Grant Thornton

New Developments Summary

FASB clarifies scope of contribution accounting

Impact on both recipients and resource providers

Summary

Many not-for-profit (NFP) entities that receive grants and enter into similar contracts with government agencies and other organizations have reported difficulty in determining whether those arrangements are contributions or exchange transactions and, for those that are contributions, whether they are conditional or unconditional. This lack of clarity has resulted in diversity in accounting for grants and contracts among NFPs.

To address these concerns, the FASB initiated a project to clarify the guidance and to assist recipient entities in distinguishing contributions (nonreciprocal transactions) within the scope of ASC 958, *Not-for-Profit Entities*, from exchanges (reciprocal transactions) subject to other guidance, such as ASC 606, *Revenue from Contracts with Customers*.

The project also encompassed how resource providers should account for their contributions.

This project resulted in the FASB issuing ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides (1) a framework for determining whether a particular transaction is an exchange or a contribution, including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and (2) guidance to assist entities in determining whether a contribution is either conditional or unconditional. The amendments in ASU 2018-08 apply to both recipients and resource providers.

Fundamental to deciding whether a contribution is conditional or unconditional under the new guidance is determining when an agreement includes both a barrier and either the right to return assets to the resource provider (a right of return) or the right to release the resource provider from transferring assets (a right of release). If an agreement includes both a barrier and either a right of return or a right of release, the contribution is deemed conditional. In this case, a recipient accounts for amounts received as a liability, and recognizes contribution revenue only when the condition is met. Similarly, resource providers do not recognize contribution expense until the condition is met.

ASU 2018-08 does not impact existing guidance in ASC 958 related to whether unconditional contributions are with, or without, donor restrictions. As a result, a recipient that concludes under the amendments that a contribution is unconditional or that the condition has been met should apply the existing guidance on donor restrictions.

Contents

A. Scope

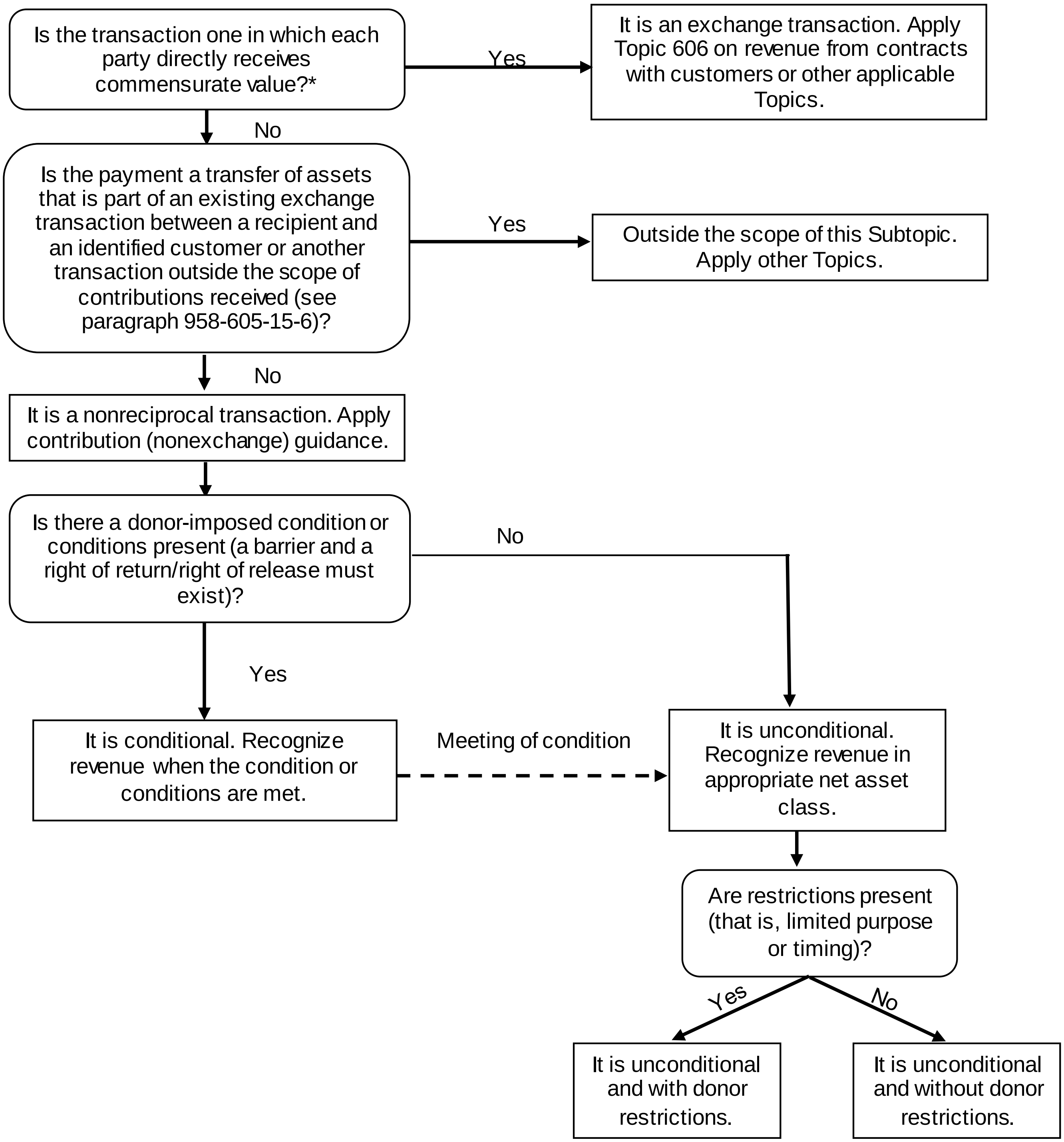
The amendments in ASU 2018-08 apply to both contributions received by a recipient and to contributions made by a resource provider, such as a government agency, a private foundation, or a corporation. While the accounting for contributions is an issue primarily affecting NFPs, the amendments apply to all entities that provide or receive contributions of cash or other assets.

