

# FORVIS<sup>®</sup>

Community Health Centers

## Health Center Accounting: A Refresher on Grants & Contributions

March 28, 2024

# Meet the Presenters



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Director



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Senior Consultant II

**FORV/S**

# Agenda

- Label it correctly
- Account for it correctly
- CHC examples
- Additional concepts with examples

# Label It

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# Evaluation of Grants, Contracts, & Contributions in Accordance With ASC 958-605

**CONCLUSION:** In accordance with ASC 958-605, the grant, contract, or contribution is considered:

- An exchange transaction, not subject to ASC 958-605.
- A conditional contribution, without donor restriction.
- A conditional contribution, with donor restriction.
- An unconditional contribution, with donor restriction.
- An unconditional contribution, without donor restriction.

# Evaluation of Grants, Contracts, & Contributions in Accordance With ASC 958-605

**Step 1:** Does the grant, contract, or contribution fall within the scope of ASC 958-605?

**Step 2:** Does the grant, contract, or contribution include a donor-imposed condition or donor-imposed conditions?

**Step 3:** Does the grant, contract, or contribution include a donor restriction?

# Exchange vs. Nonexchange

- Exchange transaction – resource provider (donor) receives commensurate value in return for the resources transferred
  - Donor is not synonymous with general public: public benefit  $\neq$  commensurate value
  - Furthering a donor's mission does not constitute commensurate value
  - Type of donor or name of award should not override the substance of the transaction

# Indications of Exchange vs. Nonexchange

## Exchange

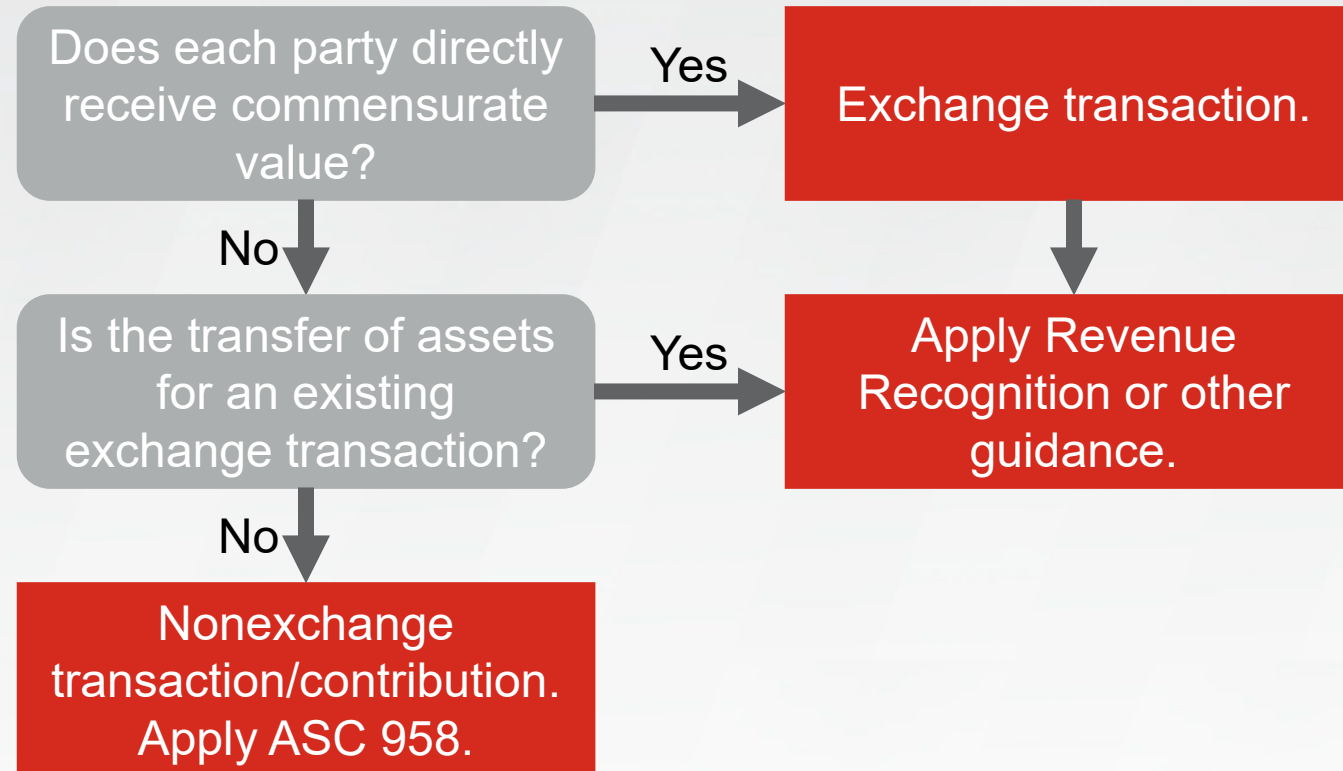
- Expressed intent by both parties is to exchange resources for goods or services of commensurate value
- Both parties agree on amount of assets transferred in exchange for goods & services of commensurate value
- Contractual provisions for forfeiture exceed amount of assets transferred as penalty for nonperformance

## Nonexchange

- CHC solicits assets without intent of exchanging goods or services of commensurate value
- Donor has full discretion in determining amount of assets to be transferred
- Penalties for failure to comply are limited to delivery of assets or services already provided & return of unspent funds



# Exchange vs. Nonexchange



# Conditional vs. Unconditional



# Indications of a Barrier

- Measurable performance-related barrier or other measurable barrier
  - Often coupled with a time limitation (outcomes to be achieved within specified time frame)
  - Examples
    - Specified level of service
    - Identified number of units of output
    - Specific outcome
  - Includes matching requirement (if an identified event occurs)

# Indications of a Barrier

- Limited discretion by CHC on conduct of an activity
  - More specific than donor-imposed restriction (which limits use to specific activity or time, but not how activity is performed)
  - **Examples**
    - Requirement to follow specific guidelines (OMB cost principles)
    - Requirement to hire specific individuals
    - Specific protocol that must be adhered to

