

this box be reworded to exclude all the transactions in paragraph ASC 958-605-15-6(b)-(e). Third-party payers are not the only type of transaction that does not fall under this standard and therefore, calling out only that single type of transaction may be misleading. This change would also require a change to the flowchart box resulting from a “yes” answer, to read “Outside the scope of ASC 958-605. Apply other GAAP as appropriate.”

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.

FinREC believes there is no need to provide additional disclosures for these transactions. However, there is currently a requirement in ASC 958-310-50-4 to provide disclosures related to conditional promises to give. While this requirement was not amended in the proposed ASU, FinREC proposes either eliminating the requirement to provide these disclosures or making them optional. It is our expectation that many grants and contracts that are currently deemed to be exchange transactions would become conditional contributions under the proposed ASU. These disclosures are not required for exchange transactions under existing GAAP. While we feel that these disclosures could provide useful information about the future activities of the entity, the guidance has the potential to increase these disclosures from covering a handful of conditional promises to give to potentially thousands of conditional contributions. As a result, we recommend that these disclosures be made optional or be eliminated.

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?

FinREC believes that the transition guidance is operable.

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?

FinREC believes that the effective date of the proposed ASU should align with that of Topic 606. We also believe that early adoption should be permitted as it may improve the transition process.

Appendix B

Analysis of the Proposed FASB ASC Amendments in the Proposed ASU

This document is the result of an analysis of the proposed FASB ASC changes that were included in the proposed ASU. The purpose of this appendix is to identify items that could impact consistency or understanding when implementing the proposed ASU or are editorial in nature. We believe that these items should also be considered when drafting codification changes resulting from this project.

Note: Text in red represents potential changes to the wording in the proposed ASU.

FASB ASC Reference	Comment
Master Glossary: Contribution	A contribution is defined as "a transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities..." Throughout the document, however, only the transfer of assets is referred to - not the settlement or cancellation of liabilities. Consider other wording - perhaps "the donor provides resources" which would be more generic and could be assumed to include both the transfer of assets and settlement of liabilities.
Master Glossary: Donor	There are currently a number of places in the codification that parenthetically state "donors include other types of contributors, including makers of certain grants." Rather than including that language throughout the ASC, we recommend adding "Donor" as a defined term in the Master Glossary.
Master Glossary: Conditional Promise to Give	The current definition of Conditional Promise to Give needs to be revised to eliminate the words "future and uncertain event" and conformed to include the concepts of barrier and right of return (similar to "donor-imposed condition").
958-605-15-5A	Consider making the following change: "In determining whether a transfer of assets is an exchange transaction in which a resource provider (for example, a government agency, a private foundation, a corporation, or other organization entity)..." This change broadens the definition of a resource provider to encompass individuals.
958-605-15-5A(a)	Consider changing "other organization" in the parenthetical description of a resource provider to "other entity" to encompass individuals.
958-605-15-5A(d)	Consider splitting this into two paragraphs - one for each sentence in the paragraph as they are discrete concepts.
958-605-15-5A(e)	It is unclear what the first sentence in this paragraph is attempting to convey. In particular, the words "delivery of assets provided" is confusing. Consider rewording the sentence to clarify the concept being communicated.
958-605-25-2	The reference in the first sentence should be to paragraphs 958-605-25-16 through 25-19.

958-605-25-2	Consider the following change to the penultimate sentence: "A contribution made and a corresponding contribution received generally are recognized by both the donor and the donee at the same time, that is, when the barrier, if any , is overcome." Because the sentence relates to all contributions, a barrier may or may not exist.
958-605-25-2	See the comment above regarding possible wording changes to encompass the concept of assets transferred and liabilities settled. If those changes are made, the last sentence of this paragraph is unnecessary.
958-605-25-2A	Consider the following wording changes to this paragraph: "After a contribution has been deemed unconditional, an entity shall consider whether the contribution is restricted on the basis of the current definition of includes a donor-imposed restriction,..."
958-605-25-5A 958-605-55-17A	Consider the following wording changes: A donor-imposed condition must have both : a. A barrier that must be overcome for the recipient to be entitled to the resources provided and b. A right of return to the promisor for assets transferred or a right of release of the promisor from its obligation to transfer assets.
958-605-25-5B	Consider changing the first sentence as follows: " For a donor-imposed condition to exist , it must be determinable from the agreement..."
958-605-25-5D(b)	Consider the following wording changes to address the concept of transfer of assets or settlement of liabilities: "Whether the right to receive payment or delivery of the promised assets resources depends on meeting those stipulations that barrier."
958-605-55-13A	Should the cross-reference in this paragraph be to 958-605-15-5A, or is it meant to include all of section 958-605-15?
958-605-55-14B through 55-14E	Examples 2 and 3 illustrate third-party payer (agency) transactions. The examples in this section, however, are meant to illustrate distinguishing between contributions and exchange transactions. Therefore, examples 2 and 3 seem to be out of place. We recommend that a separate section be created to provide examples that address distinguishing between exchange transactions and third-party payments on behalf of an existing transaction. Alternatively, we recommend moving these two examples to the bottom of this section (after current example 5).
958-605-55-15	The penultimate sentence in this paragraph states "Donor-imposed conditions should be substantially met by the entity before the receipt of assets (including contributions receivable) is recognized as a contribution." As the probability assessment that exists today is being eliminated, we suggest that the word "substantially" be removed.

