Understanding Nonprofit Grants and Contracts Under New FASB Standards

Cathy Clarke, Chief Assurance Officer and Sarah Reichling, Principal

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- More than 5,400 employees
- Offices coast to coast
- Serving over 6,000 nonprofits

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Speaker Introductions

Cathy Clarke, Chief Assurance Officer

- More than 20 years of experience
- Experience in conducting training sessions for audit and accounting staff within CLA and for the American Institute of CPAs
- Current member of FASB's Not-for-Profit Advisory Committee

Sarah Reichling, Principal

- More than 10 years of experience
- Experience in conducting audits for foundations, private schools, social service organizations and other nonprofit entities

Learning Objectives

At the end of this session, you will be able to:

- Recognize the new revenue recognition standards
- Identify when the new standards apply, and under what circumstances
- Discover implementation considerations, challenges, and approaches

Scope

Applies to **all entities** (NFPs and business entities) that receive or make contributions unless otherwise indicated.

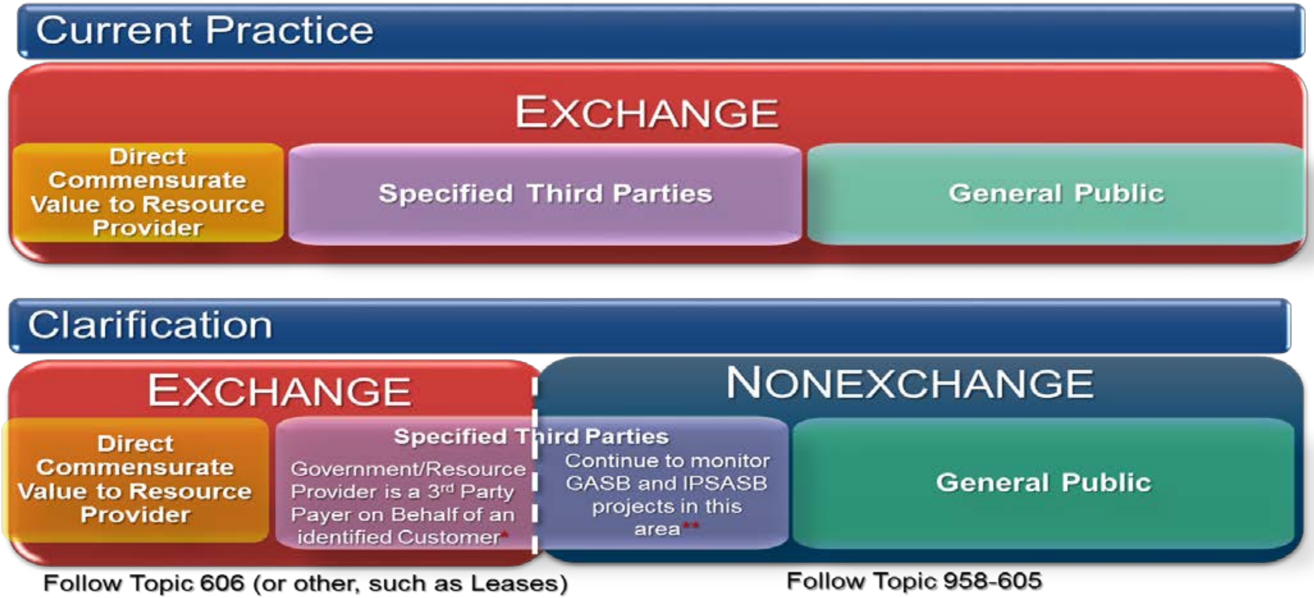
Excludes transfers of assets from the government to business entities.

Applies to both contributions received by a recipient and contributions made by a resource provider. ***The intent is simply that both apply the same guidance, the entities do not need to track each other's accounting to achieve the same reporting results.***

The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within the Scope of Subtopic 958-605 is not a factor for determining whether an agreement is within the scope of that guidance.

Issue 1: Reciprocal (Exchange) vs. Nonreciprocal (Nonexchange/Contribution) Transactions

Who Receives the Benefit?



*The revenue recognized would actually be the underlying contract's patient service revenue, tuition revenue, etc.

**A focus on whether or not there is a "performance obligation" could even ultimately include some contracts where the general public is the primary beneficiary.