B. Decision framework

Exchange transactions are a form of *reciprocal* transaction, which means that both parties give and receive something that has economic value. In contrast, contributions are a form of *nonreciprocal* transaction, meaning that the resource provider neither expects to receive, nor receives, economic value in return for its donation.

The issuance of ASC 606 highlighted the diversity in NFP accounting for grants and contracts, particularly government grants. Some NFPs believed that the government does not provide contributions and therefore accounted for all government grants as exchange transactions. Other NFPs believed these grants are contributions to support their overall mission that are conditional only upon the NFP continuing to incur qualifying expenses. With the new guidance in ASC 606, however, NFPs began to question whether ASC 606 applies to government grants and similar contracts. In response, the FASB issued ASU 2018-08, which creates a framework for entities to apply when evaluating these transactions. ASU 2018-08 adds a flowchart in ASC 958-605-55-1A that illustrates how to use this framework to determine whether a transaction is a contribution, an exchange transaction, or another type of transaction, such as an agency transaction, and whether a contribution is conditional or unconditional.

ASC 958-605-55-1A



* See paragraph 958-605-55-6 for guidance about transactions that are in part an exchange and in part a contribution.

C. Contributions versus exchange transactions

Using the flowchart above, the evaluation of a transfer of assets to a recipient begins with determining whether a transaction is a contribution or an exchange transaction.

Commensurate value

The first step in determining whether a transaction is a contribution or an exchange transaction is to consider whether a resource provider is receiving commensurate value in return for the resources transferred. The type of resource provider (for example, a government agency, a foundation, a corporation, or another entity) is not a factor in the determination.

Under the amendments, an entity evaluates the terms of an arrangement and considers the following five items, which supersede the indicators in the previous guidance but are similar in many respects:

1. A resource provider is not synonymous with the general public. In other words, an entity should look only at the value directly transferred to the resource provider. Indirect benefits that the resource provider receives as a result of societal benefits should not be considered when determining whether a resource provider receives commensurate value in exchange for assets transferred. For example, the indirect benefit a municipality may receive in the form of lower unemployment rates as a result of supporting an NFP that assists individuals in finding employment would not be considered commensurate value.

