ASNPO At a Glance

Section 4434 – Intangible Assets Held by Not-for-Profit Organizations

March 2023

Section 4434 - *Intangible Assets Held by Not-for-Profit Organizations*

Effective Date
Fiscal years beginning on or after January 1, 2019

Scope

Section 4434 applies to accounting for intangible assets acquired or developed by NPOs. Except as otherwise provided in this Section:

- An NPO applies Section 3064, *Goodwill and Intangible Assets*;
- An NPO applies Accounting Guideline AcG-20, Customer's Accounting for Cloud Computing Arrangements in Part II; and
- The disclosure requirements in Section 3063, *Impairment of Long-lived Assets*, in Part II, to such assets

Intangible assets

Identifiable non-monetary assets without physical substance

Recognition and measurement - Intangible assets

Refer to Section 3063[1] and 3064[2] in Part II of the Handbook for guidance on accounting for and disclosing intangible assets except for contributed intangible assets and write-downs as outlined below

Contributed intangible assets

- A contributed intangible asset is recognized at its fair value at the date of contribution. Fair value may be estimated using market or appraisal values
- However, in unusual circumstances where the fair value cannot be reasonably determined, both the intangible asset and the related contribution are recorded at nominal value

Write-downs

- A intangible asset may be impaired when conditions indicate that the asset no longer contributes to an organizations ability to provide goods and services or that the value of the future economic benefits or service potential associated with the asset is less than its net carrying amount (refer to paragraph 4434.08 for examples of conditions that may indicate impairment)
- When conditions indicate that an intangible asset is impaired, the net carrying amount of the asset is written down to the asset's fair value or replacement cost (the measurement of the write-down to either fair value or replacement cost is a choice made on an asset-by-asset basis)
- The write-down is recognized in the Statement of Operations as an expense
- A write-down cannot be reversed
- An intangible asset may be integrated with other assets in such a way that it may be necessary to consider the value of the intangible asset's future economic benefits or service potential for the group of integrated assets as a whole. In this case, any write-down would be recognized and measured for the group of assets and would be allocated among the assets within the group on a pro-rata basis using the assets relative carrying amounts
- If there are any unamortized deferred contributions related to the intangible asset written down, the contributions would be recognized as revenue, as long as all restrictions had been satisfied (see Section 4410, *Contributions – Revenue Recognition*[3])

[1] See also our publication ASPE At a Glance: *Impairment of Long-lived Assets & Goodwill*
[2] See also our publication ASPE At a Glance: *Intangible Assets*
[3] See also our publication ASNPO At a Glance: *Contributions*

Intangible assets held by small organization

• If the average annual revenues recognized in the Statement of Operations for the current and prior period of a NPO, including the average annual revenues of any entities it controls, are below $500,000, then the organization may choose to limit the requirements of Section 4434 to the requirements outlined in paragraph .26 of Section 4433, *Tangible Capital Assets Held by Not-for-Profit Organizations* (discussed below). However, all NPOs are encouraged to follow the requirements of Section 4434 even if they meet this limit, unless these requirements would be too difficult or costly.
• Once a NPO's revenues exceed the $500,000 limit discussed above, it must follow the requirements of Section 4434 and it must continue to follow the requirements of this Section even if its average revenues fall below $500,000 in subsequent years.
• According to paragraph 4433.26 NPOs that meet the $500,000 limit criteria discussed above must disclose the following information:
  • The policy the NPO follows in accounting for intangible assets;
  • Information about major categories of intangible assets not recorded in the Statement of Financial Position, including a description of the assets; and
  • If the NPO expenses intangible assets when they are acquired, the amount expensed in the current period.

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