2025 NCACPA Not-for-Profit Conference

FASB Update

June 2, 2025

The views expressed in this presentation are those of the presenter.
Official positions of the FASB are reached only after extensive due process and deliberations

Presenter

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What We'll Discuss Today

Overview of the FASB's Current Agenda and Agenda Consultation
Recent ASUs and Implementation
Select Other Technical Agenda and Research Projects
Q&A

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

Overview of the FASB’s Current Agenda and Agenda Consultation

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

Overview of FASB's Current Agenda*

Technical Agenda – 14 projects

Research Agenda – 8 projects

EITF – 1 project

Post-Implementation Review – 2 projects

* As of April 30, 2025

FASB Technical Agenda

(as of April 30, 2025)

PROJECTS	Next Milestone	Expected Date
Accounting for and Disclosure of Software Costs	Board redeliberations	Ongoing
Accounting for Debt Exchanges	Exposure Draft	Comments due May 30, 2025
Accounting for Environmental Credit Programs	Board redeliberations	Ongoing
Accounting for Government Grants (Business Entities)	Board redeliberations	Ongoing
Codification Improvements (Evergreen)	Board redeliberations	Ongoing
Credit Losses—Topic 606 Receivables (PCC)	Final ASU	2Q 2025
Determining the Acquirer in the Acquisition of a VIE	Final ASU	2Q 2025
Financial Instruments—Credit Losses (Topic 326)—Purchased Financial Assets	Final ASU	3Q 2025
Interim Reporting—Narrow-Scope Improvements	Board redeliberations	Ongoing
Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock	Exposure Draft	3Q 2025
Share-Based Consideration Payable to a Customer	Final ASU	2Q 2025
Statement of Cash Flows Targeted Improvements	Board deliberations	Ongoing
Topic 815—Derivatives Scope Refinements	Final ASU	3Q 2025
Topic 815—Hedge Accounting Improvements	Final ASU	3Q 2025

FINANCIAL ACCOUNTING STANDARDS BOARD

NOTE: Projects in red are those that possibly could affect at least some NFPs.

Research Agenda (as of April 30, 2025)

- Accounting for and Disclosure of Intangibles
- Accounting for Commodities
- Accounting for Derivatives
- Agenda Consultation
- Consolidation for Business Entities
- Financial Key Performance Indicators for Business Entities
- Hedge Accounting
- Statement of Cash Flows

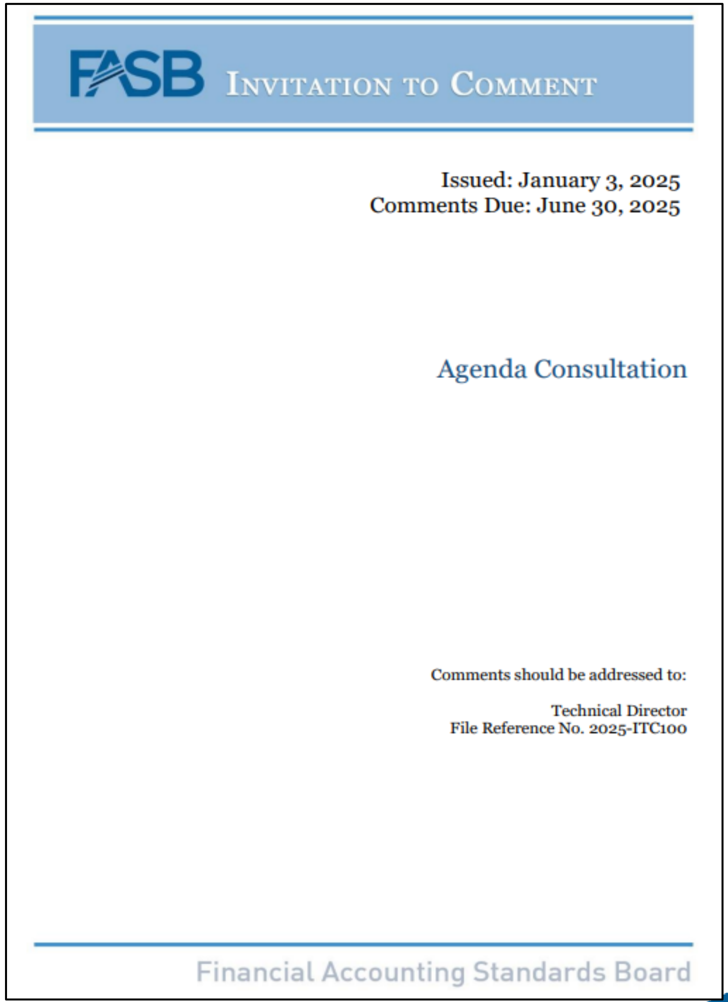
NOTE: Research projects in green are those for which an Invitation to Comment has been issued and that potentially could affect at least some NFPs.

