



1

Learning Objectives

- Learn about accounting and audit standards effective in current and upcoming years.
- Discuss updates and implementation guidance for Leasing and Revenue Recognition standard changes.
- Understand the impact of new standards as they relate to financial reports, covenant calculations, and key performance indicators.

© 2019 Offshore Securities LP



2

Summary of Significant Upcoming Standards

ASU Reference	Topic
2016-02	Leases
2014-09 (amended by 2016-08)	Revenue from Contracts with Customers
2016-14	Presentation of Financial Statements of Not-for-Profit Entities
2016-15	Statement of Cash Flows
2016-18	Statement of Cash Flows, Restricted Cash
2018-13	Fair Value Measurement, Disclosure Framework

© 2019 Offshore Securities LP



3

Summary of Additional Upcoming Standards

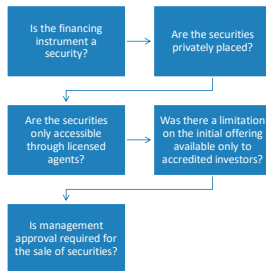
ASU Reference	Topic
2016-01	Recognition and Measurement of Financial Instruments
2016-13	Measurement of Credit Losses on Financial Instruments
2017-04 (amended by 2019-06)	Intangibles - Goodwill and Other
2017-07	Compensation - Retirement Benefits
2017-08	Receivables - Nonrefundable Fees and Other Costs, Premium Amortization on Purchased Callable Debt Securities
2018-08	Not-for-Profit Entities, Contributions
2018-15	Intangibles - Internal Use Software

© 2019 Deloitte LLP

4


Public Business Entity Determination

Effective dates are determined by the organization's classification as a Public Business Entity.



© 2019 Deloitte LLP

5



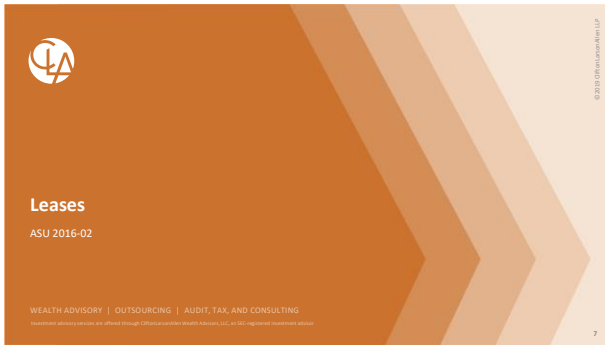
Significant Upcoming Accounting Standards

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Wealth Advisory Services are offered through Deloitte Tax LLP, a SEC-registered investment adviser.

© 2019 Deloitte LLP

6



Leases
ASU 2016-02

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

© 2019 Create Opportunities LP

7

Leases – Effective Date

UNDER REVIEW

Public Business Entity – 12/31/19

- Annual reporting periods **beginning after December 15, 2018.**
 - Including interim periods within those fiscal years.

Nonpublic Entity – 12/31/20

- Annual reporting period **beginning after December 15, 2019.**
 - Including interim periods beginning after December 15, 2020.
 - Early adoption is permitted.

