



Accounting update & impact of COVID-19 on financial reporting

Presented by:

Mark LaPrade, CPA CGMA

GOALS

- To provide an update of recent accounting standards in order to help you prepare financial statements that comply with the new accounting standards
- To provide guidance on some of the financial reporting implications of COVID-19



Polling question



ASU 2018-08

CLARIFYING THE SCOPE AND THE ACCOUNTING GUIDANCE FOR CONTRIBUTIONS RECEIVED AND CONTRIBUTIONS MADE

Implementation

- Conduit Debt Obligor (CDO) – Already adopted
- All other entities – fiscal years beginning after December 15, 2018
- Earlier application is permitted

ASU 2018-08

CLARIFYING THE SCOPE AND THE ACCOUNTING GUIDANCE FOR CONTRIBUTIONS RECEIVED AND CONTRIBUTIONS MADE

Issue 1

Characterizing grants and similar contracts with governmental agencies and others as (1) reciprocal transactions (exchanges) or (2) nonreciprocal transactions (contributions)

Issue 2

Distinguishing between conditional and unconditional contributions

Is the transaction one in which each party directly receives commensurate value?*

YES

It is an exchange transaction. Apply Topic 606 on revenue from contracts with customers or other applicable Topics.

NO

Is the payment from a third-party payer on behalf of an existing reciprocal transaction?

YES

It is a balance-sheet only transaction. No effect on an entity's revenue recognition

NO

It is a nonreciprocal transaction. Apply contribution (non-exchange) guidance.

Is there a donor-imposed condition or conditions present (a barrier and a right of return/right of release must exist)?

NO

YES

It is conditional. Recognize revenue when the condition or conditions are met.

MEETING OF CONDITION

It is unconditional. Recognize revenue in appropriate net asset class.

It is unconditional and with donor restrictions.

YES

Are restrictions present (that is, limited purpose or timing)?

NO

It is unconditional and without donor restrictions.

REVENUE FROM CONTRACTS WITH CUSTOMERS (Topic 606)

ASU 2014-09	ASU 2015-14	ASU 2016-08	ASU 2016-10	ASU 2016-12	ASU 2016-20	ASU 2017-13	ASU 2017-14	ASU 2019-08
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OBJECTIVE

- To create a single principle based revenue standard for U.S. GAAP and IFRS
- To improve accounting for contracts with customers by:
 - Providing a robust framework for addressing revenue issues as they arise
 - Increasing comparability across industries and markets
 - Requiring better disclosures

CHALLENGES

- Interpretation of broad guidance, application to specific revenue streams
- What is a “customer” in the context of a charitable organization

REVENUE FROM CONTRACTS WITH CUSTOMERS (Topic 606)

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SCOPE

ALL CONTRACTS WITH CUSTOMERS, EXCEPT:

- Lease contracts
- Insurance contracts
- Financial instruments
- Guarantees
- Non-monetary exchanges in the same line of business to facilitate sales to customers

CONTRACTS NOT WITH CUSTOMERS ARE EXCLUDED:

- Contributions
- Collaborative arrangements where both entities share the risks and benefits

REVENUE FROM CONTRACTS WITH CUSTOMERS (Topic 606)

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1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

REVENUE FROM CONTRACTS WITH CUSTOMERS (Topic 606)

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EFFECTIVE DATE

- Public entities (including CDO) – Adopted already
- All other entities – periods beginning after December 15, 2018

