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November 1, 2017

Technical Director
File Reference No. 2017-270
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Via Email to director@fasb.org

RE: File Reference No. 2017-270

Dear Ms. Cospier

We are pleased with the opportunity to review and comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, Not-for-Profit Entities (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Proposal or Proposed Standard). We are supportive of the FASB's efforts to improve financial reporting for Not-for-Profit (NFP) entities, including this Proposal to clarify accounting guidance for contributions received and contributions made.

We believe the proposed amendments will improve consistency and assist NFP organizations in determining the appropriate accounting treatment for contributions, grants, and contracts. The clarifying guidance related to "commensurate value", and most specifically, the consideration of indirect public benefit, addresses many questions raised relative to the pending implementation of Topic 606. We also commend the Board for the inclusion of many illustrative examples within the Proposal, which will be very helpful in the assessment of whether a transaction is a contribution or an exchange, and whether a contribution is unconditional or conditional while reducing the opportunity for diversity in practice.

We have provided responses to the specific questions in the remainder of this letter.

Questions for Respondents:

Question 1: Would the amendments in this proposed Update provide clarifying guidance that would be operable in practice? If not, why not?

We believe the amendments will be operable in practice. As discussed above, the clarified guidance and implementation examples should improve consistency, assist with the determination of whether a transaction is a contribution or an exchange, and distinguish if contributions are unconditional or conditional.

Question 2: Would the proposed amendments clarify whether a resource provider is receiving commensurate value in return for assets transferred and when a transaction is within the scope of Subtopic 958-605? If not, why not?

The proposed amendments clarify what is “commensurate value” in evaluating whether a transaction is a contribution or an exchange and the considerations in paragraph 958-605-15-5A are very helpful. In particular, item a. should resolve confusion related to the concept of indirect public benefit, which oftentimes is relevant in the contemplation of government grants.

The illustrative examples provided in 958-605-55-13A through -14I should be useful, as they reflect transactions we commonly see in practice. We recommend providing an additional example related to item b., which does not appear to be addressed in the Proposal:

“Execution of the resource provider's mission or the positive sentiment from acting as a donor shall not constitute commensurate value received by the resource provider for purposes of determining whether the transfer of assets is a contribution or an exchange.”

Question 3: Should the definition of the term *donor-imposed condition* 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? If not, why not?

We agree the definition for a “condition” should include both a barrier and a right of return/release from obligation. The concept of a barrier is included in current GAAP and it makes logical sense that a right to return/release from obligation would preclude recognition for a contribution as the resource provider is imposing a legal right rather than making an outright gift.

We suggest rewording the statement in paragraph 958-605-25-2A to read “A donor-imposed condition must have both.”

Question 4: Does the proposed table of indicators to describe a barrier provide useful guidance that will allow for the application of appropriate judgment? Should no single indicator be determinative? What changes should be made, if any, to the proposed indicators?

The table of indicators in paragraph 958-605-25-5C provides needed guidance relative to the identification of barriers, an area we believe is lacking under current GAAP.

We concur no single indicator should be determinative since the analysis is judgmental and conclusions must be based on facts and circumstances.

The illustrative examples in 958-605-55-70A through -70R meaningfully supplement the guidance provided in the table of indicators. We recommend providing further clarification for the second indicator in the table that reads as follows:

Stipulations That Are Related to the Purpose of the Agreement	The stipulations are related to the purpose of the agreement. This indicator would generally exclude administrative tasks and trivial stipulations.
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While there is ample explanation given on “administrative tasks” in paragraph 958-605-55-17E, we suggest including further clarification or a specific example of what is meant by a “trivial stipulation”.

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Question 5: Should the proposed amendments about distinguishing between conditional contributions and unconditional contributions be applied equally to both the recipient and the resource provider?

Yes. There appears to be no reason to warrant inconsistent accounting treatment between provider and recipient.

Question 6: Should certain other terms and/or their definitions be clarified (for example, *contribution* or *donor-imposed restriction*)? If yes, list which term(s) and/or definition(s) should be clarified, why they should be clarified, and any recommended changes.

We suggest the Board revisit the Master Glossary term “contribution”, which is defined as “An unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner”. The inclusion of “unconditional” within the definition does not seem appropriate given contributions can be either conditional or unconditional.

We believe the reference to “unconditional” should be removed and “contribution” be redefined simply as “a transfer of cash or other assets.” That said, we recognize this likely impacts other wording and references to contribution throughout the Proposal and/or current GAAP. For example, the reference to contributions under paragraph 958-605-25-2, which discusses the provisions for recognition, would need to be further clarified to indicate amounts are recognized as revenue and gains only when they are unconditional or when conditions have been met.

In addition, we noted two other terms in the current Master Glossary that warrant further modification:

Conditional Promise to Give

A promise to give that depends on the occurrence of a specified future and uncertain event to bind the promisor.

Unconditional Promise to Give

A promise to give that depends only on passage of time or demand by the promisee for performance.

These definitions should be updated to incorporate the stipulations from the Proposal that a condition includes both a barrier and a right to return assets/release from obligation.

Question 7: Should current recurring disclosure requirements be amended for either a recipient or a resource provider? Should new disclosure requirements be added? If yes, what amendment(s) and/or addition(s) do you recommend? Please explain why.

We do not believe current disclosure requirements under ASC 958-605 should be amended, nor do we feel new disclosure requirements should be added.

Question 8: Would the proposed transition requirements be operable, and would they provide decision-useful information? If not, please explain why and what you would recommend. Would modified prospective application be more operable than prospective application? If not, why not?

We believe the transition requirements will be operable in practice. In particular, the option to apply retrospectively or using a modified prospective application will allow entities flexibility to determine the approach that most meets the needs of their financial statement users, while also evaluating the most efficient and cost effective means to implement.

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Question 9: Should the effective date of the proposed amendments be the same as the effective date of Topic 606? Should early adoption of the proposed amendments be permitted?

We concur that the effective date of the proposed amendments should align with the effective date of Topic 606. We also believe early adoption should be allowed.

Other Observation:

The diagram presented in the Implementation Guidance at 958-605-55-1A clearly lays out the process for determining the appropriate accounting treatment for contributions, grants, and contracts. We suspect this will be a useful tool and one that many organizations will frequently utilize when evaluating their specific transactions. Given this may be used as a starting point, we would recommend adding cross references to the other sections of the ASC that provide the relevant guidance or illustrative examples for what is considered commensurate value, as well as what constitutes a condition or a restriction on a contribution.

Thank you again for the opportunity to review and comment on the Proposed Standard. We would be pleased to respond to any questions regarding our comments. Please contact Scott Lehman at (630) 574-1605 or scott.lehman@crowehorwath.com or Brian Archambeault at (574) 236-7610 or brian.archambeault@crowehorwath.com if you have any questions.

Cordially,

Crowe Horwath LLP

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