Issue 1: Reciprocal vs. Nonreciprocal Transactions: Key Clarifications to the Scope of Subtopic 958-605

The final ASU will clarify and refine existing guidance in Subtopic 958-605 by adding paragraphs that would clarify the scope of the Subtopic as well as illustrative examples.

- The resource provider is **not** synonymous with the general public, even a governmental entity. If a resource provider receives value indirectly by providing a societal benefit, this would be considered a nonreciprocal transaction.
- If the primary beneficiary of a grant or contract is a third party, an NFP must use judgment to determine if the transaction is reciprocal or nonreciprocal.
- Furthering a resource provider's mission or "feel good" sentiment does not constitute commensurate value received.
- The type of resource provider should not override the substance of the transaction.

Issue 2: Conditional vs. Unconditional Contributions
For a *Donor-Imposed Condition* to Exist:

Final ASU

- A right of return/release must exist; and
- The agreement must include a barrier
  - Indicators and examples to help in determination

Alternative Rejected

- A right of return/release must exist
- Would have required a probability assessment about whether it is likely a recipient NFP will fulfill the stipulations

Indicators to Determine a Barrier

To determine what is a barrier, an NFP will consider indicators, which will include, but are not limited to, the following:

The inclusion of a measurable performance-related barrier or other measurable barrier.

The extent to which a stipulation limits discretion by the recipient on the conduct of an activity.

The extent to which a stipulation is related to the purpose of the agreement.

The Board decided to remove the additional actions indicator that was originally proposed.

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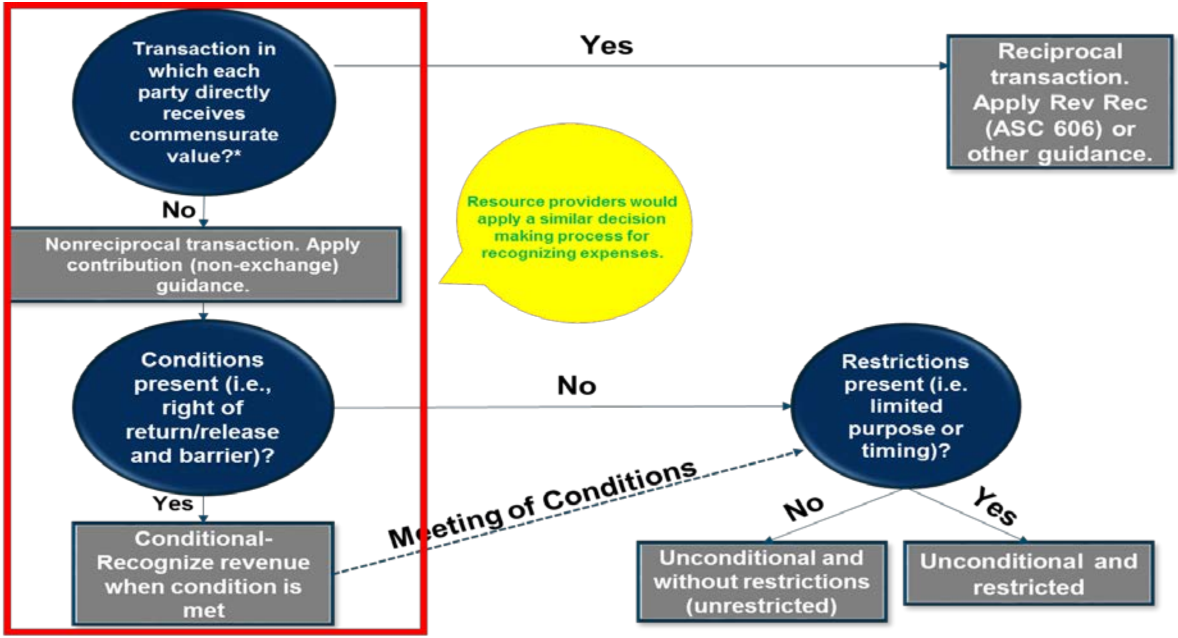
to *know you* and *help you.*

Deeper Dive into Specific Issues

NFP Revenue Recognition Decision Process



*Includes third-party payments on behalf of identified customers. These do not create new revenue.