IMPLEMENTATION OPTIONS

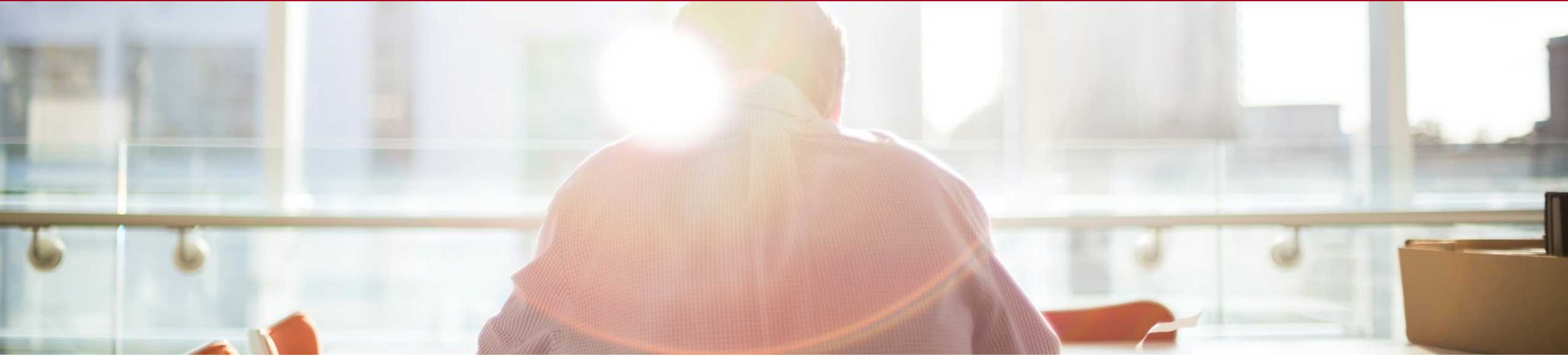
- Retrospectively to each prior reporting period presented
- Retrospectively with the cumulative effect of initially applying the update recognized at the date of initial application

REVENUE FROM CONTRACTS WITH CUSTOMERS (Topic 606)

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PRACTICAL IMPLEMENTATION TIPS

- Analyze your revenue streams
- Consider cutoff risk based on nature of the transaction. If entire earnings process takes place within your fiscal year, less analysis may be required
- Inventory all of your revenue streams – Disaggregate your revenue streams based on unique characteristics and determine which ones could potentially have cutoff risk
- How you bill your customers is irrelevant in determining the timing of revenue recognition



Polling question

LEASES

Implementation

- Divided into two groups:
 1. Public Business Entities, CDO or SEC EB Plan – fiscal years beginning after December 15, 2018
 2. All other entities – fiscal years beginning after December 15, 2020
- Earlier application is permitted
- Exposure draft issued on April 22, 2020
 1. Public NFP's would be for fiscal years beginning after December 15, 2019 (Only applies to entities that have not issued their financial statements)
 2. All other entities – fiscal years beginning after December 15, 2021

LEASES

	Balance sheet	Income statement	Cash flow statement
Finance	<ul style="list-style-type: none">• Right-of-use asset• Lease liability	<ul style="list-style-type: none">• Amortization expense• Interest expense	Cash paid for principal (financing activity) and interest payments (operating activity)
Operating	<ul style="list-style-type: none">• Right-of-use asset• Lease liability	Single lease expense on a straight-line basis	Cash paid for lease payments (operating activity)

ASU 2016-15

STATEMENT OF CASH FLOWS—CLASSIFICATION OF CERTAIN CASH RECEIPTS AND CASH PAYMENTS

Implementation

- Public Business Entities – fiscal years beginning after December 15, 2017
- All other entities – fiscal years beginning after December 15, 2018
- Should be applied retrospectively in the year the update is applied
- Earlier application is permitted

STATEMENT OF CASH FLOWS—CLASSIFICATION OF CERTAIN CASH RECEIPTS AND CASH PAYMENTS

- Debt prepayments or extinguishments – Financing Activity
- Proceeds from insurance claims – Basis of related coverage (Operating vs. Investing Activity)
- Proceeds from entity owned life insurance – Investing Activity
- Distributions from equity method investment
 - Returns on investment are Operating Activity
 - Returns of investments are Investing Activity
- Cash flows that have aspects of more than one class should be allocated by applying specific guidance in U.S. GAAP

A background image showing a close-up of hands in white lab coats writing on documents with blue and black pens. The image is slightly blurred and has a blue overlay on the left side where the text is located.

