Contributions and Exchanged Transactions

Is the transaction a contribution, an exchange transaction (contract with customer), or a combination of the two?

Combination of Contribution and Exchange Transaction

Determine the fair market value of the goods/services provided by the nonprofit to the payor as part of the exchange transaction. Account for this portion as an exchange transaction.

Allocate the difference between the transaction total and the fair market value of the exchange transaction portion (calculated above) to Contribution

Contribution

Is any portion of this contribution amount conditional?

YES → Determine the amount that represents a conditional contribution. Delay recognition of this amount. Subsequently recognize amount(s) to “net assets without donor restrictions” only as/when the underlying performance barrier(s) have been satisfied.

NO → After setting aside the conditional contribution amount, is there a remaining amount?

YES

Evaluate the remaining portion of the contribution.

NO

Record the restricted amount to “net assets with donor restrictions.” Subsequently release amounts from restriction when/as restrictions are satisfied.

NO → After setting aside the restricted contribution amount above, is there a remaining amount?

YES

You are done evaluating this transaction.

NO

You are done evaluating this transaction.

Exchange Transaction

Apply 5-step process for recognizing revenue:
1. Identify the contract
2. Identify the contract’s performance obligations
3. Determine the total transaction price under the contract
4. Allocate the transaction price to the various performance obligations
5. Recognize the revenue when/as you satisfy the respective performance obligations.

Is any portion of this contribution amount restricted?

YES

Record the restricted amount to “net assets with donor restrictions.” Subsequently release amounts from restriction when/as restrictions are satisfied.

NO

Evaluate the remaining portion of the contribution.

NO → You are done evaluating this transaction.

YES

You are done evaluating this transaction.

NO