtopic 958-605 does not include specific presentation requirements or specific disclosure requirements for contributed nonfinancial assets other than contributed services. In June 2019, the Board added a project to its research agenda on the presentation, disclosure, and measurement of gift-in-kind contributions.

BC5. On August 21, 2019, the Board decided to add a project to its technical agenda with the objective of providing additional transparency in the reporting of gifts-in-kind, specifically contributed nonfinancial assets, through potential enhancements to presentation and disclosure. The Board decided not to change existing fair value measurement requirements in Topic 820 related to entity-specific restrictions because those changes could have had unintended consequences. The fair value framework applies to transactions of NFPs, private

companies, and public business entities beyond those involving contributed nonfinancial assets.

BC6. Feedback from stakeholders, including the Not-for-Profit Advisory Committee (NAC), the working group, and the American Institute of Certified Public Accountants' NFP Expert Panel, indicated that presentation and disclosure of contributed nonfinancial assets could be improved to provide donors, grantors, creditors, and other users of an NFP's financial statements with more useful information.

BC7. On February 10, 2020, the Board issued proposed Accounting Standards Update, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, with comments due on April 10, 2020. The Board received 25 comment letters on the proposed Update. The Board also discussed the proposed Update with the NAC at its April 7, 2020 meeting. Overall, comment letter respondents and NAC members supported the amendments in the proposed Update, noting that the proposed amendments are in line with the objective to increase transparency for contributed nonfinancial assets through presentation and disclosure. NAC members also noted that the flexibility afforded by the amendments in the proposed Update when applying the presentation and disclosure requirements would enable NFPs to provide information that is most relevant to each NFP's stakeholders. Some respondents suggested clarifying specific aspects of the proposed amendments, which are described below in the basis for conclusions section.

Benefits and Costs

BC8. Overall, the Board concluded that the expected benefits of the amendments in this Update justify the expected costs. The Board does not anticipate that most NFPs will incur significant costs as a result of the amendments. The Board believes, on the basis of research and outreach, that the amendments are operable and can be implemented without significant cost. The amendments provide donors, creditors, and other users of NFP financial statements with the benefit of enhanced financial reporting of contributions by NFPs by providing more transparency and relevant information. The amendments do not create new recognition and measurement requirements. Rather, the amendments create new presentation and disclosure requirements. Research indicated that some NFPs already provide the information in their financial statements that is required by the amendments and, the Board concluded that this information should be readily available for most NFPs.

Basis for Conclusions

Scope

BC9. The Board concluded that the amendments in this Update should apply to contributed nonfinancial assets recognized by NFPs. *Contribution* is defined in the Master Glossary as “an unconditional transfer of cash or other assets, as well as unconditional promises to give, to an entity or a reduction, settlement, or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner.” *Nonfinancial asset* is defined in the Master Glossary as “an asset that is not a financial asset,” which itself is a defined term in the Master Glossary. Nonfinancial assets include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, and services. The Board concluded that the scope will be operable because contributions and nonfinancial assets are defined terms in GAAP and understood by NFPs. The Board considered whether to further narrow the scope within nonfinancial assets (for example, limiting the scope to only tangible nonfinancial assets) but decided that a broader scope will better support the project’s objective to improve transparency. In addition, using a scope that is currently defined in GAAP will be simpler for NFPs to apply.

BC10. The Board decided to limit the scope to NFPs because the concerns about additional transparency were raised primarily by NFP stakeholders. Additionally, the presentation and disclosure requirements in this Update are based on concepts that are focused on the informational needs of users of NFP financial statements and those users often have different informational needs than users of business entity financial statements. In addition, voluntary nonreciprocal transfers of assets to NFPs by nonowners are significantly more prevalent for NFPs than for business entities.

BC11. Consistent with the feedback received during initial deliberations, respondents’ views about whether the presentation and disclosure requirements should be extended to business entities were mixed. The Board affirmed its decision that the presentation and disclosure requirements in the Update should apply only to NFPs that receive contributed nonfinancial assets. The Board concluded that the amendments in this Update likely are more relevant for NFPs and their financial statement users as compared with business entities. At present, there is not enough information about the costs and benefits of or the need for extending the scope to include business entities.

