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Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Re: File Reference No. 2017-270

Dear Ms. Cospers:

We appreciate the opportunity to comment on the proposed Accounting Standards Update (“Update”) for Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.

Baker Tilly is a large public accounting firm, currently ranked number 12 in the United States with over 300 partners and 2,500 team members generally operating regionally, from Minneapolis to New York City. Our practice is varied, offering audit and assurance, tax and consulting services across a broad array of clients; including public companies, larger privately held organizations and not-for-profit entities.

General Comment:

We are pleased that the Board has chosen to clarify the scope and accounting guidance for contributions received and contributions made. Since the issuance of FAS 116 and 117, not-for-profit entities have struggled with accounting for exchange transactions and contributions as well as distinguishing between conditional and unconditional contributions as evidenced by the diversity in practice. As noted in the exposure draft (ED), the amendments in Accounting Standards Update (ASU) No. 2014-09 place an increased focus on the issues because those amendments add new disclosure requirements and eliminate certain limited exchange transaction guidance from current literature.

The Board’s work to provide this clarity is much needed as not-for-profit organizations continue to plan for the adoption of ASU No. 2014-09. The greatest diversity in practice clearly relates to government grants and contracts. We do not feel that the ED has provided enough guidance or robust examples in this area.

We do not intend to comment directly on the questions, but offer the following issues that we have noted as we contemplate how this proposed standard would impact some of our clients. We believe it would be beneficial to provide examples that help to resolve the following issues:

Issue #1:

**Paragraph 958-605-25-5C**

**Additional Action(s):** To be entitled to the transferred assets, the recipient shall undertake an additional action or actions (for either a new or existing activity) it otherwise would not have undertaken.

**Question 1:** Would the requirement regarding “actions otherwise would not have undertaken” potentially cause other items previously recorded as unconditional gifts to be considered conditional? For example, if an organization receives a gift from a donor to develop a new program or build a building that they otherwise would not have done, would that gift now be considered conditional under this definition and not recognized until the program is developed or the building built?

**Question 2:** If the above is true, would this require retroactively applying this requirement to remove gifts of this nature that had previously been recognized in the financial statements?

Issue #2:

**Paragraph 958-605-15-5A**

Some of the indicators of exchange transaction vs contribution are if the resource provider has full discretion over the amount given or if there is a negotiated amount. If the government contracts are negotiated does indicate an exchange transaction?

Issue #3:

**Paragraph 958-605-15-6 e**

This item indicates that if the government is paying for an existing exchange transaction between a recipient and an identified customer it's not a contribution. It has as examples - Medicare, Medicaid, Pell Grants and tuition assistance. How would school lunches, HUD rent subsidies and other similar funding where the entity does receive reimbursement based on a needs assessment from the federal or state government be treated?

Issue #4:

**Paragraph 958-605-25-5A**

Housing and Urban Development capital advances used to construct/acquire residential property have been treated as unconditional contributions. If treated as contribution, is this considered conditional based on not yet meeting the barrier of operating/maintaining the building for 40 years and therefore deferred revenue? Or is the reclass to long term debt?

We appreciate the opportunity to provide the above comments and will closely follow developments with respect to this exposure draft.

Sincerely yours,



Baker Tilly Virchow Krause, LLP