Agenda Consultation Invitation to Comment (ITC) – Background

In June 2022, the FASB issued the 2021 *Agenda Consultation Report*, which summarized the robust feedback obtained during our 2021 agenda consultation project and how that feedback has influenced the Board's technical and research agendas and standard-setting process.

Since then, there has been significant progress on the top priorities identified by stakeholders.

In January 2025, the FASB issued the Invitation to Comment, *Agenda Consultation* (ITC), to understand the next priority areas that the Board should address.



FASB INVITATION TO COMMENT

Issued: January 3, 2025
Comments Due: June 30, 2025

Agenda Consultation

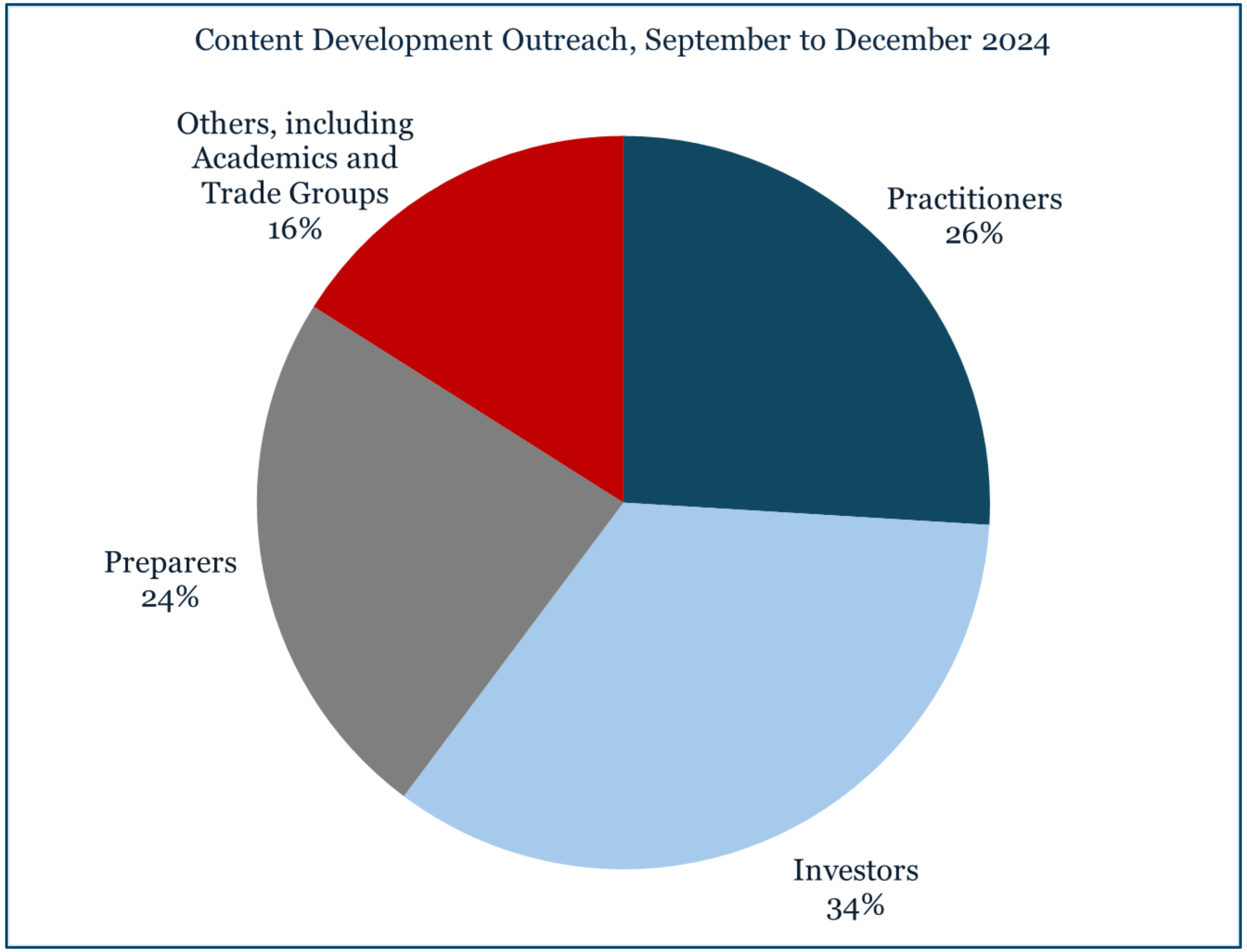
Comments should be addressed to:

Technical Director
File Reference No. 2025-ITC100

Financial Accounting Standards Board

2025 ITC Content Development Outreach

- Sought input from a cross-section of over 200 stakeholders to begin the current agenda consultation process
- Includes outreach with numerous stakeholder groups and FASB advisory groups
- Priority topics identified by those stakeholders from the content included within the ITC



Themes in the ITC

- Stakeholders commended the Board on its significant progress on the priorities identified in the 2021 Agenda Consultation and expressed their appreciation that the Board listened to stakeholders and took timely action on the identified priorities.

- Because of this significant progress, most stakeholders, including many investors, said that there is no case to make major changes to generally accepted accounting principles (GAAP) at this time.
  - This feedback also was received from investors that requested that the Board make significant improvements to GAAP as part of the 2021 Agenda Consultation process.

- Many of the topics that were suggested for standard-setting efforts focus on targeted improvements to GAAP with the objective to either:
  - Reduce unnecessary complexity
  - Enhance the decision usefulness of information provided to investors.

Agenda Consultation ITC Overview

Stakeholders identified topics for potential future standard setting in the following areas:

- Combination of Entities (Chapter 1)
- Financial Instruments (Chapter 2)
- Intangibles (Chapter 3)
- Other Assets and Liabilities (Chapter 4)
- Retirement and Other Employee Benefits (Chapter 5)
- Income and Expenses (Chapter 6)
- Presentation and Disclosure of Financial Reporting Information (Chapter 7)
- Current Research Agenda Projects (Chapter 8)

NAC Feedback (March 2025)

Topics that should be prioritized

- NFP operating measures
- NFPs in definitions of a public entity
- NFP consolidation guidance
- Public-private partnerships and similar transactions
- Liquidity disclosures
- Statement of cash flows
- Disaggregation of investment returns

Topics that should not be prioritized

- Below-market and interest-free loans to NFPs

Next Steps

Comment period ends June 30, 2025

Board to consider comment letter feedback and changes to the technical and research agendas

Recent ASUs and Implementation

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

ASUs Issued in 2025 and 2024

(thru April 30)

Update	Title
Update 2025-02	Liabilities (405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122
Update 2025-01	Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date
Update 2024-04	Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments
Update 2024-03	Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses
Update 2024-02	Codification Improvements—Amendments to Remove References to the Concepts Statements
Update 2024-01	Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest Awards

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

ASUs Issued in 2023

Update	Title
Update 2023-09	**Income Taxes (Topic 740): Improvements to Income Tax Disclosures**
Update 2023-08	**Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets**
Update 2023-07	Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures
Update 2023-06	**Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative**
Update 2023-05	Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement
Update 2023-03, -04	SEC Updates
Update 2023-02	Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)
Update 2023-01	**Leases (Topic 842): Common Control Arrangements**

ASUs highlighted in red are those that may affect at least some NFP entities.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

Post-Implementation Review (PIR)

A standard that is the result of a comprehensive or major standard-setting project is normally subject to a PIR.

Objectives

- Determine whether a standard is **accomplishing its stated purpose**
- Evaluate the selected standard's implementation and continuing compliance **costs and related benefits**
- Provide **feedback to improve** the standard-setting process

Stages

- **Stage 1:** Post-issuance date implementation monitoring
- **Stage 2:** Post-effective date evaluation of costs and benefits
- **Stage 3:** Summary of research and reporting

PIRs in Process

- Topic **842** (Leases)
- Topic **326** (Financial Instruments-Credit Losses)
- Recently completed: Topic 606 (Revenue)

