

# **Turkish Philanthropy Funds, Inc.**

Independent Auditor's Report and Financial Statements

June 30, 2019



# Turkish Philanthropy Funds, Inc.

June 30, 2019

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## Independent Auditor's Report

Board of Directors  
Turkish Philanthropy Funds, Inc.  
New York, New York

We have audited the accompanying financial statements of Turkish Philanthropy Funds, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Turkish Philanthropy Funds, Inc.  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Turkish Philanthropy Funds, Inc. as of June 30, 2019, and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*BKD, LLP*

New York, New York  
December 11, 2019

**Turkish Philanthropy Funds, Inc.**  
**Statement of Financial Position**  
**June 30, 2019**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 3,282,086
Short-term investments	4,725,424
Prepaid expenses and other assets	<u>12,119</u>
Total current assets	<u>8,019,629</u>

**Investments**

Long-term investments	<u>4,842,412</u>
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**Property, Plant and Equipment, at Cost**

Computer equipment	<u>7,179</u>
Less accumulated depreciation	<u>(7,179)</u>
Property, plant and equipment, net	<u>-</u>
Total assets	<u><u>\$ 12,862,041</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 4,683
Grants payable	<u>78,125</u>
Total liabilities - current	<u>82,808</u>

**Net Assets**

Without donor restrictions	
Undesignated	133,994
Donor advised funds	7,563,332
Board designated endowment	<u>1,625,614</u>
Net assets without donor restrictions	<u>9,322,940</u>
With donor restrictions	
Purpose restricted	239,495
Perpetual in nature	<u>3,216,798</u>
Net assets with donor restrictions	<u>3,456,293</u>
Total net assets	<u>12,779,233</u>
Total liabilities and net assets	<u><u>\$ 12,862,041</u></u>

# Turkish Philanthropy Funds, Inc.

## Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 3,325,753	\$ 1,239,806	\$ 4,565,559
Interest and dividend income, net	153,338	45,784	199,122
Fees and miscellaneous	37,883	-	37,883
Unrealized and realized gains on investments	128,244	83,803	212,047
Reclassification due to change in donor's intent	(500,000)	500,000	-
Net assets released from restrictions	1,075,363	(1,075,363)	-
	<u>4,220,581</u>	<u>794,030</u>	<u>5,014,611</u>
Total revenues, gains and other support			
<b>Expenses</b>			
Program services			
Grants awarded	2,009,619	-	2,009,619
Program expenses	213,453	-	213,453
	<u>2,223,072</u>	<u>-</u>	<u>2,223,072</u>
Total program services			
Support services			
Management and general	352,727	-	352,727
Fundraising	137,407	-	137,407
	<u>490,134</u>	<u>-</u>	<u>490,134</u>
Total support services			
Total expenses	<u>2,713,206</u>	<u>-</u>	<u>2,713,206</u>
<b>Change in Net Assets</b>	<u>1,507,375</u>	<u>794,030</u>	<u>2,301,405</u>
<b>Net Assets, Beginning of Year, as Previously Reported</b>	7,754,484	2,723,344	10,477,828
<b>Revision</b>	61,081	(61,081)	-
<b>Net Assets, Beginning of Year, as Revised</b>	<u>7,815,565</u>	<u>2,662,263</u>	<u>10,477,828</u>
<b>Net Assets, End of Year</b>	<u>\$ 9,322,940</u>	<u>\$ 3,456,293</u>	<u>\$12,779,233</u>

## Turkish Philanthropy Funds, Inc.

### Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services			Support Services			Total
	Grants Awarded	Program Expenses	Total	Management and General	Fundraising	Total	
Donor advised fund grants	\$ 909,018	\$ -	\$ 909,018	\$ -	\$ -	\$ -	\$ 909,018
Grants	1,100,601	-	1,100,601	-	-	-	1,100,601
Salaries and employee benefits	-	146,893	146,893	124,787	43,152	167,939	314,832
Professional fees	-	37,877	37,877	64,330	-	64,330	102,207
Events and meetings	-	-	-	24,872	88,467	113,339	113,339
Rent	-	19,521	19,521	21,047	5,700	26,747	46,268
Marketing	-	-	-	14,506	-	14,506	14,506
Office expenses	-	-	-	43,428	56	43,484	43,484
Bank charges	-	9,162	9,162	4,827	10	4,837	13,999
Travel	-	-	-	3,218	22	3,240	3,240
Taxes and filing fees	-	-	-	2,241	-	2,241	2,241
Insurance	-	-	-	648	-	648	648
Miscellaneous	-	-	-	48,823	-	48,823	48,823
Total expenses	<u>\$ 2,009,619</u>	<u>\$ 213,453</u>	<u>\$ 2,223,072</u>	<u>\$ 352,727</u>	<u>\$ 137,407</u>	<u>\$ 490,134</u>	<u>\$ 2,713,206</u>