2. Positive sentiments from acting as a donor or contributing toward the resource provider's mission do not represent commensurate value to the donor. For example, a donor should not consider the improvement of his or her reputation in the community when assessing commensurate value for a donation made. Only benefits that flow between the two parties to the agreement are considered in evaluating whether a transaction is an exchange.

3. Both parties' expressed intent to exchange resources for goods or services of commensurate value indicates that the transaction is an exchange transaction, while a recipient's solicitation of assets without the intent of exchanging goods or services of commensurate value indicates the transaction is a contribution.

4. The resource provider has full discretion to determine the amount of assets transferred, which indicates a contribution; however, agreement by both parties on an amount in exchange for goods or services of commensurate value indicates an exchange transaction.

5. Penalties limited to the return of unspent amounts if the recipient fails to comply with the agreement's terms generally indicate a contribution; however, economic penalties beyond the amounts transferred by the resource provider if the recipient fails to perform generally indicate an exchange transaction.

If, after considering all the indicators, an entity determines that the resource provider receives commensurate value in return for the assets transferred, the transaction should be accounted for as an exchange transaction in accordance with other applicable guidance, such as ASC 606.

The amendments also expand the implementation guidance by adding four new examples in Paragraphs 958-605-55-13A through 55-14I to assist in this determination.

GT insights: Transactions that are part exchange and part contribution

Evaluating whether a resource provider receives commensurate value can be more challenging when a transaction has both an exchange component and a contribution component. Examples of transactions that generally are part exchange and part contribution include the following:

- A donor transfers a building at a price that is significantly below fair value.
- An individual pays an annual membership fee to a museum that is significantly more than the fair value of the membership benefits.
- An attendee of a fundraising gala pays a significant premium on the value of the meal/entertainment to attend the function.

Consistent with the existing guidance in ASC 958-605-55-6 on these types of transactions, entities should continue to bifurcate transactions into their exchange and contribution components, and account for each component in accordance with the applicable guidance. Judgment may be required in evaluating any transaction in which a donor receives something in return. For example, a $1 calendar provided to every donor making a $100 contribution generally is considered a fundraising expense, and the entity should recognize a $100 contribution. However, if an entity charges $200 for admission to a concert and the fair value of the ticket is $50, the entity should bifurcate the transaction and account for $50 as an exchange transaction in accordance with ASC 606 and the remaining $150 as a contribution. The entity then applies the amended guidance on conditional or unconditional contributions to determine whether the $150 is conditional upon the concert occurring. If it is conditional, contribution revenue cannot be recognized until the concert occurs; if it is nonrefundable and therefore unconditional, the entity would recognize contribution revenue when received.

Two examples provided by the FASB illustrate how an entity may evaluate a grant as either an exchange transaction or a contribution when applying the new guidance.

Example 1: Receipt of Resources in Exchange

ASC 958-605-55-14

Not-for-Profit Entity A (NFP A) is a large research university with a cancer research center. NFP A regularly conducts research to discover more effective methods of treating cancer and often receives contributions to support its efforts. NFP A receives resources from a pharmaceutical entity to finance the costs of a clinical trial of an experimental cancer drug the pharmaceutical entity developed. The pharmaceutical entity specifies the protocol of the testing, including the number of participants to be tested, the dosages to be administered, and the frequency and nature of follow-up examinations. The pharmaceutical entity requires a detailed report of the test outcome within two months of the test's conclusion. Additionally, the rights to the results of the study belong to the pharmaceutical entity.

ASC 958-605-55-14A

Because the results of the clinical trial have particular commercial value for the pharmaceutical entity, the pharmaceutical entity is receiving commensurate value as the resource provider. Therefore, the receipt of the resources is not a contribution received by NFP A, nor is the disbursement of the resources a contribution made by the pharmaceutical entity. See paragraph 958-605-15-5A.

Example 5: Research Grant

ASC 958-605-55-14H

University D applied for and was awarded a grant from the federal government. University D must follow the rules and regulations established by the Office of Management and Budget of the federal government and the federal awarding agency. University D is required to incur qualifying expenses to be entitled to the assets. Any unspent money during the grant period is forfeited, and University D is required to return any advanced funding that does not have related qualifying expenses. University D also is required to submit a summary of research findings to the federal government, but University D retains the rights to the findings and has permission to publish the findings if it desires.

