

FORVIS[®]

Arkansas HFMA December CPE A&A Update - 2023

Michael Westerfield, CPA,
FHFMA



FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.

Agenda

- Introductions
- FASB Updates
- GASB Updates
- Auditing Standards Updates
- Items on the Horizon
- Questions/Closing

FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.

FASB Update

- ASU 2017-04 Intangibles – Goodwill & Other: Simplifying the test for Goodwill Impairment
- ASU 2021-08 Accounting for Contract Assets & Contract liabilities from Contracts with Customers
- ASU 2022-04 Liabilities – Supplier Finance Programs: Disclosure of Supplier Finance Program Obligations
- ASU 2023-01 Common Control Leases

FORV/S

3

ASU 2017-04 Intangibles – Goodwill & Other: Simplifying the test for Goodwill Impairment

- Effective for public business entities for FYB after December 15, 2019. For all other entities FYB after December 15, 2022
- Effectively removed step 2 of the goodwill impairment test
- Entities will need to consider the deferred tax effect only when goodwill assigned to the reporting unit is tax deductible & the reporting unit's carrying value exceeds its fair value

FORV/S

4

ASU 2021-08 Accounting for Contract Assets & Contract liabilities from Contracts with Customers

- Effective for public business entities for FYB after December 15, 2022. For all other entities FYB after December 15, 2023
- Impacts business combination accounting
- Generally, will result in companies recognizing contract assets & contract liabilities at amounts consistent with those recorded by the acquiree immediately before the acquisition date

FORV/S

5

ASU 2022-04 Liabilities – Supplier Finance Programs: Disclosure of Supplier Finance Program Obligations

- Effective FYB after December 15, 2022, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023.
- Disclosure only

FORV/S

6

ASU 2023-01 Common Control Leases

- Effective for FYB after December 15, 2023
 - Allows private companies & certain NFP entities to use the written terms & conditions of a common control arrangement (rather than the legally enforceable terms) to determine whether a lease exists & classify & account for the lease
 - Requires all leases to amortize leasehold improvements associated with common control leases over their useful life to the common control group & account for them as a transfer of assets between entities under common control at the end of the lease

FORVIS

7

Topic 326 Current Expected Credit Losses (CECL)

- Effective for FYB after December 15, 2022
 - The following ASUs relate to the accounting for credit losses
 - 2022-02 – Financial Instruments – Credit Losses: Troubled Debt Restructurings & Vintage Disclosures
 - 2019-11 – Codification Improvements to Topic 326, Financial Instruments – Credit Losses
 - 2019-05 – Financial Instruments – Credit Losses: Targeted Transition Relief
 - 3 separate Codification Improvements related to Topic 326
 - 2016-13 – Financial Instruments – Credit Losses: Measurement of Credit Losses to Financial Instruments

FORVIS

8

Topic 326 Current Expected Credit Losses (CECL)

- In Scope
 - Loans held for investment
 - Held-to-maturity debt securities
 - Trade receivables (no impact for most HC)
 - Sales-type leases
 - Direct financing leases
 - Reinsurance recoverables
 - Off-balance-sheet credit exposure
 - Anything else not specifically excluded where there is a contractual right to receive cash

FORV/S

9

Topic 326 Current Expected Credit Losses (CECL)

- Scoped Out
 - Financial assets measured at fair value through net income
 - Loans and receivables between common control entities
 - Receivables for a not-for-profit from operating leases
 - Promises to give (pledges)

FORV/S

10

Topic 326 Current Expected Credit Losses (CECL)

- I am in Healthcare what does this mean
 - Notes receivables
 - Physician receivables

FORV/S

11

Topic 326 Current Expected Credit Losses (CECL)

- Previous GAAP
 - Amount of probable loss based on events that have occurred to the measurement date
- CECL Model
 - Current estimate of lifetime cash flows not expected to be collected discounted at the effective rate

FORV/S

12

GASB Update

- Statement Number 96 – Subscription-based information technology arrangements (SBITAs)
- Statement Number 100 – Accounting Changes & Error Corrections

FORV/S

13

Statement Number 96 – Subscription-based information technology arrangements (SBITAs)

- Effective FYB after June 15, 2022

To determine whether a contract conveys control of the right to use the underlying IT assets, a government should assess whether it has both

- The right to obtain the present service capacity from use of the underlying IT assets as specified in the contract
- The right to determine the nature & manner of use of the underlying IT assets as specified in the contract

FORV/S

14

Statement Number 96 – Subscription-based information technology arrangements (SBITAs)

■ Scope Exclusions

- Contracts that meet the definition of a lease in Statement 87
- Governments that provide the right to use their IT software & associated tangible capital assets to other entities through SBITAs
- Contracts that meet the definition of a Public private partnership in Statement 94
- Perpetual licenses

FORV/S

15

Statement Number 96 – Subscription-based information technology arrangements (SBITAs)

■ Is this a SBITA?