Scope – More on "Symmetry"

Applies to both contributions received by a recipient and contributions made by a resource provider. ***The intent is simply that both apply the same guidance, the entities do not need to track each other's accounting to achieve the same reporting results.***

- Grantors (e.g., foundations) must follow same guidance in determining if grants are (1) exchange or nonexchange transactions, and (2) conditional or unconditional
- <u>Not</u> required to mirror judgment/accounting treatment used by the grantee organization
- <u>Not</u> required to obtain information from grantees relating to their overcoming of the barriers but can use judgment.

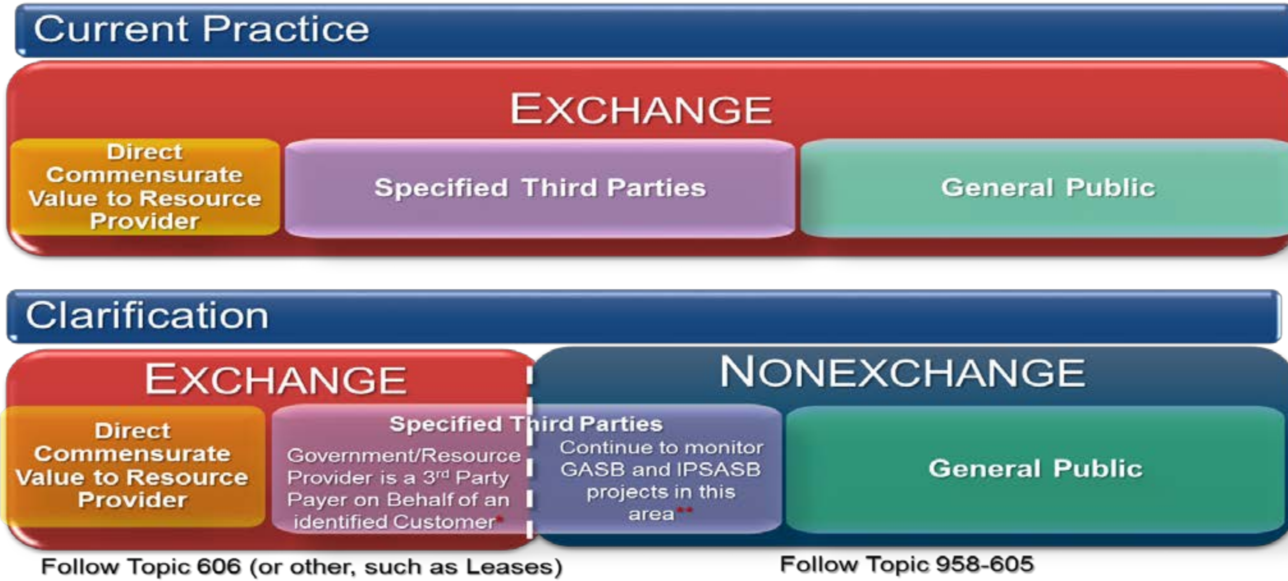
Scope – More on Terminology

The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within the Scope of Subtopic 958-605 is **not** a factor for determining whether an agreement is within the scope of that guidance.

- There is **no expectation** for recipients or makers to call their grants "contributions" in their statements. They will likely continue to call them "grants and contracts," "government grants," or other suitable label.
- Rather, recipients and makers are simply using the guidance in **the contribution model** in Subtopic 958-605 (-720) to determine revenue (expense) recognition for transactions that are nonexchange (nonreciprocal) transactions.

Issue 1: Reciprocal (Exchange) vs. Nonreciprocal (Nonexchange/Contribution) Transactions

Who Receives the Benefit?



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- **The resource provider is not synonymous with the general public, even a governmental entity. If a resource provider receives value indirectly by providing a societal benefit, this would be considered a nonreciprocal transaction.**
- If the primary beneficiary of a grant or contract is a third party, an NFP must use judgment to determine if the transaction is reciprocal or nonreciprocal.
- **Furthering a resource provider's mission or "feel good" sentiment does not constitute commensurate value received.**
- **The type of resource provider should not override the substance of the transaction.**

Example #1: Grant from Federal Government

- University D is awarded a grant from the federal government.
- The agreement requires University D to:
  - Follow the rules and regulations established by the Office of Management and Budget (OMB)
  - Incur certain expenses (or costs) in compliance with rules and regulations established by the OMB and the federal awarding agency
  - Obtain an annual audit in accordance with OMB guidelines
  - Submit a summary of research findings to the federal government
- Any unused assets are forfeited, and any unallowed costs that have been drawn down by University D are required to be refunded.
- University D retains the rights to the findings.
- *Is this transaction exchange or nonexchange? If nonexchange, is it conditional or unconditional?*

Example #1: Conclusion

- University D concludes this is a nonexchange transaction (nonreciprocal).
- Explanation:
  – Commensurate value is not being exchanged between the two parties
  – University D retains all the rights to the research and findings and received the primary benefit of the findings
  – The federal government's benefit is considered indirect because the research and findings serve the general public.

