



Financial Accounting Standards Board

**Draft Disclosures**  
**Not-for-Profit Mergers and Acquisitions**

This document contains the draft disclosures that will accompany the final guidance on not-for-profit mergers and acquisitions. The contents are as follows:

1. Appendix 1—Acquisition Disclosures
2. Appendix 2—Merger Disclosures

### Acquisition Disclosures

1. **The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of an acquisition that occurs either:**
  - a. During the current reporting period; or
  - b. After the reporting date but before the financial statements are issued.
  
2. To meet the objective in paragraph 1, the acquirer shall disclose the following information for each acquisition that occurs during the reporting period:
  - a. The name and a description of the acquiree.
  - b. The acquisition date.
  - c. The percentage of ownership interests acquired, such as voting equity instruments (if applicable).
  - d. The primary reasons for the acquisition and a description of how the acquirer obtained control of the acquiree.
  - e. A qualitative description of the factors, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition, or other factors such as the nonrecognition of collections that make up either:
    - (1) The goodwill recognized; or
    - (2) The separate charge recognized in the statement of activities in accordance with paragraph XX.
  - f. The acquisition-date fair value of the total consideration transferred (or if no consideration was transferred, that fact) and the acquisition-date fair value of each major class of consideration, such as:
    - (1) Cash
    - (2) Other tangible or intangible assets, including a business or subsidiary of the acquirer
    - (3) Liabilities incurred, for example, a liability for contingent consideration.
  - g. For contingent consideration arrangements and indemnification assets:
    - (1) The amount recognized as of the acquisition date
    - (2) A description of the arrangement and the basis for determining the amount of the payment
    - (3) An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact.

- h. For acquired receivables not subject to the requirements of AICPA Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*:
  - (1) The fair value of the receivables
  - (2) The gross contractual amounts receivable
  - (3) The best estimate at the acquisition date of the contractual cash flows not expected to be collected.

The disclosures shall be provided by major class of receivable, such as loans, direct finance leases in accordance with FASB Statement No. 13, *Accounting for Leases*, and any other class of receivables.

- i. The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed.
- j. For assets and liabilities arising from contingencies that are:
  - (1) Recognized at the acquisition date:
    - a. The amounts recognized at the acquisition date, if such disclosure is necessary for the financial statements not to be misleading
    - b. The nature of the contingencies
    - c. An estimate of the range of outcomes
    - d. If the asset or liability was not recognized at fair value, the reasons why the fair value of the asset or liability cannot be reasonably determined.
  - (2) Not recognized as the acquisition date, if there is at least a reasonable possibility that a liability has been occurred:
    - a. The nature of the contingencies
    - b. An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated
    - c. The reasons why the fair value of the asset or liability cannot be reasonably determined.

Disclosure is not required for an unrecognized contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable.

An acquirer may aggregate disclosures for assets and liabilities arising from contingencies that are similar in nature.

- k. The total amount of goodwill that is expected to be deductible for tax purposes.
- l. The amount of collection items acquired in an acquisition recognized as a decrease in the acquirer's net assets in the statement of activities, under the permitted noncapitalization policy of FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*.

