

Examples 8

Exchange vs. Contribution

EXAMPLE 1 – GOVERNMENT FUNDING

The local government provided funding to NFP B to perform a research study on the benefits of a longer school year. The agreement requires NFP B to plan the study, perform the research, and summarize and submit the research to the local government. The local government retains all rights to the study.

This example should be considered an exchange transaction. NFP B concludes that this is a procurement arrangement in which commensurate value is being exchanged between two parties and that it should follow the relevant guidance for exchange transactions. NFP B is to perform a research study for the local government and turn over a summary of the study's findings to the local government. The local government retains the rights to the study.

EXAMPLE 2 – RESEARCH AWARD

An institution has applied and is awarded a research grant from the federal government. The institution would have to follow the rules established by the federal government pertaining to the award. The institution is required to incur qualifying expenses to be entitled to the funds. Any unused funds are forfeited by the institution. A provision of the award requires the institution to submit a summary of research findings to the federal government, and the federal government has rights to the research and can publish and distribute the findings at their discretion. In this case, the research and findings benefit the federal awarding agency, and therefore it can be concluded that the federal government is receiving commensurate value in this transaction. The transaction would be classified as an exchange transaction.

EXAMPLE 3 – HEALTH CARE

Patient A is a patient at Hospital C. The total amount due for services rendered is \$12,000. Patient A has Medicare, and it covers \$10,000 of the services, which is paid directly by the government to Hospital C. Hospital C bills Patient A for the remainder of \$2,000.

This should be considered an exchange transaction. Medicare is a form of insurance. Hospital C has a contract with a customer (Patient A) and determines that the \$12,000 should be accounted for as an exchange transaction in accordance with the guidance in the appropriate Topic. The Medicare payment of \$10,000 and the Patient A payment of \$2,000 serve as a payment source for services rendered in the amount of \$12,000 owed to Hospital C. The payment to Hospital C relates to an existing exchange transaction between Hospital C and an identified customer (Patient A).