Example #1: Conclusion, continued

- University D determines that it should account for this grant as conditional.
- Explanation:
  - The grant agreement limits University D's discretion as a result of the specific requirements on how the assets may be spent (qualifying expenses)
  - There is a right of return and release
  - The audit requirement alone is not a barrier to entitlement because it is not related to the purpose of the agreement

Example #2: Grant from Local Government

- NFP C receives funding from the local government to perform a research study on the benefits of a longer school year.
- The agreement requires NFP C to:
  - Plan the study
  - Perform the research
  - Summarize and submit the research to the local government
- The local government retains all rights to the study.

Is this transaction exchange or nonexchange? If nonexchange, is it conditional or unconditional?

Example #2: Conclusion

- NFP C concludes this is an exchange (reciprocal) transaction.
- Explanation:
  - Commensurate value is exchanged between the two parties
  - The local government retains the rights to the study

Example #3: Grant from a Private Foundation

- NFP B receives a grant from a private foundation for funding in the amount of $400,000 to provide specific career training to disabled veterans.
- The grant requires NFP B to provide training to at least 8,000 disabled veterans during the next fiscal year, with specific minimum targets that must be met each quarter.
- There is a right of release from the obligation in the agreement.
- *Is this transaction exchange or nonexchange? If nonexchange, is it conditional or unconditional?*

Example #3: Conclusion

- NFP B determines that it should account for this grant as non-exchange and conditional.
- Explanation:
  - The foundation does not receive commensurate value in return
  - The agreement contains a right of release from obligation
  - The foundation requires NFP B to achieve a specific level of service that would be considered a measurable performance-related barrier

Example #4: Grant from a Corporate Foundation

- NFP E is a public charity that works with gluten-related allergies as part of its overall mission. It applies for and receives a $100,000 grant from a corporate foundation to perform research on gluten-related allergies over the next year.
- The grant agreement includes:
  - A right of return.
  - A statement that approval must be obtained from the corporate foundation for any significant deviations in spending from the general budget
  - A requirement that at the end of the grant period a report must be filed with the corporate foundation that explains how the assets are spent.
- *Is this transaction exchange or nonexchange? If nonexchange, is it conditional or unconditional?*

Example #4: Conclusion

- NFP E determines that the grant is unconditional.
- Explanation:
  - The general budget included in the grant proposal is not a barrier to entitlement because adherence to a general budget allows for broad discretion
  - There are no additional requirements in the agreement that would indicate a barrier exists
  - The reporting requirement is administrative and not related to the purpose of the agreement.
- The grant is donor-restricted revenue because working on gluten-related allergies is more narrow than NFP E's overall mission.

Example #5: Pledge from an Individual

- University G receives a multi-year pledge from a wealthy individual to build a new "green" building on a college campus. The pledge is for $20 million payable over 3 years.
  - $7 million is payable up front on July 1, 2018 with no associated conditions.
  - A second payment of $6 million is entitled and payable on July 1, 2019 upon evidence that the land was cleared, an architectural design was received, and proper building permits were obtained.
  - A third payment of $7 million is entitled and payable upon receipt of a certificate of occupancy.
- *Is this transaction exchange or nonexchange? If nonexchange, is it conditional or unconditional?*

Example #5: Conclusion

- University G determines that it should account for this transaction as nonexchange and bifurcates the total pledge. $7 million is unconditional, and $13 million is conditional.
- Explanation:
  - The wealthy individual is not receiving commensurate value for the $20 million transferred
  - University G will receive the initial $7 million payment without having to satisfy any conditions
  - University G will not be entitled to or receive either of the remaining $13 million in payments unless it overcomes their respective performance barriers, demonstrating the wealthy individual's right of release from obligation if the barriers are not met

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Additional Example: Grant for Tuition at a University

- Student L is enrolled at University A
- Student L's total tuition charged for the semester is $30,000
- Student L has received a grant in the amount of $2,000 to use toward the tuition fee, which is paid directly by the grantor to University A
- *How does the University account for the $2,000 grant received from the grantor?*