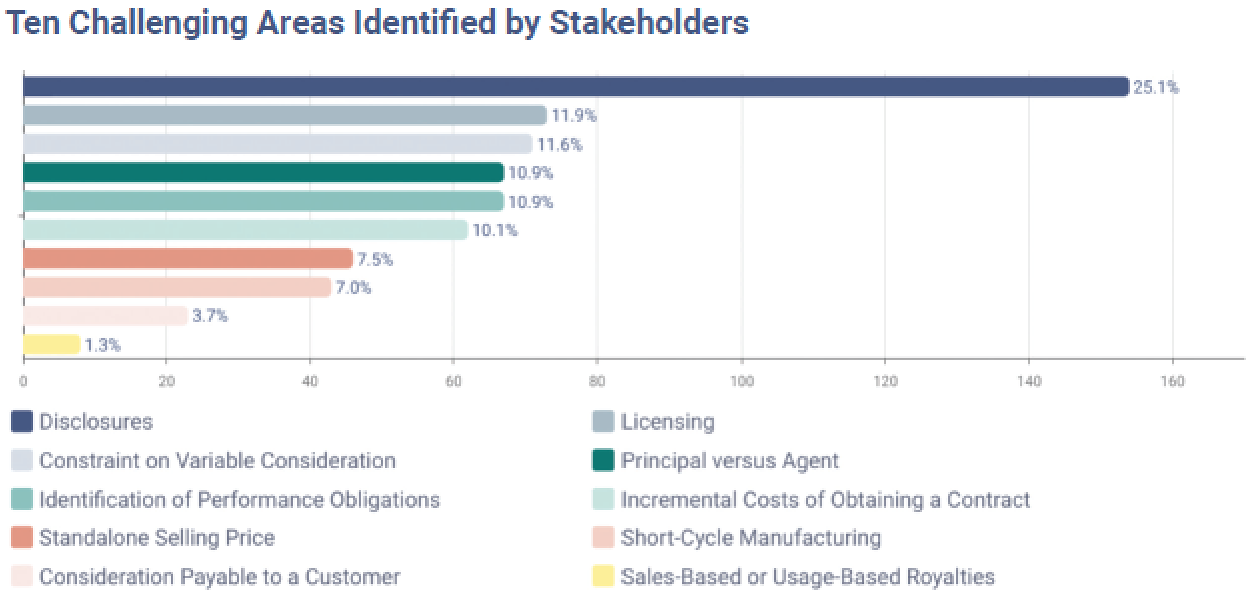
For projects not subject to a PIR, we also typically monitor implementation of other noteworthy ASUs, including through discussions at advisory group meetings. With the FASB's **Not-for-profit Advisory Committee (NAC)**, this included **ASU 2016-14**, *Presentation of Financial Statements of Not-for-Profit Entities*, and **ASU 2018-08**, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

PIR Report Highlights – Topic 606, Revenue from Contracts with Customers

The revenue PIR process involved extensive research and outreach, including the following key activities:

Key Activities

- Engaged approximately 2,200 stakeholders with diverse backgrounds
- Issued 251 public documents, including Board meeting materials, Transition Resource Group (TRG) memos, Exposure Drafts, Accounting Standard Updates, and other materials
- Responded to more than 500 implementation questions through the TRG and the Technical Inquiry Service
- Held 56 Board meetings on implementation matters, subsequent standard setting, and PIR updates.



