

Family Partnerships of Central Florida

PROCEDURE

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CFOP:

Procedure Name: Fair Market Value Measurements
Procedure Number: PBR-3006
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Applicable to: Family Partnerships of Central Florida (FPoCF), The National Center for Innovation and Excellence, and Family Partnerships of Central Florida Foundation

SUBJECT: Fair Market Value Measurement

PURPOSE: To define fair value as well as establish a framework for measuring fair value for generally accepted accounting principles (GAAP) and disclosures about fair value measurements.

PROCEDURE:

References

FPoCF Policies/Procedures: GOV205
FASB FAS 157 – Fair Value Measurement
IRS Publication 946 – How to Depreciate Property
IRS Publication 561 – Determining the Value of Donated Property

Definitions

Donor: An individual or organization that gives tangible or intangible property or services.

Fair Market Value (FMV) – an estimate of the value something has in terms of what a willing buyer would have paid to a willing seller should it be subject to competition in the market.

FASB (Financial Accounting Standards Board) – a private not-for-profit organization whose primary purpose is to develop generally accepted accounting principles (GAAP) within the United States in the public's best interest.

FAS (Financial Accounting Statement) – an identifier assigned by FASB to document the statements that they issue.

IRS (Internal Revenue Service) – United States taxing authority.

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Scope

This procedure applies to all fundraising ventures and other business transactions of FPoCF. The Communications Department is responsible for using the guidelines set forth in FAS 157, Fair Value Measurement, in conjunction with IRS Publication 561, Determining the Value of Donated Property, in assigning fair market values to donated goods and/or services to FPoCF.

Defining Fair Market Value

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price) and not the price that would be paid to acquire the asset or received to assume the liability (an entry price).

There are established methods to be used to measure fair value. Fair value is a market-based measurement, not an entity-specific measurement and is based on assumptions market participants would make in pricing the asset or liability. FAS 157 establishes a three-level hierarchy for measuring fair value, described further below using the highest level possible (e.g., Level 1) if such inputs are available, and if not, going to the next lower level.

Three Level Hierarchy

Level 1

A quoted price (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

The market participant assumptions are developed based on market data obtained from sources independent of the reporting entity (observable inputs).

Level 3

The reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The notion of unobservable inputs is intended to allow for situations in which there is little, if any, market activity for the asset or liability at the measurement date. In those situations, the reporting entity need not undertake all possible efforts to obtain information about market participant assumptions. However, the reporting entity must not ignore information about market participant assumptions that is reasonably available without undue cost and effort.

Assigning Fair Market Value

The Communications Department designee will manage and document the appropriate handling of those areas that require an FMV determination under the direction of the Chief Financial Officer. IRS Publication 546 contains extensive detail for valuing various types of property and should be used in the FMV determination process. This publication also contains details of what the IRS has determined are the qualifications of an appraiser and the documentation needed to substantiate

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their appraisal. The Communications Department designee will maintain records of all supporting documentation via an excel spreadsheet or public relations software to include:

- The date the asset was acquired or the date the service was rendered.
- A detailed description of the asset or service.
- The program benefiting from the donation (if applicable).
- The source used for FMV determination.
- The FMV amount assigned.
- Any additional comments.

Written documentation is needed to substantiate the calculation of the FMV. If the item requires a third party to provide that documentation, credentials (appraiser license and/or registration) of the individual performing the appraisal must be included with the packet for review. Such items would include the following as listed in governance policy GOV205 Fundraising Management: Gifts of art, furniture, books, stamps, coins, and other collections.

Sources for use in determining FMV are, but not limited to: finance.yahoo.com and moneycentral.msn.com for current stock prices, the United States General Services Administration (www.gsa.gov) for price lists of property items such as furniture, equipment, computers, etc. and www.irs.gov for Publication 946, How to Depreciate Property, and Publication 561, Determining the Value of Donated Property.

A disclosure statement is then prepared by the Communications Department designee informing the donor that the amount of the contribution that is deductible for federal tax purposes is limited to the excess of any money (the value of any property other than money) contributed by the donor over the FMV of goods or services provided.

Once the Communications Department designee issues a disclosure statement to a donor, the entire packet of information concerning the donated good(s) is forwarded to the President and Chief Executive Officer or designee for their review and approval. Once the President and Chief Executive Officer or designee approves the packet, a copy of it is forwarded to the Finance Department for the transaction to be recorded in the general ledger. At a minimum, the information packet should contain the following:

- The FMV assigned with the calculation methodology documents.
- The disclosure statement,
- If applicable, the appraiser's credentials.
- Any other miscellaneous document concerning the donated goods or services.

All these documents will be filed with each journal entry after being recorded in the general ledger of FPoCF.

Financial Statement Disclosures

Within Level 3 of the fair value hierarchy, financial statement disclosures focus on the following:

- The inputs are used to measure fair value and for recurring fair value measurements using significant unobservable inputs.

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- The effect of the measurements on earnings (or changes in net assets) for the period.

The financial statement disclosures about the use of fair value to measure assets and liabilities should provide users of financial statements (present and potential investors, creditors, and others) with information that is useful in making investment, credit, and similar decisions.

BY DIRECTION OF THE PRESIDENT AND
CHIEF EXECUTIVE OFFICER:



PHILIP J. SCARPELLI
President and Chief Executive Officer
Family Partnerships of Central Florida

APPROVAL DATE: 04/17/2024