958-605-55-16	Consider expanding this paragraph beyond just promises to give as it applies equally to all contributions (and is in the Contributions Received subsection). In addition, we recommend that the language in the first sentence be revised to conform to the new terminology introduced in the ASU. Consider the following: "If donor stipulations do not clearly state whether a barrier exists and whether the right to receive payment or delivery of the promised resources depends on meeting that barrier, or if those stipulations are ambiguous, distinguishing between a conditional contribution or promise to give and an unconditional contribution or promise to give may be difficult."
958-605-55-16	In the last sentence of the paragraph, consider inserting the word "primary" before "purpose of the agreement."
958-605-55-17B(a)	Consider the following change to the first sentence: "An entity is given resources assets , and the resource provider stipulates that entitlement to those resources assets must be used to are contingent upon provide providing a specific level of service (for example, 200 meals per week for a soup kitchen).
958-605-55-17B(d)	The parenthetical example in this paragraph is confusing. It is not clear whether the "company's net worth reaches a specified level" is meant to refer to a company with which the donor is affiliated. If that is the case, consider the following change to the wording "(for example, a resource provider promises to contribute a certain amount of assets if a company's net worth the net worth of a company with which the resource provider is related reaches a specified level.)"
958-605-55-17F	If Additional Actions is eliminated as an indicator of a barrier, remove this paragraph.
958-605-55-70B	This paragraph is not really an illustration. We recommend that it be moved to follow paragraph 958-605-55-17F so that it is included with the discussion of indicators of a barrier. In addition, paragraph 958-605-55-21, under promises to give, discusses concepts of qualifying expenses and milestones which relate to conditional contributions as well as conditional promises to give. We also recommend moving this discussion to follow paragraph 958-65-55-17F and making it clearer throughout the codification that the concepts relating to donor-imposed conditions apply to both conditional contributions and conditional promises to give.

<p>958-605-55-70E</p>	<p>This example includes facts that are irrelevant to the assessment of the transaction and create confusion. We are concerned that by including the reference to the need to return funds deemed to be spent on unallowable costs, a reader might interpret that to be a barrier and not recognize revenue on the grant until the audit has been performed and any unallowable costs identified. Consider the following changes: "NFP B is a hospital that has a research program. NFP B applies for and receives a \$300,000 grant from the federal awarding agency to fund thyroid cancer research. The terms of the grant include a standard budget and specify that NFP B must incur certain qualifying expenses (or costs) in compliance with rules and regulations established by the Office of Management and Budget and the federal awarding agency. The grant is paid on a reimbursement basis by NFP B initiating drawdowns of the grant assets. Any unused assets at the end of the award period are forfeited, and any unallowed costs that have been drawn down by NFP B are required to be refunded. The grant agreement also states that an audit needs to must be performed annually in accordance with the Office of Management and Budget guidelines."</p>
<p>958-605-55-70F</p>	<p>Following on the edits in the previous paragraph, consider the following changes: "NFP B determines that this grant is conditional. The grant agreement limits NFP's discretion as a result of the specific requirements on how NFP B may spend the assets (incurring certain qualifying expenses in accordance with the Office of Management and Budget compliance requirements). The grant also includes a right of return for any assets advanced that have been spent on unallowed items and a release from the promisor's obligation for unused assets..."</p>
<p>958-605-55-70K</p>	<p>Consider the following wording changes: "NFP F is an animal shelter and receives a 2-year unsolicited grant from a private foundation in the amount of \$500,000 provided upfront to be used to expand its operations. The agreement indicates that NFP F must expand its facility by 5,000 square feet to accommodate additional animals by the end of the 2 years within two years of inception of the grant. The grant contains a right of return for any unused assets." Note that we have removed the word "unsolicited" because we do not believe that should have a bearing on the determination of conditional vs. unconditional.</p>
<p>958-605-55-70L</p>	<p>While we agree that this grant is conditional, we recommend that the reason be attributed to a measurable barrier (expanding the facility by 5,000 square feet) rather than an additional actions barrier which seems to hinge on the fact that the grant was unsolicited. Again, we do not believe that whether or not a contribution was solicited should have a bearing on the determination of whether or not it is conditional or unconditional.</p>

<p>958-605-55-70M</p>	<p>Consider the following minor wording changes: "NFP G is a university that is conducting a capital campaign to build construct a new building to house its school of mathematics and to make capital improvements to existing buildings on campus, including a new heating system and an upgraded telephone and computer network. NFP G receives an upfront grant in the amount of \$10,000 from a private foundation in response to a proposal submitted as part of its capital campaign. The agreement contains a right of return requiring that the assets be reimbursed returned to the resource provider if the assets they are not used for the purposes outlined in the capital campaign solicitation materials. The resource provider does not include any specifications in the agreement about how the building should be constructed or on how other improvements should be made.</p>
<p>958-605-55-70O</p>	<p>Consider inserting the word "located" in the first sentence so that it reads: "NFP I is a museum that owns the land it is located on." Also, consider inserting the word "future" in the last sentence so that it reads: "If the building is not built in compliance with the grant agreement, the donor is released from its obligation to make future installment payments."</p>
<p>958-605-55-70P</p>	<p>Consider revising the last sentence of this paragraph as follows: "NFP I recognizes the revenue as the barriers are overcome, which is upon meeting the specific requirements as NFP I builds the new wing." This would clarify the conclusion as the facts in the example include barriers that are met with the submission of the architectural design as well as additional barriers that are overcome as the new wing is built.</p>
<p>958-10-65-2(d)</p>	<p>Consider switching the order of the two methods as modified prospective appears to be the recommended approach. If the full prospective application is approved, consider putting that method first.</p>
<p>720-25-25-1</p>	<p>Insert the word "Unconditional" at the beginning of the first sentence so that it reads: "Unconditional contributions made shall be recognized as expenses in the period made and as decreases of assets or increases of liabilities depending on the form of the benefits given."</p>