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Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. Topic 2017-270

Dear Ms. Cosper,

RubinBrown LLP appreciates the opportunity to provide comments and feedback on the proposed Accounting Standards Update (ASU), *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* We support the Board's initiative to provide additional clarity and guidance on this topic. Please see our responses below to the specific questions posed within the ASU.

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

We believe the clarifying guidance provided in this ASU will be operable in practice; however, please refer to our responses below for additional suggestions to strengthen this guidance.

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?

We believe that this is an area where more robust examples and guidance could be provided. The proposed guidance for ASC 958-605-15-5A states: "The resource provider (including a private foundation, a government agency, a corporation, or other organization) is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. Therefore, if the resource provider receives no direct value in exchange for the assets transferred or if the value received by the resource provider is incidental to the potential public benefit from using the assets transferred, the transaction shall not be considered commensurate value received in return." Conceptually, this is logical; however, to apply this to the varied and diverse types of arrangements not-for-profit organizations have with governmental entities is challenging. How can an organization quantify the "value" received by a governmental entity? An organization may be unable to determine if the value they are provided is solely benefiting the general public or if the service they are provided also has value to the governmental entity. If the not-for-profit organization did not provide this service, would the governmental entity have to? That could be an indicator of the governmental entity receiving value but likely is not something the organization would be privy to. Examples within the ASU only provide illustrations of arrangements in which the direct benefit to customers is more clear-cut – tuition, Medicare, etc. No examples of the more ambiguous scenarios are included. This is currently a significant challenge for organizations, and this guidance does not provide any additional clarity. We would encourage the Board to more directly address this issue and provide more examples and illustrations as well as indicators/factors to consider in making this determination for arrangements that are more in the "gray area."

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 inclusion of both requirements provides a clearer, more intuitive identification of a donor-imposed condition. From a not-for-profit organization's perspective, the overcoming of a barrier without the additional requirement to return the assets would not be creating a conditional gift, as they would always be able to retain funding. However, we believe that there could be some confusion for organizations in the opposite scenario where by a right to return or a right of release exists but not a barrier to overcome. In that scenario, an unconditional contribution would be recognized when the contribution is committed. However, there could be hesitation by organizations to recognize a contribution if there is concern that the donor would require the gift to be returned. Additional implementation guidance regarding what an organization should consider in this scenario and if there are additional factors that should be considered when recognizing this gift should be provided.

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?

We believe the table of indicators provides useful guidance in making the subjective determination of identifying a donor-imposed condition. Given the diversity in arrangements, we also agree that no single indicator should be determinative.

Within the illustrations section of the ASU, the concept of having to incur qualifying expenses as a potential measurable barrier is introduced; however, this is not included within the table. As this is likely to be encountered frequently in practice, inclusion within the table of indicators would be recommended; particularly, if it could provide additional clarity and illustration of an example of when an organization has limited discretion.

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?

Consistent application by both the recipient and the resource provider would be beneficial and result in consistent application, particularly for not-for-profit organizations that both receive and make contributions from/to other organizations.

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.

It would be helpful to have separate definitions of unconditional and conditional contributions, particularly, as the current definition of a contribution indicates it as "an unconditional transfer…" which can create confusion.

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.

No new disclosures or modifications to existing disclosures are noted within the ASU, meaning the requirement to disclose conditional promise to give currently remains. Given the presumption that more revenue transactions will be accounted for as conditional contributions under this ASU, this disclosure could become cumbersome. Additional consideration should be given to the disclosure requirements for conditional promises to give.

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 ASU proposes a modified prospective basis for adoption but permits a retrospective application. We support the flexibility proposed in the ASU to allow not-for-profit organizations to select the application that is most operationally feasible.

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?

As the additional guidance provided in this ASU could affect a not-for-profit organization's implementation of Topic 606, having consistent effective dates appears appropriate. However, as both standards would be effective for organizations that are conduit bond obligors starting for years beginning after December 15, 2017, any acceleration of finalizing this guidance would be appreciated. Alternatively, the Board could consider a deferral of both this Topic as well as Topic 606 for these organizations.

Again, we appreciate the opportunity to provide this feedback.

Sincerely,

RubinBrown LLP

RubinBrown, LLP