Grant for Tuition: Conclusion

- The University accounts for the grant as a third-party payment on behalf of an identified customer to an existing exchange transaction
  - The grant was awarded to Student L, not to University A
  - University A has entered into an **exchange transaction** with Student L and accounts for the $30,000 of tuition revenue
  - The $2,000 grant does not create additional revenue but, rather, serves as a partial payment against the $30,000 due to University A
  - Student L is an **identified customer** of University A who is receiving the benefit from the grant transaction

Additional Example: Medicare Payment to Hospital

- Patient R is a patient at Hospital B
- The total amount due for services rendered to Patient R is $10,000
- Patient R has Medicare, and it cover $8,000 of the services, which is paid directly by the government to Hospital B
- Hospital B bills Patient R for the $2,000 balance
- *How does the Hospital account for the $8,000 Medicare payment?*

Medicare Payment: Conclusion

- Hospital B accounts for the Medicare payment as a third-party payment on behalf of an identified customer to an existing exchange transaction.
  - Medicare is a form of insurance, covering Patient R
  - Hospital B has entered in an **exchange transaction** with Patient R and accounts for the $10,000 of patient service revenue*
  - The $8,000 payment does not create additional revenue but, rather, serves as a partial payment against the $10,000 due to Hospital B
  - Patient R is an **identified customer** of Hospital B who is receiving the benefit from the Medicare payment

* While this example assumes that the entire $2,000 balance is recognized as revenue and Patient R billed accordingly, under Topic 606, Hospital B would need to access whether to adjust any of that balance for explicit contractual adjustments, other explicit discounts, or implicit price concessions

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Barrier Indicator #1: Measurable Performance-Related or Other Measurable Barrier

Examples of these include –

- Measurable Performance-Related:
  - Specified level of service
  - Specific output or outcome
- Other Measurable:
  - Matching
  - Outside Event

The ASU also illustrates that these may be achieved in milestone (step-wise) fashion.

Specified Level of Service (example presented in the GAAP Update session)

- Grant from Private Foundation to NFP D to provide specific career training to disabled veterans.
  - Conditional because of a specified level of service (at least 8,000 veterans trained, with minimums of 2,000 per quarter) on which entitlement depends, coupled with a right of release. Likelihood of serving those minimums <u>not</u> considered.

Example – Specific Output

- NFP F receives a 2-year grant in the amount of $500,000 upfront to be used to expand its operations
  - The agreement indicates that NFP F must expand its facility by at least 5,000 square feet to accommodate additional animals by the end of the 2 years
  - The grant contains a right of return if the minimum expansion target is not met

Example – Conclusion

- NFP F determines that this grant is <u>conditional</u>
  - The grant includes a measurable barrier (5,000 additional square feet) that must be achieved by NFP F **to be entitled** to the assets
  - The grant includes a right of return for unused assets or unmet requirements

Example – Conclusion

- NFP H is a recreational organization that provides various sports programs to children that live in the community. NFP H receives an upfront grant in the amount of $40,000 from a foundation to be used toward its tennis program
  - Consistent with grant proposal, grant awarded includes stipulations about how NFP H should use the assets (for example, to hire 10 tennis instructors, or to provide a summer camp for 9 weeks)
  - Grant does <u>not</u> specify that NFP H’s entitlement to the $40,000 is dependent upon meeting any of the stipulations in the agreement as long as the funds are used toward the tennis program
  - The grant contains a right of return for funds not spent on the tennis program

Example - Conclusion

- NFP H determines that this grant is unconditional
  - The grant does not contain a barrier to overcome to be entitled to the transferred assets
  - While the grant agreement contains stipulations for how NFP H could spend the $40,000, the agreement does not specify that entitlement to the transferred assets is dependent upon meeting any of the stipulations
  - Because the stipulations in the grant agreement were not required to be met to be entitled to the funding, the agreement does not contain a barrier to overcome

Example – Milestones

- NFP I (a museum) receives a $1 million multi-year promise to give to be used for a new wing on the existing museum building
  - The agreement includes a specific building requirements, including square footage and that the new wing must be environmentally friendly with Leadership in Energy and Environmental Design (LEED) certification
  - The first installment of the gift will not be paid until NFP I submits architectural designs that meet the building requirements
  - Additional installments of the grant will be paid in specified increments upon meeting specific requirements of the grant agreement. If the building is not built in compliance with the grant agreement, the donor is released from its obligation to make installment payments

