



October 31, 2017

Via email to [director@fasb.org](mailto:director@fasb.org)

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

Re: Proposed Accounting Standards Update, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions received and Contributions Made (File Reference No. 2017-270)

We are pleased to have the opportunity to provide comments on the Board's proposal to clarify accounting for contributions. Please find our responses to the specific Questions for Respondents in the above referenced Exposure Draft.

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

Generally yes. See the responses to other questions for those items that there are still concerns related to the clarification or operability.

**Question 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?

Somewhat. The examples in 958-605-55-14 provide great clarification on when the resource provider is receiving commensurate value. However the factors listed in 958-605-15-5A appear to take the previous factors and reword them, without clarifying them.

It would be clearer if the factors listed in 958-605-15-5A included a, b, d, and e as listed in the proposal, and then replaced c with:

- i. When the resource provider is making payment on behalf of an existing customer who is part to an existing exchange transaction, this is indicative of an exchange transaction. If the resource provider didn't make payment, the customer would be required to pay the recipient entity directly, and the resource provider is instead making that payment on behalf of the customer.
- ii. If the resource provider retains the rights to the output of the goods and services, this is indicative of an exchange transaction.
- iii. If the recipient entity retains the rights to the output of the goods and services, this is indicative of a contribution.

**Question 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? Why or why not?

Yes. Having this two part test for a condition is helpful in clarifying the difference between a restriction and a condition. If there were no right of return or right of release, the donor would have no way to enforce the condition, so requiring the right of return or right of release makes sense. The barrier to be overcome is what has traditionally been thought of as the condition, and still is operable.

**Question 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?

Yes. The proposed table of indicators does a good job describing what a barrier is and giving examples of what constitutes a barrier. Indicating that the barrier must be related to the purpose of the agreement provides clarity as to what is a barrier, and what is not.

The description of limited discretion is a little confusing. When stating that limited discretion excludes broad discretion it is very easy to read that as “includes” rather than “excludes.” Providing examples of what is limited versus broad discretion would be useful. The example in that section of the standard clearly indicates that “general purposes” is not limited discretion. Clarification is needed of the difference between limited discretion and a purpose restriction. The definition of a donor-imposed restriction is looking to the specified use of the contributed asset; when that contributed asset is cash, that is very similar to limited discretion in how the transferred assets should be spent.

No single indicator should be determinative, as there is no way to envision all possible transactions that can occur.

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

Yes. Having two different sets of accounting for the same transaction would be unnecessarily complex.

**Question 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.

Yes. Limited discretion by the recipient should be clarified, as should donor-imposed restrictions. There is currently potential overlap within those two definitions. Limited discretion by the recipient should be analogized to the allowable cost principals of federal grants, while the donor-imposed restrictions should be analogized to the allowable activities of federal grants.

Limited discretion by the recipient is more specific than the general purpose the contribution must be used for or general time frame the contribution must be used in (donor-imposed restrictions.) Limited discretion relates to the actual individual transactions being incurred and the level of approval necessary at the transaction level.

Donor-imposed restrictions do not related to the transaction level but instead relate to the overall purpose of the contribution or timing of when the contribution can be used.

**Question 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.

Disclosure requirements should be modified.

Conditional promises to give require disclosure of the amounts and description. In many cases, entities will find that their government grants, which they have traditionally considered exchange transactions, will now be

considered conditional promises to give that are temporarily restricted. In many cases these government grants may be multi-year grants. Disclosures of the total conditional promises to give may be time consuming for some organizations to calculate and may be misleading if they are in fact reported as a single lump sum, but will be received over multiple years. A more operable disclosure may be to require a description of all conditional promises to give and then require amounts only for those that will be unrestricted or require an estimate of amounts that could potentially be received in the next year.

Contributions allow the election to either show all temporarily restricted contributions that are promised and restrictions are met in the same year as unrestricted revenue, or to show them all as temporarily restricted contributions with a release from restrictions. This election should be allowed on the basis of different contribution revenue distinctions. For example, if the revenue line items are government grants (which happen to be contributions) and other contributions, allow one policy for government grants and another for other contributions.

Not-for-profit entities should be required to indicate in the accounting policy footnotes which revenue source titles are considered contributions (and therefore all others are considered exchange revenue.) Currently, it is nearly impossible for an informed reader of the financial statements to determine which revenue sources are contributions and which are exchange revenues when there is terminology such as “grants.”

**Question 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?

Yes. We foresee the biggest changes due to this clarification coming in the form of government grants. However, the accounting will change from exchange accounting to conditional contributions accounting, so the timing of the revenue recognition will not change. Because in general the timing of the revenue recognition likely will not change, a modified prospective approach is workable and makes sense. Utilizing the prospective approach would potentially increase the amount of time in which an entity has to consider two different types of accounting for its revenue streams that are substantially the same, and would also cause FASB ASC 606 to get implemented and on those transactions that were previously started as exchange transactions. Thus modified prospective application makes the most sense.

**Question 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 have concerns with the effective date mimicking Topic 606. For calendar year end entities, this amendment would be effective as of a date PRIOR to when the amendment is actually finalized. If an entity elects the accounting policy in which temporarily restricted revenues in which the restrictions are met in the same year as the contribution are recorded as temporarily restricted revenues, you are now placing an additional accounting burden on those entities. They now have to retroactively determine and account for that revenue as temporarily restricted revenue and it may not be set up in their trial balance to be temporarily restricted. This could be alleviated by adding into the transition requirements the ability to elect a practical expedient for the first year the amendment is effective which allows entities to continue to report as unrestricted revenue those amounts of temporarily restricted revenue that would have been unrestricted revenue previously, but under this amendment are temporarily restricted revenue.

Early adoption should be permitted, especially since this is a clarification of what should have previously been occurring.

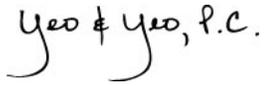
**Other comments:**

In FASB ASC 958-605-55-70H, the second sentence indicates the revenue is donor-restricted “because working on gluten-related allergies aligns with NFP E’s overall mission.” This seems to imply a connection between the

mission and the restriction. In reality, it is restricted because the purpose of the grant is narrower than the overall mission of the entity. We suggest this sentence be reworded to clarify the reasoning for the restriction.

We appreciate this opportunity to provide feedback on the proposed ASU and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Wendy Thompson at 989-793-9830 or Bradley DeVries at 517-323-9500.

Sincerely,

A handwritten signature in black ink that reads "Yeo & Yeo, P.C." in a cursive, slightly slanted font.

Yeo & Yeo, P.C.