**Turkish Philanthropy Funds, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2019**

<b>Operating Activities</b>	
Change in net assets	\$ 2,301,405
Items providing cash	
Net realized and unrealized gains on investments	(212,047)
Contribution received restricted for endowments	(107,117)
Changes in	
Prepaid expenses and other assets	47,362
Accounts payable and accrued expenses	(21,538)
Grants payable	<u>(250,671)</u>
Net cash provided by operating activities	<u>1,757,394</u>
<b>Investing Activities</b>	
Proceeds from sale of investments	956,830
Purchases of investments	<u>(3,250,701)</u>
Net cash used in investing activities	<u>(2,293,871)</u>
<b>Financing Activities</b>	
Proceeds from a contribution received restricted for endowments	<u>107,117</u>
Net cash provided by financing activities	<u>107,117</u>
<b>Decrease in Cash and Cash Equivalents</b>	(429,360)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>3,711,446</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 3,282,086</u></u>



# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2019

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

Turkish Philanthropy Funds, Inc. (TPF) is a not-for-profit charitable organization incorporated on February 1, 2007 in the State of Delaware. TPF was established for the purpose of enabling individuals, corporations, trusts and other entities, to make charitable contributions for the philanthropic support of programs and/or organizations in Turkey and in the United States of America.

TPF administers individual charitable funds, each established with an instrument of gift describing either the general or specific purposes for which grants are to be made.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash Equivalents***

TPF considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2019, TPF's cash accounts exceeded federally insured limits by approximately \$2,900,000.

#### ***Investments and Net Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value at time of donation, if acquired by contribution, or fair value.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return is reflected in the statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2019

TPF maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

### **Long-Lived Asset Impairment**

TPF evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2019.

### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

### **Contributions**

Contributions are provided to TPF either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on TPF overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2019

<b>Nature of the Gift</b>	<b>Value Recognized</b>
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. TPF has been informed of donor's intent to give upon certain events occurring. As these could be revoked at any time by the donor they are not recognized in the financial statements.

### **Income Taxes**

TPF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, TPF is subject to federal income tax on any unrelated business taxable income.

TPF files tax returns in the U.S. federal jurisdiction.

### **Grants**

Grants to charitable organizations are expensed with approval of the Board of Directors of TPF.

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2019

### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on their related, directly charged costs.

### ***Transfers Between Fair Value Hierarchy Levels***

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

### ***Donor Advised Funds***

Individuals may establish donor advised funds, whereby each fund and its related earnings can be distributed to charities recommended by the donor, subject to the approval of TPF's Board of Directors. Donor advised funds are included in net assets without donor restrictions.

### ***Subsequent Events***

Subsequent events have been evaluated through December 11, 2019, which is the date the financial statements were available to be issued.

### ***Revisions***

Certain immaterial revisions have been made to beginning net assets for amounts previously released from the endowment. These revisions did not have a significant effect on the financial statement line items impacted.

## **Note 2: Disclosures About Fair Value of Assets**

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2019

### **Recurring Measurements**

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
<b>June 30, 2019</b>	
<b>Assets</b>	
Investments	
Common stocks	
US equities	\$ 1,491,165
International equities	686,555
Emerging and frontier	225,386
Global equities	59,913
Fixed income	1,185,845
Real estate	47,497
Alternatives	810,307
Mutual funds	
Equity funds	<u>5,061,168</u>
Total investments	<u>\$ 9,567,836</u>
Short-term investments	\$ 4,725,424
Long-term investments	<u>4,842,412</u>
	<u>\$ 9,567,836</u>

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019.

