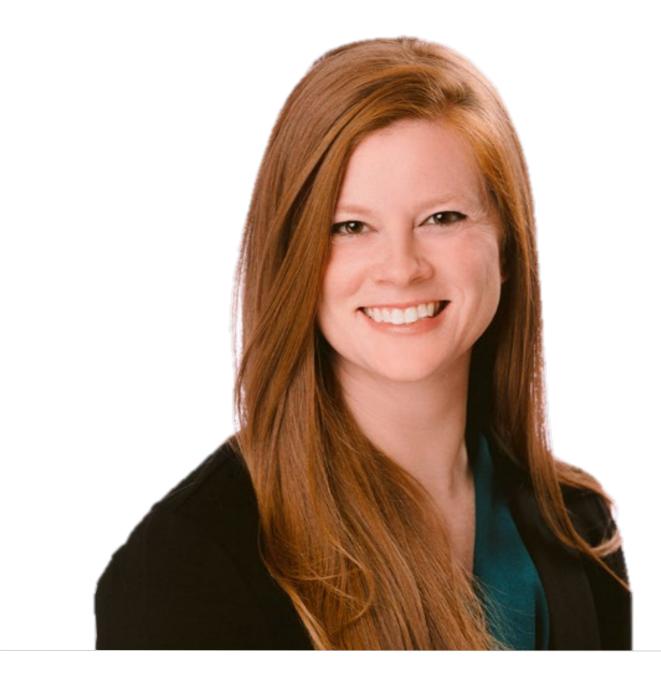


Meet the Presenter



Paula Bedford, CPA

Principal Public Sector Assurance





Session Outline

- ASUs Significantly Impacting NFPs ASU 2020-07 – Contributed Nonfinancial Assets ASU 2016-02 – ASC 842, Leases
- COVID Funding





CPE Prompt 1 of 6





ASU 2020-07, CONTRIBUTED NONFINANCIAL ASSETS



Not-For-Profit Reporting of Contributed Nonfinancial Assets

- new presentation and disclosure standards for gifts-in-kind

FASB ASU 2020-07, Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets, issued in September 2020, requires

Effective for fiscal years beginning after June 15, 2021; retrospective transition required; early adoption permitted (FYE 6/30/22; CYE 12/31/22)





Not-For-Profit Reporting of Contributed Nonfinancial Assets

Definition

assets, materials & supplies (food, medical equipment), intangibles, contributed services

Objective

- Increase transparency
 - Amounts of contributed nonfinancial assets received
 - How used to conduct programs
 - Valuation of fair value

• Contributed nonfinancial assets are items such as fixed assets, use of fixed





Old Disclosures vs. New Disclosures

Existing

- Description of the programs or activities for which services were used
- Nature and extent of contributed services received
- Amount of revenue recognized
- Encouraged to disclose the fair value of contributed services but **not** recognized as revenue, if practicable

New

- Present contributed nonfinancial assets as separate line items on Statement of Activities
- Disclosure disaggregation by category of nonfinancial asset
- o Used or monetized
 - Areas or programs used
 - Monetization policies
- Description of donor restrictions
- Valuation techniques
- Principal market (or most advantageous market) used to arrive at fair value



8

Example Presentation and Disclosures

	hout Donor strictions	 ith Donor strictions	Total
Revenue, gains and other support			
Contributions, gains and other revenue			
Contributions and grants	\$ 927,763	\$ 185,585	\$ 1,113,348
Contributions of nonfinancial assets	125,632	23,510	149,142
Federal grant revenue (Note 1)	1,768,320	-	1,768,320
Program fees, net	2,089,221	-	2,089,221
Membership fees, net	1,737,838	-	1,737,838
Merchandise sales and parking fees	140,058	-	140,058
Investment income, net	663,682	1,467	 665,149
Total contributions, gains and other revenue	7,452,514	210,562	7,663,076
Net assets released from restrictions	 233,009	 (233,009)	 -
Total revenue, gains and other support	7,685,523	 (22,447)	7,663,076

Contributed Nonfinancial Assets

The Organization receives various forms of noncontributed financial assets including media, food and nonfood items such as books and household goods, and in-kind services. Contibuted nonfinancial assets are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. Contributed nonfinancial assets are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Contributed nonfinancial assets are not sold and goods are only distributed for program use. The food and non-food items received have donor restrictions of which are restircted to certain programs for which they must be utilized.

