



April 25, 2019

To the Board of Directors
American Network of Community Options and Resources
Alexandria, Virginia

In planning and performing our audit of the financial statements of American Network of Community Options and Resources as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered American Network of Community Options and Resources' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

The following matter represents a new accounting pronouncement in regards to important accounting and rule changes.

Recently Issued Accounting Standard

The Financial Accounting Standards Board (FASB) released an accounting standard, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will be required to be implemented in the Organization's financial statements for the year ended December 31, 2019.

ASU 2014-09 introduces a comprehensive, principles-based framework for recognizing revenue and supersedes virtually all industry-specific revenue recognition guidance. The standard applies to any entity that enters into contracts with customers to transfer goods or services. For the Organization, the standard may affect revenue recognition for items such as membership dues, fee for service arrangements, or special events. Because the standard affects only exchange transactions, accounting for items such as contributions will not change.

An Action Plan

Establish a process for identifying all the Organization's revenue streams and categorize them between exchange transactions and contributions.

- Exchange transactions: An exchange transaction is a reciprocal transfer between two entities that results in one of the entities acquiring assets or services or satisfying liabilities by surrendering other assets or services or incurring other obligations.
- Contribution: An unconditional transfer of cash or other assets, as well as unconditional promises to give, to an entity or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity. Unconditional contributions should be recognized when the contribution is made.

For the revenue that is determined to be exchange transactions, determine whether recognition point(s) will change and whether new systems to support the new recognition point(s) are needed. The following five-step model can be used:

- Identify the contract with a customer/member

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- Identify the performance obligations in the contract or member application
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract or member benefit in the member application
- Recognize revenue when (or as) the Organization satisfies a performance obligation

We will review the status of this comment during our next audit engagement. We have already discussed this comment with Organization personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of management, the board of directors, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Wegner CPAs, LLP

A handwritten signature in black ink that reads "Glenn Miller". The signature is written in a cursive, slightly slanted style.

Glenn Miller, CPA
Partner