Types of Revenue

1. Exchange

2. Contribution
   - Conditional
   - Unconditional
      - With restrictions
      - Without restrictions
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

1. Exchange

2. Contribution
   - Conditional
   - Unconditional
     - With restrictions
     - Without restrictions
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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