Nonfinancial Contributions	Type of Contributions for Beneficiaries	Valuation		Total
Media	Digital, broadcast, and public service announcements	Third-party estimates using billing rates in like situations	s	100,132
Food and non-food items	Food, books, and household goods	U.S. wholeslae prices of identical or similar products		23,510
In-kind services	Professional services such as accounting and legal services	Standard industry pricing for similar services		25,500
			\$	149,142





Contributed Services – When to Record?

- Services that create or enhance nonfinancial asset
 - materials and supplies, intangible assets, or services
- Services that require specialized skills, are provided by individuals provided by donation
 - professionals

• Nonfinancial assets include land, building, use of facilities/utilities,

possessing those skills and would typically need to be purchased if not

• Accountants, architects, carpenters, doctors, lawyers, and other





Contributed Goods – When to Record?

- Recipient has discretion in using or distributing the contributed good
 - Discretion = variance power
- Risks and rewards of ownership over the contributed good (risk of loss if destroyed and ability to benefit off the goods)
 - Physical possession of the goods
 - Constructive possession





CPE Prompt 2 of 6





Frequently Missed Contributed Nonfinancial Assets



Contributed advertisement and radio time



Contributed use of facilities/utilities



Contributed personnel costs



Contributions for fundraisers



Contributed administrative costs







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ASU 2016-02 ASC 842 - LEASES



ASC 842, Leases

- YE 2022, FYE 2023)
 - ASC 842 does not apply to any of the following:
 - Leases of intangible assets

 - Leases of biological assets, including timber
 - Leases of inventory
 - Leases of assets under construction



• Effective for private companies and private NFPs, fiscal years beginning after December 15, 2021 (Calendar

Leases to explore for or use minerals, oil, natural gas, and similar nonregenerative resources





DEFINITION OF A LEASE

A contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration.



