

# Baylor University

October 30, 2017

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

Email: [Director@fasb.org](mailto:Director@fasb.org)

File Reference No. Topic 2017-270:

Re: Financial Accounting Standards Board's (FASB or Board) August 3, 2017 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).

Dear Ms. Cospers:

Baylor University appreciates the opportunity to comment on the proposed ASU. Chartered in 1845, Baylor is a private, not-for-profit doctoral granting institution with approximately 17,000 students. The University's nationally recognized academic units offer 129 undergraduate, 75 masters, and 41 doctoral degree programs, as well as, an education specialist degree offered by the School of Education, and Juris Doctor degree offered by the School of Law.

As a not-for-profit entity, the University prepares its financial statements under Topic 958 and provides the attached comments to the questions included in the exposure draft. If you have questions or need clarification regarding Baylor's comments, please contact Dave Clendennen ([Dave\\_Clendennen@baylor.edu](mailto:Dave_Clendennen@baylor.edu)) or at 254-710-8775.

Sincerely,

**Baylor University**

**DIVISION OF FINANCE & ADMINISTRATION  
CONTROLLER'S OFFICE**

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**Proposed ASU: Clarifying the Scope and the Accounting Guidance  
for Contributions Received and Contributions Made  
Baylor University  
Comments on Exposure Draft**

Baylor University is pleased to provide responses to the specific questions for respondents presented in the proposed ASU.

**1. Would the amendments in this proposed Update provide clarifying guidance that would be operable in practice? If not, why not?**

We believe the proposed amendments represent an improvement to the existing guidance pertaining to both the classification of a transfer of assets as either an exchange transaction or a contribution and in distinguishing whether it is a conditional or unconditional contribution. We believe these improvements will be operable in practice and result in greater consistency.

**2. Would the proposed amendments clarify whether a resource provider is receiving commensurate value in return for assets transferred and when a transaction is within the scope of Subtopic 958-605? If not, why not?**

We believe the proposed amendments provide guidance that helps to clarify the meaning of commensurate value and should make it easier for an entity to determine if a transfer of assets is to be classified as an exchange transaction or a contribution. However, the application of the guidance in ASC 958-605-15-5A would seem to be clearer if items in (a.) thru (e.) were re-ordered to group by exchange transaction or contribution.

**3. Should the definition of the term *donor-imposed condition* 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? If not, why not?**

We believe including both a right of return and a barrier that must be overcome is appropriate and necessary. It may, however, be helpful to clearly denote in 958-605-25-5A that both a barrier and a right of return should be present to have a donor-imposed condition to reduce potential misinterpretation that if either of these indicators are present, there is a donor-imposed condition.

**4. Does the proposed table of indicators to describe a barrier provide useful guidance that will allow for the application of appropriate judgment? Should no single indicator be determinative? What changes should be made, if any, to the proposed indicators?**

We believe that the table of indicators provides useful guidance and agree that no single indicator should be determinative. We also believe that it should be clearly stated that the table is not an exhaustive list of all possible barriers. Additionally, we recommend that references to the associated examples in the standard be added to the chart to assist the reader in understanding the guidance.

**5. Should the proposed amendments about distinguishing between conditional contributions and unconditional contributions be applied equally to both the recipient and the resource provider?**

We believe there is no basis to have different requirements for recipients and resource providers with respect to identifying donor-imposed conditions. For that reason, we believe the proposed amendments should apply equally to both recipients and resource providers.

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**6. Should certain other terms and/or their definitions be clarified (for example, *contribution* or *donor-imposed restriction*)? If yes, list which term(s) and/or definition(s) should be clarified, why they should be clarified, and any recommended changes.**

We believe that the following should be considered to further clarify the meaning of the terms.

- ***Contribution*** – The beginning of the amendment to the term is “An unconditional transfer of cash or other assets....”, which seems in conflict with sections of the ASU related to donor-imposed conditions. This could be addressed by removing the word “unconditional” from the definition.
- ***Qualifying expenses*** - We agree with the American Institute of CPAs in their comment letter dated September 27, 2017 that qualifying expenses should be added to the Master Glossary and agree as they defined as follows: “Expenses incurred by the recipient under a grant or contract provision with a resource provider that limits the recipient’s discretion in incurring those expenses and that either: (a) comply with the grant or contract provisions or (b) deviate from the grant or contract provisions, but have been approved by the resource provider such that the resource provider does not have the right to cancel their obligation to transfer funds in the future or the right to demand the return of funds already transferred.”

**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.**

We believe there is no need to provide additional disclosures for these transactions. It is our expectation that many grants and contracts 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. This guidance has the potential to substantially increase disclosures related to 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?**

We believe that the requirements will be operable and will provide decision-useful information. However, we believe that with an effective date for not-for-profit entities that are conduit debt obligors of annual periods beginning after December 15, 2017, using a modified prospective basis will be very difficult to apply in the short timeframe provided. If this effective date stays as currently defined, the option should be given for entities to apply prospective application due to the short timeframe to review existing agreements as required by the modified prospective application.

**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?**

We agree that the effective date of these proposed amendment be the same as those of Topic 606. However, we suggest that the Board reconsider the effective date of the revenue recognition standards for not-for-profit conduit debt obligors given that this standard will not be issued until 2018, after FASB ASU 2014-09 is effective for some of those entities, and it would be best for an entity to adopt these proposed amendments along with the new revenue from contracts with customers standards. This delay would allow for sufficient time for not-for-profit entities to apply the changes proposed by these amendments.