ASC 958-605-55-14I

University D concludes that this grant is not a transaction in which there is commensurate value being exchanged. The federal government, as the resource provider, does not receive direct commensurate value in exchange for the assets provided to University D because University D retains all rights to the research and findings. University D and the public receive the primary benefit of any findings, and the federal government receives an indirect benefit because the research and findings serve the general public. Thus, University D determines that this grant should be accounted for under the contribution guidance in this Subtopic. See paragraph 958-605-15-5A(a).

Payments on behalf of third parties

If the resource provider does not receive commensurate value, the next step is to determine whether the transaction is part of an existing exchange transaction between the recipient and an identified customer. For example, a university has an existing customer relationship with a student that is charged tuition in exchange for educational services. If a government entity or foundation awards a grant or scholarship to the student and makes payments to the university, these payments are made on behalf of the student—that is, paying some or all of the student's tuition bill—and are therefore accounted for under ASC 606.

A similar approach applies when considering Medicare or Medicaid payments, as illustrated by the following example in the guidance.

Example 3: Payment Relating to an Existing Exchange Transaction—Hospital

ASC 958-605-55-14D

Patient R is a patient at Hospital B. The total amount due for services rendered is $10,000. Patient R has Medicare, and it covers $8,000 of the services, which is paid directly by the government to Hospital B. Hospital B bills Patient R for $2,000.

ASC 958-605-55-14E

Medicare is a form of insurance. Hospital B has a contract with a customer (Patient R) and determines that the $10,000 should be accounted for as an exchange transaction in accordance with the guidance in the appropriate Topic. The Medicare payment of $8,000 and Patient R's payment of $2,000 serve as a payment source for services rendered in the amount of $10,000 owed to Hospital B. The payment to Hospital B relates to an existing exchange transaction between Hospital B and an identified customer (Patient R). See paragraph 958-605-15-6(e)

GT insights: Presentation of grants and contracts upon adoption of ASC 606

Under existing guidance, many NFPs present grants and contracts as a single line item in their statement of activities, regardless of the nature of the underlying transactions. In other words, grants and contracts classified as contributions often are presented in the same line as those classified as exchange transactions.

Under ASC 606, NFPs are required to separately present revenue from contracts with customers. As a result, NFPs might need to establish new policies and procedures to bifurcate their populations of grants and contracts in order to capture the necessary data to separately present contributions and exchange transactions in their financial statements.

D. Conditional versus unconditional contributions

Once an entity has determined that a transaction is a contribution within the scope of ASC 958-605, it must determine whether the contribution is conditional or unconditional. ASU 2018-08 specifies two conditions that must be present under the terms of an arrangement for a contribution to be conditional:

- One or more barriers exist that must be overcome before a recipient is entitled to the assets transferred or promised.
- There is a right of return to the contributor for assets transferred (or for a reduction, settlement, or cancellation of liabilities), or a right of release of the promisor from its obligation to transfer assets (or reduce, settle, or cancel liabilities)

An agreement does not need to include the specific words used in these conditions, such as “barriers” and “right of return” or “right of release.” But, based on the agreement or on another document referenced in the agreement, it must be clear that the recipient is entitled to the assets only if it overcomes a barrier. Absent any indication of a barrier, the agreement is considered to be unconditional.

Barriers and indicators

Entities must evaluate the terms of each agreement to determine if it contains a barrier. The FASB provided the following three indicators that may be helpful in performing this analysis:

- The agreement contains a measurable performance-related barrier or other measurable barrier.
- The recipient has limited discretion on conducting an activity.
- The agreement includes stipulations related to the purpose of the agreement.

Depending on the arrangement, certain indicators may be more or less relevant to the evaluation, and no single indicator is determinative.

