

Welcome to the Jones & Associates LLC, CPAs October 2016 newsletter! Feel free to pass it along...



## *Call for photos!*

Many of you have told us how much you enjoy our annual calendar of photos received from various nonprofit organizations last year. Here is your opportunity to be part of our 2017 calendar. Each entrant will be entered to win \$500 to be donated to your organization of choice.

This year's theme is "The Work that Makes a Difference". Here's what to include in the email:

- Up to 3 high resolution photos (the more colorful, the better)
- Explain how each photo represents work that makes a difference in our communities and world, whatever that means to you
- Tell us the organization of choice you would want the \$500 donation to go to, should your entry be drawn
- Email all this to [debbie@judyjonescpa.com](mailto:debbie@judyjonescpa.com)

Examples could be a beautiful stream that was cleaned of contaminants; a community walk for charity; a newly constructed library; the perfect fall day at a museum; or a colorful community garden. Think of the good work your organization brings to our community and send us a picture of it. Use your imagination!

Only one entry of no more than 3 photos is allowed per individual (entrant). Being one of our clients is not required. By emailing us your photo, you are giving us permission to use the photo in the 2017 Jones & Associates calendar. Your photos will not be used for any other purpose. The calendar is distributed to our clients, friends and colleagues. Not all photos will be selected for the actual calendar but each entrant is eligible for \$500 donation drawing.

The deadline is October 15<sup>th</sup>. Good luck!

## *Contribution or Earned Revenue?*



Congratulations! That new grant you worked so hard to wrangle in is finally yours! Then comes the question, "is this a contribution or earned revenue?"

It is common that the development staff of the organization do not clearly communicate the grant details to the financial staff - primarily because they are unaware of the differences. Misclassifying contributions as exchange transactions can have a large impact on your financial statements. Contributions are recorded in their entirety when the grant is promised; exchange transactions are recorded when the revenue is earned (i.e., the work is accomplished).

Accounting Standards Codification (ASC) 958-605-55 provides guidance to distinguish contributions from exchange transactions. In general, the accounting and reporting of grants is determined by the underlying substance of the transaction. The term "grant" is used broadly and can refer to contributions or exchange transactions. Each grant agreement should be carefully reviewed in making this determination, as it may be entirely a contribution, entirely an exchange transaction or a combination of the two.

Factors that would indicate the grant is a contribution, rather than an exchange transaction, include:

- The Organization's original intention was to use the funds as a contribution. This often is documented in the grant proposal requesting the funds.
- The grantor receives no value in exchange for the assets transferred, or the value received is incidental to the potential public benefit from using the asset.
- The activity specified by the grant is to be planned and carried out by the Organization who retains the right to the benefits of carrying out the activity. In general, the Organization has discretion in determining the time and place of delivery of the activity to its third-party recipients.
- If the Organization fails to make timely delivery of the assets, the Organization is not penalized for nonperformance. The Organization could be liable to return the unspent portion of the grant, but no other economic penalties exist.
- The resource provider communicates to the Organization that it is making a donation to support the Organization's programs. The grantor may refer to the award as a "contribution," "donation" or "sponsorship" in the grant agreement.

Some indicators can be more significant than others, depending on the individual facts and circumstances. In general, most grants received from private foundations and other donors are considered contributions, while government grants are exchange transactions.

## *Legal Check-in*

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Washington Nonprofits partnered with Wayfind and the Office of the Secretary of State to create "Let's Go Legal," a new resource aimed at making nonprofit law more accessible to board and staff members. Their set of legal resources can be found [here](#).

Washington Nonprofits makes sure nonprofits have what they need to succeed by helping nonprofits learn, increase their influence, and connect to people and resources. For more information visit their website at <http://www.washingtonnonprofits.org/> and check out their calendar of events.

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Should you have any questions about the content of anything in this newsletter, please contact us.

Your dedicated nonprofit team at Jones & Associates LLC, CPAs,

*Judy, Jennifer, Amy, Doug, Angela and Debbie*

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