



Do you know the new accounting rules for gifts in kind?

If your not-for-profit organization accepts contributions of nonfinancial assets, such as land, services and supplies, you should know about Financial Accounting Standards Board (FASB) rules approved last year. Accounting Standards Update (ASU), *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* is intended to increase transparency around gifts in kind.

Inflated values

The updated rules were generated in response to concerns about U.S. wholesale market prices being used to determine the value of donated pharmaceuticals that can't legally be sold in the United States. A donor, for example, could contribute such drugs for use only outside the country.

Stakeholders worried that the values will be inflated, which could increase an organization's revenue and program expenses. The nonprofit might, therefore, appear larger and more efficient than a smaller organization or one with lower values for its gifts-in-kind donations.

New procedures and disclosures

The most dramatic change from previous gifts-in-kind rules is that donations should be reported by type of asset (for example, building, food or pharmaceuticals), rather than reported in aggregate. The rules also require you to report gifts-in-kind donations as a separate line item in the statement of activities.

Further, you must disclose:

- Your organization's policies for monetizing in-kind donations (such as by selling them), rather than actually using the donations in your operations,
- Any donor restrictions,
- The valuation techniques and data used to calculate a gift's value, and
- The principal market or most advantageous market used to calculate the gift's value.

This last disclosure is necessary if donor restrictions prohibit your nonprofit from selling or using the donation in the principal or most advantageous market. The principal market has the highest volume of activity for the donated asset. The most advantageous market generally maximizes the amount that would be received if the donation were sold.

Compliance required soon

If you aren't already following the rules, prepare to comply with them. They take effect for annual reporting periods starting after June 15, 2021, and interim periods within fiscal years starting after June 15, 2022. Contact us if you have questions or need help.

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