

FASB Accounting Standards Update

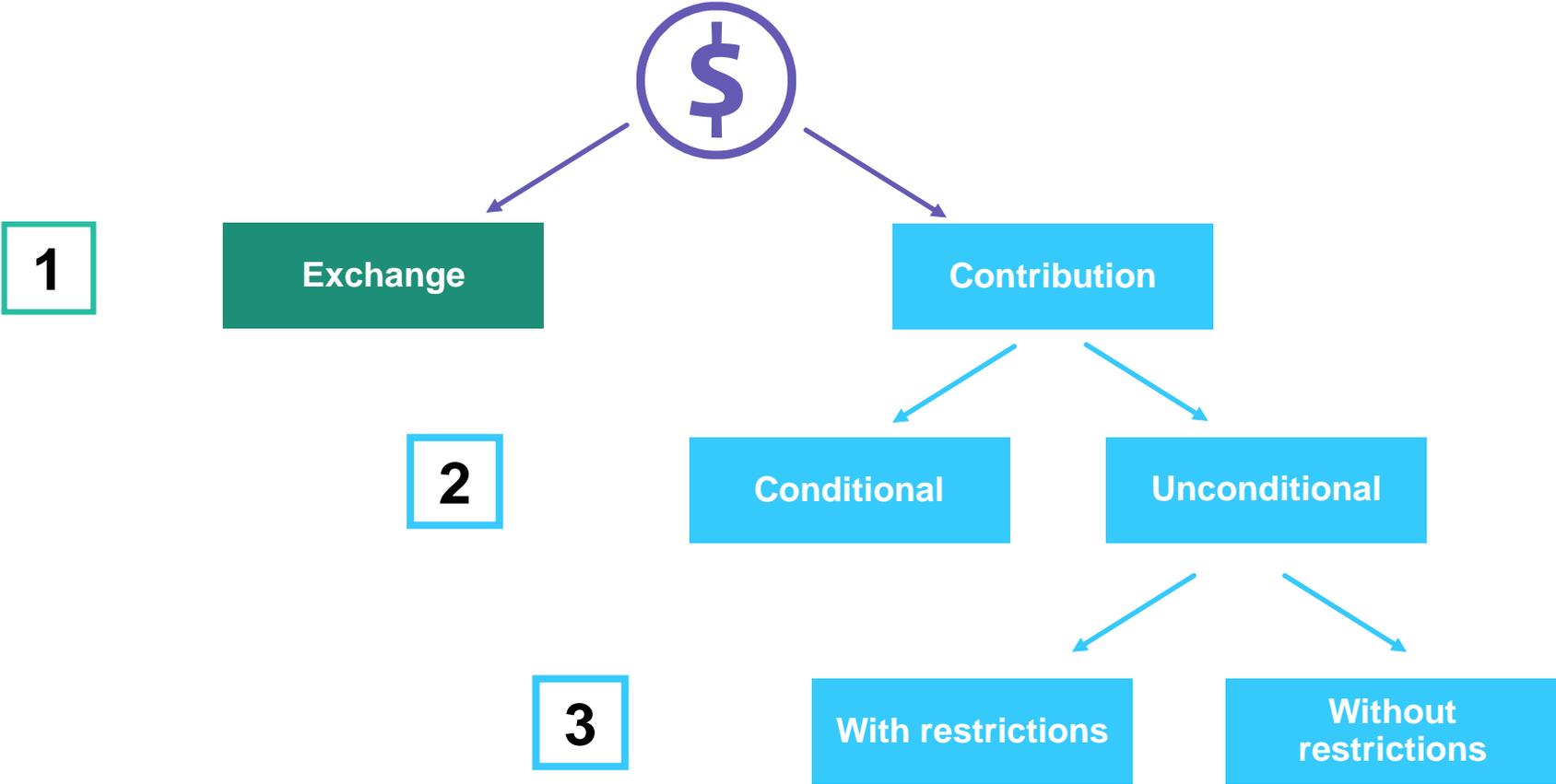
Revenue Recognition for Grants and Contracts

