Kentucky Society
Certified Public Accountants

November 6, 2017

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

Re: File Reference No. 2017-270 Exposure Draft – Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

We are writing on behalf of the Emerging Standards Committee (ESC) of the Kentucky Society of Certified Public Accountants (KyCPA). The KyCPA is the sole professional organization representing CPAs in the Commonwealth of Kentucky. Its 5,100 members are engaged in business communities throughout the Commonwealth and have a comprehensive grassroots view of the needs of businesses, ranging from large public companies to small owner-managed businesses. KyCPA's ESC consists of a group of KyCPA members organized to monitor the activities of accounting and auditing standard setters, with the objective of participating in the standards-setting process by providing thoughtful comment on developing issues.

Our comments for your consideration are as follows:

Overall comments - We agree with the FASB's efforts to reduce diversity in practice as related to contributions, specifically the recording of grants and other contracts as contributions or exchange transactions. We believe the guidance generally would be operable in practice; however, we have comments specifically related to Questions 4 and 6.

Questions 4 and 6 - While the proposed table of indicators provides informative guidance, we believe additional clarification of terms would be beneficial and provide more useful guidance. Specifically, the term "measurable performance-related barrier." In practice, contracts are often written with language including quantitative measures and qualifiers. Additional guidance or specific references to the examples to clarify the measurable performance-related term would assist with the consistent determination as to whether a barrier exists. In Example 17, the grant is conditional because of the measurable barrier 5,000 square feet whereas in Example 18, the grant is unconditional because there are no specifications about how the building should be constructed. Further, in Example 17, if the 5,000 square foot stipulation were removed, but the grant agreement was otherwise the same, we assume the grant would be unconditional. This implies a purely quantitative measure, yet each donation requires capital improvements and is otherwise economically similar. It seems like a significant accounting difference for a subtle change in grant wording. Since understanding of barriers is critical to the determination of a contribution as conditional or unconditional, we believe explicit guidance and examples should provide sufficient clarity to mitigate operational difficulties.

Thank you for your consideration.

Sincerely,

Glenn Bradley, CPA, Chair
Christine N. Koenig, CPA, Member
On behalf of the Emerging Standards Committee
Kentucky Society of CPAs