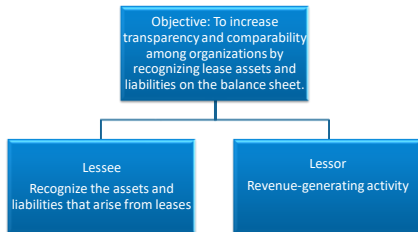
© 2019 Create Opportunities LP



Create Opportunities

8

Leases: Scope of Standard



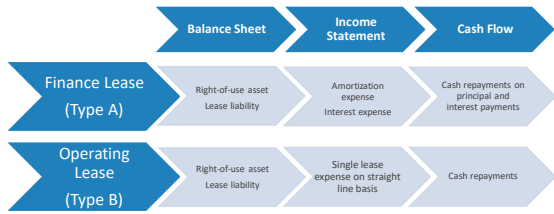
© 2019 Create Opportunities LP



Create Opportunities

9

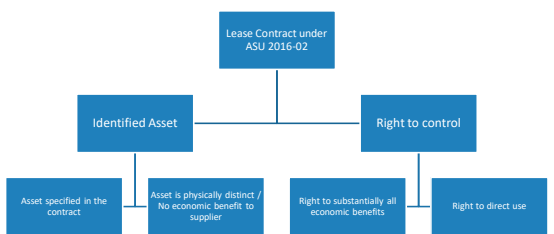
Leases: Lessee Overview



© 2019 ICF Macquarie LLP

10

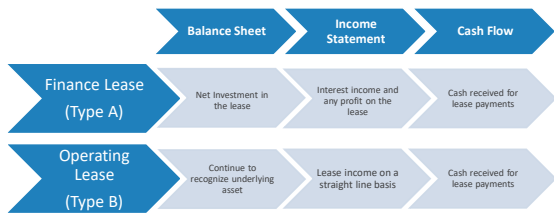
Leases: Identifying a Lease for Lessee



© 2019 ICF Macquarie LLP

11

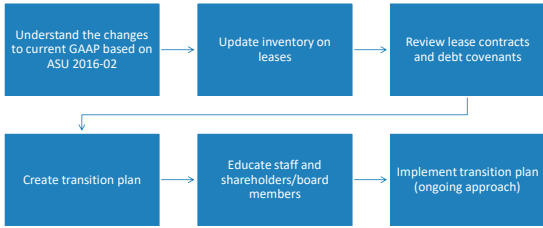
Leases: Lessor Overview



© 2019 ICF Macquarie LLP

12

Leases: Implementation Guidance



© 2018 CPA Financial Services LP

13

© 2018 CPA Financial Services LP

14

Effective Dates – Modified by ASU 2015-14

- | | |
|---|---|
| <p>Public Business Entity - 12/31/18</p> <ul style="list-style-type: none"> Annual reporting periods beginning after December 15, 2017. <ul style="list-style-type: none"> Includes interim reporting periods within the same timeframe. | <p>Nonpublic Entity – 12/31/19</p> <ul style="list-style-type: none"> Annual reporting period beginning after December 15, 2018. Interim reporting periods within annual reporting periods beginning after December 15, 2019. |
|---|---|

© 2018 CPA Financial Services LP

15

The Standard: Revenue from Contracts with Customers

Objective: To develop a single, principle-based revenue standard for generally accepted accounting principles (GAAP) and international financial reporting standards (IFRS).

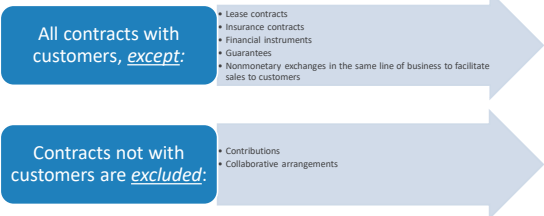
The revenue standard aims to improve accounting for contracts with customers by:

- Providing a robust framework for addressing revenue issues as they arise
- Increasing comparability across industries and capital markets
- Requiring better disclosure

Substantially converged with IFRS on major provisions

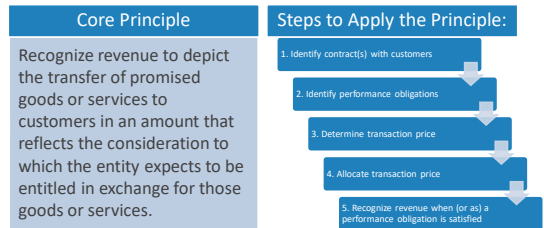
16

Scope of Standard



17

Application of the Standard: The Model



18

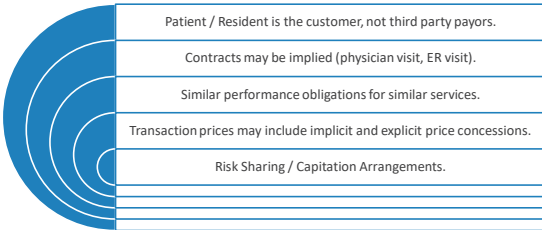
Application of the Standard: Disclosures