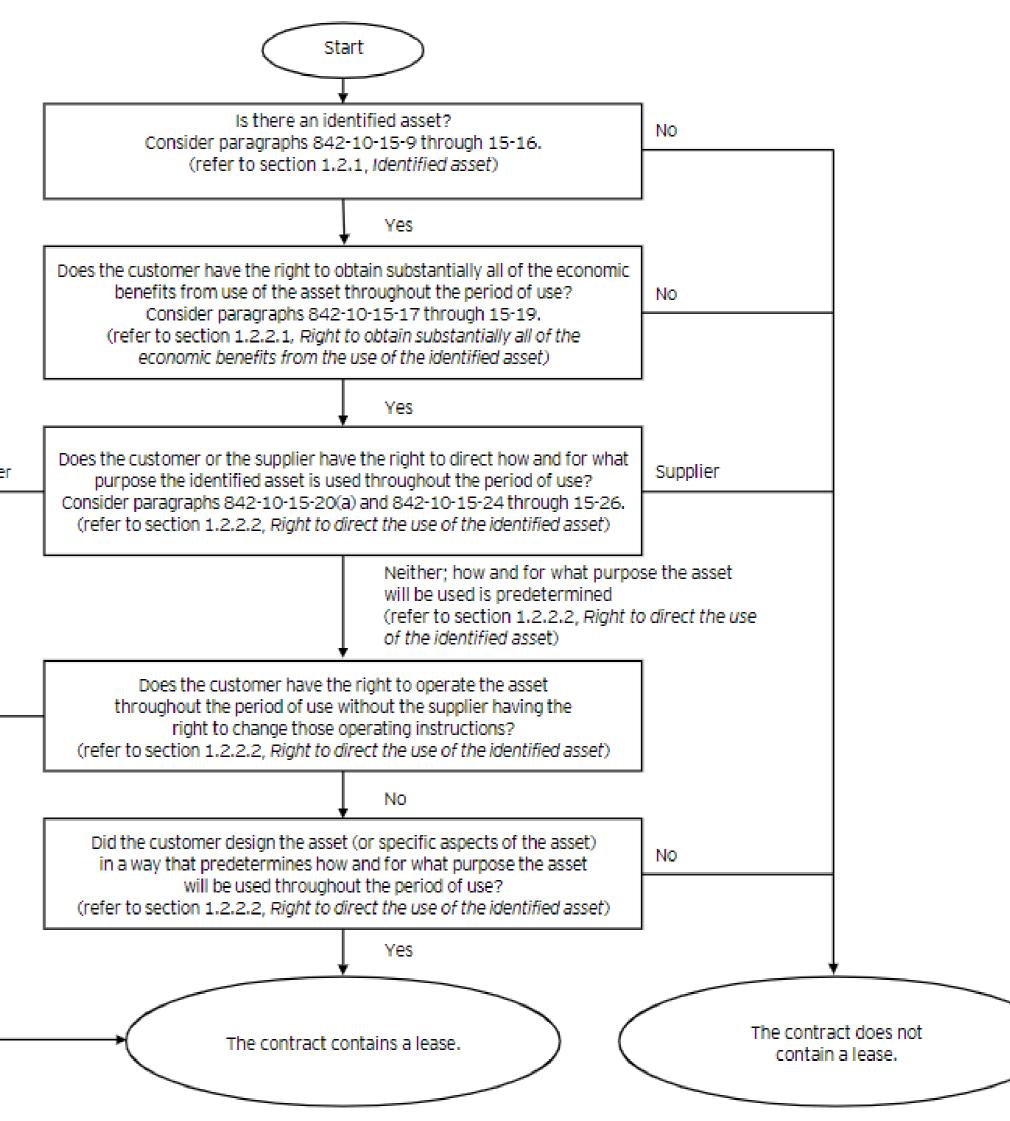


Determining Whether a Contract is a Lease

- ASC 842 requires an entity to determine whether a contract is a lease or contains a lease at the inception of the contract, considering all relevant facts and circumstances.
- The flowchart to the right depicts the decision-making process for determining whether an arrangement is or contains a lease.