# Indications of a Barrier

- Stipulations related to the purpose of the agreement
  - Example: Report conveying research findings on research grant
  - Stipulations unrelated to the purpose of the agreement (administrative & trivial) are not indicative of a barrier
  - Probability of whether CHC is likely to meet the stipulation is not a factor
  - In cases of ambiguous donor stipulations, presume conditional

# Right of Return or Release from Obligation

- Must be determinable from agreement (or other document referenced in agreement): CHC is only entitled to transferred assets or future transfer of assets if it has overcome the barrier
- Agreement does not need to have exact wording: *right of return* or *release from obligation*
- Agreement should make it sufficiently clear about when CHC is entitled to transfer of assets
- If not apparent, presume does not include a right of return/release

# Conditional vs. Unconditional



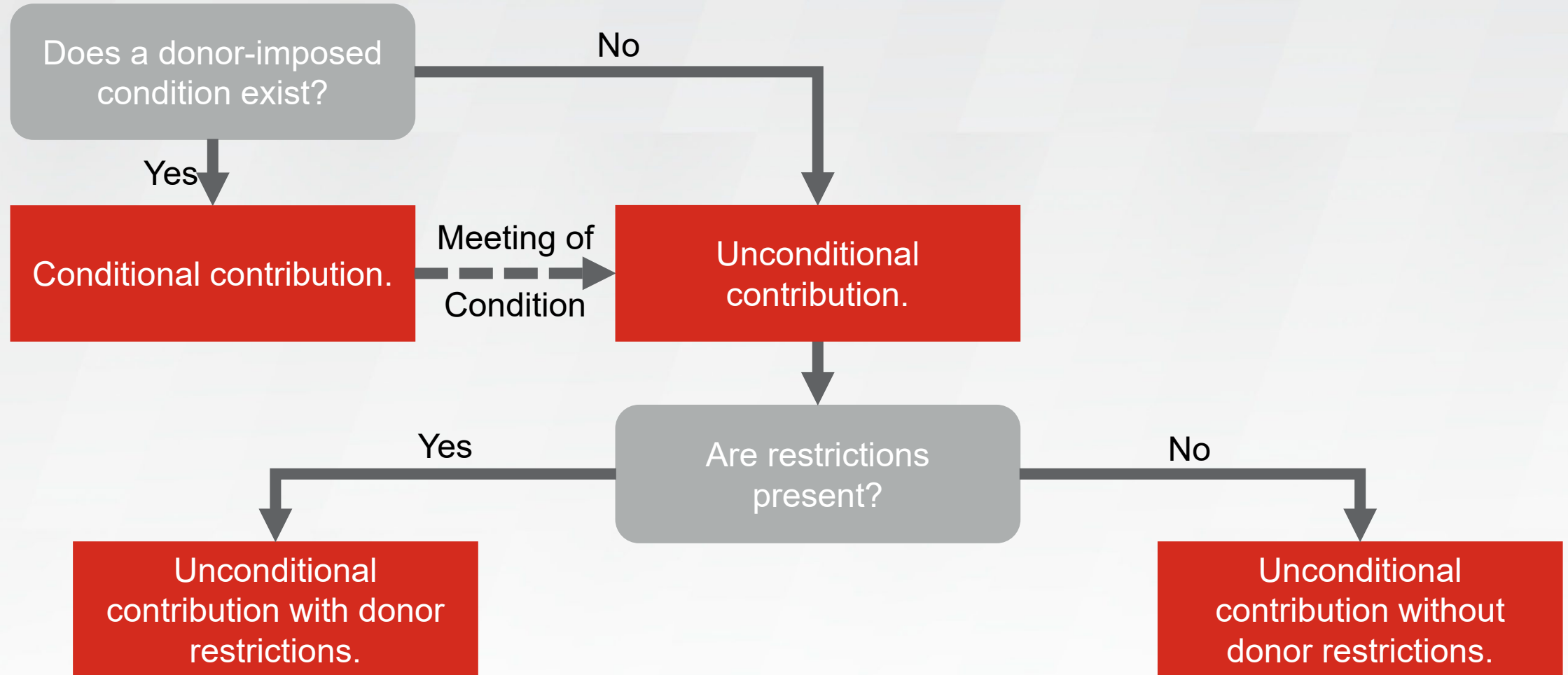
- Unless barrier & right of return/release, it's unconditional

# Barriers vs. Restrictions

- Donor-imposed conditions – A barrier that must be overcome before the recipient is entitled to the assets transferred or promised
- Donor-imposed restrictions – Donor stipulation that specifies a use for a contributed asset
  - More narrow than overall CHC mission/operations
  - Resources can only be used during a certain time period



# Conditional or Unconditional? With or Without Donor Restrictions?



# Account for It

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# Presentation & Disclosure Disclaimers

- All journal entries illustrated assume CHC is following the AICPA's reporting model for Health Care Entities instead of Not-for-Profit Entities
  - Presentation on Statements of Operations & Changes in Net Assets (HC) differs from Statement of Activities (NFP)

# Terminology

- Contribution received = When agreement becomes effective
- Topic 958-605 doesn't prescribe terminology to use in presentation & disclosure
  - Typically, in CHCs, nonexchange funding that originates at any level of government is referred to as grants versus funding with a private source is referred to as contributions

# Terminology

## Cash

- Could be other assets (fixed assets) or extinguishment of a liability

## Grants receivable

- Contributions receivable

## Deferred grant revenue

- Refundable advances

## Grant revenue

- Contributions of cash & other financial assets
- Contributions of nonfinancial assets
- Could also be grants for acquisition of property & equipment or contributions of or for acquisition of property & equipment, if restricted by donor

## Net assets released from restriction

- This is a revenue account similar to grant revenue
- Could also be net assets released from restriction used for purchase of property & equipment, if restricted by donor

# Conditional Contributions

- Upon receipt, disclose:
  - Description & amount for each group of promises with similar characteristics
  - Total of the amounts promised
- Anticipated future support

# Conditional Contributions

**Note 6: Conditional Grants and Contributions**

The Organization has received the following conditional promises to give at December 31 that are not recognized in the consolidated financial statements:

