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Gifts-In-Kind: New Reporting Rules for Nonprofits

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Contributions of nonfinancial assets or so-called “gifts-in-kind” (“GIK”) can be an important source of financial support for nonprofits. While determining the fair value of cash and marketable securities is fairly straightforward, the valuation process for most nonfinancial assets (or GIKs) such as land, buildings and equipment, rent and the use of facilities, materials and supplies such as food and clothing, intangible assets, or services is often more problematic.

The Financial Accounting Standards Board (FASB), which sets the generally accepted accounting principles (GAAP) that nonprofits must follow, released Accounting Standards Update (“ASU”) 2020-07, “Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets,” in September of 2020. The Update is effective for fiscal years ending June 30, 2022 or calendar years ending December 31, 2022. So if your nonprofit hasn’t already become familiar with this “ASU” update, now is a good time to do so.

It is important to note that the ASU applies to financial statement presentation and does not change the tax rules for providing donor acknowledgments.

Which nonprofits need to pay attention to new FASB standards and why?

FASB standards for reporting nonprofit financial statements apply to nonprofit audits. Whether a nonprofit is required to have an annual independent audit or certified financial statements varies from state to state, depending on a number of factors, often based on dollar thresholds. For more information on state requirements, see our online [Nonprofit Audit Guide](#). In addition, funding sources, such as private foundations or government agency grants and contracts, may require an audit. The changes in this ASU also can be useful for other nonprofits in helping to clarify their financial position, even if an audit isn't required.

Why the FSU 2020-07?

Designed to increase transparency, the new standard seeks to improve financial reporting by providing new presentation and disclosure requirements. The new guidance should permit financial statement readers to identify the nature and amount of GIKs more clearly. (Note that the ASU did not change the recognition and measurement requirements for GIKs.)

What are the key new requirements?

The ASU requires a nonprofit to present GIKs as a separate line item in the statement of activities, separate from contributions of cash or other financial assets. GIKs should be broken down for each GIK category and include:

- Qualitative information about whether GIKs are either sold immediately or retained and used in programs
- Policy (if any) about monetizing, rather than using, GIKs
- Donor-imposed restrictions (if any) associated with the GIK for a purpose or time period
- Valuation techniques and inputs used to determine fair value at initial receipt
- Market(s) used to arrive at fair value, including principal or most advantageous markets

Nonprofits may use either a table or narrative format (or combination of both) to disclose this required category information.

When are the new requirements effective?

The changes in the ASU are effective for annual periods beginning after June 15, 2021 (fiscal years ending June 30, 2022 or calendar years ending December 31, 2022). Because the ASU must be applied retrospectively, nonprofits should prepare to provide the required disclosures for prior periods if they present comparative financial statements. In addition, disclosures should include the nature and reason for the change in accounting principle, the method used to apply the change, as well as a description of the prior-period information that has been retrospectively adjusted. Nonprofits will also need to disclose the effect of the changes on other relevant financial statement items.

What should my nonprofit do now?

Nonprofits that receive significant GIKs should begin the process of complying with the new reporting requirements. New and/or additional reporting systems and processes may need to be put in place and new/revised policies regarding sale or use of GIKs may be required. Additional information and interdepartmental coordination (accounting, fundraising, major gifts etc.) may be needed. And as always, consultation with professional advisors should be part of the process.

For more information on GIKs see:

- [Gifts-in-kind: Reporting contributions of nonfinancial assets](#) (AICPA, 2022)
- [Example gifts-in-kind NFP financial statement disclosures](#) (AICPA, 2022)
- [Nonprofit Audit Guide](#) (National Council of Nonprofits)

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