Customer

Yes





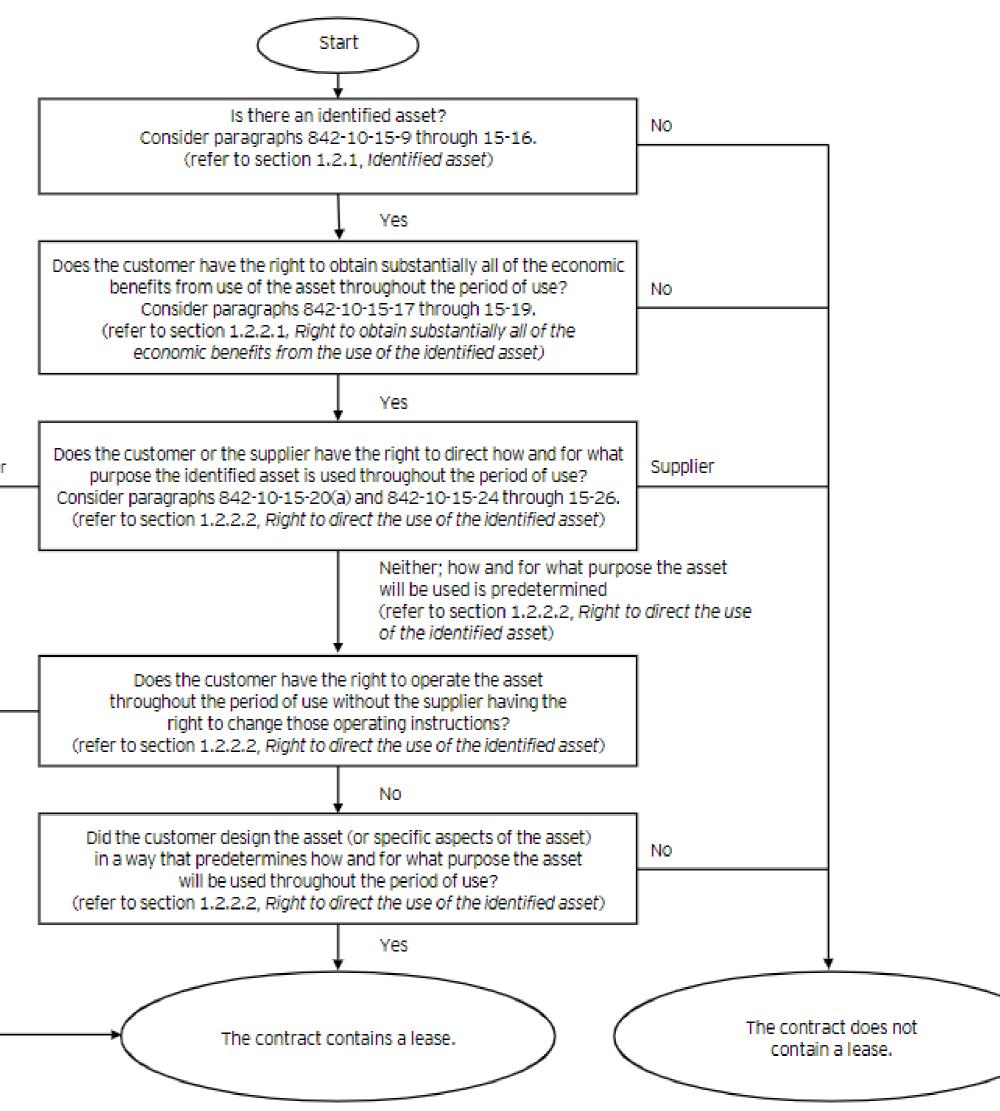


Determining Whether a Contract is a Lease

- An identified asset can be either implicitly or explicitly specified in a contract
- Substantially all while not defined in the guidance, the FASB states that "one reasonable approach" would be to conclude that 90% or more of the fair value of the underlying asset amounts to substantially all the fair value of the underlying asset.



Yes







CPE Prompt 3 of 6





Substitution Rights

- A substitution right is substantive when **BOTH** of the following conditions are met:
 - to the supplier or could be sourced by the supplier within a reasonable period of time)
 - substituting the asset)
- contract, a supplier has the substantive right to substitute the asset throughout the period of use



The supplier has the practical ability to substitute alternative assets throughout the period of use (e.g., the customer cannot prevent the supplier from substituting an asset, and alternative assets are readily available

The supplier would benefit economically from the exercise of its right to substitute the asset (i.e., the economic benefits associated with substituting the asset are expected to exceed the costs associated with