- m. The amount of conditional promises made to the acquiree that are acquired in an acquisition and a description and amount for each group of promises that have similar characteristics, such as amounts of promises conditioned on establishing new programs, completing a new building, and raising matching gifts by a specified date
- n. For transactions that are recognized separately from the acquisition of assets and assumptions of liabilities in the acquisition (paragraph XX):
  - (1) A description of each transaction
  - (2) How the acquirer accounted for each transaction
  - (3) The amounts recognized for each transaction and the line item in the financial statements in which each amount is recognized
  - (4) If the transaction is the effective settlement of a preexisting relationship, the method used to determine the settlement amount.
- o. The disclosure of separately recognized transactions required by paragraph 2(o) shall include the amount of acquisition-related costs, the amount recognized as an expense, and the line item or items in the income statement in which those expenses are recognized. The amount of any issuance costs not recognized as an expense and how they were recognized also shall be disclosed.
- p. If the acquisition results in a contribution received (paragraphs XX–XX):
  - (1) The amount of the contribution received and the separately presented line item in the statement of activities in which the contribution is recognized
  - (2) A description of the reasons why the transaction resulted in a contribution received.
- q. For each acquisition in which the acquirer holds a noncontrolling equity interest in the acquiree at the acquisition date:
  - (1) The fair value of the noncontrolling interest in the acquiree at the acquisition date
  - (2) The valuation technique(s) and significant inputs used to measure the fair value of the noncontrolling interest.
- r. In an acquisition achieved in stages:
  - (1) The acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date
  - (2) The amount of any gain or loss recognized as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the acquisition (paragraph XX) and the line item in the statement of activities in which that gain or loss is recognized.

- s. If the acquirer is a *public entity*, as defined in paragraph XX of this Statement:
- (1) Each of the following amounts attributable to the acquiree since the acquisition date that are included in the statement of activities for the reporting period:
    - (a) Revenues
    - (b) Earnings or an equivalent performance indicator
    - (c) Changes in unrestricted net assets
    - (d) Changes in temporarily restricted net assets
    - (e) Changes in permanently restricted net assets.
  - (2) The changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets of the entity for the current reporting period as though the acquisition date for all acquisitions that occurred during the current year had been as of the beginning of the annual reporting period (*supplemental pro forma information*).
  - (3) The revenue of the combined entity for the current reporting period as though the acquisition date for all acquisitions that occurred during the year had been as of the beginning of the annual reporting period (*supplemental pro forma information*).
  - (4) The earnings or an equivalent performance indicator of a not-for-profit entity, if presented, of the combined entity for the current reporting period as though the acquisition date for all acquisitions that occurred during the year had been as of the beginning of the annual reporting period (*supplemental pro forma information*).
  - (5) If comparative financial statements are presented, the changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets of the entity for the comparable prior reporting period as though the acquisition date for all acquisitions that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period (*supplemental pro forma information*).
  - (6) If comparative financial statements are presented, the revenue of the combined entity for the comparable prior reporting period as though the acquisition date for all acquisitions that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period (*supplemental pro forma information*).
  - (7) If comparative financial statements are presented, the earnings or an equivalent performance indicator of a not-for-profit entity, if presented, of the combined entity for the comparable prior reporting period as though the acquisition date for all acquisitions that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period (*supplemental pro forma information*).

If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This

Statement uses the term *impracticable* with the same meaning as *impracticability* in paragraph 11 of FASB Statement No. 154, *Accounting Changes and Error Corrections*.

3. For individually immaterial acquisitions occurring during the reporting period that are material collectively, the acquirer shall disclose the information required by paragraphs 2(e)–2(s) in the aggregate.
4. If the date of an acquisition is after the reporting date but before the financial statements are issued, the acquirer shall disclose the information required by paragraph 2 unless the initial accounting for the acquisition is incomplete at the time the financial statements are issued. In that situation, the acquirer shall describe which disclosures could not be made and the reason why they could not be made.
5. **The acquirer shall disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognized in the current reporting period that relate to acquisitions that occurred in the current or previous reporting periods.**
6. To meet the objective in paragraph 5, the acquirer shall disclose the following information for each material acquisition or in the aggregate for individually immaterial acquisitions that are material collectively:
  - a. If the initial accounting for an acquisition is incomplete (paragraph XX) for particular assets, liabilities, noncontrolling interests, or items of consideration and the amounts recognized in the financial statements for the acquisition thus have been determined only provisionally:
    - (1) The reasons why the initial accounting is incomplete
    - (2) The assets, liabilities, equity interests (net assets), or items of consideration for which the initial accounting is incomplete
    - (3) The nature and amount of any measurement period adjustments recognized during the reporting period in accordance with paragraph XX.
  - b. For each reporting period after the acquisition date until the entity collects, sells, or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:
    - (1) Any changes in the recognized amounts, including any differences arising upon settlement
    - (2) Any changes in the range of outcomes (undiscounted) and the reasons for those changes
    - (3) The disclosures required by paragraph 32 of FASB Statement No. 157, *Fair Value Measurements*.
  - c. For each reporting period after the acquisition date until the acquirer collects, sells, or otherwise loses the right to recognized assets arising from contingencies, or the acquirer settles recognized liabilities, its obligation to settle them is cancelled or expires, or new