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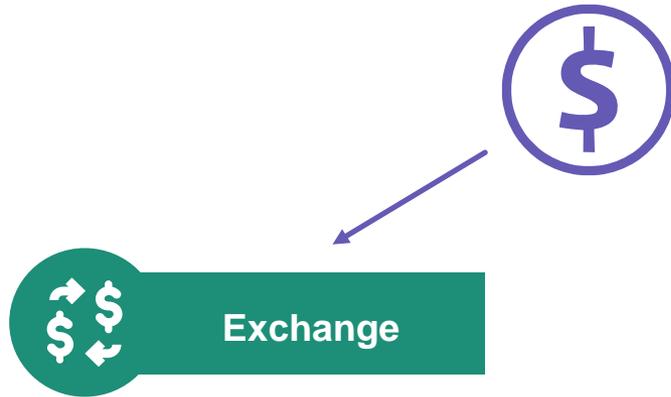
Types of Revenue



What's the Difference Between an Exchange Transaction and a Contribution?

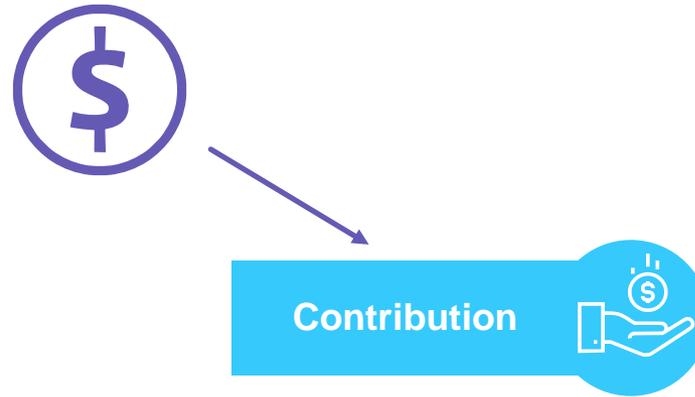


Exchange Transaction



- Reciprocal transfer
- Exchange of equal value
- Considered earned revenue
- Revenue typically recognized when the obligation has been fulfilled