	<u>20X2</u>	<u>20X1</u>
Conditional promise to give upon the establishment of a _____ program	\$	\$
Conditional grant to give upon incurring allowable expenditures under the agreement		
Conditional promise to give upon obtaining \$ _____ in unconditional promises to give to the _____ campaign	_____	_____
	\$ _____	\$ _____



# Conditional Contributions

Without donor restrictions – As conditions are satisfied, recognize unconditional contribution revenue

## Grants Receivable

Debit

## Grant Revenue

Credit

With donor restrictions – As conditions are satisfied, recognize unconditional contribution with donor restrictions

## Grants Receivable

Debit

## Net Assets With Donor Restrictions

Credit

Both with & without donor restriction – cash is received, reverse receivable as usual

## Cash

Debit

## Grants Receivable

Credit







# Unconditional Contributions

With donor restrictions – Upon receipt, recognize unconditional contribution with donor restrictions

**Grants Receivable**

Debit

**Net Assets With Donor Restrictions**

Credit

As cash is received, reverse receivable as usual

**Cash**

Debit

**Grants Receivable**

Credit

With donor restrictions – As restrictions expire, release net assets from restriction

**Net Assets With Donor Restrictions**

Debit

**Net Assets Released From Restriction**

Credit

# Unconditional Contributions

Without restrictions – Upon receipt, recognize unconditional contribution revenue

NOTE: This treatment is okay as long as cash receipt is imminent. If disbursements are scheduled out, an implied time restriction exists.

## Grants Receivable

Debit

## Grant Revenue

Credit

As cash is received, reverse receivable as usual

## Cash

Debit

## Grants Receivable

Credit

# Multiple Conditions or Restrictions

- Multiple or series of conditions – Recognize as unconditional as conditions are met
  - Ask what satisfies barrier & right of return/release
- More than one donor-imposed restriction – Recognize net assets released from restriction when last remaining restriction expires

# Real-World CHC Examples

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# Real-World CHC Examples

- A. Federal 330 Grant**
- B. Dental Equipment & Supplies Grant**
- C. MacKenzie Scott Award**
- D. Reimbursement for Services**
- E. Restricted Purpose With Release From Obligation**
- F. Research Institute With Measurable Barrier**

# A. Federal 330 Grant



Department of Health and Human Services  
Health Resources and Services Administration

Notice of Award

FAIN# H80 [REDACTED]

Federal Award Date: 11/06/2023

## Recipient Information

1. Recipient Name

[REDACTED]

2. Congressional District of Recipient  
07

3. Payment System Identifier (ID)

[REDACTED]

4. Employer Identification Number (EIN)

[REDACTED]

5. Data Universal Numbering System (DUNS)

[REDACTED]

6. Recipient's Unique Entity Identifier

[REDACTED]

7. Project Director or Principal Investigator

[REDACTED]

8. Authorized Official

## Federal Agency Information

9. Awarding Agency Contact Information

Lucas Dedmon  
Office of Federal Assistance Management (OFAM)  
Division of Grants Management Office (DGMO)

## Federal Award Information

11. Award Number

5 H80 [REDACTED]-23-00

12. Unique Federal Award Identification Number (FAIN)

H80 [REDACTED]

13. Statutory Authority

42 U.S.C. § 254b

14. Federal Award Project Title

Health Center Program

15. Assistance Listing Number

93.224

16. Assistance Listing Program Title

Community Health Centers

17. Award Action Type

Noncompeting Continuation

18. Is the Award R&D?

No

## Summary Federal Award Financial Information

19. Budget Period Start Date 01/01/2024 - End Date 12/31/2024

20. Total Amount of Federal Funds Obligated by this Action \$2,247,139.00

20a. Direct Cost Amount

20b. Indirect Cost Amount

\$0.00



# A. Federal 330 Grant

**Step 1:** Does the grant, contract, or contribution fall within the scope of ASC 958-605?

- Yes. The public benefit of the Health Center Program does not represent commensurate value to the U.S. Department of Health & Human Services.

# A. Federal 330 Grant

**Step 2:** Does the grant, contract, or contribution include a donor-imposed condition or donor-imposed conditions?


- Measurable performance-related barrier or other measurable barrier?
  - No. Budgeted encounters in SAC or BPR do not represent a barrier.
- Limited discretion by CHC on conduct of an activity?
  - Yes. CHC is subject to cost principles compliance requirements.
- Stipulations related to the purpose of the agreement?
  - No. Annual FFR & UDS reports are administrative in nature.
- Right of return or release of obligation?
  - Yes. CHC is subject to cash management compliance requirements.

# A. Federal 330 Grant

**Step 3:** Does the grant, contract, or contribution include a donor restriction?

- No. There are no restrictions on funds beyond the condition. The restriction & condition are simultaneously satisfied as qualifying expenditures are incurred.

# A. Federal 330 Grant

 Department of Health and Human Services  
Health Resources and Services Administration

Notice of Award  
FAIN# H80 [REDACTED]  
Federal Award Date: 11/06/2023

Recipient Information	Federal Award Information
1. Recipient Name [REDACTED]	11. Award Number 5 H80 [REDACTED]-23-00
2. Congressional District of Recipient 07	12. Unique Federal Award Identification Number (FAIN) H80 [REDACTED]
3. Pay [REDACTED]	Community Health Centers
4. Em [REDACTED]	
5. Dat [REDACTED]	
6. Recipient's Unique Entity Identifier [REDACTED]	
7. Project Director or Principal Investigator [REDACTED]	17. Award Action Type Noncompeting Continuation
8. Authorized Official	18. Is the Award R&D? No
<b>Federal Agency Information</b>	<b>Summary Federal Award Financial Information</b>
9. Awarding Agency Contact Information Lucas Dedmon Office of Federal Assistance Management (OFAM) Division of Grants Management Office (DGMO)	19. Budget Period Start Date 01/01/2024 - End Date 12/31/2024
	20. Total Amount of Federal Funds Obligated by this Action \$2,247,139.00
	20a. Direct Cost Amount
	20b. Indirect Cost Amount \$0.00

**Conditional Contribution  
Without Donor Restrictions**





# B. Dental Equipment & Supplies Grant



## GRANT AGREEMENT 2022

Date of Agreement: 05/05/2022

Grantee:

Project Name: Dental Equipment & Supplies Grant

Purpose of Grant: The grant will be used to to purchase equipment to provide improved access to restorative and preventive care and implement a new teledentistry program in long-term care facilities.