Disaggregation of revenues	Quantitative* and qualitative disaggregation of revenue into categories that depict how revenue and cash flows are affected by economic factors
Information about contract balances	Opening and closing balances*
	Amount of revenue recognized from contract liabilities*
	Explanation of significant changes in contract balances*
Remaining performance obligations	Transaction price allocated to remaining performance obligations*
	Quantitative or qualitative explanation of when amounts will be recognized as revenue*
Interim requirements	Quantitative disclosures*

* Required for Public Entities only

© 2018 IFRS Foundation/IASB

Overall Impact on Health Care Providers




© 2018 IFRS Foundation/IASB

Impact on Specific Health Care Industries

Hospitals & Health Systems Identify Performance Obligations: <ul style="list-style-type: none">Inpatient servicesOutpatient ancillary servicesEmergency room visitsClinics Determine the transaction price: <ul style="list-style-type: none">Consideration of self payThird party payor contractsExplicit and implicit price concessionsThird party payor settlements	Physicians, Clinics, Home Health, and FQHCs Identify performance obligations: <ul style="list-style-type: none">Individual visits or a group of visits Determine Transaction Price: <ul style="list-style-type: none">Consideration of self pay balancesThird party payor contractsExplicit and implicit price concessions	Life Plan Communities Amortization of deferred entrance fees Monthly service income – Type A life care contracts Capitalization of contract costs (marketing costs) Refundable entrance fees limited to proceeds from reoccupancy
--	--	--

© 2018 IFRS Foundation/IASB



Statement of Cash Flows
ASU 2016-15 and 2016-18 (Topic 230)

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through Citigroup Wealth Advisors, LLC, an SEC-registered investment advisor.

22

22

**ASU 2016-15: Statement of Cash Flows (Topic 230)
Classification of Certain Cash Receipts and Cash Payments**

Effective Date – early adoption permitted

- Public business entities: fiscal years beginning after 12/15/17
- Other entities: fiscal years beginning after 12/15/18

Purpose – Reduce diversity in practice

Scope – Cash flows impacted

- Debt prepayment or extinguishment costs
- Settlement of zero-coupon (or low-coupon) debt instruments
- Contingent consideration payments made after a business combination
- Proceeds from settlement of insurance claims
- Proceeds from settlement of corporate-owned life insurance
- Distributions received from equity method investees
- Beneficial interests in securitization transactions

Guidance: Predominance Principle

- For cash flows with aspects of multiple classifications, first apply guidance from Topic 230, then separately identify based on the nature of the flow. Classification depends on predominant source of use.



Create Opportunities

23

**ASU 2016-18: Statement of Cash Flows (Topic 230)
Restricted Cash**

Effective Date – early adoption permitted


- Public business entities: fiscal years beginning after 12/15/17
- Other entities: fiscal years beginning after 12/15/18

- Requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents.
- Does not provide a definition of restricted cash or restricted cash equivalents.
- Includes restricted cash and restricted cash equivalents in the beginning and ending totals of the cash flow statement.
- Requires entities to disclose the line items and amounts of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents reported within the statement of financial position.



Create Opportunities

24



Fair Value Measurement, Disclosure Framework
ASU 2018-13

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

© 2018 CFA Institute. All rights reserved.

25

ASU 2018-13: Fair Value Measurement: Disclosure Framework

Amendments apply to all entities that are required to make disclosures about recurring or nonrecurring fair value measurements.

Removes, modifies, or adds disclosure requirements relating to fair value measurements.

Effective for all entities for fiscal years beginning after December 15, 2019.

26

ASU 2018-13: Changes to Disclosures

Removals

- The amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy.
- The policy for timing of transfers between levels.
- The valuation processes for Level 3 fair value measurements.
- Nonpublic entities: changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements.