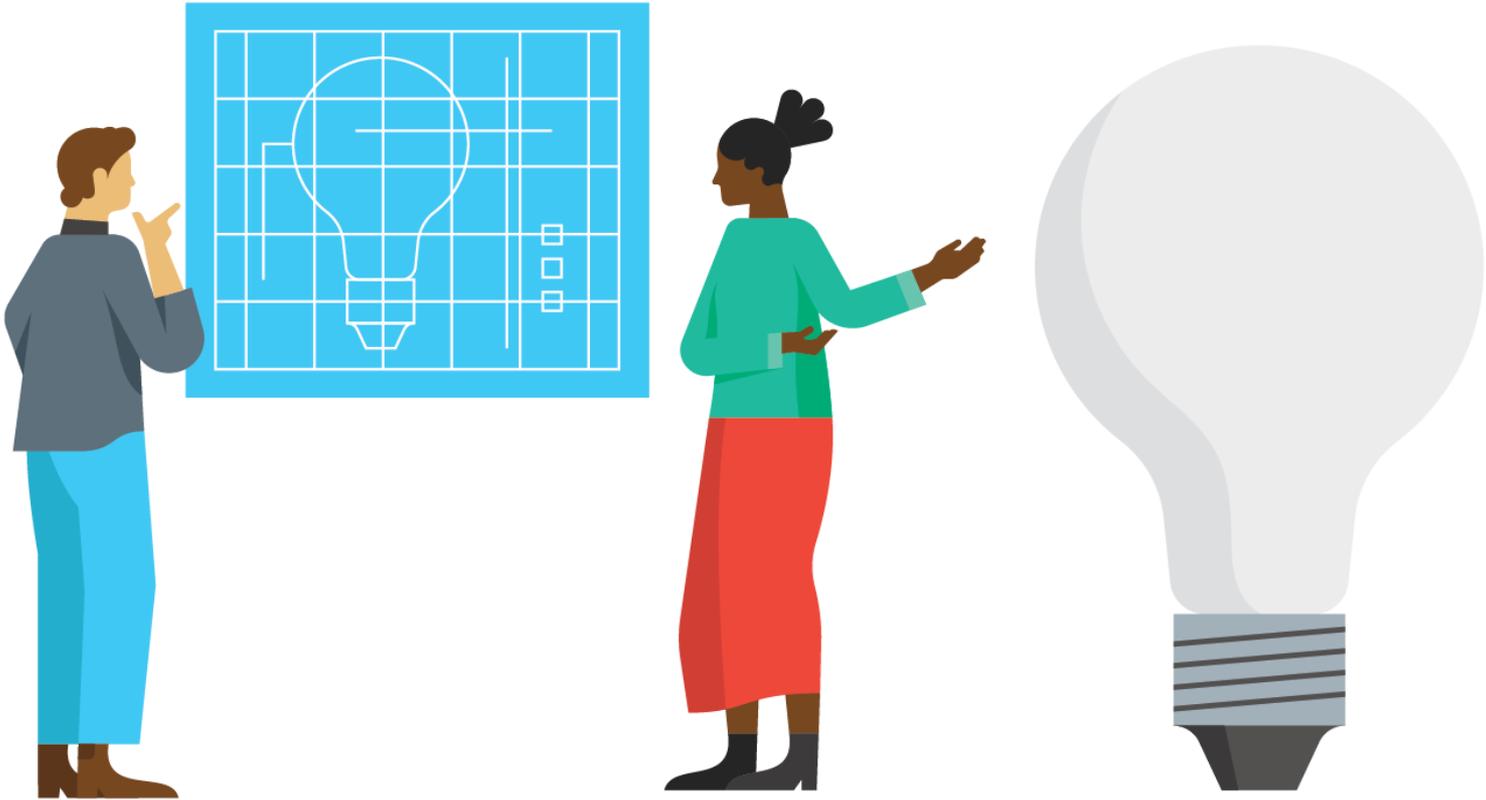
Contribution



- Voluntary transfer
- No receipt of benefit
- Considered contributed revenue
- Revenue typically recognized when received or notified

Example

Exchange or Contribution?



How to Distinguish Between Exchange or Contribution

It's a contribution if...

- Equal value is not exchanged
- Nonprofit retains the rights to the findings
- Government/funder receives only indirect benefit

It's an exchange if...

- Equal value is exchanged
- Nonprofit does not retain the rights to the findings
- Government/funder receives a direct benefit

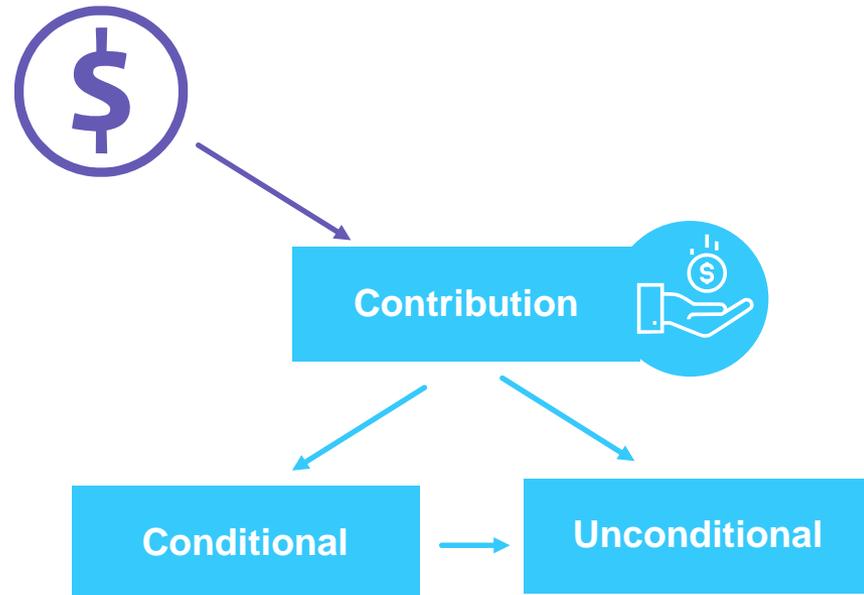
Types of Contribution – Conditional

Does the agreement include both:

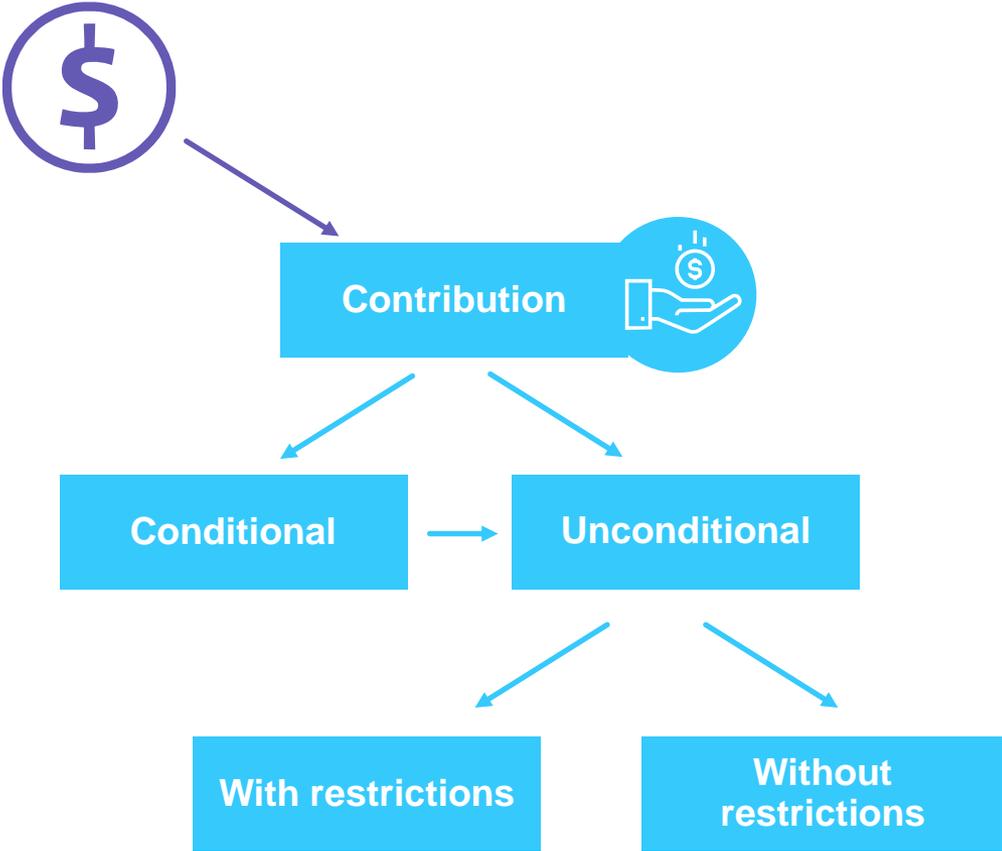
- a barrier that must be overcome?
- a right of return OR a right of release?

If so, revenue recognized **after** conditions are met.

If not, revenue is unconditional.



Types of Contribution – Unconditional



Examples

Conditional or Unconditional?



How to Distinguish Between Conditional and Unconditional Grants?

