

*Proposed Accounting Standards Update*

Issued: February 10, 2020  
Comments Due: April 10, 2020

Not-for-Profit Entities (Topic 958)

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

The Board issued this Exposure Draft to solicit public comment on proposed changes to Topic 958 of the *FASB Accounting Standards Codification*<sup>®</sup>. Individuals can submit comments in one of three ways: using the electronic feedback form on the FASB website, emailing comments to [director@fasb.org](mailto:director@fasb.org), or sending a letter to “Technical Director, File Reference No. 2020-100, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116.”

## Notice to Recipients of This Exposure Draft of a Proposed Accounting Standards Update

The Board invites comments on all matters in this Exposure Draft until April 10, 2020. Interested parties may submit comments in one of three ways:

- Using the electronic feedback form available on the FASB website at [Exposure Documents Open for Comment](#)
- Emailing comments to [director@fasb.org](mailto:director@fasb.org), File Reference No. 2020-100
- Sending a letter to “Technical Director, File Reference No. 2020-100, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116.”

All comments received are part of the FASB’s public file and are available at [www.fasb.org](http://www.fasb.org).

The *FASB Accounting Standards Codification*<sup>®</sup> is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective. A copy of this Exposure Draft is available at [www.fasb.org](http://www.fasb.org).

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# Proposed Accounting Standards Update

## Not-for-Profit Entities (Topic 958)

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

February 10, 2020

Comment Deadline: April 10, 2020

## CONTENTS

	Page Numbers
Summary and Questions for Respondents.....	1–3
Amendments to the <i>FASB Accounting Standards Codification</i> ® .....	5–12
Background Information and Basis for Conclusions .....	13–17
Amendments to the XBRL Taxonomy .....	18



# Summary and Questions for Respondents

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

The Board is issuing this proposed 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 proposed Update address stakeholders' concerns about the lack of transparency about the valuation of contributed nonfinancial assets received by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities.

## Who Would Be Affected by the Amendments in This Proposed Update?

The amendments in this proposed Update would 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 proposed 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 proposed Update would require that an NFP:

1. Present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets
2. Disclose:
  - a. Contributed nonfinancial assets received disaggregated by category that depicts the type of contributed nonfinancial assets
  - b. For each category of contributed nonfinancial assets received (as identified in (a)):
    - i. Qualitative information about whether the contributed nonfinancial assets were or are intended to be either monetized or utilized during the reporting period and future

- periods. If utilized, an NFP would disclose a description of the programs or other activities in which those assets were or are intended to be used.
- ii. A description of any donor restrictions associated with the contributed nonfinancial assets.
  - iii. The valuation techniques and inputs used to arrive at a fair value measure, including the principal market (or most advantageous market) if significant, in accordance with the requirements in Topic 820, Fair Value Measurement.

## **How Would the Main Provisions Differ from Current Generally Accepted Accounting Principles (GAAP) and Why Would They Be 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 proposed Update would 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 proposed amendments would not change the recognition and measurement requirements in Subtopic 958-605 for those assets.

## **When Would the Amendments Be Effective and What Are the Transition Requirements?**

The amendments in this proposed Update would be applied on a retrospective basis to the first set of financial statements following the effective date. The effective date will be determined after the Board considers stakeholders' feedback on the proposed amendments.

## **Questions for Respondents**

The Board invites individuals and organizations to comment on all matters in this proposed Update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed guidance as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed

amendments are asked to describe their suggested alternatives, supported by specific reasoning.

**Question 1:** Are the amendments in this proposed Update operable? If not, which proposed amendment or amendments pose operability issues and why?

**Question 2:** Should the scope of the presentation and disclosure requirements apply to all contributed nonfinancial assets? If not, what types of nonfinancial contributions should be excluded from the scope and why? Should the scope of the presentation and disclosure requirements be extended to business entities? If yes, why?

**Question 3:** Should the disclosure requirements in paragraph 958-605-50-1A(c) be required for each category of contributed nonfinancial assets? If not, please explain why.

**Question 4:** Would retrospective application of the proposed amendments be operable and would that application provide decision-useful information? If not, please explain why and what you would recommend.

**Question 5:** How much time would be needed to adopt the proposed amendments? Should early adoption be permitted?

**Question 6:** Is education or implementation guidance needed on the valuation of contributed nonfinancial assets? If yes, what type of guidance or additional education should be developed?





