

The Financial Accounting Standards Board (“FASB”) recently issued the proposed Accounting Standards Update (“ASU”) 2012-16, Accounting by Not-For-Profit Entities for Personnel Services Received from an Affiliate (Topic 958) in July 2012. The Proposed Accounting Standards Update would require that all personnel services received by a not-for-profit entity from an affiliate, including from an affiliate not seeking compensation in return, be recognized as revenue.

Existing Standards

Currently under Accounting Standards Codification (ASC) 958-605-25, contributed services should be recognized as contributions if they create or enhance a nonfinancial asset (such as property and equipment) or meet all of the following criteria:

1. The services require specialized skills; such as those provided by accountants, lawyers, architects, doctors, carpenters, plumbers, or other professionals and craftsmen.
2. The service is provided by individuals who possess those specialized skills.
3. The service would typically need to be purchased if not contributed.

This criteria also applies to services provided by employees of separately governed affiliated organizations (other than those services provided in an advisory capacity). A recipient organization should recognize such services if the affiliated organization regularly provides the services for and under the recipient organization’s direction.

Services that do not meet the preceding criteria should not be recognized in the not-for-profit organization’s financial statements.

Proposed Change

FASB has issued Proposed Accounting Standards Update No. EITF-12B , *Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation*, that would resolve differences in practice by requiring recognition by a not-for-profit

organization of **all** personnel services received from an affiliate that directly benefit the entity (i.e., including such services for which the affiliate is not seeking compensation in return).

There is no proposed effective date at this time. The amendments to the FASB ASC would be applied either prospectively or by applying a modified retrospective approach, under which all periods presented on the date of adoption would be adjusted but no adjustment would be made to the beginning balance of net assets of the earliest period presented. Early adoption would also be allowed.

The comment deadline for EITF-12B is September 20, 2012. For more details read the full [FASB exposure draft](#).

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