While legacy guidance includes a probability assessment to determine whether conditions can be met, the amendments remove probability from the assessment. In other words, the probability of meeting a stipulation or condition is irrelevant when determining whether a barrier exists. Instead, entities should focus on whether (1) the stipulations relate to the purpose of the agreement, and (2) the transfer of assets is linked to meeting such stipulations.

Measurable performance-related barrier or other measurable barrier

An agreement meets the first condition to be considered a conditional contribution if it includes a measurable performance-related barrier or other measurable barrier. To illustrate, an agreement requires an entity to achieve a specified level of service (for example, seeing 200 patients per week), a number of units of output (serving 5,000 meals to the homeless), or a specific outcome (achieving certain average standardized test scores among students). These types of barriers are often coupled with a time limitation. For example, a donor may stipulate that an entity is entitled to receive a matching grant of $1 million only if it can raise $1 million from other sources within a calendar year.

The following example illustrates the evaluation of a measureable performance-related barrier.

Example 13: Contribution by Foundation A

ASC 958-605-55-70C

Foundation A gives NFP D a grant in the amount of $400,000 to provide specific career training to disabled veterans. The grant requires NFP D to provide training to at least 8,000 disabled veterans during the next fiscal year (2,000 during each quarter), with specific minimum targets that must be met each quarter. Foundation A specifies a right of release from the obligation in the agreement that it will only give NFP D $100,000 each quarter if NFP D demonstrates that those services have been provided to at least 2,000 disabled veterans during the quarter.

ASC 958-605-55-70D

Foundation A determines that it should account for this grant as conditional. The agreement contains a right of release from obligation because the resource provider will only transfer assets if NFP D provides training to at least 8,000 disabled veterans during the year (with a minimum requirement of 2,000 disabled veterans per quarter) as specified in the agreement. Foundation A requires NFP D to achieve a specific level of service that would be considered a measurable performance-related barrier (in the form of milestones by specifying 2,000 disabled veterans per quarter). In this Example, NFP D's entitlement to the transferred assets is contingent upon serving at least 2,000 disabled veterans. The likelihood of serving at least 2,000 disabled veterans for the quarter is not a consideration from the perspective of either Foundation A or NFP D when assessing whether the contribution contains a barrier and is deemed conditional.

The barrier does not necessarily have to be based on the recipient's performance; it could be based on other measurable barriers, such as the occurrence of an outside event or a stipulation that depends on the net worth of the resource provider, as illustrated in the following example.

Example: Contribution with a measurable barrier outside the recipient's control

Corporation ABC promises to contribute 1,000 shares of stock to NFP if its stock price reaches $100 per share. NFP determines that it should account for this grant as conditional. The agreement contains a right of release from the obligation because the resource provider will transfer assets only if its stock price reaches a certain level, as specified in the agreement. NFP will record the revenue if and when the stock price of ABC rises to $100 per share. Because the pledge is conditional, the contribution would not be recorded as a receivable until the condition is met.

Recipient's limited discretion on conducting an activity

A recipient entity's limited discretion as to how it conducts an activity may indicate the existence of a barrier. "Limited discretion" refers to more than merely specifying the purpose and timeframe in which a contribution may be used. Rather, this indicator focuses on specific requirements limiting how a recipient must conduct an activity, and is more specific than a donor-imposed restriction. For example, a grant may specify that the recipient must incur certain qualifying expenses in compliance with established rules and regulations. In contrast, a restriction typically places limits only on a specific activity being funded, for example, a requirement that a contribution be used to fund only one of an organization's three existing programs. Note that a requirement to use a contribution to further the recipient's overall mission is implied in all contributions and is not considered a condition or a restriction.

Examples of limited discretion might include requirements about qualifying allowable expenses, mandates to hire specific individuals to the workforce conducting the activity, or a specific protocol to follow. The following illustration shows how to apply this indicator to a common form of government grant in which a recipient must comply with the principles issued by the Office of Management and Budget.

Example 14: Contribution That Includes Qualifying Expenses

ASC 958-605-55-70E

NFP B is a hospital that has a research program. NFP B receives a $300,000 grant from the federal awarding agency to fund thyroid cancer research. The terms of the grant specify that NFP B must incur certain qualifying expenses (or costs) in compliance with rules and regulations established by the Office of Management and Budget and the federal awarding agency. The grant is paid on a cost-reimbursement basis by NFP B initiating drawdowns of the grant assets. Any unused assets are forfeited, and any unallowed costs that have been drawn down by NFP B are required to be refunded.