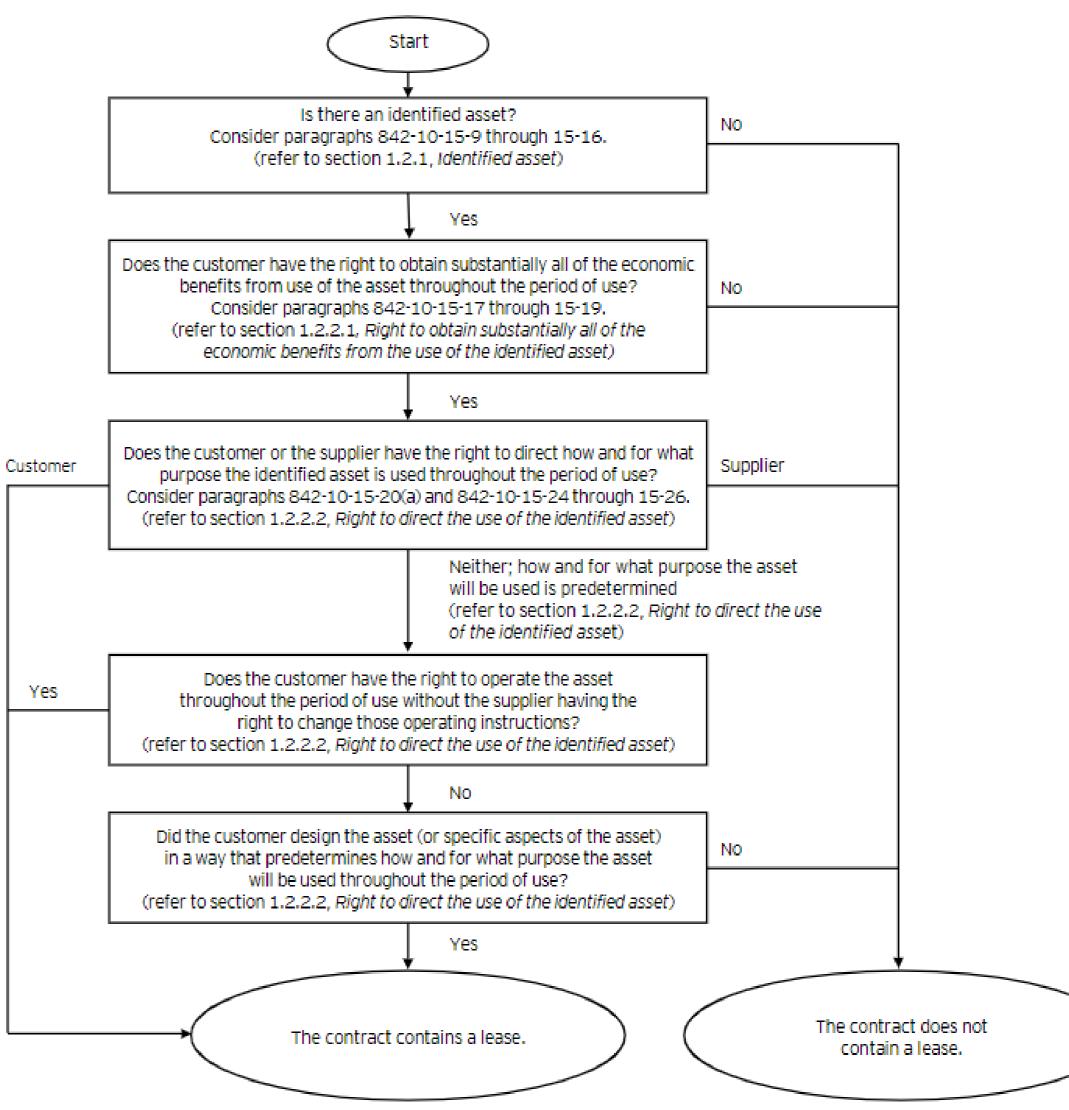
Even if an asset is specified, a customer does not have the right to use an identified asset if, at inception of the





Determining Whether a Contract is a Lease

- When evaluating whether a customer has the right to direct how and for what purpose the asset is used throughout the period of use, the focus should be on whether the customer has the decisionmaking rights that will most affect the economic benefits that will be derived from the use of the asset.
 - The decision-making rights that are most relevant are likely to depend on the nature of the asset and the terms and conditions of the contract.







Lease Classification

- commencement:

 - certain to exercise
 - The lease term is for the major part of the remaining economic life of the underlying asset
 - the underlying asset
 - lessor at the end of the lease term
- When none of the criteria above are met, a lessee shall classify the lease as an **operating** lease



• A lessee shall classify a lease as a **finance** lease when the lease meets any of the following criteria at lease

The lease transfers ownership of the underlying asset to the lessee by the end of the lease term The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably

• The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of

• The underlying asset is of such a specialized nature that it is expected to have no alternative use to the



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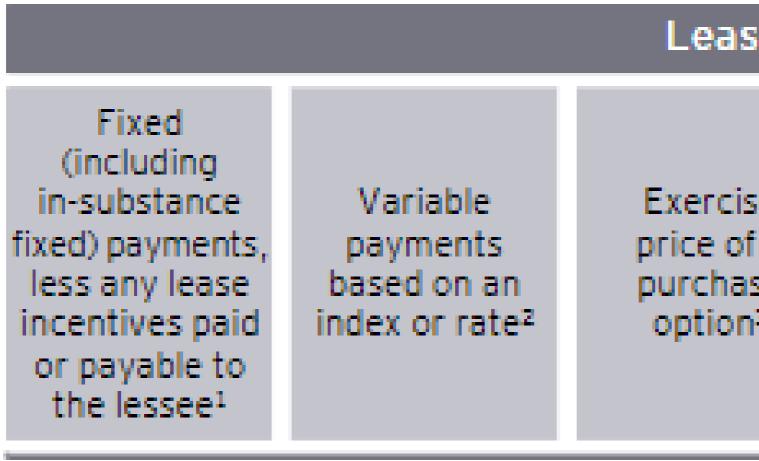
	Operating leases	Finance leases		
Initial recognition and measurement	Initially measure the ROU asset ¹ and lease liability at the present value of the lease payments to be made over the lease term			
Subsequent measurement – lease liability ³	Measure the lease liability at the present value of remaining lease payments using the discount rate determined at lease commencement ²	Accrete the lease liability based on the interest method using the discount rate determined at lease commencement ² and reduce the lease liability by the payments made		
Subsequent measurement – ROU asset	Measure the ROU asset at the amount of the remeasured lease liability, adjusted for the remaining balance of any lease incentives received, any cumulative prepaid or accrued rents (i.e., uneven rent payments), any unamortized IDCs and any impairment of the ROU asset	Amortize the ROU asset, generally on a straight-line basis, over the shorter of the lease term or the useful life of the ROU asset, and record any impairment of the ROU asset		
Income statement effect	Generally, straight-line expense	Generally, "front-loaded" expense		

