

September 2022

**Accounting Standards Update 2020-07**  
***Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets***

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2020-07 – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"). The FASB issued the update to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Prior to ASU 2020-07, Generally Accepted Accounting Principles did not contain specific presentation requirements for contributed nonfinancial assets or specific disclosures for contributed nonfinancial assets other than contributed services. The main provisions of ASU 2020-07 require that not-for-profit entities:

- Present contributed nonfinancial assets as a separate line in the statement of activities, apart from contributions of cash and other financial assets.
- Disclose:
  - 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 recognized:
    - Qualitative information about whether the contributed nonfinancial assets were either sold or used during the reporting period. If used, the not-for-profit will disclose a description of the program(s) or other activities in which the assets were used.
    - The not-for-profit's policy (if any) about selling rather than using contributed nonfinancial assets.
    - A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
    - A description of the valuation techniques and inputs used to arrive at fair value.
    - The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the not-for-profit is prohibited by a donor-imposed restriction from selling or using the nonfinancial assets.

Sample Statement of Activities Line Item Presentation Under ASU 2020-07:

Contributions of cash and other financial assets	\$x,xxx
Contributions of nonfinancial assets	x,xxx

Sample Footnote Disclosure Under ASU 2020-07:Contributed nonfinancial assets

For the year ended June 30, 20xx, contributed nonfinancial assets recognized in the statement of activities included the following:

<u>Description</u>	<u>Amount</u>
Supplies	\$xx,xxx
Clothing	xx,xxx
Building	xx,xxx
Services	<u>xx,xxx</u>
Total	<u>\$xx,xxx</u>

*Not-For-Profit A* recognizes contributed nonfinancial assets within revenue, including contributed supplies, clothing, a building and services. Unless otherwise noted, the contributed nonfinancial assets do not have donor-imposed restrictions.

Contributed supplies and clothing were used in homeless shelters. The supplies and clothing were valued based on estimates of wholesale values that would be received for selling similar products.

*Not-For-Profit A's* policy is to sell contributed buildings and other real property immediately upon receipt unless the building and/or real property is restricted for use in a specific program by the donor. The building received during the year was not restricted for use. The building was sold and valued according to the actual cash proceeds upon sale.

Contributed services are composed of legal fees from attorneys on administrative issues. Contributed services are valued and reported at the estimated fair value based on current rates for similar legal services.

ASU 2020-07 applies to not-for-profit entities with annual periods beginning after June 15, 2021 and when preparing comparative financial statements, ASU 2020-07 should be applied on a retrospective basis to both years presented.

If you have any questions relating to ASU 2020-07, please contact your engagement partner.