

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board

Dear Ms. Cospers,

I appreciate the opportunity to provide my input on the proposed Accounting Standards Update (ASU), Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. I am pleased that the Financial Accounting Standards Board (FASB) continues their effort to clarify and improve the scope and accounting guidance for contributions received and made.

**Question 1:** The proposed amendments provide clarifying guidance in regards to what is an exchange transaction versus a contribution. In addition, the Update clarifies whether a contribution is conditional or unconditional. Unfortunately, the Update will be very difficult for the majority of non-profits to implement for contracts that began before the Update. This is due to the limited resources these entities have and the numerous amount of contracts they would have to go through.

**Question 2:** The proposed amendments do a good job clarifying commensurate value. However, in regards to Example: 5 Research Grant, I am concerned that the resource provider is receiving commensurate value. Even though the University retains all the rights to the research and findings the federal government still receives a summary and findings report. Which may be enough for them to receive commensurate value, especially if the federal government would have searched for a research partner if no University responded to their grant.

**Question 3:** The donor-imposed condition should include both (a) a barrier that must be overcome and (b) a right of return of the assets transferred or a right of release of the promisor from its obligation to transfer assets. Without a barrier to overcome almost all contracts would be conditional since they include a right of return for circumstances that would not be considered a barrier under the Update. Furthermore, if a contract includes a barrier and not a right of return then there would be no consequence for the receiving entity if they fail to overcome the barrier.

**Question 4:** The proposed table of indicators provides useful guidance and that no single indicator should be determinative.

**Question 5:** I believe the proposed amendments should be applied equally to the recipient and the resource provider. On the other hand, many non-profits receive grants from government entities who follow the guidance of the GASB. In these cases each entity should follow their required reporting framework.

**Question 6:** I have no additional input than what the Update provided.

**Question 7:** I believe current disclosures are adequate should be added once the proposed amendments are implemented and there is an understandability on how these amendments affect the users of financial statements.

**Question 8:** Prospective application would help the majority of non-profits because of the limited resources they have to review all of their current contracts. I do believe the modified prospective approach that was proposed would be best for financial statement users. Those viewing the financial statements will not know the percentage of contracts that are under the current guidance or under the proposed amendments. Essentially, making consistency within the firm and comparability between other firms worse.

**Question 9:** The proposed amendments having the same effective date as Topic 606 would be ideal. This would prevent non-profits from mistakenly applying Topic 606 to contracts that would be conditional contributions under these proposed amendments. However, I believe it will be highly unlikely for the majority of non-profits to accomplish such a task. Since a majority of non-profits have revenues under \$1 million and have numerous contracts. It would be unreasonable to think these non-profits could review all their contracts with the limited resources they have available in such a short period of time.

Sincerely,  
Beau Patrou  
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