Lessee Accounting





- Lease Liability:
 - At the commencement date, a lessee initially measures the lease liability at the present value of the lease payments to be made over the lease term.
 - **Commencement Date** the date on which the lessor makes an underlying asset (i.e., the property, plant or equipment that is subject to the lease) available for use by the lessee.
 - In some cases, the commencement date of the lease may be before the date stipulated in the lease agreement (e.g., the date rent becomes due and payable)
 - **Lease Payments** payments, made by a lessee to a lessor, relating to the right to use an underlying asset during the lease term and include the following amounts:



se payments ^{7, 8}				
ise of a ase n³	Payments for penalties for terminating the lease ⁴	Fees paid by the lessee to the owners of a special-purpose entity for structuring the transaction ⁵	Amounts it is probable that the lessee will owe under residual value guarantees (lessees only) ⁶	





- Lease Liability, Cont.:
 - payments to be made over the lease term.
 - - - of underlying asset.



At the commencement date, a lessee initially measures the lease liability at the present value of the lease

Discount Rate – the discount rate for the lease is the rate implicit in the lease unless that rate cannot be readily determined. In that case, the lessee is required to use its incremental borrowing rate. • ASU No. 2021-09, Leases: Discount Rate for Lessees That Are Not Public Business Entities • A lessee that is not a public business entity is permitted to use a risk-free discount rate for the lease instead of its incremental borrowing rate, as an accounting policy election made by class

A lessee is still required to use the rate implicit in the lease when it is readily determinable, regardless of whether the lessee has made the risk-free rate election





- Lease Liability, Cont.:
 - At the commencement date, a lessee initially measures the lease liability at the present value of the lease payments to be made over the lease term.
 - **Lease Term –** the noncancellable period for which a lessee has the right to use an underlying asset, together with all of the following:
 - Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option
 - Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise the option
 - Periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor





- Right-of-Use Asset:



• A lessee initially measures the right-of-use asset at cost, which consists of all of the following:





Lessee Accounting Subsequent Measurement

- Operating Leases:
 - A lessee recognizes a single lease cost for an operating lease on a straight-line basis.
- Finance Leases:
 - - future economic benefits
 - the useful life of the right-of-use asset or the end of the lease term.



• A lessee shall recognize amortization of the right-of-use asset and interest on the lease liability • A lessee shall amortize the right-of-use asset on a straight-line basis, unless another systematic basis is more representative of the pattern in which the lessee expects to consume the right-of-use asset's

• A lessee shall amortize the right-of-use asset from the commencement date to the earlier of the end of





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Presentation on Financials

- Operating Leases:
 - Statement of Financial Position
 - Right-to-use assets (ROU)
 - Lease liability
 - Statement of Activities
 - Lease expense included as part of expenses
- Finance Leases:
 - Statement of Financial Position
 - Right-to-use assets (ROU)/Net property and equipment
 - Lease liability
 - Statement of Activities
 - Lease related amortization and lease related interest expense (separate lines)





Presentation on Financials

- Operating Leases:
 - Statement of Cash Flows
 - Cash payments for leases presented with operating activities
 - Changes in ROU asset and lease liability as change in net assets
 - Noncash activity as appropriate
- Finance Leases:
 - Statement of Cash Flows
 - Cash payments for principal portion presented with financial activities
 - Noncash activity as appropriate
- Extended footnote disclosures are required





