



# Accounting and Assurance Update

May 2023

# Today's Presenter



**Anna Stevens, CPA, CHFP, Partner-in-Charge, Health Care Services**, has provided accounting services to health care organizations for more than 10 years. She has served clients in a variety of health care entities, including physician practices, ambulatory clinics, acute care hospitals, post-acute care facilities, as well as biotech companies. Anna worked as the corporate controller for an \$80 million post-acute health care system, where she managed the operating budget, prepared financial statements and helped department leaders manage their individual operating budgets.

While working as a public accountant, Anna has served organizations that have in excess of \$400 million in net patient service revenues and has vast experience with complex engagements such as provider relief funds, stock option grants, start-up accounting, and purchase price allocations.

A Texas-licensed CPA and Certified Healthcare Financial Professional (CHFP), Anna has been a national speaker for and is an active member of the Health Care Financial Management Association (HFMA). As a member of the Texas Society of Certified Public Accountants (TXCPA), she serves on its Advanced Health Care Committee. She is also an active member of the American Institute of Certified Public Accountants (AICPA). She earned both Master of Science and Bachelor of Science degrees in accounting from Sam Houston State University.

- ▶ ASUs Affecting Private Companies in 2022 and Beyond
- ▶ Recent ASUs Issued by the FASB in 2023
- ▶ Other FASB Proposals and Exposure Drafts
- ▶ Questions/Comments

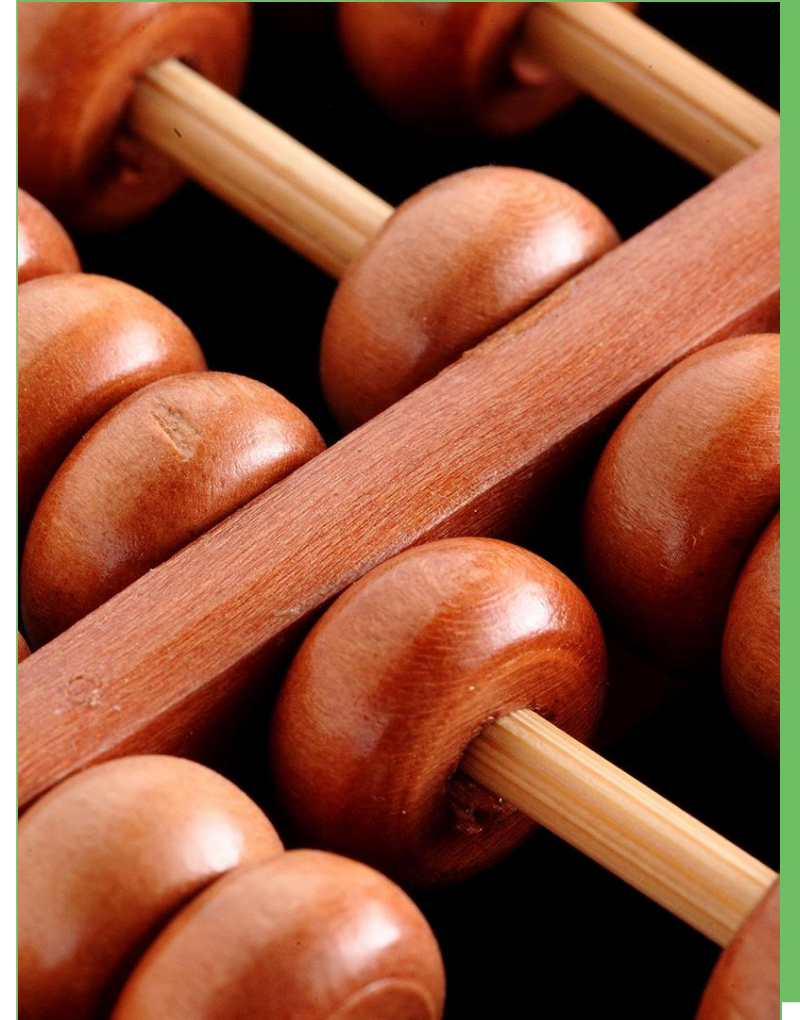




# ASUs Affecting Private Companies in 2022 and Beyond

## TOPIC 958: PRESENTATION AND DISCLOSURES BY NOT-FOR-PROFIT ENTITIES FOR CONTRIBUTED NONFINANCIAL ASSETS

- ▶ **Impact** – Minimal
- ▶ **Effective Date** – Fiscal years beginning after June 15, 2021
- ▶ **Application** – Retrospective
- ▶ **Summary** –
  - » Increases transparency around NFP's contributed nonfinancial assets. Organizations will be required to have a separate line item on the Statement of Activities and increased disclosures



