

## Examples 9

### Conditional vs. Unconditional Contribution

#### **EXAMPLE 1 – UNCONDITIONAL CONTRIBUTION TO A UNIVERSITY**

Nonprofit A is a university that is conducting a capital campaign to build a new building to house its school of mathematics and to make capital improvements to existing buildings on campus, including a new heating system and an upgraded telephone and computer network. Nonprofit A receives an upfront grant in the amount of \$12,000 from a foundation as part of its capital campaign. The agreement contains a right of return requiring that the assets be reimbursed to the resource provider if the assets are not used for the purposes outlined in the capital campaign solicitation materials. The resource provider does not include any specifications in the agreement about how the building should be constructed or on how other improvements should be made.

Nonprofit A determines that this grant is not conditional because the agreement places limits only on the specific activity that is being funded (for example, the assets can be used toward the new building or toward other capital improvements such as the heating system and an upgraded telephone and computer network within existing buildings on campus). The resource provider does not include any specifications about how the building should be constructed, and the agreement only indicates that Nonprofit A must use the grant for the purpose outlined in the capital campaign materials. Nonprofit A recognizes this grant as donor restricted revenue because it must be used for capital purposes, which is narrower than Nonprofit A's overall mission. This Example illustrates a fact pattern in which a grant can include a right of return and would be deemed a contribution that does not contain a donor-imposed condition because the return clause is not coupled with a barrier to be overcome, as determined by Nonprofit A using judgment to assess the indicators of a barrier.

#### **EXAMPLE 2 - CONDITIONAL CONTRIBUTION TO NURSING PROGRAM**

An institution applied for and received a grant from a funder to provide career training in its nursing program. The grant requires a minimum number of patients who must receive services during the year provided by nurse trainees in the program before the funder will transfer the assets. In this example, the award is classified as a contribution because the public is benefiting from the award rather than the resource provider. Further, the agreement includes a barrier, which is a right of release for a measurable performance-related metric in the minimum number of patients who must be seen each year. Therefore, the contribution would be considered conditional until the performance-related barrier is satisfied.

### **EXAMPLE 3 – CONDITIONAL CONTRIBUTION FROM A FOUNDATION**

ABC Foundation receives a grant proposal from an animal rescue facility, Nonprofit A, which requests a 3-year grant in the amount of \$1,000,000 upfront to be used to expand its operations. The agreement indicates that Nonprofit A must expand its facility by at least 5,000 square feet to accommodate additional animals by the end of the 3 years. The grant contains a right of return if the minimum expansion target is not achieved.

This is an example of a conditional grant as there is a barrier regarding the 5,000 additional square feet which must be achieved by Nonprofit A to be entitled to assets and a right of return for unused assets or unmet expansion requirements.