ASU 2016-18

STATEMENT OF CASH FLOWS—RESTRICTED CASH

Implementation

- Public Business Entities – fiscal years beginning after December 15, 2017
- All other entities – fiscal years beginning after December 15, 2018
- Should be applied retrospectively in the year the update is applied
- Earlier application is permitted



ASU 2019-06

INTANGIBLES – GOODWILL AND OTHER (TOPIC 350), BUSINESS COMBINATIONS (TOPIC 805), AND NOT-FOR- PROFIT ENTITIES

Implementation

- Effective immediately upon issuance in May 2019
- Should be applied prospectively in the year the update is applied

ASU 2018-13

CHANGES TO THE DISCLOSURE REQUIREMENTS FOR FAIR VALUE MEASUREMENT

- Fiscal years beginning after December 15, 2019
- Early adoption is permitted

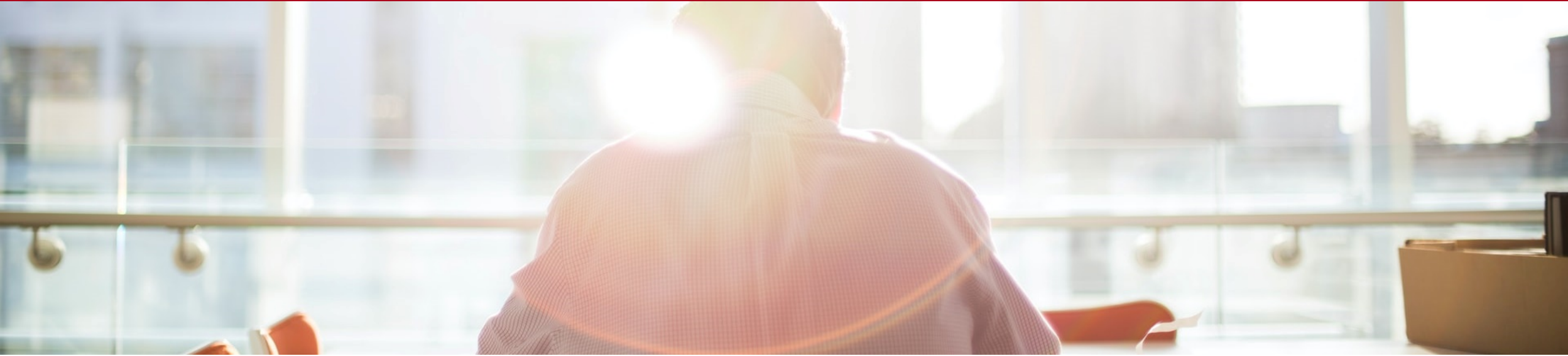


OTHER APPLICABLE ASU'S

ASU	Description	Effective date
2016-13 & 2019-10	Financial Instruments – Credit Losses	Years beginning after December 15, 2022
2017-04	Simplifying the test of goodwill impairment	Years beginning after December 15, 2022
2017-07	Improving the presentation of net periodic pension cost and net periodic post-retirement costs	Years beginning after December 15, 2018
2019-03	Updating the definition of collections	Years beginning after December 15, 2019



Impact of COVID-19 on financial reporting



Polling question

A person in a white lab coat is sitting at a desk, using a calculator and a pen. There is a laptop on the desk, and some papers with a pie chart are visible. The scene is overlaid with a semi-transparent blue rectangle containing text.

DISCLOSURE CONSIDERATIONS

- Disclosure/recognition of loss contingencies
- Cash flow presentation of insurance proceeds
- Risks and uncertainties
- Going concern
- Subsequent events



ACCOUNTING CONSIDERATIONS

- Credit losses for loans and receivables
- Investments and endowment accounting
- Indefinite-lived intangible assets other than goodwill, long-lived assets and goodwill
- Long-term debt



ACCOUNTING CONSIDERATIONS

- Revenue recognition
- Leases
- Business interruption insurance
- Exit activities
- CARES Act accounting
- Uniform Guidance

Contact us



Mark LaPrade, CPA CGMA

Principal

603.518.2633

mlaprade@berrydunn.com