## TOPIC 832: DISCLOSURE BY BUSINESS ENTITIES ABOUT GOVERNMENT ASSISTANCE

- ▶ **Impact** – Significant
- ▶ **Effective Date** – Annual reporting periods beginning after December 15, 2021
- ▶ **Application** – Prospective or Retrospective
- ▶ **Summary** –
  - » Increases transparency on business entities reflection of government assistance
  - » Including disclosures around:
    - Entity's accounting for the assistance
    - The type of assistance received
    - Effect of the assistance on the entity's financial statements



## TOPIC 350: SIMPLIFYING THE TEST FOR GOODWILL IMPAIRMENT

- ▶ **Impact** – Variable
- ▶ **Effective Date** – fiscal years beginning after December 15, 2022
- ▶ **Application** – Prospective
- ▶ **Summary** –
  - » Removes Step 2 on impairment testing. One-step impairment testing for all reporting units.



## DEFERRAL OF SUNSET DATE OF TOPIC 848

- ▶ **Impact** – Variable
- ▶ **Effective Date** – Upon Issuance – Issued December 22, 2022
- ▶ **Application** – Various
- ▶ **Summary** –
  - » Extends the effective date of temporary relief under ASU 202-04 to December 31, 2024.





## DISCLOSURE OF SUPPLIER FINANCE PROGRAM OBLIGATIONS

- ▶ **Impact** – Various
- ▶ **Effective Date** – annual periods beginning after December 15, 2022
- ▶ **Application** – Disclosure
- ▶ **Summary** –
  - » Buyer in a supplier finance program will be required to disclose qualitative and quantitative information about the program.

## TOPIC 805: ACCOUNTING FOR CONTRACT ASSETS AND CONTRACT LIABILITIES FROM CONTRACTS WITH CUSTOMERS

- ▶ **Impact** – Variable
- ▶ **Effective Date** – Fiscal years beginning after December 15, 2023
- ▶ **Application** – Prospective
- ▶ **Summary** –
  - » Improve accounting for acquired revenue contracts. Historically – acquired at fair value. New guidance – will be assumed in accordance with ASC 606 as if it had originated the contract.



# Recent ASUs Issued by the FASB in 2023

## ASU 2023-01

- ▶ **Leases (Topic 842) *Common Control Arrangements***
  - » Clarifies the terms and conditions between entities under common control and whether a lease exists.
  - » Addresses leasehold improvements and how to account for them in a common control lease when the lease is shorter than the economic life.



## ASU 2023-02

- ▶ Investments – Equity Method and Joint Ventures (Topic 323)
- ▶ Expands the proportional amortization method accounting election for certain tax credits





# Other FASB Proposals

## BUSINESS COMBINATIONS – JOINT VENTURE FORMATIONS

- ▶ Subtopic 805-60: *Recognition and Initial Measurement*
- ▶ Would require JV to initially measure its assets and liabilities at fair value – at formation
- ▶ Comments were generally in support of the proposed ASU.

# Exposure Drafts and Projects

- ▶ Profit Interests - Intended to clarify PI by adding examples of when a PI would apply ASC 718
- ▶ Software Costs – Increased transparency around an entity's software costs
- ▶ Environmental Credit Programs – Recognition, measurement, presentation and disclosure of certain environmental credits





- ▶ Government Grants – Incorporating IAS 20 into GAAP
- ▶ Accounting for Crypto Assets
  - » Measure crypto assets at fair value
  - » Recognize increase and decreases in FV through comprehensive income
  - » Report separately in intangible assets
  - » Classification on cash flow



- ▶ SAS 142 – *Audit Evidence*
  - » Effective – December 15, 2021
  - » Focuses on evaluation of information used as audit evidence
  
- ▶ SAS 145 - *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*
  - » Effective – December 15, 2023
  - » New requirements around separately assessing inherent and control risk
  - » New guidance on maintaining professional skepticism
  - » Revised requirements relating to audit documentation



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Questions?

