THE OHIO SOCIETY OF CPAs
ADVANCING THE STATE OF BUSINESS

November 1, 2017

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

Via email to director@fasb.org

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

Dear Technical Director:

The Accounting & Auditing Committee of The Ohio Society of CPAs is pleased to provide comment on the above-referenced Proposed Statement on Auditing Standards.

The Committee is a voluntary group of member CPAs from public practice and industry. Our comments represent the collective views of the Committee members and not the individual views of the members or the organizations with which they are affiliated. The organization of our Committee is outlined in Appendix A to this letter.

General Comments:

The committee appreciates the opportunity to comment on the Financial Accounting Standards Board's Proposed Accounting Standards Update, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Proposed Standard) and is supportive of the efforts to clarify accounting guidance for contributions received and contributions made.

Responses to specific questions in the exposure draft follow:

Questions for Respondents:

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

The committee feels the clarifying guidance would be operable in practice, however, we have noted recommendations or opportunities for improvement in the responses below.

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 not?

The amendments are very helpful in clarifying whether a resource provider is receiving "commensurate value" in return for assets transferred. In particular, the proposal clarifies that the concept of indirect public benefit, a frequent consideration for governmental and other grants, should not be considered commensurate value.

The committee found the illustrative examples provided in 958-605-55-13A through -14I practical, however, we suggest an example for item b related to "execution of the resource provider's mission or the positive sentiment from acting as a donor" be provided.

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? If not, why not?

The committee is in agreement that the definition for a "condition" should include both a barrier and a right of return/release from obligation. As a technical suggestion, we recommend including the word "both" before the semicolon in paragraph 958-605-25-5A.

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?

The table of indicators provides useful guidance that will allow for appropriate judgement in practice. We concur that no single indicator should be determinative and that judgement should be applied.

We appreciate the administrative example in paragraph 958-605-55-17E and suggest including a specific example of what is meant by a "trivial stipulation".

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, the committee feels the proposed amendments about distinguishing between conditional contributions and unconditional contributions should be applied equally to both the recipient and the resource provider.

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.

The committee feels the term "contribution" in the Master Glossary should be re-visited. The current definition is "an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner". The proposed standard contains various references that a contribution can be either conditional or unconditional and therefore, it appears the removal of the word "unconditional" would be appropriate.

If this change were to be made, however, references to “contribution” throughout the proposed standard would need to be reviewed and the language refined as necessary to ensure consistency with the updated definition. For example, paragraph 958-605-25-2, which discusses recognition, would need to be further clarified to specify contributions are recognized as revenue and gains only when they are unconditional or conditions have been met.

We believe qualifying expenses should be added to the Master Glossary and 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.”

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.

The committee does not believe current recurring disclosure requirements should be amended for either a recipient or resource provider and we do not feel new disclosure requirements are warranted.

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?

The committee feels the transition requirements will be operable in practice and will provide decision-useful information. The options allow flexibility for entities to choose an approach that best meets their respective needs, including cost considerations.

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?

The committee agrees that the effective date of the proposed amendments should be the same as the effective date of Topic 606. If the effective date isn’t coordinated, a not-for-profit may have to revise the revenue recognition based on adopting this revision. We feel early implementation should be allowed, and will be especially helpful for certain entities that will now have more grants and contracts accounted for as contributions, rather than as exchange transactions, than under current practice.

The committee appreciates the opportunity to respond to the Proposed Statement on Auditing Standards. If you have any questions, please contact either of us at the below email addresses.

Best Regards,

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The Ohio Society of CPAs **APPENDIX A**
2017-2018 Accounting and Auditing Committee

Chair: Angela Lewis, CPA, Crowe Horwath LLP

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