

Clarification to the Presentation & Disclosure of Restricted Cash

In November 2016, the Financial Accounting Standards Board (FASB) clarified the presentation and disclosure requirements of restricted cash. Accounting Standards Update 2016-18—*Statement of Cash Flows (Topic 230): Restricted Cash* (a consensus of the FASB Emerging Issues Task Force) requires entities to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash. The amendments apply to all entities with restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230, including not-for-profit (NFP) entities.

Diversity currently exists in the classification and presentation of the changes in restricted cash on the statement of cash flows under Topic 230. Entities classify transfers between cash and restricted cash as operating, investing or financing activities or a combination thereof. Some entities present direct cash receipts into—and direct cash payments made from—a bank account that holds restricted cash as cash inflows and outflows, while others disclose those cash flows as noncash investing or financing activities.

FASB believes the requirement to explain the change during the period in total cash will result in streamlined classification and increased comparability. Although FASB decided not to define restricted cash, entities will be required to disclose the nature of any restrictions on cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents presented on the balance sheet and statement of cash flows.

Entities presenting cash and cash equivalents with restrictions in multiple line items on the statement of financial position will be required to include those amounts in the beginning-of-period and end-of-period amounts shown on the cash flow statements. Entities are required to disclose the amounts and line items required to reconcile the two statements for each period presented, either on the cash flow statement or in the notes to financial statements—either in a narrative or tabular format.

Information about the nature of restrictions on cash, cash equivalents, restricted cash or restricted cash equivalents also shall be disclosed. NFP entities within the scope of Topic 958 will continue to provide the disclosures required therein.

The cash flow statement will present the “ultimate” external sources of the entity’s cash inflows and outflows, irrespective of whether those cash flows are related to a segregated account or commingled with unrestricted cash and cash equivalents.

The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. Entities should apply the amendments using a retrospective transition method to each period presented.

Contact your BKD advisor for additional information.

Related Resource: [“Update to Classification Requirements of Certain Cash Receipts & Payments”](#)

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