BC12. The Board discussed whether to exclude contributed services that are recognized in accordance with Subtopic 958-605 because paragraph 958-605-50-1 already requires that an NFP disclose information about contributed services. The disclosure requirements in paragraph 958-605-50-1 are separate from the requirements in paragraph 958-605-50-1A and were originally put in place, in part, because of the Board’s decision to limit recognition to only those services that are

readily measurable. However, the disclosure requirements in paragraph 958-605-50-1A are intended to bring additional transparency about nonfinancial contributed assets more broadly. The Board decided that the presentation and disclosure requirements also will provide useful information for contributed services recognized in accordance with Subtopic 958-605. In addition, services are included in the definition of nonfinancial assets. Because of the disclosure requirements already in place in paragraph 958-605-50-1, the incremental information needed for the amendments in this Update related to contributed services should be readily available for most NFPs. In addition, the Board clarified that the requirements in paragraph 958-605-50-1B apply to all entities within the scope of Subtopic 958-605, including both NFPs and business entities.

BC13. The Board decided not to include contributed financial assets within the scope of the amendments in this Update because contributed financial assets (other than cash) typically are liquidated (monetized) immediately and used similarly to cash in funding an NFP's programs and other activities. Therefore, enhanced presentation and disclosure of contributed financial assets (other than cash) are unnecessary and less relevant to increasing the transparency of contributions.

Presentation

BC14. The Board decided to require that an NFP present contributed nonfinancial assets recognized as a separate line item in the statement of activities. Separate line item presentation of contributed nonfinancial assets received in the statement of activities provides relevant information about the breakdown and nature of contributions by highlighting the difference between cash and noncash revenue. The Board considered the proposed FASB Concepts Statement, *Concepts Statement 8, Conceptual Framework for Financial Reporting—Chapter 7: Presentation*, which describes the Board's current thinking about information appropriate for presentation to achieve the objective of financial reporting. Proposed Chapter 7 states that “. . . line items can reflect more homogeneous classes of items and usually are more useful to resource providers in faithfully representing the differences in effects of transactions, events, or circumstances. Therefore, creating line items that include classes of items that are as nearly homogeneous as possible is a critical aspect of presentation” (paragraph PR36). Additionally, “combining items measured differently into a single line item produces information that either is less meaningful or is more difficult to use . . .” (paragraph PR49). Separate line item presentation of contributed nonfinancial assets received on the face of the statement of activities will enhance the overall transparency of an NFP's financial reporting of contributions and provide users of NFP financial statements with useful information.

BC15. The Board considered requiring further disaggregation of contributed nonfinancial assets on the face of the statement of activities (which could require a subtotal) but ultimately concluded that the incremental benefit would not justify the cost and that NFPs should have flexibility in presentation.

BC16. The Board also considered requiring separate line item presentation of contributed nonfinancial assets utilized within expenses on the statement of activities, apart from one another. However, the Board concluded that the incremental value of providing information about contributions utilized would not justify the costs because tracking the use of contributed nonfinancial assets could be costly and burdensome and provide minimal useful information. This is especially the case in instances in which an NFP also purchases similar nonfinancial assets for use in its programs and other activities. In addition, the Board decided that nonfinancial assets utilized whether purchased by or contributed to an entity are sufficiently homogeneous classes of items that do not warrant separate line item presentation, apart from one another, within expenses. Rather, quantitative information about contributed nonfinancial assets received and qualitative information about how those contributions are used (in the notes to financial statements) should provide relevant and sufficient information.

Disclosure

BC17. FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting—Chapter 8*, Notes to Financial Statements, provides a broad range of possible information for the Board to consider when deciding on the disclosure requirements for a Topic in the Codification. The amendments in this Update are the result of the Board's consideration of the concepts in Chapter 8 as they relate to an NFP's contributed nonfinancial assets.