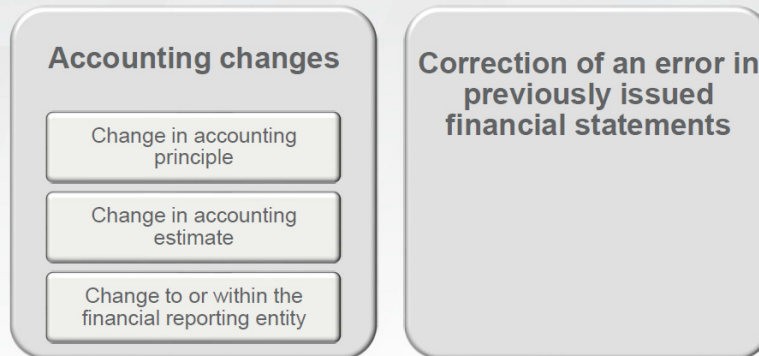
- Website Subscriptions (News services, Bloomberg, Morningstar)
- Laptops with operating software/Microsoft 365
- Cloud computing arrangements
- Software (Microsoft 365, QuickBooks Online, ERP Software)
- Software that automatically renews

FORV/S

16

Statement Number 100 – Accounting Changes & Error Corrections

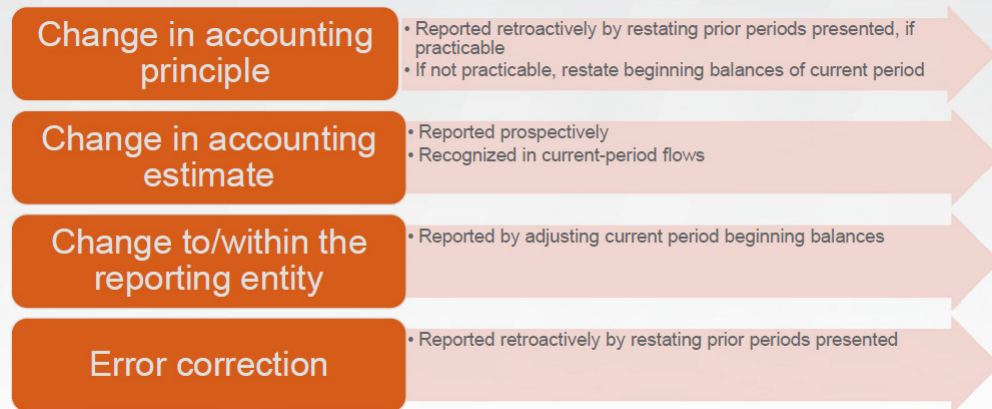
- Effective FYB after June 15, 2023



FORV/S

17

Statement Number 100 – Accounting Changes & Error Corrections



FORV/S

18

Auditing Standards Update

- Statement on Auditing Standards (SAS) 143 – Auditing Accounting Estimates
- SAS 144 – Use of Specialist
- SAS 145 – Understanding the Entity & Its Environment & Assessing the Risks of Material Misstatement
- SAS 147 – Predecessor Inquiries

FORV/S

19

SAS 143 – Auditing Accounting Estimates

- Effective for periods ending on or after December 15, 2023

FORV/S

20

SAS 144 – Use of Specialist

- Effective for periods ending on or after December 15, 2023
- Impacts
 - AU-C 501 Audit Evidence—Specific Considerations for Selected Items
 - AU-C 540 Auditing Accounting Estimates and Related Disclosures
 - AU-C 620 Using the Work of an Auditor’s Specialist

FORV/S

21

SAS 145 – Understanding the Entity & Its Environment & Assessing the Risks of Material Misstatement

- Effective for periods ending on or after December 15, 2023

FORV/S

22

SAS 147 – Predecessor Inquiries

- Effective for periods beginning on or after June 30, 2023

FORV/S

23

Items on the Horizon

- FASB
 - Accounting for and Disclosure of Crypto Assets
 - Accounting for and Disclosure of Software Costs
 - Accounting for Environmental Credit Programs
 - Accounting for Government Grants

FORV/S

24

Items on the Horizon

Accounting for Crypto Assets

- Expected to be completed in Q4 2023.
- Likely effective for FYB December 14, 2024 and later
- Do not expect board to issue guidance on how to recognize costs to acquire crypto assets, such as commissions and other related transaction fees
- Present separately from other intangible assets
- Not-for-profit organizations that liquidate crypto assets with donor-imposed restrictions for long-term or capital use would be required to classify that activity as cash flows from financing activities.

FORV/S

25

Items on the Horizon

Disclosure of Crypto Assets

- the name of the crypto asset
- fair value
- units held
- cost basis
- fair value of crypto assets restricted from sale
 - the nature and remaining duration of the restriction
 - circumstances that could cause a lapse in the restriction(s).

FORV/S

26

Items on the Horizon

Accounting for and Disclosure of Software Costs

FORVIS

27

Items on the Horizon

Accounting for Environmental Credit Programs

What is an environment credit?

- Lacks physical substance and is not a financial asset (as defined in the Master Glossary of the Codification)
- Is represented to prevent, control, reduce, or remove emissions or other pollution
- Is separately transferable in an exchange transaction
- Is not an income tax credit that may be used to settle an entity's income tax liability, regardless of whether the entity has a tax liability or intends to use the credit for that purpose.

FORVIS

28

Items on the Horizon

Accounting for Government Grants

- Recognize when it is probable that:
 - the entity will comply with the conditions of the grant
 - the grant will be received
- Expected to differentiate between
 - Grants related to income
 - Grants related to assets

FORV/S

29

Items on the Horizon

- GASB
 - Financial Reporting Model
 - Revenue & Expense Recognition
 - Going Concern

FORV/S

30

Thank you!

forvis.com

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office. © 2023 FORVIS, LLP. All rights reserved.

FORVIS
Assurance / Tax / Consulting

Questions

forvis.com

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office. © 2023 FORVIS, LLP. All rights reserved.

FORVIS
Assurance / Tax / Consulting