Total Amount of Grant: \$50,000.00

Award Date: 05/05/2022

Grant Term: One Year

Disbursement Schedule: The grant funds will be disbursed within two weeks of receiving the signed grant agreement.

Special Terms and Conditions: There are not special terms for this grant.

# B. Dental Equipment & Supplies Grant

**Step 1:** Does the grant, contract, or contribution fall within the scope of ASC 958-605?

- Yes. Delta Dental does not receive direct commensurate value.

# B. Dental Equipment & Supplies Grant

**Step 2:** Does the grant, contract, or contribution include a donor-imposed condition or donor-imposed conditions?

- Measurable performance-related barrier or other measurable barrier?
  - No.
- Limited discretion by CHC on conduct of an activity?
  - No. A budget alone does not limit discretion of the CHC.
- Stipulations related to the purpose of the agreement?
  - No.
- Right of return or release of obligation?
  - No.



# B. Dental Equipment & Supplies Grant

**Step 3:** Does the grant, contract, or contribution include a donor restriction?

- Yes. The funds are restricted to purchase dental equipment & implement a new teledentistry program.

# B. Dental Equipment & Supplies Grant



GRANT AGREEMENT 2022

## Unconditional Contribution With Donor Restriction

Date of  
Grante  
Project  
Purpos

restorative and preventive care and implement a new teledentistry program in long-term care facilities.

Total Amount of Grant: \$50,000.00

Award Date: 05/05/2022

Grant Term: One Year

Disbursement Schedule: The grant funds will be disbursed within two weeks of receiving the signed grant agreement.

Special Terms and Conditions: There are not special terms for this grant.

access to

# B. Dental Equipment & Supplies Grant

**Agreement dated 5/5/2022**

**Agreement signed by management 5/12/2022**

**Contribution received in May 2022**

Purpose of Grant: The grant will be used to to purchase equipment to provide improved access to restorat facilities care

**Cash received in June 2022**

Total Ar  
Award Date: 05/05/2022

Gran  
Disb **CHC fiscal year-end is May 31**

signed grant agreement.

Special Terms and Conditions: There are not special terms for this grant.

# B. Dental Equipment & Supplies Grant Entries

Upon receipt, recognize unconditional contribution with donor restrictions.

**Grants Receivable**

Debit

**Net Assets With Donor Restrictions**

Credit

As cash is received, reverse receivable.

**Cash**

Debit

**Grants Receivable**

Credit

As restrictions expire, release net assets from restriction.

**Net Assets With Donor Restrictions**

Debit

**Net Assets Released From Restriction**

Credit

# C. MacKenzie Scott Award



**Unrestricted, One-Time Gift.** Unless you request otherwise, the gift will be made as a single, up-front unrestricted disbursement for you to use to support your mission however you choose and on whatever timeline works best for your organization. If you have a request for specific timing for the transfer of funds, please let me know. This is a one-time gift and we don't accept unsolicited proposals.

Established by MacKenzie Scott to share a financial fortune created through the effort of countless people, Yield is named after a belief in adding value by giving up control. To date, our network of staff and advisors has yielded over \$16,500,000,000 to 1,900+ non-profit teams to use as they see fit for the benefit of others.

# C. MacKenzie Scott Award

**Step 1:** Does the grant, contract, or contribution fall within the scope of ASC 958-605?

- Yes. Although the mission of the foundation is to provide charitable donations to non-profit entities, furtherance of this mission does not represent commensurate value.

# C. MacKenzie Scott Award

**Step 2:** Does the grant, contract, or contribution include a donor-imposed condition or donor-imposed conditions?

- Measurable performance-related barrier or other measurable barrier?
  - No.
- Limited discretion by CHC on conduct of an activity?
  - No.
- Stipulations related to the purpose of the agreement?
  - No.
- Right of return or release of obligation?
  - No.

# C. MacKenzie Scott Award

**Step 3:** Does the grant, contract, or contribution include a donor restriction?

- No. The grant is an unrestricted contribution & can be used at the discretion of the CHC.



# C. MacKenzie Scott Award



## Unconditional Contribution Without Donor Restriction

Established by MacKenzie Scott to share a financial fortune created through the effort of countless people, Yield is named after a belief in adding value by giving up control. To date, our network of staff and advisors has yielded over \$16,500,000,000 to 1,900+ non-profit teams to use as they see fit for the benefit of others.

# C. Mackenzie Scott Award Entries

Upon receipt, recognize unconditional contribution revenue

NOTE: This treatment is okay as long as cash receipt is imminent. If disbursements are scheduled out, an implied time restriction exists.

**Grants Receivable**

Debit

**Grant Revenue**

Credit

As cash is received, reverse receivable.

**Cash**

Debit

**Grants Receivable**

Credit

# D. Reimbursement for Services

1.3 Family Planning Users: HEALTH CENTER estimates providing family planning services to 750 individual users seeking voluntary family planning services of which HEALTH CENTER estimates 75 are uninsured.

1.4 Consideration: For services rendered under the terms of this Contract, the following reimbursements are available:

Clinical Champion	\$10,000 per year
Educator/Outreach Coordinator	\$50,000 per year
Method Reimbursement *	up to \$16,781 (Year 1)
EHR/Reporting Upgrades	up to \$5,000 one-time reimbursement

\*See Attachment D – Charges and Reimbursement for additional terms and conditions related to reimbursement for method related expenditures. Method Reimbursement funding was calculated based on number of uninsured family planning users included in application and the MFHC

# D. Reimbursement for Services

## Method Charges and Reimbursement

### Attachment D

#### Overview

- Method reimbursement is based upon 340B pricing with reimbursement review/adjusted quarterly (January, April, July, and October). Oral contraceptive reimbursement will be a blended rate of the most popular brands as determined by health center formularies. 340B reimbursement rates can be found on TRT portal, <https://www.mfhc.org/trt-login/>.
  - Method reimbursement is limited to those methods stocked and carried onsite. Method reimbursement to be paid as cost is incurred.
  - Patient must receive their method of choice onsite at the health center.
  - Only methods contained on the health center's formulary submitted with the application are eligible for reimbursement. Health centers must update their formularies on file with MFHC.
- Health Center must agree to receive as payment in full (all sources), reimbursement of method plus a one-time fee of \$100 annually. Patient cannot be charged for contraceptive visit or method.