ASC 958-605-55-70F

NFP B determines that this grant is conditional. The grant agreement limits NFP's discretion as a result of the specific requirements on how NFP B may spend the assets (incurring certain qualifying expenses in accordance with the Office of Management and Budget rules and regulations). The grant also includes a release from the promisor's obligation for unused assets. The requirement to spend the assets on qualifying expenses is a barrier to entitlement because the requirement limits NFP B's discretion about how to use the assets, and the assets would need to be spent on specific items on the basis of the requirements of the agreement (for example, adherence to cost principles) before NFP B is entitled to the assets. This is in contrast to a restriction that typically places limits only on a specific activity that is being funded. NFP B records revenue during the grant period when the barriers have been overcome as it incurs qualifying expenses. The likelihood of incurring qualifying expenses is not a consideration when assessing whether the contribution is deemed conditional.

Stipulations related to the purpose of the agreement

Another indicator that might be relevant when evaluating whether a contribution is conditional is when the transfer of assets is conditional upon stipulations related to the agreement's purpose. It is important to note that only stipulations that are related to the purpose of the agreement are considered a barrier. Stipulations that are trivial or administrative in nature, such as the submission of an annual report, would not constitute a barrier. A stipulation for the recipient to meet certain milestones to be entitled to the promised assets would be a condition related to the agreement's purpose. For example, a homeless shelter's requirement to provide a specified number of meals in order to be entitled to a contribution would be a barrier. The requirement to submit a report indicating that the meals were provided would generally not be considered a barrier. The following example illustrates a stipulation that is not considered a barrier.

Example 21: Contribution to a Recreational Organization

ASC 958-605-55-70S

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 NFP H's grant proposal, the agreement includes specific guidelines for which NFP H could use the assets (for example, to hire 10 tennis instructors or to provide a summer camp for 9 weeks) but does not specify that NFP H's entitlement to the $40,000 is dependent upon NFP H meeting any of the specific indicated guidelines in the agreement. The grant contains a right of return for funds not spent on the tennis program.

ASC 958-605-55-70T

NFP H determines that this grant is not conditional because it does not contain a barrier to overcome to be entitled to the transferred assets. Although the grant agreement contains guidelines for how NFP H could spend the $40,000, the agreement does not specify that entitlement to the transferred assets are dependent upon meeting any of the guidelines. Because the guidelines 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. NFP H should recognize the revenue upon receipt of the assets as donor restricted because it is required to use the assets for the tennis program, which is narrower than NFP H's overall mission.

Right of return/right of release

In order for an arrangement with a barrier to qualify as a conditional contribution, it must also include a right to return assets transferred back to the contributor (right of return) or to cancel the promisor's obligation to transfer assets (right of release).

If an arrangement contains a barrier that is narrower than the recipient's mission but no right of return or right of release, the contribution is not conditional. Instead, the contribution is unconditional and has a donor-imposed restriction.

In some cases, an arrangement might include a right of return as part of its standard language yet not include a related barrier. In such cases, the contribution would be considered unconditional, as illustrated in the following example.

Example 15: Contribution for a Research Grant

ASC 958-605-55-70G

NFP E is a public charity that performs research on various diseases and allergies, including gluten-related allergies, as part of its overall mission. It receives a $100,000 grant from a foundation to perform research on gluten-related allergies over the next year. The grant agreement includes a right of return as part of the foundation's standard wording and a requirement that at the end of the grant period a report must be filed with the foundation that explains how the assets were spent.

ASC 958-605-55-70H

NFP E determines that the grant is not a conditional contribution. The purpose of research on gluten-related allergies results in donor-restricted revenue because the purpose of the grant (working on gluten-free allergies) is narrower than the overall mission of the entity. There are no requirements in the agreement that would indicate that a barrier exists, which must be overcome before the recipient is entitled to the resources. NFP E also determines that the reporting requirement alone is not a barrier because it is an administrative requirement and not related to the purpose of the agreement, which is the actual research. This is an example in which a grant including a right of return could not be considered conditional because the return clause is not coupled with a barrier to be overcome, as determined by NFP E using judgment to assess the indicators of a barrier.