Modifications

- In lieu of a rollforward for Level 3 fair value measurements, nonpublic entities will be required to disclose transfers and purchases into and out of Level 3 fair value measurements.
- For investments calculated at net asset value, an entity is required to disclose the timing of liquidation of an investor's assets.
- Clarify that the measurement uncertainty disclosure is to communicate information about uncertainty in measurement.

Additions

- Changes in unrealized gains and losses for recurring Level 3 fair value measurements.
- The range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements.

27

Presentation of Financial Statements of Not-for-Profit Entities
ASU 2016-14

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

© 2018 CO Create Opportunities LP

28

ASU 2016-14: Not-for-Profit Entities: Presentation of Financial Statements

- Implementation required on financial statements this year (CY 2018, FY 2018-19).
- So what were the major changes to NFP financial statements?
- Improved information in financial statements and notes about financial performance, cash flows, and liquidity.

Create Opportunities

© 2018 CO Create Opportunities LP

29

ASU 2016-14: Illustrated Balance Sheet

Improved net asset classification

Net assets:	
Without donor restrictions	125,056
With donor restrictions	162,268
Total net assets	287,324


← Minimum Presentation Alternative Presentation →

Net assets:	
Without donor restrictions -	
Undesignated	24,931
Operating reserve	25,000
Designated by the Board for capital projects	75,125
Total	125,056
With donor restrictions -	
Time restricted for future periods	2,783
Purpose restricted	11,066
Endowment fund	148,419
Total	162,268
Total net assets	287,324

Create Opportunities

© 2018 CO Create Opportunities LP

30



Appendix – Additional Upcoming Standards

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through Citicorp Advisors Wealth Partners, LLC, an SEC-registered investment advisor.

34

34

ASU 2016-01: Recognition and Measurement of Financial Assets and Liabilities

Effective Date – early adoption permitted

- Public business entities: fiscal years beginning after 12/15/17
- Other entities: fiscal years beginning after 12/15/18

- Requires equity investments to be measured at fair value.
- Simplify the impairment assessment of equity investments.
- Eliminate requirement to disclose fair value of instruments at amortized costs.
- Require separate presentation of financial assets and liabilities by measurement category.
- Clarify that an entity should evaluate the need for a valuation allowance on deferred tax asset.

35

35

ASU 2016-13: Credit Losses on Financial Instruments

Financial assets measured at amortized cost

- Credit losses should be recorded at the net amount expected to be collected.
- Income statement reflects the measurement of credit losses for newly recognized financial assets.
- Includes multiple credit impairment objectives for financial instruments.
- Eliminate the probable initial recognition.

Available-for-sale assets

- Credit losses should be recorded through an allowance for credit losses.
- Limit the allowance to the amount by which fair value is below amortized cost basis.

Effective Date: Early adoption permitted.

- All non-SEC filers for annual periods beginning after December 15, 2020.

36

36

Intangibles – Goodwill and Other (Topic 350)

ASU 2019-06:	<ul style="list-style-type: none"> Allows not-for-profits to elect private company accounting alternatives for goodwill. 	ASU 2017-04:	<ul style="list-style-type: none"> Changes for companies not electing private company alternatives for goodwill.
Effective:	<ul style="list-style-type: none"> Immediately as of May 31, 2019. 	Effective:	<ul style="list-style-type: none"> Public business entities: fiscal periods beginning after 12/15/20. Other entities: fiscal periods beginning after 12/15/21.
Purpose:	<ul style="list-style-type: none"> Extends scope of private company alternatives to not-for-profits, enabling organizations to recognize fewer items as separate intangible assets and account for goodwill more cost effectively. 	Purpose:	<ul style="list-style-type: none"> Simplify the test for goodwill impairment.
Scope - Allows electing NFP to:	<ul style="list-style-type: none"> Amortize goodwill over 10 years or less on a straight-line basis. Test for impairment upon a triggering event. Elect to test for impairment at entity level. 	Scope :	<ul style="list-style-type: none"> Removes Step 2 of Goodwill Impairment Model requiring a hypothetical purchase price allocation. Annual impairment tests going forward should compare fair value to carrying amount (previously Step 1).

