

CATHOLIC DIOCESE OF CHARLOTTE
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CHARLOTTE, NC 28203

October 27, 2017

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

RE: File Reference Topic 2017-270

Ladies and Gentlemen:

The Accounting Practices Committee of the United States Conference of Catholic Bishops (USCCB) is pleased to offer its comments on the Exposure Draft of Proposed Accounting Standards Update, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (proposed ASU).

Our response is on behalf of 197 (Arch)dioceses and 665 religious institutes of the USCCB, Leadership Conference of Women Religious and Conference of Major Superiors of Men. These organizations operate and sponsor thousands of religious, educational, charitable and other not-for-profit entities throughout the United States, collectively known as the Catholic Church.

The USCCB Accounting Practices Committee (the Committee) consists of eleven members with an (Arch)diocesan affiliation, four members representing religious orders and five advisors from certified public accounting firms.

The Committee generally supports the provisions of the proposed ASU intended to provide guidance on distinguishing between exchange transactions and contributions and, also, determining whether a contribution is conditional or not.

We offer two comments with regard to the proposed ASU:

1. Regarding the definition of a donor-imposed condition: We believe that the definition of the term donor-imposed condition should 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. We believe that these criteria as defined by the ASU are both reasonable and necessary.

We do not believe that a gift should be conditional solely on the basis that an agreement includes a right of return in the contract language. We believe that a grant or a contract should be deemed conditional when the gift recipient is unable to overcome a barrier. We also believe that the FASB

should consider including clarifying language in the proposed ASU that indicates that the probability of a barrier being overcome should not impact whether a contribution or a promise to give is conditional or unconditional.

2. Regarding application of conditional vs. unconditional criteria to both the recipient and resource provider: We believe distinguishing between conditional and unconditional contributions should be applied equally to both the recipient and the resource provider. However, we also believe there are likely to be differences in accounting between the resource provider and recipient in transactions due to differences in the availability of information – timing and otherwise. For example, the resource provider is aware of its intent when providing resources, while the recipient must interpret the resource provider’s intent. The result could be a situation where one party accounts for a contribution as conditional and the other accounts for it as unconditional. Additionally, the resource recipient often has more timely information regarding the timing of satisfying a condition, which could result in the recipient recognizing revenue before the provider recognizes the expense. So, while we believe the criteria should apply equally to both the recipient and resource provider, we believe there will still likely be a disparity between how the recipient and resource provider account for a given transaction at a given point in time.

Thank you very much for the opportunity to respond to this proposal. If you have any questions about our comments, we would be glad to elaborate on them.

Sincerely,



William G. Weldon, CPA
On behalf of the Accounting Practices Committee of the USCCB
Chief Financial Officer
Catholic Diocese of Charlotte