Final PIR report issued November 25, 2024

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

PIR Report Highlights – Topic 606, Revenue from Contracts with Customers

BENEFITS

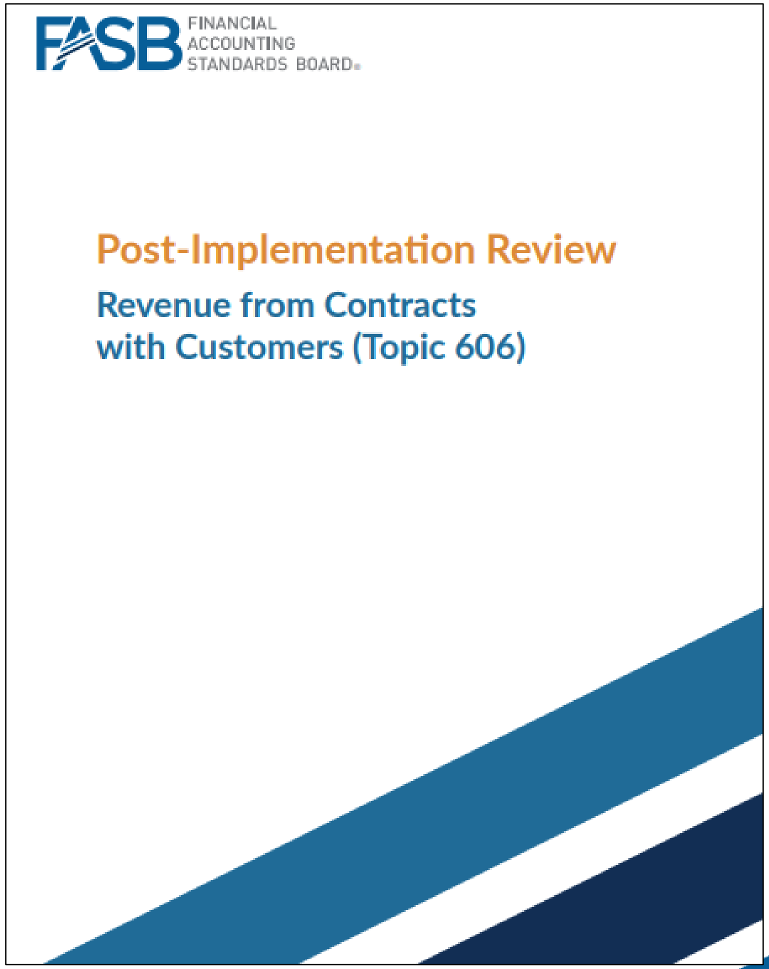
- Investors generally agreed that Topic 606 provides more useful and transparent information, especially through improved disclosures. Investors also agreed that Topic 606 improves the consistency and comparability of revenue across industries and achieves its expected benefits in a majority of industries.
- Other stakeholders, including practitioners and preparers, noted that principles-based guidance with the application of judgment allows for better alignment of revenue recognition with the economics of the underlying transactions and is more adaptable to an evolving business environment.
- Some stakeholders said that the new revenue standard helps entities better understand their contracts and improve their internal processes around revenue recognition.
- Most stakeholders viewed convergence with IFRS Accounting Standards as a significant accomplishment.

COSTS

- While the nature of costs were consistent with the Board's expectations, stakeholders noted that implementation costs were significant, especially in industries for which prior industry-specific revenue guidance was removed.
- Although investors had to expend effort to learn Topic 606 and understand revenue trends during the transition period, for most industries the costs incurred by investors were generally one-time costs.
- Most preparers noted that their reported revenue was not materially affected, although they still had to comprehensively review their existing contracts and practices and make changes to their processes and controls.
- Stakeholders noted that certain costs persisted beyond the implementation period. They also acknowledged that, in some cases, certain ongoing costs, such as costs to analyze emerging and complex arrangements and to establish related controls, are not solely attributable to the revenue standard but are a result of business growth and innovation and would have been incurred in many cases under the previous guidance.

PIR Report Highlights – Topic 606, Revenue from Contracts with Customers

- Overall Conclusions:
  - Topic 606 accomplishes its stated purpose
  - Benefits and costs are consistent with Board considerations and stakeholder expectations
  - Revenue PIR process provided timely feedback to improve the standard-setting process



Leases – Post-Implementation Review (PIR) Process & Associated Activities

PIR Stage 1: Post-Issuance-Date Implementation Monitoring (public & private companies & **NFP organizations**)

↓

PIR Stage 2: Post-Effective-Date Evaluation

Public companies	**Nonpublic entities**

↓

PIR Stage 3: Summary of Research and Reporting

PIR Activities (Lessee and Lessor)

- Additional preparer outreach (public and nonpublic entities)—1H 2025
- Conduct user outreach (public and nonpublic entities)—1H 2025
- Nonpublic entity survey on implementation and ongoing application costs—1H 2025
- Academic analyses of Topic 842, Leases, implementation

Other Nonpublic Entity Activities

- Continued work on the Private Company Council (PCC) Leases Research Project

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

ASU 2023-01 – *Leases (Topic 842): Common Control Arrangements*

- **Background**
  - Response to issues related to applying Topic 842 to related party arrangements between entities under common control brought to the Board's attention primarily through interactions with private company stakeholders

