From: John Rowan [mailto:jrowan@rowancpas.com]
Sent: Monday, October 16, 2017 7:51 AM
To: Director - FASB <director@fasb.org>
Subject: Comment on Not for profit exposure Draft Regarding Contributions

Members,

I would begin with a response to Question 2 of 'Questions for Respondents'- The proposed amendment makes a presumption about the "currency" the resource provider expects to receive in exchange for the asset(s) provided. The exposure draft makes it clear that donor must impose a clearly measurable performance based barrier to revenue recognition. However the mission of many not-for-profit organizations is that they provide what are by their nature intangible benefits. For example if a donor provided that the cash given must be used to provide drug counseling which is a program that fits within the donee's mission but is not currently a program they provide. It would not be possible to measure how may addicts are permanently cured, but it would be possible to measure expenditures related to that purpose. The donor may not specify exactly which expenditures are applicable to drug rehabilitation, that is something management must determine; and hopefully report to the donor. If the donor believes that if even one person has been saved, then that belief is the 'currency' (repayment) the donor has agreed to and would have a right to expect. In this case, I believe it consistent with the new revenue recognition rules to recognize the gift as income <u>only</u> as related expenditures are made. Because not for profit organizations must frequently rely on their grantors, or donors to continue to exist; failure to expend a gift as agreed may cause irreparable harm to the not for profit's future thus making the requirement to return unused funds implicit in the acceptance of every restricted gift or grant.

To have recognized the entire gift upon receipt as income would have misled the organization's leadership, and other statement readers that the donee had more available assets than it does.

I would suggest that if a temporarily restricted gift is presumed to be refundable to the donor until there is convincing evidence the restriction has been satisfied, would give financial statement readers, to include creditors, a better picture of what funds were actually available for future operations or debt repayment. Determination of when a temporary restriction has been met is nothing new to accounting in not-for-profit organizations.

Sincerely

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