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2019

### Note 3: Net Assets

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

Subject to expenditure for specified purpose	
Available for grants	\$ 239,495
Endowments	
Perpetual in nature	2,808,008
Subject to TPF endowment spending policy and appropriation	
General use and grants	<u>408,790</u>
	<u>\$ 3,456,293</u>

#### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions at June 30 have been designated for the following purposes:

Donor advised funds	\$ 7,563,332
Board designated funds	1,625,614
Undesignated	<u>133,994</u>
Net assets without donor restrictions	<u>\$ 9,322,940</u>

#### *Net Assets Released from Restrictions*

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction or purpose restrictions	
Grants	<u>\$ 1,075,363</u>

### Note 4: Endowments

TPF's governing body is subject to the State of New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result, TPF classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2019

Additionally, in accordance with NYPMIFA, TPF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

TPF's endowment provides a predictable stream of funding to programs and operations. Endowment assets include assets of donor-restricted funds that TPF must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. TPF's endowment consists of two funds established to provide income for general use and for grants to be made to Turkey. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at June 30, 2019 was:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 1,625,614	\$ -	\$ 1,625,614
Donor-restricted endowment funds	-	3,216,798	3,216,798
Total endowment funds	<u>\$ 1,625,614</u>	<u>\$ 3,216,798</u>	<u>\$ 4,842,412</u>

**Turkish Philanthropy Funds, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019**

Change in endowment net assets for the year ended June 30, 2019 was:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year, as revised	\$ -	\$ 2,480,094	\$ 2,480,094
Investment return, net	56,324	129,587	185,911
Contributions	-	107,117	107,117
Reclassification due to change in donor's intent	(500,000)	500,000	-
Other changes			
Transfer to create board-designated endowment	2,069,290	-	2,069,290
Endowment net assets, end of year	<u>\$ 1,625,614</u>	<u>\$ 3,216,798</u>	<u>\$ 4,842,412</u>

***Investment and Spending Policies***

The annual spending for grants shall be 7 percent of a balance which is calculated by averaging the previous 12 quarters of a fund. This calculation will be done once a year, at the end of the fiscal year, and the resulting amount will be the grant amount for the next year. The spending policy may be modified by TPF at its sole discretion and will be communicated to the donor annually.

TPF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds TPF must hold in perpetuity or for donor-specified periods. Under TPF's policies, endowment assets are invested in a manner that is intended to produce results which over time will average the level of approved TPF endowment spending rate plus inflation. Actual results in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, TPF relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). TPF employs a strategy designed to achieve a real return over consecutive rolling five-year periods of 7 percent over inflation with significant diversification to reduce volatility. TPF has adopted this strategy to protect the inviolate nature of the original corpus of permanently restricted gifts against potential market declines in the future and to provide a predictable flow of funds to support operations. This is consistent with TPF's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.



# Turkish Philanthropy Funds, Inc.

## Notes to Financial Statements

June 30, 2019

### Note 5: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Financial assets at year end	
Cash and cash equivalents	\$ 3,282,086
Investments	<u>9,567,836</u>
Total financial assets	<u>12,849,922</u>
Donor imposed restrictions	
Restricted funds	239,495
Endowments	<u>3,216,798</u>
Net financial assets after donor imposed restrictions	<u>3,456,293</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,393,629</u>

TPF's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$1,625,614 is subject to an annual spending rate described in *Note 4*. Although the TPF does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

TPF manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

### Note 6: Related Party Transactions

TPF has a board member that is a senior vice president at an investment company which provided investment services to TPF in 2019. Fees paid to the bank were approximately \$42,545 in 2019.

### Note 7: Operating Lease

TPF leases office space under a month-to-month lease. Rent expense for the year ended June 30, 2019 was \$46,268.

**Turkish Philanthropy Funds, Inc.**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 8: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Contributions***

Approximately 41 percent of all contributions were received from one donor in 2019.

***Investments***

TPF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

**Note 9: Future Change in Accounting Principle**

***Accounting for Grants and Contributions***

Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional. If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

The Financial Accounting Standards Board (FASB) expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance. For all non-public entities, the standard will be effective for reporting periods beginning on or after December 15, 2018 including interim periods within annual periods beginning after December 15, 2019.