BC18. The Board decided to require that an NFP disclose the amount of contributed nonfinancial assets recognized by category in the notes to financial statements. An NFP is additionally required to disclose the following in the notes to financial statements for each category of contributed nonfinancial assets:

- a. Qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period and, if utilized, a description of the programs or other activities in which those contributed nonfinancial assets were used
- b. The NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets
- c. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets
- d. A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with paragraph 820-10-50-2(bbb)(1), at initial recognition

- e. 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.

BC19. Requiring that an NFP disaggregate the amount of contributed nonfinancial assets recognized by category in the notes to financial statements provides useful information about an entity's resources that will help donors, creditors, and others in (a) assessing an NFP's reliance on contributed nonfinancial assets and (b) understanding how an NFP uses contributed nonfinancial assets in relation to cash donations, as well as an NFP's ability to effectively serve its mission. Additionally, the amendments in this Update enhance transparency about the nature of contributed nonfinancial assets and how they are valued, especially for NFPs that have significant contributed nonfinancial assets.

BC20. The amendments in the proposed Update would have required that an NFP disclose its intended future use of contributed nonfinancial assets. Concerns were raised about determining the intended use in a future period because it involves judgment and uncertainty that could be difficult to operationalize and audit and that could lead to inconsistency in practice. To address stakeholders' concerns, the Board decided to require disclosure of an NFP's policy (if any) for monetizing rather than utilizing contributed nonfinancial assets and remove the requirement to disclose an NFP's intended future use of contributed nonfinancial assets.

BC21. The amendments in the proposed Update would have required that an NFP disclose a description, in accordance with paragraph 820-10-50(bbb)(1), of valuation techniques and inputs used to arrive at the fair value measure for contributed nonfinancial assets recognized in the statement of activities, in addition to explicitly requiring disclosure of the principal market (or most advantageous market), if significant. At present, Topic 820 requires disclosures for assets and liabilities that are measured at fair value on a recurring or nonrecurring basis after initial recognition. Therefore, the fair value disclosures in Topic 820 are not required for contributed nonfinancial assets unless subsequently remeasured (for example, if impaired). Because of stakeholders' concerns about insufficient transparency for how those assets are valued, the Board decided to require the fair value disclosures in Topic 820 relating to valuation inputs and techniques to apply to contributed nonfinancial assets at initial recognition. The Board noted that many NFPs are already providing similar fair value disclosure information and should be able to comply without a significant amount of cost.

BC22. To clarify the Board's intent about the disclosure relating to principal market and to address users' concerns about increasing transparency, the Board decided to (a) remove the general reference to principal market (if significant) from the requirement to disclose a description of the valuation techniques and inputs used to arrive at a fair value measure and, instead, (b) explicitly require that the principal market (or most advantageous market) be disclosed if the principal

market is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset. The Board observed that an NFP could still include information about the principal market in other instances in which that market is deemed a significant input in valuing the asset.

BC23. The Board considered requiring quantitative disclosure of contributed nonfinancial assets monetized or utilized during the reporting period, the amount of contributed nonfinancial assets in ending inventory, and the accounting policies on accepting contributed nonfinancial assets. The Board concluded that the benefits of those disclosures would not justify the cost to prepare that information, especially when an NFP also purchases similar nonfinancial assets for use in its programs and other activities.

Effective Date and Transition

BC24. The Board decided that the amendments in this Update are effective for NFPs for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Board concluded that a period of approximately two years until the time of the first annual disclosures for NFPs with June 30 annual period year-ends is consistent with the approximate lead time that many respondents indicated was appropriate for the proposed changes and also provides additional time given the Coronavirus Disease 2019 pandemic and the disruption that it has caused for many NFPs.

BC25. To improve the comparability of financial information, the Board decided that the amendments in this Update should be applied retrospectively to all periods presented within an NFP's financial statements. The Board expects that retrospective application will not result in significant costs for most NFPs and that the amendments will not require a change in accounting. The Board believes that the benefits of retrospective application justify the costs.

Amendments to the XBRL Taxonomy

The amendments to the *FASB Accounting Standards Codification*[®] in this Accounting Standards Update do not require improvements to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy).