Not-for-Profit Organizations: Mergers and Acquisitions
Summary of Decisions Reached
October 8, 2008

The Board continued its September 24, 2008 discussion on whether to retain or modify the proposed requirements for (a) initial recognition and measurement of acquisitions by not-for-profit organizations and (b) subsequent accounting for any goodwill recognized as a result of the acquisition.

Initial recognition and measurement—The Board decided that when a not-for-profit organization acquires an organization, business, or nonprofit activity that is expected to be predominantly supported by contributions and returns on investments and the amount for the liabilities assumed (and any consideration paid) exceeds the assets acquired, that excess amount should be recognized as a separate charge in the statement of activities rather than as goodwill. In other circumstances, that excess amount should be recognized as *goodwill*.

The Board also decided that if the amount of the assets acquired exceeds the liabilities assumed (and any consideration paid), the provisions of the final Statement should not require a distinction as to whether the transaction is a contribution received or bargain purchase.

In addition, the Board affirmed its decision that a noncontrolling interest in an acquiree should be measured at fair value on the date of acquisition.

Subsequent accounting for goodwill—The Board decided that those not-for-profit organizations that recognize acquired goodwill should apply the guidance in FASB Statement No. 142, *Goodwill and Other Intangible Assets,* for subsequent testing and impairment.

At a future meeting, the Board plans to discuss disclosures pertaining to mergers and acquisitions, the transition guidance and effective date of the final Statement, and other issues that may arise during drafting.