

**Proposed Accounting Standards Update
Not-for-Profit Entities (Topic 958)
Clarifying the Scope and the Accounting Guidance for
Contributions Received and Contributions Made
Issued: August 3, 2017
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General Comments

I welcome the opportunity to respond to the Financial Accounting Standards Board's invitation to comment on the Proposed Accounting Standards Update, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Proposed Update").

The amendments in this Proposed Update would assist entities in

- Evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange transactions subject to Topic 606 or other guidance.
- Distinguishing between conditional contributions and unconditional contributions.

I believe that this Proposed Update accomplishes both of these objectives. However, I believe that better examples of the differences between contributions and exchange transactions would be helpful. Further, examples of the difference between a donor-imposed condition and a donor-imposed restriction would also be helpful.

Characterizing Grants and Similar Contracts as Exchange Transactions or Contributions

I agree with the two basic premises in this section of the Proposed Update:

- A resource provider (including a private foundation, a government agency, or other) is not synonymous with the general public.
- Execution of a resource provider's mission or the positive sentiment from acting as a donor would not constitute commensurate value received by a resource provider.

I agree that if a resource provider is not itself receiving commensurate value for the resources provided, the transfer of resources does not constitute an exchange transaction. I agree that an entity must then determine whether a transfer of assets represents a payment from a third-party payor on behalf of an existing exchange transaction between the recipient and an identified customer.

However, I believe that this section of the Proposed Update should clarify that if a transfer of resources does not constitute an exchange transaction and is not a payment from a third-party payor on behalf of an existing exchange transaction between the recipient and an identified customer, the accounting should follow the contribution model in Topic 958-605. It should clarify that there is no requirement to describe the transaction as a “contribution” on the statement of activities. The line item may be described as “Government Contract Revenues”, “Government Grants” or any other relevant description.

I believe that the examples illustrating the guidance for determining whether a transaction is an exchange transaction or a contribution should include two types of bifurcated transactions:

- A transfer of resources from a corporate or individual sponsor of an event such as a golf outing. This payment might be partially an exchange transaction and partially a contribution.
- A transfer of resources from an individual to attend a fund-raising dinner-dance. This payment might be partially an exchange transaction and partially a contribution.

Distinguishing Between Conditional and Unconditional Contributions

I agree that the determination of whether a contribution is conditional should be based on whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets. I agree that the list of indicators in the Proposed Update would be helpful in determining whether an agreement contains a barrier. I agree that a measurable performance-related barrier or other measurable barrier is significantly clearer than the current term, *future and uncertain event*. I also agree that a promise containing stipulations that are not clearly unconditional is a conditional promise to give.

I recommend that the Proposed Update clarify that a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets does not need to be explicitly stated in the agreement to transfer assets.

I agree that once a contribution has been deemed unconditional, an entity would then consider whether the contribution is restricted on the basis of the current definition of *donor-imposed restriction*.

However, I believe that confusion will remain in the not-for-profit sector, including among auditors, between a donor-imposed condition and a donor-imposed restriction. I recommend that the Proposed Update include clarified examples of the difference between a donor-imposed condition and a donor-imposed restriction.

I recommend the following changes to the examples in the Proposed Update:

- Example 14, uses of the term *general budget*. This term needs to be defined or clarified, as is done in Example 15.
- Example 17 should be expanded to state that if the grant was, in fact, solicited by the animal shelter for the expansion of its operations and there was no stipulation that it must expand its facility by a specified number of feet, the contribution would be considered unconditional and donor restricted.
- Example 20 specifies that the homeless shelter provide 5,000 meals to the homeless. This should read “at least 5,000 meals to the homeless”.

Transition Requirements and Effective Date

I agree with the proposed transition requirements and the proposed effective date.

Respectfully submitted,

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