© 2019 CIMA Research, LLP

37

ASU 2017-07: Compensation – Retirement Benefits Improving Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

Effective Date – early adoption permitted	<ul style="list-style-type: none"> Public business entities: fiscal years beginning after 12/15/17 Other entities: fiscal years beginning after 12/15/18
Purpose – Increase transparency of net benefit cost and disaggregated information	
Scope – Required changes	<ul style="list-style-type: none"> Include service component costs on same income statement line as other related compensation costs Present non-service components of net benefit costs separately from service cost component and outside income from operations, if presented, in the income statement Only service cost components are eligible for capitalization in assets. Non-service components are not eligible.

© 2019 CIMA Research, LLP

38

ASU 2017-08: Premium Amortization on Purchased Callable Debt

- Shortens the amortization period for certain callable debt securities held at a premium.
- Requires the premium to be amortized to the earliest call date.
- Effective Dates: Public business entities calendar-year 2019 and for non-public business entities calendar-year 2020.

© 2019 CIMA Research, LLP

39

ASU 2018-08: Not-For-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

Effective Date for Contribution Recipients – early adoption permitted

- Public business entities: fiscal years beginning after 6/15/18
- Other entities: fiscal years beginning after 12/15/18

Purpose – Clarifies and improves scope and guidance for contributions received and made

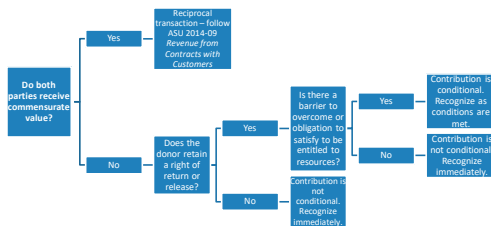
Scope – Guidance Provided

- Distinguishes between contributions and exchange transactions to determine which guidance to apply
- Contributions: Subtopic 958-605, *Not-for-Profit Entities – Revenue Recognition*
- ASU 2018-08 assists in determining if contributions are unconditional or conditional, and if unconditional transactions are limited by purpose or timing
- Exchange Transactions: Topic 606, *Revenue from Contracts with Customers*
- Includes decision tree to assist in evaluating transactions

© 2018 AICPA Institute of CPAs

40

ASU 2018-08: Not-For-Profit Entities (continued) Decision Tree for Contributions Received



© 2018 AICPA Institute of CPAs

41

ASU 2018-15: Intangibles - Internal Use Software

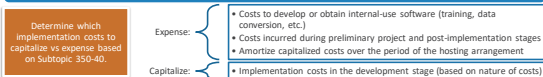
Effective Date – early adoption permitted

- Public business entities: fiscal years beginning after 12/15/19
- Other entities: fiscal years beginning after 12/15/20

Purpose – Align requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software

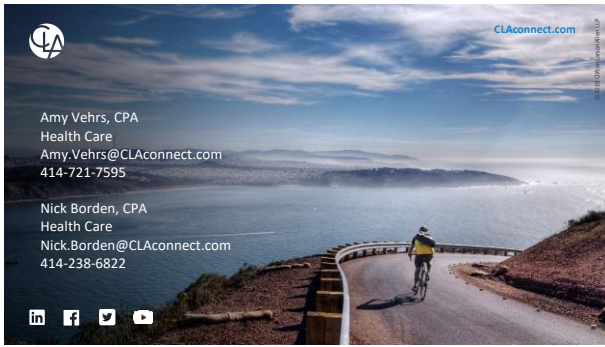
- Does not affect accounting for the service element of a hosting arrangement that is a service contract

Scope – Customers in a hosting arrangement that is a service contract



© 2018 AICPA Institute of CPAs

42



43