ASSETS

Current assets

Cash and cash equivalents Short-term investments Accounts receivable, less allowance for doubtful accounts of approximately \$192,000 (\$122,000 in 2021) Current portion of related party notes receivable Prepaid expenses

Total current assets

Net property and equipment Right-of-use assets Goodwill

Total assets

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable Short-term bank borrowings Current portion of long-term debt Current portion of finance lease obligations Current portion of operating lease obligations Loans from shareholders Accrued expenses

Total current liabilities

Long-term debt, less current portion Finance lease obligations, net of current portion Operating lease obligations, net of current portion

Total liabilities

	December 31				
		2022		2021	
4	\$	214,909 59,346	\$	353,229 55,532	
		1,260,045 157,000 54,000		755,429 99,500 31,190	
		1,745,300		1,294,880	
		2,611,343		2,022,169	
_		150,000		175,000	
	\$	4,506,643	\$	3,492,049	

\$ 1,552,673 479,742 461,315	\$ 1,674,814 77,521 337,442
10,750 793,359	20,750 492,645
3,297,839	2,603,172
2,789,937	1,990,932
6,087,776	4,594,104

Rehmann



6. LEASES

The following table summarizes ROU assets recorded on the Organization's statement of financial position as of December 31, 2022:

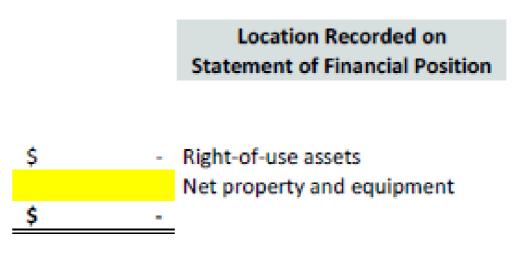
Assets:

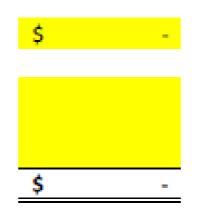
Operating leases Finance leases Total lease assets

The following table summarizes the composition of net lease cost during the year ended December 31, 2022:

Operating lease cost Finance lease costs Amortization of right-of-use assets Interest on lease obligations Short-term lease cost Total lease cost

In accordance with lease accounting guidance in effect prior to its adoption of ASU 2016-02, the Organization recognized operating rent expense of \$55,000 in 2021. Such amounts do not include expense recognized related to non-lease components.







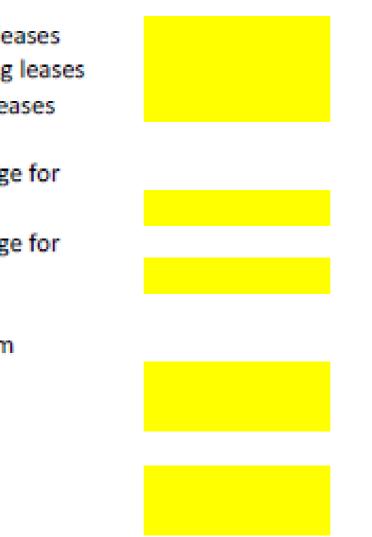


The following table summarizes other information related to the Organization's leases during the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease obligations Operating cash flows from finance leases Operating cash flows from operating leases Financing cash flows from finance leases

Right-of-use assets obtained in exchange for new finance lease obligations Right-of-use assets obtained in exchange for new operating lease obligations

Weighted-average remaining lease term Finance leases Operating leases Weighted-average discount rate Finance leases Operating leases







The following table presents a maturity analysis summary of the Organization's lease obligations recorded on the statement of financial position as of December 31, 2022:

Year	
2023	
2024	
2025	
2026	
2027	
Thereafter	
Total loaco paumonto	
Total lease payments	
Less interest	
Total lease obligations	
Less current portion	
Long-term lease obligations	

Fina	nce Leases	C	Derating Leases
\$	34,450	\$	57,000
	38,512		44,500
	37,263		32,600
	35,962		21,000
	39,663		17,500
	249,488		46,200
	435,338		218,800
	140,617		-
	294,721		218,800
	34,450		57,000
\$	260,271	\$	161,800





