

September 21, 2017

Mr. Richard Cole  
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Re: Proposed Accounting Standards Update  
Not-for-Profit Entities (Topic 958)  
Issued: August 3, 2017

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

Dear Rick,

I remember an interesting conversation that happened about 20 years ago. A CPA from outside the NY/NJ/CT area stated plainly that government contracts (for things like human services) to nonprofits were contributions. I took exception and we had a lengthy, heated debate. So it was interesting to see this same topic again.

I have considered this deeply in the ensuing years, and have yet to really grasp how someone could think that a government contract is a contribution. I have a lot of reasons why it isn't, but this doesn't seem to be compelling to anyone who already doesn't hold that view.

The question seems to be how different is a government contract that contains a lengthy legal agreement (with terms and conditions) from a lengthy legal agreement with a donor (that too has terms and conditions). In general, very different. However, it is not difficult to develop a scenario that narrows the difference to a hair's width. But, and it is a big but, this scenario does not make the government contract look more like a contribution – it makes the contribution look more like an exchange contract. In the end I never did get to see the point on how the government contracts we were debating could be considered contributions.

Does the nonprofit think that they are receiving a contribution from the government (most likely with a time or use condition/restriction)? Well, one test could be do they list the government agency in the list of donors in their annual report? Do they provide a contemporaneous written acknowledgement of the donation, along with the statement that no goods or services were or will be provided? Does the government believe it is making a contribution?

Question 1:

I think that the clarifying guidance is applicable to a number of situations and will be useful in deciding whether the transaction is an exchange or a contribution.

Question 2:

Commensurate value is a difficult term to apply, mostly because it is hard to define. Perhaps I missed it, but I did not see where in the ED it is defined. Perhaps the flowchart assumes that everyone could agree on commensurate value. A government agency might have similar contracts for services with a multitude of nonprofit agencies. If the services to be provided were the same, and the measurable requirements the same, but the dollar amount of the contract is different, what would the commensurate value be in this case?

I don't feel that the guidance helped me understand how to determine commensurate value, and therefore I cannot determine whether a transaction is a contribution or an exchange.

Question 3:

I believe that a donor-imposed condition includes the barrier that must be overcome but not the right of return of the transferred assets or a release from an obligation to return the assets. Though a right of return might be typical in situations where the contribution was conditional I cannot see the benefit of making it a requirement to categorize the contribution as conditional.

Question 4:

The proposed table does provide useful guidance to determine when a barrier is present.

Question 5:

I don't see the value in having the resource provider distinguish between conditional and unconditional contributions.

Question 6:

I would like to see the terminology changed so that "condition" and "restriction" are not separate. There is value in understanding what the condition or restriction is, but not in the determination of whether a contribution is conditional or restricted.

Question 7:

I would leave the disclosure requirements the same until the guidance has a chance to be implemented and any unforeseen issues handled.

Question 8:

I think that the transition requirements would be workable and provide decision-useful information.

Question 9:

Yes, the effective date should be the same and early adoption should be permitted.

Sincerely,

Jeffry Haber

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Professor and Chair  
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