

Grant Determination: Contribution vs Exchange Transaction and How to Record

Step 1: Is this a cost reimbursement grant (nonprofit organization spends the funds first, submits an invoice, and is then reimbursed)? *If yes, go to Step 2. If no, go to Step 3.*

Step 2: A cost reimbursement grant could be either an exchange transaction or a contribution. *Go to Step 4.*

Step 3: Is there a written grant agreement or other documentation? Keep in mind that someone outside of the Accounting Department may have it. *If yes, go to Step 4. If no, go to Step 5.*

Step 4: Read and analyze the grant agreement or any communication received and consider:

Are terms like "contribution" and "restricted" used?	Are terms like "subcontractor", "vendor" or "fees" used?
Is the amount paid a "flat" total?	Is there a price per unit of service included?
Will the beneficiaries of your programs be the primary beneficiaries of this arrangement with the grantor?	Is the grantor asking you to provide a service either for them or for a specified population?
Will you be deciding how the services/activities are provided (grantor provides more of a broad goal)?	Does the grantor specify how to conduct the service/activity?
If reporting is required, is it only to explain the general accounting of how funds were used and/or a brief summary of the activities?	Is detailed reporting required, including number of units, people served, etc.?



Go to Part A



Go to Part B

Keep in mind that you may have "yes" answers in both columns. In that case, you will have to use judgment as far as the weight to put on each "yes" answer. Also keep in mind that there may be other wording in the document, in addition to the above questions to consider.

Step 5: Did you submit a budget to the grantor and are receiving this grant in the amount of the budget? *If yes, go to Part A. If no, go to Step 6.*

Step 6: If no documentation is available (either received from the grantor or provided to the grantor before the grant being received), then it may be necessary to contact the grantor. Questions asked of the grantor should relate to the questions in Step 4 above.

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Part A: The grant is most likely a contribution.

Is this a conditional contribution (certain conditions have to be met, such as with a cost reimbursement grant)?
If yes, go to Step 1A.

Is this an *unconditional* contribution with a purpose restriction? *Go to Step 2A.*

Step 1A: Recognize as contribution revenue when the conditions are met (assuming no restrictions). In a cost reimbursement grant, this is generally when the costs are incurred.

Step 2A: Recognize as contribution revenue IN THE FULL AMOUNT when awarded. Include the amount as temporarily restricted net assets until the purpose restrictions have been met. Maintain a system for tracking restricted contributions and the releases of those restrictions (by amounts expended).

Part B: The grant is most likely an exchange transaction.

Is the funding received when the revenue is earned? For example, do you send an invoice based on services that have been provided? *If yes, go to Step 1B. If no, go to Step 2B.*

Step 1B: Recognize revenue as earned and funds are received.

Step 2B: Recognize revenue as earned and record deferred revenue when funds are received in advance of being earned.

The above is not meant to always produce accurate results as a substantial amount of judgment may be involved in the determination.