Example – Conclusion

- NFP I determines that this agreement is conditional
  - NFP I is not entitled to the assets until milestones are met (for example, an architectural plan including square footage and LEED certification)
  - The agreement incudes a release of the resource provider's obligation to transfer assets if the stipulations are not met
  - The likelihood of meeting a milestone is not a consideration when assessing whether the contribution is conditional

Barrier Indicator #2: Limited Discretion on The Conduct of an Activity

More specific than the general activity being conducted or the time frame in which the contribution must be used

Examples of this include –

- Requirement to incur only qualifying expenses that are based on specific requirements
- Requirement to hire specific individuals as part of the workforce
- Specified protocol that must be adhered to

Limited Discretion (examples from above)

- Grant to University D from Federal Government
  - University D determined that it should account for this research grant as conditional. The grant agreement limits University D's discretion on the conduct of the research as a result of the specific requirements on how the assets may be spent (qualifying expenses), and there is a right of return and release
- Grant to NFP E from Corporate Foundation
  - NFP E determined that the grant is unconditional. While there was right-of-return language in the agreement, there was no additional requirements limiting how NFP E had to conduct the research on gluten-related allergies

Additional Example – Limited Discretion

- NFP G is a university that is conducting a capital campaign to build a new building to house its school of mathematics. NFP G receives an upfront grant in the amount of $10,000 from a private foundation as part of its capital campaign
  - The agreement contains a right of return requiring that the assets be reimbursed to the resource provider if the assets are not used for the purposes outlined in the capital campaign solicitation materials
  - The resource provider does not include any specifications in the agreement about how the building should be constructed

Example – Conclusion

- NFP G determines that this grant is <u>unconditional</u>
  - The agreement places limits only at the level of what activity is being funded (for example, the assets can be used toward the new building)
  - The resource provider does not include any specifications about how the building should be constructed, and the agreement only indicates that NFP G use the grant for the purpose outlined in the capital campaign materials
  - This contrasts, for example, with the requirements for LEED certification on which payment to NFP I (the museum) is conditioned under the promise to give in the example on slides 32-33

Barrier Indicator #3: Related to the Purpose of the Agreement

Excludes trivial or administrative stipulations

Examples of being related/unrelated to the purpose –

- *Yes*: a report conveying the research findings on a grant for basic research
- *No*: a report indicating how grant moneys have been spent (for example, in the grant from the Corporate Foundation to NFP E for research on gluten-related allergies)
- *No*: a requirement for an annual audit in accordance with OMB guidelines (for example, the research grant from the federal government to University D)

Subjective Termination Clauses

- Example foundation grant agreement –
  - Grant is to fund a specific project at the NFP during a specific time period. Specific amount to be paid, foundation must approve in writing any budget cost category change or more than 10%. Annual payments are made during the grant term after delivery of annual progress reports
  - "Payments are subject to your compliance with this agreement, including your achievement of the milestones and reporting deliverables. The foundation may modify payment dates or amounts and will notify you of any such changes in writing"
  - "The foundation may modify, suspend, or discontinue any payment of grand funds or terminate this Agreement if the foundation is not reasonably satisfied with your progress on the project. Any grant funds that may not have been for the project upon expiration or termination of this Agreement must be returned promptly to the foundation"
- *Does the barrier to entitlement exist in this agreement?*

Right of Return / Release

- Donor-Imposed Condition (revised Master Glossary definition):
  - *A donor stipulation (donors include other types of contributors, including makers of certain grants) that represents a barrier that must be overcome before the recipient is entitled to the assets transferred or promised. Failure to overcome the barrier gives the contributor a right of return of the assets if has transferred or gives the promisor a right of release from its obligation to transfer its assets*
- The agreement need not use those exact words, and the right may be communicated in another document referenced by the agreement
  - e.g., Federal cost circulars; a foundation's standard terms and conditions

Right of Return / Release – Wording Examples

- “Payments are subject to your compliance with this Agreement, including your achievement of the milestones required under this Agreement”
- “Please note that a condition has been placed on a portion of this grant as stated in the Grant Agreement. Once this grant condition has been met and before payment of conditional funds can be made, we require that the document entitled Conditions Met Report be completed and submitted to the Foundation’s before, if possible, but no later than two weeks after the stated conditional deadline. When you have met the conditions of the grant and there is an actual need for these funds, please complete and submit the Progress Report found on the Foundation’s website”

Right of Return / Release – Wording Examples, continued

- “Funds awarded under this Agreement shall be used solely to reimburse the Organization for expenses incurred expressly and solely in accordance with the Project Budget and the Scope of Work. The Foundation shall reimburse the Organization for its actual and authorized expenditures incurred in satisfactorily completing the Scope of Work and otherwise fulfilling all requirements specified in this contract in an aggregate amount not to exceed $100,000.00.”

