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Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
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Sent via email to: [director@fasb.org](mailto:director@fasb.org)

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Dear Ms. Cospers:

CliftonLarsonAllen LLP supports the Financial Accounting Standards Board's intent to clarify and improve the accounting guidance for both the recipients and donors by issuing the August 3, 2017, Exposure Draft, Proposed Accounting Standards Update, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

We believe that certain clarifications within the exposure draft highlight the differences between exchange transactions and contributions, and the proposed standard will serve to improve the clarity and consistent application of not-for-profit grant and contribution accounting.

We have provided our responses to the questions for respondents included in the exposure draft in the attachment.

Sincerely,

**CliftonLarsonAllen LLP**

## **Exposure Draft: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made**

CliftonLarsonAllen LLP is pleased to provide the following responses to the specific questions 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?**

Yes. The amendments will help eliminate diversity in practice that has arisen over the years and would be operable in practice.

- 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?**

Yes. The amendments would clarify that a resource provider is not synonymous with the general public. The amendments would also clarify that execution of the resource provider's mission does not equate to commensurate value. If a resource provider receives value indirectly by providing a societal benefit, this would be considered a nonreciprocal transaction. More examples discussing when the government is acting on behalf of an individual would be helpful. The existing examples of Medicare and student financial aid are helpful, but some additional framework would help prevent future diversity.

- 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?**

Yes. The definition should include the two criteria. The definition should clarify the requirement that a contribution be considered conditional if the agreement between the donor/grantor/agency and the not-for-profit entity includes either a right of return of assets transferred or a release of the donor/grantor/agency from its obligation to transfer assets if the barrier is not overcome. The examples of barriers included in the standard are helpful.

- 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?**

The examples of indicators are useful and will help address questions in determining whether the contribution is conditional or not. Adding references to the associated examples in the standard to the chart would assist the reader.

One area that could be expanded is the measurable performance-related barrier. When there is a measurable barrier, sometimes the grant is not exact or precise related to the measurable component. For example, "the recipient must serve 200 meals per quarter" versus "the recipient must serve approximately 200 meals per quarter." In practice the barriers are not always explicit, then it becomes a question of judgement of management (and auditors) to determine if it is a true barrier. This could lead to diversity in practice.

Consider clarifying the barrier “stipulations that are related to the purpose of the agreement” because the terminology is somewhat vague.

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

No. Similar guidance could be created in the future to address the accounting for the resource provider. The proposed amendments are asking the not-for-profit entity, the recipient, to follow the contractual terms of the legal agreement that they signed. The recipient should not look beyond the written document to assess intent of the grantor. However, the granting agency, the resource provider, should have the ability to disregard the written terms of the agreement and record the transaction based on its intent. In addition, it would be burdensome for the resource providers to know when the conditions have been satisfied.

**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.**

The term donor should be defined. It is used throughout the exposure draft; however, it is not defined. Omission of the definition could lead to confusion when reviewing the requirements in grant agreements.

*Donor-imposed condition* and *donor-imposed restriction* are confusing; therefore, providing more examples to explain the differences would be helpful. For example, including a definition of each in the standard would help to clarify the appropriate use of the terms or clarify whether the terms can be used interchangeably.

**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.**

An accounting policy note that provides clear disclosures related to grant revenue and whether it is treated as a nonreciprocal transfer under Topic 958 or as a reciprocal transfer under Topic 606 would be sufficient. If a reciprocal transfer, then the added disclosures under the revenue recognition standard should cover these transactions. The policy note should include a description of conditional contributions by disclosing the right of return policy and the barriers as interpreted by the recipient.

**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?**

Modified prospective application would be easier since it is possible that many grants/contracts/contributions agreements entered into in past years are still active. Obtaining the necessary information would require time and modified prospective application would provide additional time to determine whether the proposed transition requirements are being correctly implemented.

Also, there should be explicit guidance added related to forgivable loans. Current practice varies for these grants, including initial recording as unconditional and unrestricted. The current draft indicates that if a not-for-profit entity recorded an unconditional contribution, then there is no change required even though there are several years left on the grant. However, for new agreements, the proposed standard indicates that an agreement containing stipulations that are not clearly unconditional shall be presumed to be conditional, meaning any new grants would be recorded as conditional, potentially causing one organization to account for similar agreements differently.

**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?**

Yes. The effective date should be the same as the effective date of Topic 606, including permitting early adoption consistent with the early adoption date of Topic 606.