Method Reimbursement (cost of method plus one-time \$100 fee); however, bridge methods/visits, including Emergency Contraception, are not reimbursable.

- Requests for reimbursement must be received within 60 calendar days from the date of service to be eligible for reimbursement (timely filing). See process for submitting claims

# D. Reimbursement for Services

- Judgment required to determine whether transaction is third-party payment on behalf of identified customer or contribution restricted for groups of beneficiaries with eligibility criteria
- Fee-for-service grant revenue
  - Is there an underlying contract between CHC & patient in which CHC would be entitled to payment?
  - Think “commercial substance” from ASC 606

# D. Reimbursement for Services

**Step 1:** Does the grant, contract, or contribution fall within the scope of ASC 958-605?

- No. Reimbursement is on behalf of a patient for an existing exchange transaction with the patient & subject to ASC 606.

# D. Reimbursement for Services

## Method Charges and Reimbursement

### Attachment D

#### Overview

- Method reimbursement is based upon 340B pricing with reimbursement review/adjusted quarterly (January 1st to December 31st). Method reimbursement will be a blended rate **Exchange Transaction** center formularies. 340B reimbursement rates can be found on *TRT* portal, <https://www.mfhc.org/trt-login/>.
- Method reimbursement is limited to those methods stocked and carried onsite. Method reimbursement to be paid as cost is incurred.
- Patient must receive their method of choice onsite at the health center.

# E. Restricted Purpose With Release From Obligation

This Agreement establishes the basis through which the Foundation will grant up to \$78,000.00 (“Grant Funds”), commencing approximately August 01, 2022, subject to the Grantee’s agreement and compliance with the following conditions.

1. **Purpose.** The Grant Funds shall be used exclusively for the Project summarized in the scope of work above and detailed in the Grantee’s Proposal as approved by the Foundation (“Proposal”), and shall be expended within the time period specified in the Proposal. If all or any portion of the Grant Funds are not used within the time specified in the Proposal, or within an extension of that time approved by the Foundation, unspent Grant Funds shall be returned to the Foundation. Any funds not yet distributed to the Grantee at that time shall remain undistributed.
2. **Distribution of Funds.** Upon receipt of an executed copy of this Letter of Agreement from Grantee the Foundation will distribute funds for the Project on the following schedule:



# E. Restricted Purpose With Release From Obligation

**Step 1:** Does the grant, contract, or contribution fall within the scope of ASC 958-605?

- Yes. The Foundation does not receive direct commensurate value.

# E. Restricted Purpose With Release From Obligation

**Step 2:** Does the grant, contract, or contribution include a donor-imposed condition or donor-imposed conditions?

- Measurable performance-related barrier or other measurable barrier?
  - No.
- Limited discretion by CHC on conduct of an activity?
  - No. A budget alone does not limit discretion of the CHC.
- Stipulations related to the purpose of the agreement?
  - No.
- Right of return or release of obligation?
  - Yes. Unspent grant funds must be returned to/will not be disbursed by the donor.

# E. Restricted Purpose With Release From Obligation

**Step 3:** Does the grant, contract, or contribution include a donor restriction?

- Yes. The funds are restricted to support a “Food is Medicine” approach to the healthcare delivery model.

# E. Restricted Purpose With Release From Obligation

This Agreement establishes the basis through which the Foundation will grant up to \$78,000.00 (“Grant Funds”), commencing approximately August 01, 2022, subject to the Grantee’s agreement and compliance with the following conditions.

- Purpose.** The Grant Funds shall be used exclusively for the Project summarized in the scope of work above and detailed in the Grantee’s Proposal as approved by the Foundation. **Unconditional Contribution With Donor Restriction** specified in the Proposal. At the time specified in the Proposal, unspent Grant Funds shall be returned to the Foundation. Any funds not yet distributed to the Grantee at that time shall remain undistributed.
- Distribution of Funds.** Upon receipt of an executed copy of this Letter of Agreement from Grantee the Foundation will distribute funds for the Project on the following schedule:

# F. Research Institute With Measurable Barrier

WHEREAS, ██████ wishes to enter into this Agreement with Recipient to provide funding to Recipient to develop and complete the project and related activities and deliverables as set forth in this Agreement, including the ██████-approved Project Plan and applicable timeline, budget, and milestones (collectively, the “Project”).

2.5. Either ██████ or the Recipient may terminate this Agreement without cause upon sixty (60) days prior written notice to the other Party. In the event of termination without cause, Recipient will be paid for all non-cancelable obligations made in good faith in accordance with the approved Project Plan Budget set forth in Appendix B.

4.5. ██████ reserves the right to withhold payments on this Agreement at any time, in cases where Recipient is non-compliant or in material breach of this Agreement, including failure to submit proper reports, submission of unsatisfactory reports, failure to meet the timeline relating to the Project, or failure to fulfill applicable laws, as determined at ██████’s reasonable discretion.