# Amendments to the *FASB Accounting Standards Codification*<sup>®</sup>

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## Summary of Proposed Amendments to the Accounting Standards Codification

1. The following table provides a summary of the proposed amendments to the Accounting Standards Codification.

<b>Codification Section</b>	<b>Description of Changes</b>
Not-for-Profit Entities —Presentation of Financial Statements (958-205)	<ul style="list-style-type: none"><li>• Added guidance for presenting contributed nonfinancial assets.</li></ul>
Not-for-Profit Entities —Income Statement— Reporting Comprehensive Income (958-220)	<ul style="list-style-type: none"><li>• Added guidance for presenting contributed nonfinancial assets.</li></ul>
Not-for-Profit Entities —Revenue Recognition (958- 605)	<ul style="list-style-type: none"><li>• Added guidance for disclosing contributed nonfinancial assets.</li><li>• Added an example illustrating the disclosure requirements for contributed nonfinancial assets.</li></ul>
Fair Value Measurement— Overall (820-10)	<ul style="list-style-type: none"><li>• Amended guidance to reference disclosure requirements for not-for-profit entities that have contributed nonfinancial assets.</li></ul>

## Introduction

2. The Accounting Standards Codification is amended as described in paragraphs 3–8. 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

3. 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

4. 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(c) for disclosure requirements for a **not-for-profit entity (NFP)** that receives contributed nonfinancial assets within the scope of Subtopic 958-605 relating to valuation techniques and inputs used in fair value measurement of those assets in accordance with paragraph 820-10-50-2(bbb)(1).

## Amendments to Subtopic 958-10

5. 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-XX, Not-for-Profit Entities (Topic 958): Presentation and Disclosure 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-XX, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure 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 fiscal years beginning after [date to be inserted after exposure].
- 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

6. 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. See paragraph 958-605-50-1A for disclosure requirements for contributed nonfinancial assets.

## 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.

#### **Disclosure**

##### **Contributions Received**

###### **> Contributed Services**

**958-605-50-1** Paragraph superseded by Accounting Standards Update No. 2020-XX. ~~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 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 shall disclose the following:

- a. Qualitative information about whether contributed nonfinancial assets were or are intended to be either monetized or utilized during the reporting period and future periods. If utilized, a description of the programs or other activities in which those assets were or are intended to be used.
- b. A description of any donor restrictions associated with the contributed nonfinancial assets.
- c. A description of the valuation techniques and inputs used to arrive at a **fair value** measure, including the **principal market** (or **most advantageous market**) if significant, in accordance with paragraph 820-10-50-2(bbb)(1).

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 (narrative and tabular). This Example does not illustrate all categories of contributed nonfinancial assets, such as intangible assets and services. An NFP shall consider whether valuation techniques and inputs (in addition to the principal market), including assumptions and judgments that an NFP makes, are necessary for disclosing its measures of **fair value** in accordance with 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.

**958-605-55-70V** The following illustration includes a table disclosing the amounts received in revenue by category as well as a narrative disclosure about donor restrictions and valuation assumptions and inputs for each major 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 revenue 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
Other	5,521	5,743
	<u>\$ 1,024,514</u>	<u>\$ 505,907</u>

NFP K recognized contributed nonfinancial assets within revenue, including a contributed building, household goods, food, medical supplies, pharmaceuticals, and clothing. NFP K did not monetize any contributed

nonfinancial assets. Unless otherwise noted, contributed nonfinancial assets did not have donor restrictions.

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 an appraisal or recent comparable sales prices in Metropolitan Area B's real estate market (that is, the principal market).

Contributed food and clothing were utilized in the following programs: natural disaster services, domestic community development, and services to community shelters. Contributed household goods are intended to be used in domestic community development and services to community shelters. Some contributed clothing was restricted by donors for use 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 (that is, the principal markets).

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 Federal Upper Limit and Average Manufacturing 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 reliable third-party sources representing wholesale exit prices in the developing markets in which the products are approved for sale (that is, the principal markets).

**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**

	<b>Revenue Recognized</b>	<b>Utilization in Programs</b>	<b>Donor Restrictions</b>	<b>Principal (or in the Absence of a Principal Market, Most Advantageous) Market</b>
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 an appraisal or 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	In valuing household goods, 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	In valuing food, 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	In valuing 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.
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 Federal Upper Limit and Average Manufacturing Price (AMP), which approximate wholesale prices in the United States. In valuing pharmaceuticals not legally permissible for sale in the United States (and primarily consumed in developing markets), NFP K used reliable 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	Some clothing was restricted for use in specific community shelters	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.