Example - Sponsorship

- NFP M receivables a sponsorship from a donor. The sponsorship is specifically for an event that NFP M will host in the future. The donor receives no direct value in return for the sponsorship. The sponsorship agreement is silent as to what happens if NFP M cancels the event.
- *Does the sponsorship agreement include a right of return?*

Ambiguous Donor Stipulations

Determining whether a contribution is conditional or unconditional and can be difficult if it contains donor stipulations that do not clearly state whether both:

- One or more barriers exist
- The right to receive or retain payment or delivery of the promised assets depend on meeting those barriers.

It may be difficult to determine whether those stipulations are conditions or restrictions. In cases of ambiguous donor stipulations, a contribution containing stipulations that are not clearly unconditional shall be presumed to be a conditional contribution.

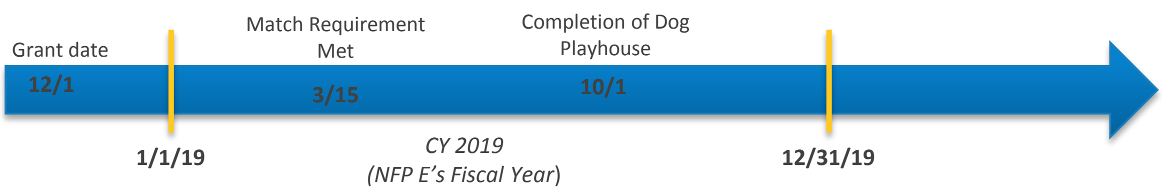
Simultaneous Release

The simultaneous release option allows an NFP to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election must be applied consistently to all restricted contributions and investment returns. The final ASU will create two “buckets” for restricted: (1) amounts initially conditional and (2) all other.

Current GAAP	Forthcoming
One bucket	Restricted/conditional bucket
	Restricted/other bucket

Simultaneous Release - Example

- NFP E runs an animal shelter and has a fiscal year end of 12/31.
- NFP E is awarded a matching grant of $100,000 on 12/1/2018 to be used specifically towards the construction of a new dog playroom.
  - The agreement indicates that for NFP E to be entitled to and receive the assets, the NFP must raise an additional $100,000 of funding from other sources. NFP E will receive payment on the grant when the 1:1 match is met.
- NFP E's progress on the grant is as follows:



- NFP E has elected the simultaneous release option only for those restricted amounts that were initially conditional. *Does this grant qualify for that "bucket"?*

Simultaneous Release - Conclusion

- NFP E determines that the grant does qualify for that bucket.
  - Prior to the match being met, the grant was a conditional contribution.
  - Once the grant becomes unconditional (when the matching requirement is met), NFP E recognizes the revenue as donor-restricted because the purpose of the grant is narrower than NFP E's overall mission.
  - The restriction is met (by completing the dog playroom) in the same period in which the revenue was recognized.

- Note that the grant award date isn't what's relevant here. What's relevant is the date on which the revenue was recognized – i.e., the date on which the condition was met.

Contribution Disclosures

Recipients

- No additional recurring disclosures have been added in the guidance.
- Guidance in Topic 958 includes disclosures for unconditional and conditional promises to give.
- For conditional promises to give, recipients are required to disclose:
  - The total of the amounts promised
  - A description and amount for each group of promises having similar characteristics

Resource Providers

- No additional recurring disclosures have been added to the guidance.
- Guidance in Topic 958 includes a cross reference to the disclosures in Topic 450, Contingencies, and in Topic 470, Debt.
- Resource providers also are required to provide information about unconditional promises to give.