5.2. As between ██████ and Recipient, Recipient shall own the rights to Work Products created under this Agreement.

# F. Research Institute With Measurable Barrier

## 3. Budget; Invoicing; Payment

- 3.1. This is a firm-fixed price contract. The total approved budget for the Project is **\$249,966.00**. Recipient shall conduct and complete the Project in accordance with the Project Plan Budget set forth in the attached Appendix B [“Project Plan Budget”], which is incorporated into this Agreement by reference.
- 3.2. Recipient shall conduct and complete the Project in accordance with the Milestone and Payment Schedule set forth in the attached Appendix C [“Milestone and Payment Schedule”], which is incorporated into this Agreement by reference. Significant changes to Appendix C [“Milestone and Payment Schedule”] require the advance mutual written agreement of the Parties. Recipient shall submit invoices electronically to [REDACTED] on the date(s) set forth in Appendix C with payment due by [REDACTED] within 30 days upon review and approval by [REDACTED] of applicable milestone and/or reports, which shall not be unreasonably withheld, conditioned or delayed. If any required milestone, documentation, or reports become past due, [REDACTED] may hold all payments until overdue items have been submitted and approved by [REDACTED]. Recipient will submit invoices to [REDACTED] using the [REDACTED] Online system accessed through:  
[REDACTED]



# F. Research Institute With Measurable Barrier

**Step 1:** Does the grant, contract, or contribution fall within the scope of ASC 958-605?

- Yes. The CHC retains the right to all work products. The CHC is not acting as a vendor to the donor to conduct the donor's project, but is receiving funding from the donor to support the CHC's project. The donor is not receiving direct commensurate value.



# F. Research Institute With Measurable Barrier

**Step 2:** Does the grant, contract, or contribution include a donor-imposed condition or donor-imposed conditions?

- Measurable performance-related barrier or other measurable barrier?
  - Yes. The milestones established in the agreement are measurable.
- Limited discretion by CHC on conduct of an activity?
  - No. A budget alone does not limit discretion of the CHC.
- Stipulations related to the purpose of the agreement?
  - Yes. The reporting of achievement of milestones is required.
- Right of return or release of obligation?
  - Yes. Failure to meet milestones or submit reporting relieves donor of obligation to provide funding.

# F. Research Institute With Measurable Barrier

**Step 3:** Does the grant, contract, or contribution include a donor restriction?

- Yes. Expenses must be incurred consistent with the approved budget.



# F. Research Institute With Measurable Barrier Entries

As conditions are satisfied (milestones are met), recognize unconditional contribution with donor restrictions

## Grants Receivable

Debit

## Net Assets With Donor Restrictions

Credit

As restrictions expire (budgeted expenses are incurred), release net assets from restriction

## Net Assets With Donor Restrictions

Debit

## Net Assets Released From Restriction

Credit

As cash is received, reverse receivable as usual

## Cash

Debit

## Grants Receivable

Credit

# Additional Concepts

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# Additional Concepts

**Simultaneous Release**

**Placed-in-Service Approach**

- Real-World CHC Example: G. ARP Capital

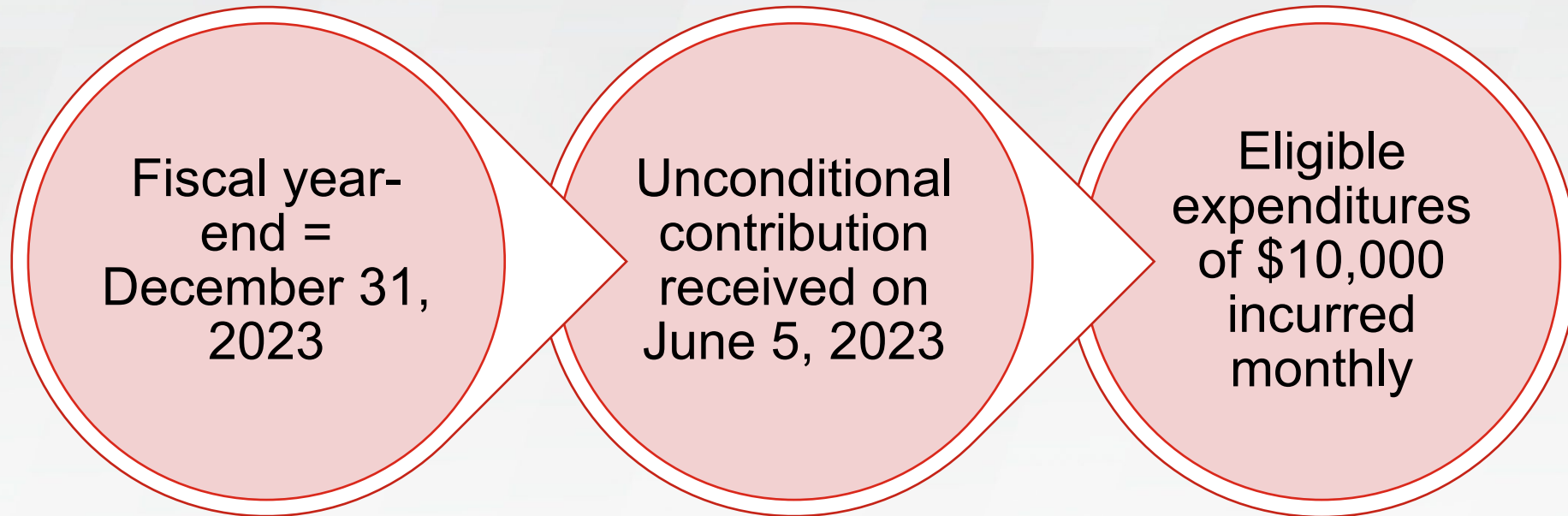
**Contributed Use of an Asset**

**Non-Current Contributions Receivable**

# Simultaneous Release

- Policy consideration
- Allows a contribution with donor restrictions to be recognized as a contribution without donor restrictions if unconditional contribution is received & restriction is released in same period
- May be elected for conditional contributions &/or unconditional contributions
  - Doesn't have to be the same, but must be consistent & disclosed