Simultaneous release option

Under existing guidance, NFPs can elect to report donor-restricted contributions within net assets without donor restrictions if the restrictions are met in the same period when revenue is recognized, with appropriate disclosure of its accounting policy. Under existing guidance, this is an all-or-nothing policy election for all donor-restricted contributions and investment returns.

In comment letters submitted before ASU 2018-08 was finalized, some respondents noted that the proposed amendments could result in a significant increase in the number of conditional donor-restricted contributions reported and the resulting increase in the amounts reported in the "released from restrictions" line on the statement of activities. They also noted the potential complexity to track when conditions and restrictions are met. As a result, the FASB decided to give NFPs the flexibility to elect the simultaneous release option for conditional donor-restricted contributions without also having to elect the option for unconditional donor-restricted contributions. For example, assume that an NFP receives a conditional contribution with donor restrictions early in its reporting period. If the NFP meets the conditions three months later and spends the funds in accordance with the donor's restrictions in the same period, it would not need to present the contribution as restricted and then transferred to unrestricted. Instead, the option allows the NFP to simply present the contribution as unrestricted.

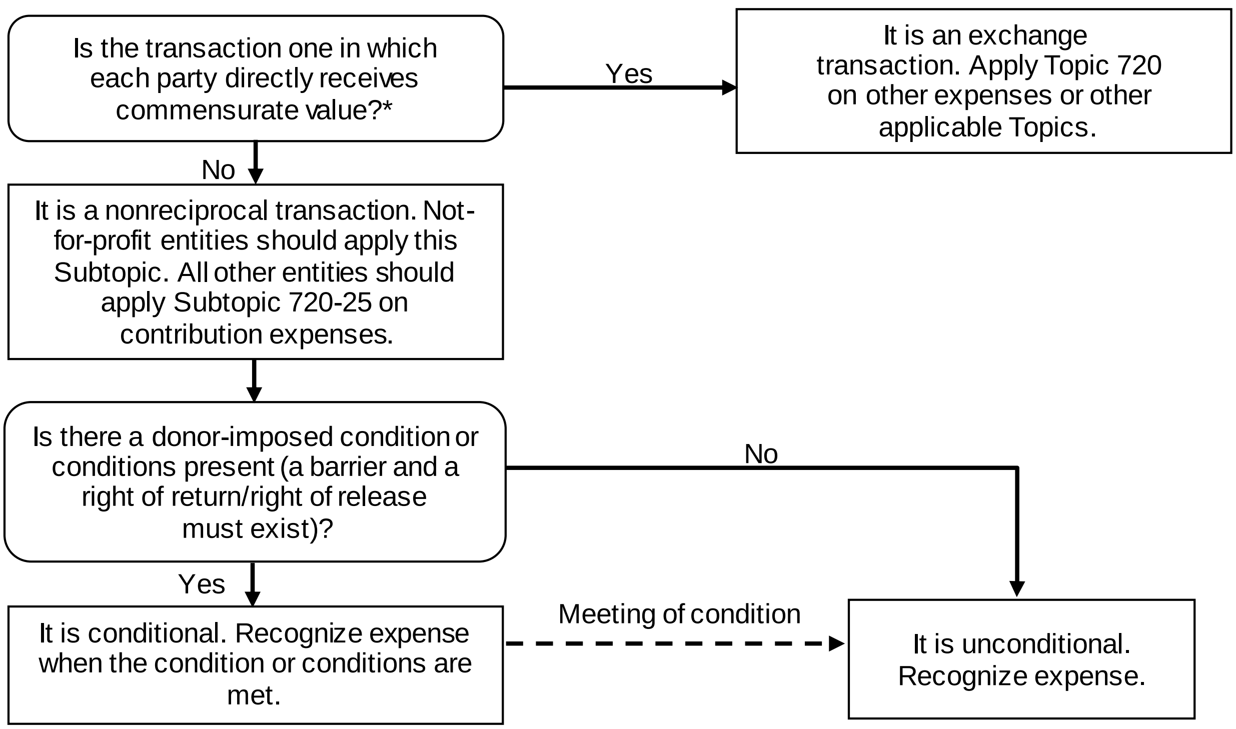
If an NFP elects the simultaneous release option for conditional contributions without electing the same policy for unconditional donor-restricted contributions, it is required to disclose this policy in the notes to the financial statements.