Conditional Contribution Disclosures - Recipients

- **958-310-50-1** Recipients of **unconditional promises to give** shall disclose the following:
  - The amounts of promises receivable in less than one years, in one to five years, and in more than five years
  - The amount of the allowance for uncollectable promises receivable
  - The discount that arises if measuring a **promise to give** at present value, if that discount is not separately disclosed by reporting it as a deductions from contributions receivable on the face of a statement of financial position pursuant to paragraph 958-310-45-1
- **958-310-50-4** Recipients of **conditional promises to give** shall disclose both of the following:
  - The total of the amount promised
  - A description and amount for each group of promises having similar characteristics, such as amounts of promises conditioned on establishing new programs, completing a new building, and raising matching gifts by a specified date.

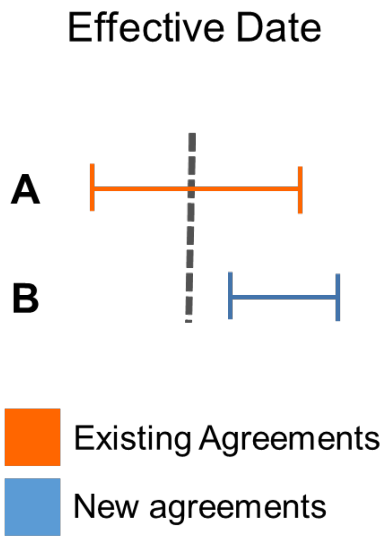
Contribution Disclosures – Resource Providers

- **958-450-20-50** In conformity with Section 450-20-50, the notes to financial statements may have to include information about loss contingencies
- **958-405-50-1** In addition to disclosures required by Section 450-20-50, the notes to financial statements shall include a schedule of unconditional promises to give that shows the total amount separated into amounts payable in each of the next five years, the aggregate amount due in more than five years, and for unconditional promises to give that are reported using present value techniques, the unamortized discount
- **720-25-25-1** This Subtopic does not require disclosures for makers of promises and indications of intentions to give because Topics 450 and 470 provide the relevant standards

Effective Date

- Resource providers have been given an additional year for implementation, because the ASU for them concerns expense recognition, rather than revenue recognition.
- Some NFPs are both grant recipients and grant makers.
- Those NFPs will need to determine whether such a staggered implementation for them could lead to nonintuitive/misleading net financial results, especially to the extent that specific grants made are linked to specific grants received.
- If so, it may be beneficial to accelerate the implementation of the ASU for their grants made, to coincide with implementation for their grants received.

Transition Approach



- **Modified Prospective**
  - **Apply to all agreements:**
    - Existing at the effective date (only apply to the portion of existing agreements not previously recognized)
    - Entered into after the effective date
- **No restatement of prior amounts recognized**
- **Retrospective Application Permitted**

Modified Prospective Transition – Example 1

- NFP implements new ASU for calendar 2019
- 3-year grant awarded on 1/1/2018; payments are $100K/year during 2018, 2019, and 2020
- Accounting prior to ASU implementation –
  - NFP treated grant as an **unconditional contribution**; all revenue was recognized on 1/1/2018
- Accounting in year of implementation and future –
  - Grant is a "completed agreement" and so no changes to revenue that was previously recognized
  - 2019 & 2020 – continue releasing net assets from restriction

Modified Prospective Transition – Example 2

- NFP implements new ASU for calendar 2019
- 5-year grant awarded on 1/1/2018; payments are $50K/year each year 2018 through 2022
- Accounting prior to ASU implementation –
  - NFP accounted for grant as an **exchange transaction**; revenue was recognized as billed ($50K total through end of 2018)
- Accounting in year of implementation and future –
  - Not a completed agreement (still have more revenue to recognize)
  - NFP determines grant is a **conditional contribution**
  - 2019 & 2020 – recognize remaining revenue as conditions are met

Modified Prospective Transition – Example 3

- NFP implements new ASU for calendar 2019
- 3-year grant awarded on 1/1/2018; payments are $150K/year during 2018, 2019 and 2020
- Accounting prior to ASU implementation –
  - NFP accounted for grant as an **conditional promise**, revenue was recognized as conditions met ($150K total through end of 2018)
- Accounting in year of implementation and future –
  - Not a completed agreement (still have more revenue to recognize)
  - NFP determines grant is an **unconditional contribution**
  - 2019 – recognize donor-restricted revenue for remaining $300K
  - 2019 & 2020 –release donor-restricted net assets as restrictions are met

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Questions?

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