# Simultaneous Release Example



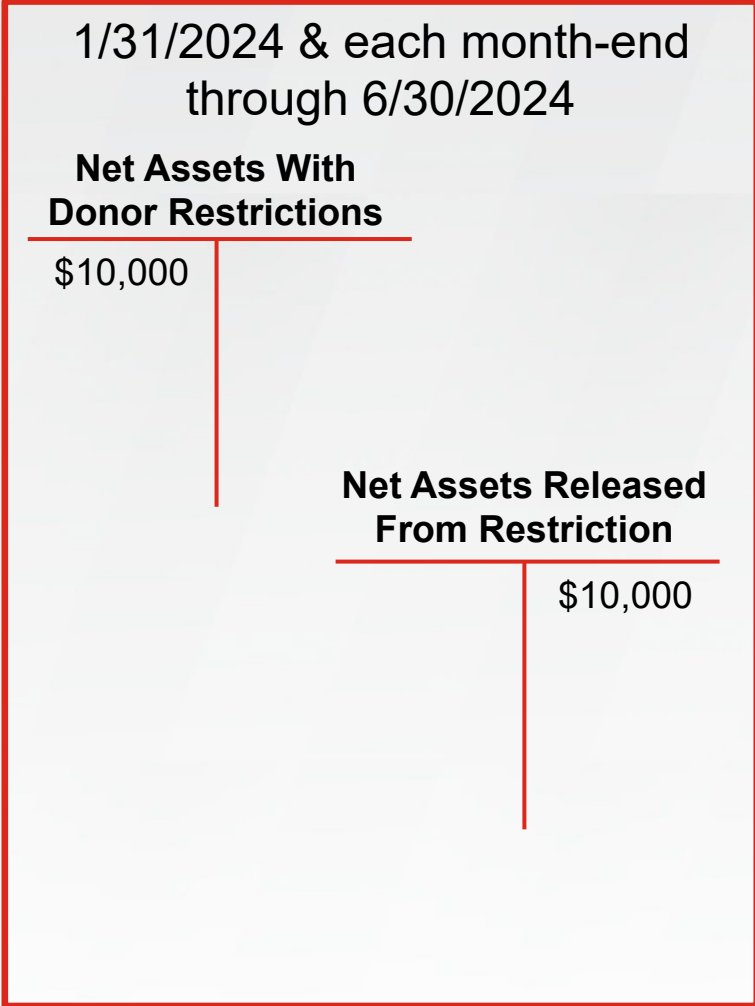
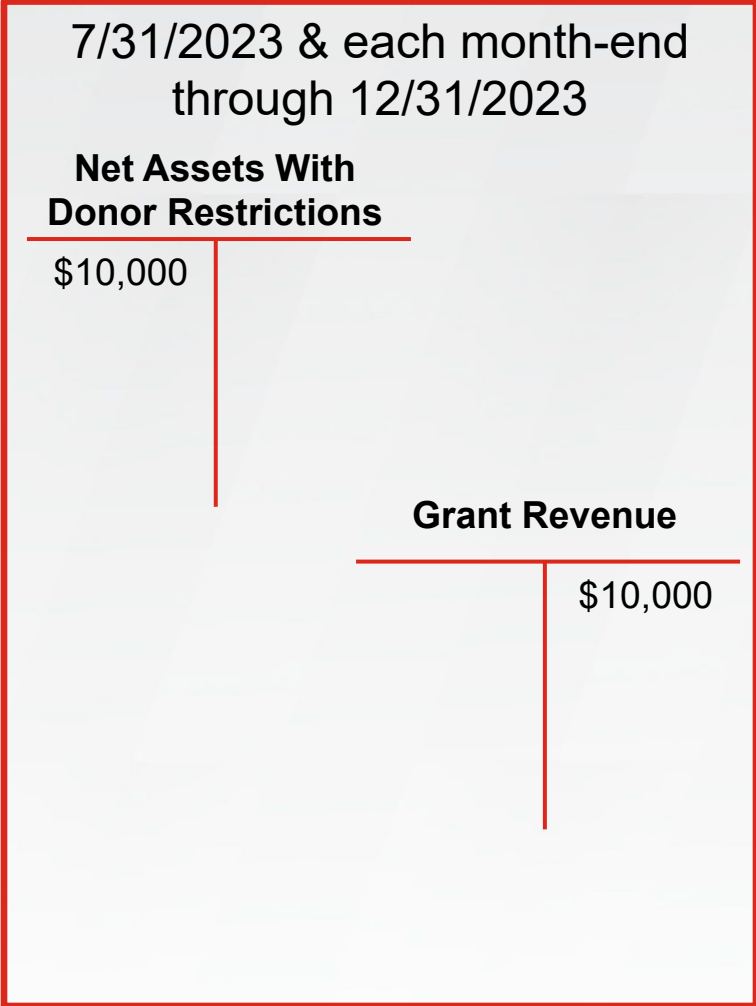
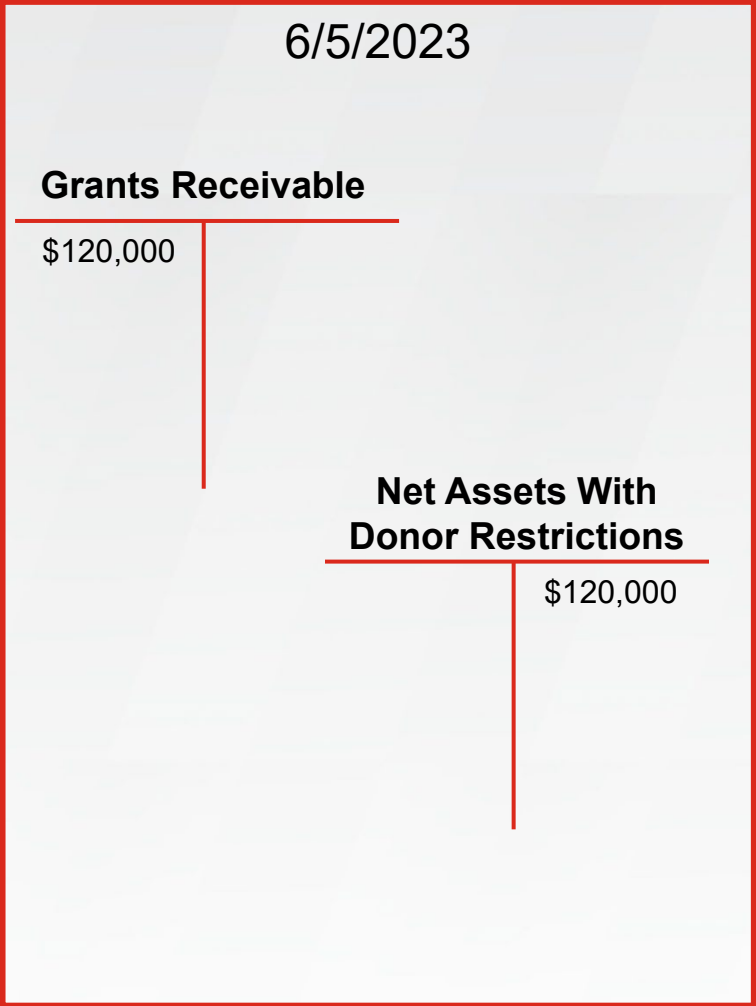
- \$120,000 awarded, restricted for use on dental services over July 1, 2023 – June 30, 2024