E. Considerations for NFP and other resource providers

The amendments in ASU 2018-08 also amend the guidance for both NFPs and other resource providers in ASC 958-720, *Other Expenses,* and ASC 720-25, *Other Expenses: Contributions Made,* respectively, to align the guidance with recipient contributions accounting.

The flowchart in ASC 958-720-55-1A, which is incorporated by reference in ASC 720-25-55-1, shows the resource provider's thought process to determine whether a transaction is a contribution or exchange transaction and whether a contribution is conditional or unconditional.

ASC 958-720-55-1A



*See paragraph 958-605-55-6 for guidance about transactions that are in part an exchange and in part a contribution.

Both NFPs and other resource providers should look to the same guidance in ASC 958 (see Sections C and D above) when evaluating whether a transaction is a contribution or exchange transaction and whether a contribution is conditional or unconditional. In the Basis for Conclusions to ASU 2018-08, the FASB stated that the guidance is designed to be consistent and to provide symmetry in the accounting from the perspective of both the provider and the recipient of a contribution. In other words, the accounting for a transaction should be consistent for both parties, except that resource providers do not need to evaluate contributions for donor restrictions.

GT insights: Considering a resource provider's intentions

In some cases, a resource provider may include a right of return or a right of release in the terms of an agreement, but may not intend to enforce that right if the recipient fails to meet the specified barrier. In the Basis for Conclusions of ASU 2018-08, the FASB was clear that it had considered, but rejected, an alternative approach whereby a resource provider would consider its intent when assessing whether a contribution is conditional. Rather, the amendments specify that the same two conditions that must be present for a contribution to be considered conditional apply both to recipients and to resource providers:

- A barrier exists.
- The arrangement contains a right of return or a right of release of the promisor from its obligation.

If these two conditions are present, the resource provider cannot recognize a contribution expense until the condition is met, regardless of its intentions.

F. Transition and effective date

The effective date of ASU 2018-08 is different based on whether an entity serves as a resource recipient or a resource provider. An entity with both recipient and provider transactions should ensure that it applies the appropriate effective date to those transactions, as explained below.

Early adoption is permitted for both recipients and providers.

Resource recipients

For an entity serving as a resource recipient that is a public business entity or an NFP that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, the amendments in ASU 2018-08 are effective for transactions in fiscal years beginning after June 15, 2018, including interim periods within those annual periods. All other entities serving as resource recipients are required to adopt the amendments for transactions in fiscal years beginning after December 15, 2018 and for interim periods, if applicable, within fiscal years beginning after December 15, 2019.

Resource providers

For an entity serving as a resource provider that is either a public business entity or an NFP that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, the amendments are effective for transactions in fiscal years beginning after December 15, 2018, including interim periods within those annual periods. All other entities serving as resource providers are required to adopt the amendments for transactions in fiscal years beginning after December 15, 2019 and for interim periods, if applicable, within fiscal years beginning after December 15, 2020.

Transition

Entities are required to apply the amendments on a modified retrospective basis, but are permitted to apply the amendments retrospectively to each period presented.

Under the modified prospective basis, an entity should apply the amendments only to agreements that are incomplete as of the effective date or that are entered into after the effective date. For the purpose of determining whether an agreement is completed, entities should consider whether all of the revenue (for a recipient) or expense (for a resource provider) has been recognized in accordance with previous guidance as of the effective date. For agreements that are partially, but not fully, completed, entities should apply the amendments only to the portion of revenue or expense that has not been recognized before the effective date. There is no cumulative-effect adjustment to opening net assets or retained earnings at the beginning of the year of adoption.