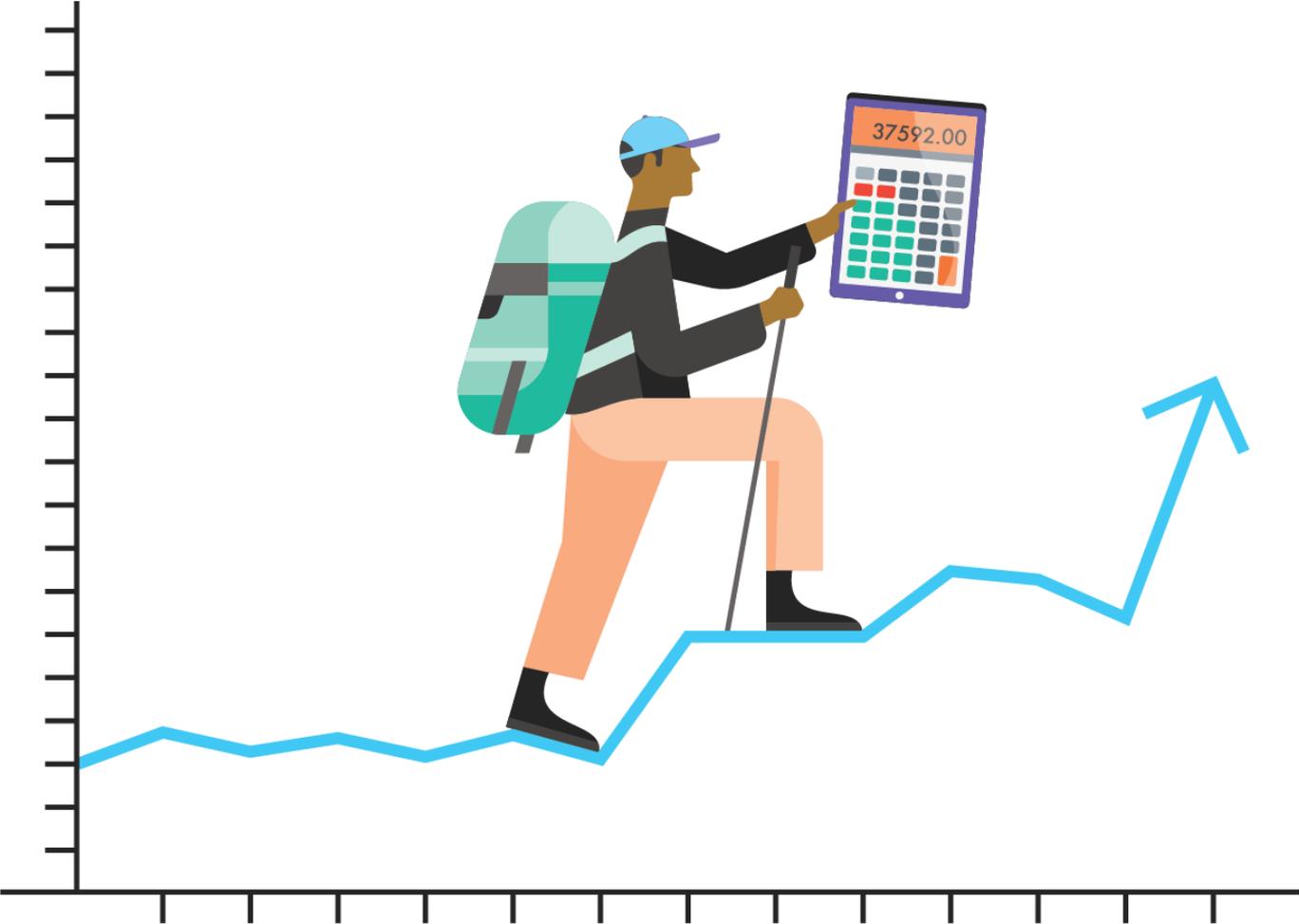
It's conditional if...