# Simultaneous Release Example

Assuming simultaneous release is elected:



# Simultaneous Release

- If simultaneous release policy election is made for unconditional contributions, Statements of Operations & Changes in Net Assets are impacted
- When applying to conditional contributions, focus on date condition was met rather than award date

# Placed-in-Service Approach

- Contributions of cash or other assets that **must** be used to acquire or construct long-lived assets = Donor restricted
- Donor-imposed restrictions on long-lived assets or cash to acquire/construct long-lived assets expire when assets are placed in service
  - Unless donor stipulations limit the use of the assets for a period of time or a particular purpose

# Placed-in-Service Approach

As progress of construction is recorded on the books.

**Part One:**

**Construction in Progress**

Debit

**Accounts Payable  
or Accrued  
Expenses**

Credit

**Part Two:**

**Grants Receivable**

Debit

**Net Assets With  
Donor Restrictions**

Credit

Once expenditures are paid,  
drawdown grant funds & reverse  
receivable

**Cash**

Debit

**Grants Receivable**

Credit

# Placed-in-Service Approach

When asset is placed into service,  
release net assets from restriction

**Net Assets With  
Donor Restrictions**

---

Debit

**Net Assets Released  
From Restriction Used  
for Purchase of  
Property & Equipment**

---

Credit

# Placed-in-Service Approach

- Condition is satisfied as expenditures are incurred
  - Don't forget drawdown percentage (matching requirement), which represents second condition
- Restriction expires when assets are placed into service
- Does not change amount to be reported on SEFA or timing of drawdowns

# G. ARP Capital

## Summary Federal Award Financial Information

### 19. Budget Period Start Date 09/15/2021 - End Date 09/14/2024

20. Total Amount of Federal Funds Obligated by this Action	\$0.00
20a. Direct Cost Amount	
20b. Indirect Cost Amount	
21. Authorized Carryover	\$0.00
22. Offset	\$0.00
23. Total Amount of Federal Funds Obligated this budget period	\$870,300.00
24. Total Approved Cost Sharing or Matching, where applicable	\$67,700.00
25. Total Federal and Non-Federal Approved this Budget Period	\$938,000.00
26. Project Period Start Date 09/15/2021 - End Date 09/14/2024	
27. Total Amount of the Federal Award including Approved Cost Sharing or Matching this Project Period	\$938,000.00



# G. ARP Capital

**Step 1:** Does the grant, contract, or contribution fall within the scope of ASC 958-605?

- Yes. The U.S. Department of Health & Human Services does not receive direct commensurate value for construction activities of the CHC.

# G. ARP Capital

**Step 2:** Does the grant, contract, or contribution include a donor-imposed condition or donor-imposed conditions?

- Measurable performance-related barrier or other measurable barrier?
  - Maybe. If budget was approved with non-federal share, a second barrier exists.
- Limited discretion by CHC on conduct of an activity?
  - Yes. CHC is subject to cost principles compliance requirements.
- Stipulations related to the purpose of the agreement?
  - No. Annual FFR & other reporting requirements are administrative.
- Right of return or release of obligation?
  - Yes. CHC is subject to cash management compliance requirements.

# G. ARP Capital

**Step 3:** Does the grant, contract, or contribution include a donor restriction?

- Yes. The grant is a capital grant & funds must be used for capital expenditures.

# G. ARP Capital

## Summary Federal Award Financial Information

19. Budget Period Start Date 09/15/2021 - End Date 09/14/2024

20. Total Amount of Federal Funds Obligated by this Action \$0.00

20a. Direct Cost Amount

20b. Indirect Cost Amount

21. Authorized Amount \$0.00

22. Offset Amount \$0.00

23. Total Available Amount \$70,300.00

24. Total Approved Cost Sharing or Matching, where applicable \$67,700.00

25. Total Federal and Non-Federal Approved this Budget Period \$938,000.00

26. Project Period Start Date 09/15/2021 - End Date 09/14/2024

27. Total Amount of the Federal Award including Approved Cost Sharing or Matching this Project Period \$938,000.00

**Conditional Contribution  
With Donor Restriction**

# G. ARP Capital Entries

- Recap from NOA:
  - Total award = \$938,000
  - Federal share = \$870,300
  - Non-federal share = \$67,700
- Calculated drawdown rate = 92.78%
- Doesn't impact part one of entry, but does impact part two & amount of drawdown

# Placed-in-Service Approach

## **FY 2021 ARP-Capital**

STATUS: CLOSED

Fiscal year (FY) 2021 American Rescue Plan – Health Center Construction and Capital Improvements (ARP-Capital, C8E) one-time funding supports construction, expansion, alteration, renovation, and other capital improvements to modify, enhance, and expand health care infrastructure.

VS.

## **FY 2021 ARP Funding for Health Centers**

The fiscal year (FY) 2021 American Rescue Plan (ARP) Funding for Health Centers provides one-time funding for a two-year period of performance to support health centers funded under the Health Center Program to prevent, mitigate, and respond to coronavirus disease 2019 (COVID-19) and to enhance health care services and infrastructure.

# Contributed Use of an Asset

- Upon receipt, record contribution as non-operating revenue at fair value
- Donor specifying how long a donated asset must be used is an explicit donor restriction

# Non-Current Contributions Receivable

- Unconditional contributions receivable that are expected to be collected in less than one year may be measured at net realizable value
- Present value techniques are the most common way of estimating the fair value of contributions receivable in more than one year
  - Typically, discount rate based on T-bill rates upon receipt of the contribution with a comparable term to the payment timeline



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