



## **Services Received From Personnel of an Affiliate** *Chris Valponi, CPA*

ASU 2013-06, *Services Received from Personnel of an Affiliate*, was recently issued by the Financial Accounting Standard Board effective for fiscal years beginning after June 15, 2014, and annual periods thereafter. The requirements of the update will first be implemented for organizations with fiscal years ending June 30, 2015.

The update will be effective for nonprofit organizations that receive services from personnel of an affiliate. An affiliate is defined as a group that, either directly or indirectly, controls, is controlled by, or is under control of the nonprofit organization. The services must meet all of the following criteria:

- The services benefit the recipient by creating or enhancing a financial asset,
- The services must require specialized skills and be provided by a person who possesses those skills,
- The recipient is not charged for the services and the recipient would otherwise have to purchase the services.

If it is determined that the services received meet the criteria above the actual cost or an estimated fair market value of the cost should be recorded as contribution revenue and a related expense or asset. Keep in mind that this guidance does not provide direction on estimating fair market value. One should consult Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 – Fair Value Measurement and Disclosures when the actual cost cannot be obtained or the cost is deemed unreasonable.

The most common type of services received from personnel of an affiliate are for accounting and bookkeeping services. The actual cost of such services should be known by the affiliate and can be directly obtained from them.

For more information on the determination of or accounting for services received from personnel of an affiliate or if you have questions regarding this topic, please contact a Zinner and Co. nonprofit professional.