*The amendments in this proposed Update were approved for publication by the unanimous vote of the seven members of the Financial Accounting Standards Board:*

Russell G. Golden, *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

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## Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this proposed 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 proposed 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 valuation guidance in Topic 820 regarding 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 valuation 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 because those changes could have 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, 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.

## Benefits and Costs

BC7. Overall, the Board decided that the expected benefits of the amendments in this proposed Update would justify the expected costs. The Board does not anticipate that most NFPs will incur significant costs as a result of the proposed amendments. The Board believes, on the basis of research and outreach, that the proposed amendments would be operable and not overly costly. The proposed amendments would 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 proposed amendments would not create new recognition and measurement requirements. Rather, the proposed amendments would create new presentation and disclosure requirements. Research indicated that some NFPs already provide the information in their financial statements that would be required by the proposed amendments and, therefore, the information should be readily available for most NFPs.

## Basis for Conclusions

### Scope

BC8. The Board decided that the amendments in this proposed Update would apply to contributed nonfinancial assets received by NFPs. *Contribution* is defined in the Master Glossary as "an unconditional transfer of cash or other assets to an entity or a 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 decided that the scope would 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 would

better support the project's objective to improve transparency. In addition, using a scope that is currently defined in GAAP would be simpler for NFPs to apply.

BC9. 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 proposed Update were 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.

BC10. 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 proposed 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 proposed presentation and disclosure requirements also would 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 proposed Update should be readily available for most NFPs.

BC11. The Board decided not to include contributed financial assets within the scope of the amendments in this proposed 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, rather than being utilized directly for those purposes. Therefore, enhanced presentation and disclosure of contributed financial assets (other than cash) is unnecessary and less relevant to increasing the transparency of contributions.

## Presentation

BC12. The Board decided to require that an NFP present contributed nonfinancial assets received as a separate line item in the statement of activities. Separate line item presentation of contributed nonfinancial assets received in the statement of activities would provide 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 would enhance the overall transparency of an NFP’s financial reporting of contributions and provide useful information to users of NFP financial statements.

BC13. 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 decided that the incremental benefit would not justify the cost and that NFPs should have flexibility in presentation.

BC14. 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, in expenses. However, the Board decided 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 or are intended to be used (in the notes to financial statements) would provide relevant and sufficient information.

## Disclosure

BC15. 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 proposed 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.

BC16. The Board decided to require that an NFP disclose contributed nonfinancial assets received by category in the notes to financial statements. An NFP would additionally be required to disclose in the notes to financial statements

for each category of contributed nonfinancial assets received (a) qualitative information about whether the contributed nonfinancial assets were or are intended to be monetized or utilized during the reporting period or future period and, if utilized, a description of the programs or other activities in which those contributed nonfinancial assets were or are intended to be used, (b) a description of any donor restrictions associated with the contributed nonfinancial assets, and (c) the principal market (or most advantageous market), where significant, used in the valuation of those assets, in accordance with the disclosures required by Topic 820 about valuation techniques and inputs used to arrive at a fair value measure.

BC17. Requiring that an NFP disaggregate contributed nonfinancial assets received by category in the notes to financial statements would provide useful information about an entity's resources that would 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 proposed Update would enhance transparency about the nature of contributed nonfinancial assets and how they are valued, especially for NFPs that have significant contributed nonfinancial assets.

BC18. 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 decided 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

BC19. To improve the comparability of financial information, the Board decided that the amendments in this proposed Update should be applied retrospectively to all periods presented within an NFP's financial statements. The Board expects that retrospective application would not result in significant costs for most NFPs and that the proposed amendments would not require a change in accounting. The Board believes that the benefits of retrospective application would justify the costs.

BC20. The Board will determine the effective date and whether early adoption should be permitted after it considers stakeholders' feedback on the proposed Update.

## Amendments to the XBRL Taxonomy

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The provisions of this Exposure Draft, if finalized as proposed, would not require improvements to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy). Any stakeholders who believe that improvements to the Taxonomy are required should provide their comments and suggested improvements through [Proposed Taxonomy Improvements](#) provided at [www.fasb.org](http://www.fasb.org).