Adoption for Existing Leases

- Transition Method Elected
 - Retrospectively to each prior reporting period presented in the financial statements
 - 842 as of 1/1/2021.
 - Retrospectively at the beginning of the period of adoption •
 - 842 as of 1/1/2022.
- Practical Expedients Elected
 - Package of 3:
 - Need not reassess whether any expired or existing contracts are or contain leases
 - Need not reassess the lease classification for any expired or existing leases
 - Need not reassess initial direct costs for any existing leases
 - Use of hindsight in determining the lease term
 - or contain a lease under ASC 842

• i.e. If we presented comparative financial statements for the year ended 12/31/2022, this method would adopt ASC

• i.e. If we presented comparative financial statements for the year ended 12/31/2022, this method would adopt ASC

• Not assess whether existing or expired land easements that were not previously accounted for as leases under ASC 840 are





Questions for Consideration

- Does the Company have dedicated tooling used in production?
- Does the Company have contracts related to shuttle buses and/or rail cars?
- Does the Company utilize any type of storage units?
- Does the Company have cable set top boxes?
- Does the Company utilize billboards?
- Does the Company pay for any parking lots/spaces for its employees and/or customers?
- Does the Company have any "cloud" contracts?
- Does the Company have contracts with any data centers or outsourced IT arrangements?
- Does the Company utilize any equipment in outsourced contracts?
- Does the Company have any logistics contracts with specified access to trucks, boats, planes?
- Does the Company have any contract manufacturing agreements • (common in pharmaceutical and medical devices)?

- Does the Company have access to any luxury boxes at sporting events?
- Does the Company pay for employees to have access to vending machines, water coolers, etc.?
- Does the Company have contracts related to shredding boxes?
- Does the Company have a contract with a supplier related to artificial plants?
- Does the Company advertise through the use of things like signage at stadiums, ads on gas station TVs, etc.?
- Does the Company have any outsourced manufacturing arrangements, which provide exclusive use of space and/or equipment in a facility (including related parties)?
- Does the Company have any agreements that bundle a service with the use of a device (i.e. copiers, phones, cafeterias, hospital beds, fleet vehicles, offices in other locations)?
- Does the Company utilize high dollar construction equipment (i.e. cranes, high-lows, scaffolding, etc.)?
- Does the Company have any supply arrangements/placed equipment (i.e. medical devices, gas cannisters, hand sanitizers, consumables)?





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Provider **Relief Funds** (PRF)

Health Resources & Services Administration

- Reporting based on Portal dates
- Single audit required for recipients that spent more than \$750,000

Reporting Period	Payment Received Period (Payments Exceeding \$10,000 in Aggregate Received)	Deadline to Use Funds	PRF Portal Reporting Time Period	Fiscal Year Ends (FYEs) to Include each PRF Period on the Schedule of Expenditures for Federal Awards (SEFA) Reporting
Period 1	April 10, 2020 to June 30, 2020	June 30, 2021	July 1, 2021 to September 30, 2021	FYE's of June 30, 2021 through June 29, 2022
Period 2	July 1, 2020 to December 31, 2020	December 31, 2021	January 1, 2022 to March 31, 2022	FYE's of December 31, 2021 through FYEs June 29, 2022
Period 3	January 1, 2021 to June 30, 2021	June 30, 2022	July 1, 2022 to September 30, 2022	Guidance will be included in 2022 Compliance Supplement
Period 4	July 1, 2021 to December 31, 2021	December 31, 2022	January 1, 2023 to March 31, 2023	Guidance will be included in 2022 Compliance Supplement
Period 5	January 1, 2022 to June 30, 2022	June 30, 2023	July 1, 2023 to September 30, 2023	FYEs of June 30, 2023 guidance will be included in 2023 Compliance Supplement





COVID-19 FEDERAL FUNDING

Key things to remember: •Apply ASU 2018-08 NFP reporting standard •Typically will be a conditional contribution •Over \$750,000 with trigger a required single audit

Provider Relief Funds Medicaid Cluster **Federal Transit Cluster Emergency Rental Assistance**





Thank you for joining us!



Paula Bedford, CPA

Principal Public Sector Assurance

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