information is obtained that indicates it had become remote that the obligation will be enforced:

- (1) For assets or liabilities recognized at fair value at the acquisition date, any changes from the acquisition-date fair value to the amount that would be recognized if applying Statement 5 and the reasons for those changes
  - (2) Any changes in the range of outcomes (undiscounted) for both recognized and unrecognized assets and liabilities arising from contingencies and the reasons for those changes. Disclosure is not required of an unrecognized contingency if it is not at least reasonably possible that a liability has been incurred. Disclosure also is not required of an unrecognized contingency involving an unasserted claim or assessment if a potential claimant has manifested no awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and it is reasonably possible that the outcome will be unfavorable.
- d. A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period as required by FASB Statement No. 142, *Goodwill and Other Intangible Assets*, as amended.
7. **If the specific disclosures required by this Statement and other GAAP do not meet the objectives set out in paragraphs 1 and 5, the acquirer shall disclose whatever additional information is necessary to meet those objectives.**

### Merger Disclosures

1. **The new entity resulting from a merger shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of the merger.**
2. To meet the objective in paragraph 1, the newly merged entity shall disclose the following information for the merger that results in its formation:
  - a. The name and a description of each merging entity
  - b. The merger date
  - c. The primary reasons for the merger
  - d. For each merging entity
    - (1) The amounts recognized as of the merger date for each major class of assets, liabilities, and net assets
    - (2) The nature and amounts, if applicable, of any significant assets (for example, conditional promises receivable or collections) or liabilities (for example, conditional promises payable) not otherwise required to be recognized under GAAP
  - e. The nature and amount of any significant adjustments made to conform the accounting policies of the entities
  - f. If the newly merged entity is a public entity, as defined in paragraph XX of this Statement, the following *supplemental pro forma information*:
    - (1) If the merger occurs at other than the beginning of an annual reporting period and the entity's initial financial statements thus cover less than an annual reporting period:
      - a. The revenue of the entity for the current reporting period as though the merger date had been the beginning of the annual reporting period
      - b. The earnings or an equivalent performance indicator, if reported, of the entity for the current reporting period as though the merger date had been the beginning of the annual reporting period
      - c. The changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets of the entity for the current reporting period as though the merger date had been the beginning of the annual reporting period.
    - (2) If the new entity presents comparative financial information in the annual reporting period following the year in which the merger occurs the following *supplemental pro forma information*:
      - a. The revenue of the entity for the comparable prior reporting period as though the merger date had been the beginning of that prior annual reporting period

- b. The earnings or an equivalent performance indicator, if presented, of the entity for the comparable prior reporting period as though the merger date had been the beginning of that prior annual reporting period
- c. The changes in unrestricted net assets, changes in temporarily restricted net assets, and changes in permanently restricted net assets of the entity for the comparable prior reporting period as though the merger date had been the beginning of that prior annual reporting period

If disclosure of any of the information required by these subparagraphs is impracticable, the newly merged entity shall disclose that fact and explain why the disclosure is impracticable. This Statement uses the term *impracticable* with the same meaning as *impracticability* in paragraph 11 of FASB Statement No. 154, *Accounting Changes and Error Corrections*.

**If the specific disclosures required by this Statement and other GAAP do not meet the objective set out in paragraph 1, the newly merged entity shall disclose whatever additional information is necessary to meet that objective.**