- The agreement requires a specific level of service
- Contains a right of release

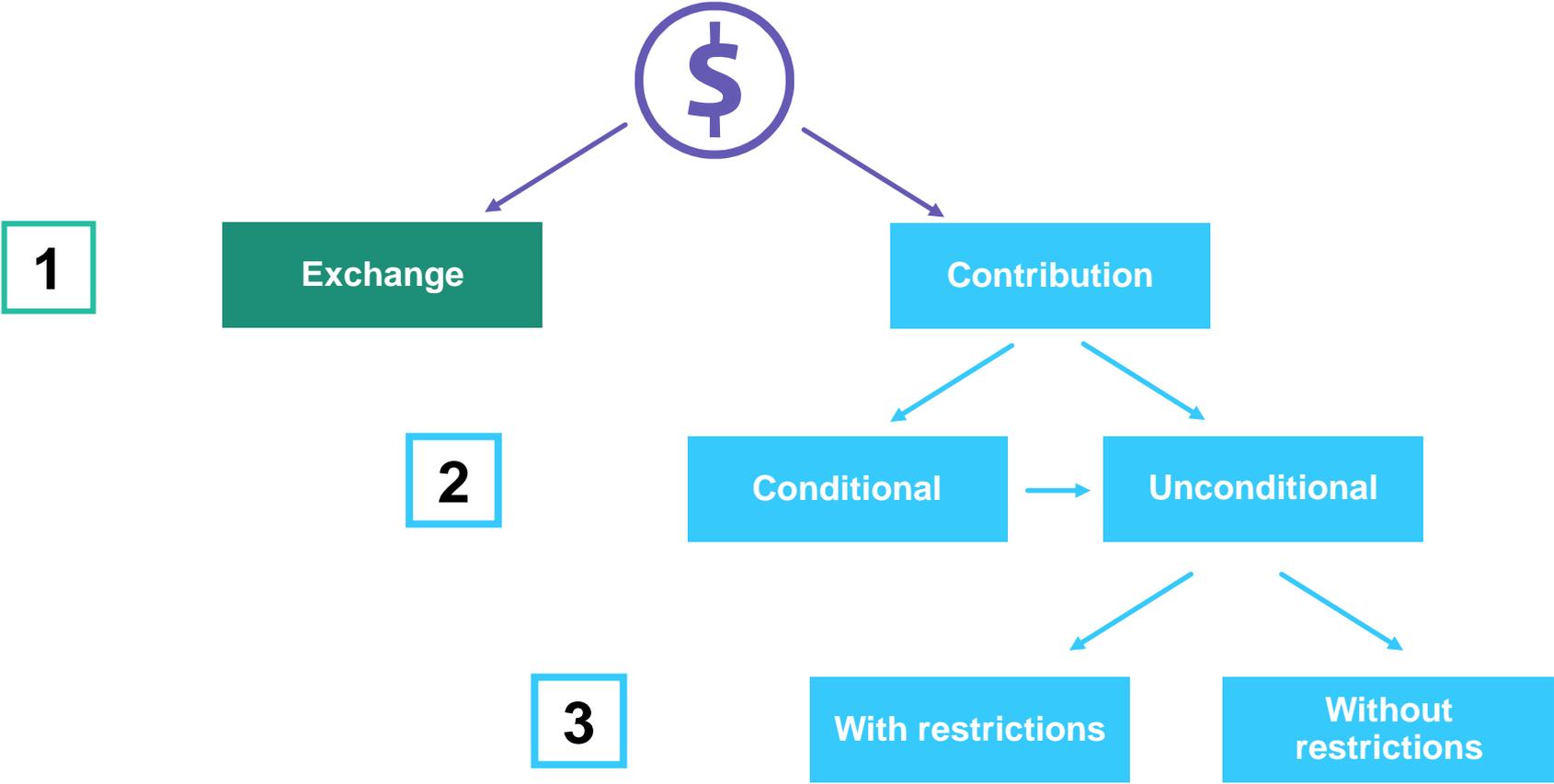
It's unconditional if...

- Does not require specific level of service
- Does not specify entitlement to the funds is dependent on meeting stipulations

Revenue Recognition



When to Recognize Revenue



What Does This Mean for You?



This update will give you clarity in terms of:

1. How to classify grants and contracts
2. When you will be able to recognize revenue
3. Telling your financial story more effectively

Thank You!

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