SECTION 4434
intangible assets held by not-for-profit organizations

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PURPOSE AND SCOPE

.01 This Section deals with accounting for intangible assets acquired or developed by a not-for-profit organization. Except as otherwise provided in this Section, a not-for-profit organization applies to such intangible assets.

(a) GOODWILL AND INTANGIBLE ASSETS, Section 3064 in Part II of the Handbook;

(b) ACCOUNTING GUIDELINE AcG-20, Customer's Accounting for Cloud Computing Arrangements in Part II of the Handbook; and

(c) the disclosure requirements in IMPAIRMENT OF LONG-LIVED ASSETS, Section 3063 in Part II of the Handbook.

[Former paragraph 4434.01, amended by ACCOUNTING GUIDELINE AcG-20, Customer's Accounting for Cloud Computing Arrangements, retained in Archived Pronouncements.]

.02 Organizations may limit the application of this Section to the requirements in TANGIBLE CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, paragraph 4433.26, when the average of annual revenues recognized in the statement of operations for the current and preceding period of the organization and any entities it controls is less than $500,000.

.03 The Accounting Standards Board encourages even those organizations meeting the criterion in paragraph 4434.02 to follow all of the requirements of this Section. However, the Accounting Standards Board recognizes that there are numerous small not-for-profit organizations for which this would be difficult and costly. Those organizations that meet the criterion in paragraph 4434.02 and for which the cost of following all of the requirements of this Section may exceed the benefits, may choose to provide only the disclosure required by TANGIBLE CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, paragraph 4433.26. Once an organization fails to meet the criterion in paragraph 4434.02, it is expected that it would continue to follow all the requirements of this Section, even if average revenues subsequently fall below $500,000.

.04 Organizations that capitalize their intangible assets follow all other relevant provisions of this Section and other relevant Handbook Sections and thus capitalize all classes of intangible assets, amortize and write down those assets in accordance with this and other relevant Handbook Sections.

DEFINITIONS

.05 The following terms are used in this Section with the meanings specified:

(a) an **intangible asset** is defined as an identifiable non-monetary asset without physical substance; and

(b) the terms defined in TANGIBLE CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS, Section 4433.06, are used in this Section with the meanings specified in Section 4433.

RECOGNITION AND MEASUREMENT

Write-downs

.06 *When conditions indicate that an intangible asset is impaired, the net carrying amount of the intangible asset shall be written down to the asset's fair value or replacement cost. The write-downs of intangible assets shall be accounted for as expenses in the statement of operations. A write-down shall not be reversed.*

.07 A not-for-profit organization may choose fair value or replacement cost on an asset-by-asset basis to measure the write-down of an intangible asset.

.08 An intangible asset may be impaired when conditions indicate that the intangible asset no longer contributes to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the intangible asset is less than its net carrying amount. Examples of conditions that may indicate that the future economic benefits or service potential associated with an intangible asset have been reduced and a write-down is appropriate include, but are not restricted to:

(a) a significant adverse change in the extent or manner in which it is being used;

(b) a significant adverse change in legal factors or in the operating environment that could affect its value, including an adverse action or assessment by a regulator;

(c) a significant decrease in, or cessation of, the need for the services provided by the intangible asset;

(d) an accumulation of costs significantly in excess of the amount originally expected for its acquisition or development;

(e) a current expectation that, more likely than not, it will be sold or otherwise disposed of significantly before the end of its previously estimated useful life ("more likely than not" means a level of likelihood that is more than 50 percent); or

(f) a significant decrease in its market price.

There may also be other indications that the intangible asset no longer contributes to an organization's ability to provide goods and services, or the future economic benefits or service potential associated with an intangible asset may have been reduced.

.09 When an intangible asset's carrying amount is written down, a corresponding amount of any unamortized deferred contributions related to the intangible asset is recognized as revenue, provided that all restrictions have been complied with (see CONTRIBUTIONS — REVENUE RECOGNITION, Section 4410).

.10 An intangible asset may be integrated with other assets such that it may be necessary to consider the value of an intangible asset's future economic benefits or service potential for the group of integrated assets as a whole. In such cases, a write-down may be recognized and measured for the group of assets rather than for an individual intangible asset. Any write-down is allocated to the assets of the group on a pro rata basis using the relative carrying amounts of those assets.

Contributed intangible assets

.11 Organizations may receive contributions of intangible assets. Recognition of contributions of intangible assets helps provide an understanding of the resources available to the organization and enables users of the financial statements to make comparisons with other organizations. A contributed intangible asset would be recognized at its fair value at the date of contribution. Fair value of a contributed intangible asset may be estimated using market or appraisal values. When an estimate of fair value cannot reasonably be made, both the intangible asset and the related contribution would be recognized at nominal value.

PRESENTATION AND DISCLOSURE

.12 *An organization shall disclose whether a write-down recognized in accordance with paragraph* 4434.06 *is based on the asset's fair value or replacement cost.*

Contributed intangible assets

.13 *The nature and amount of contributed intangible assets received in the period and recognized in the financial statements shall be disclosed.*

.14 *Information shall be disclosed about contributed intangible assets recognized at nominal value.*

.15 A contributed intangible asset is recognized at nominal value in the financial statements of a not-for-profit organization when its fair value at the date of contribution cannot be reasonably determined. Information about such intangible assets helps provide an understanding of the organization's economic resources. This information would likely include any details about the assets that would affect their usefulness to the organization: their ages, present or potential uses and estimated remaining useful lives.

EFFECTIVE DATE AND TRANSITION

.16 Except as specified in paragraph 4434.19, this Section applies to annual financial statements relating to fiscal years beginning on or after January 1, 2019. A not-for-profit organization applies this Section prospectively, as defined in ACCOUNTING CHANGES, paragraph 1506.05(g)(i) in Part II of the Handbook, except as specified in paragraph 4434.18. Earlier application is permitted.

.17 A not-for-profit organization can only apply paragraph 4434.18 when preparing its annual financial statements relating to the first fiscal year in which this Section is effective.

.18 In accordance with paragraph 4434.06, a not-for-profit organization that applies this Section for the first time is permitted to recognize an adjustment to opening net assets at the date this Section is first applied to reflect partial impairments of intangible assets existing at that date.

.19 Amendment to paragraph 4434.01, issued in November 2022, applies to annual financial statements relating to fiscal years beginning on or after January 1, 2024. Earlier application is permitted.