- **Issues**

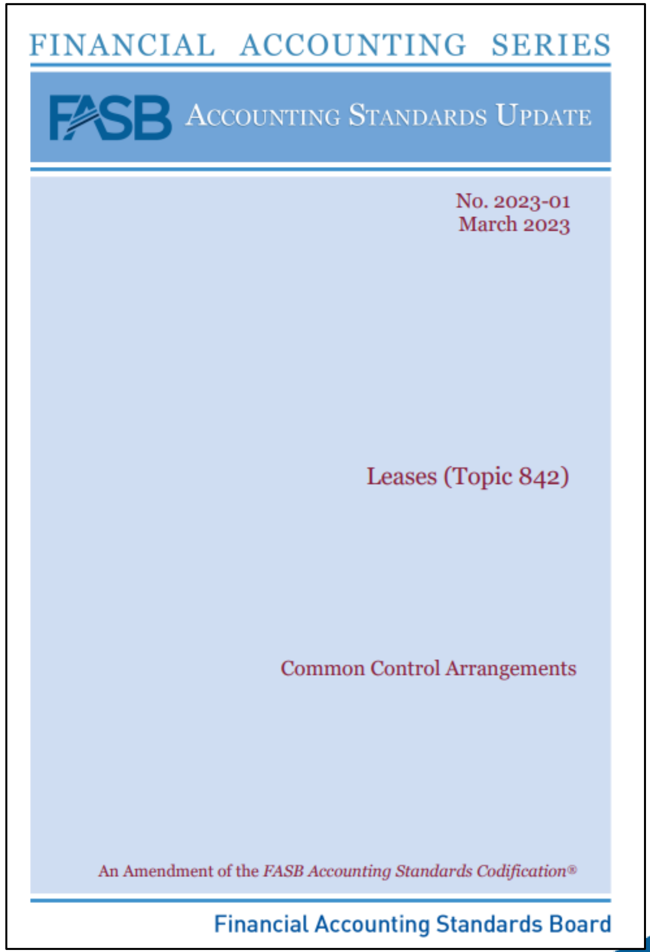
1. Terms and Conditions to Be Considered

   Provided an optional expedient to private entities (including certain NFPs) to rely on written terms and conditions

2. Accounting for Leasehold Improvements

   Made a change to the accounting by all entities (next slide)

- **Effective Date**
  - The amendments in this Update for both Issue 1 and Issue 2 are effective for fiscal years beginning after December 15, 2023 (CY 2024/ FY 2025), including interim periods within those fiscal years.
  - Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance.


FINANCIAL ACCOUNTING SERIES

FASB ACCOUNTING STANDARDS UPDATE

No. 2023-01
March 2023

Leases (Topic 842)

Common Control Arrangements

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

Issue 2 – Accounting for Leasehold Improvements Associated with Common Control Leases

Which entities are affected?	What are the main provisions?
All lessees (public and non-public) that are a party to a lease between entities **under common control** in which the lessee is the owner of leasehold improvements	▸ Leasehold improvements associated with common control leases are: 1. Amortized by the lessee over the **useful life** of the leasehold improvements to the common control group† as long as the lessee **controls** the use of the underlying asset through a lease. 2. Accounted for as a **transfer** between entities under common control through an **adjustment to net assets**, if, and when, the lessee **no longer controls** the use of the underlying asset. 3. Subject to the impairment guidance in paragraph 360-10-40-4. ▸ When the useful life of leasehold improvements to the common control group determined exceeds the related lease term, a lessee must **disclose** certain items

† If the lessor obtained the right to control the underlying asset through a lease with another entity not within the same common control group, the amortization period may not exceed the lease term associated with the lessor's lease with the other entity.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

CECL – Scope and Effective Date

Loans and debt Instruments not measured at fair value through net income

Financial guarantee contracts and loan commitments

Trade receivables and contract assets recognized under Topic 606, Revenue from Contracts with Customers

Certain lease receivables, financing receivables

Effective date for **all** private companies and not-for-profit organizations: **Calendar Year 2023/Fiscal Year 2024.** Includes interim periods within those fiscal years.

What's Not in Scope: Contributions (pledges) receivable, most grants receivable (if following the contribution model), loans and debt measured at fair value through net income

Project on Measurement of Credit Losses for Accounts Receivable and Contract Assets

- **Project Objective**
  - Provide a practical expedient and an accounting policy election related to the application of Topic 326, Financial Instruments—Credit Losses (CECL), to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606

- **Practical Expedient and Accounting Policy Election**
  - **Practical Expedien**t: As part of the development of a reasonable and supportable forecast, an entity need not adjust historical loss information to reflect changes related to macroeconomic data and may assume that current conditions as of the balance sheet date persist throughout the forecast period.
  - **Accounting Policy Election**: Provides the ability to consider collection activity after the balance sheet date related to current accounts receivable and current contract assets to inform the estimate of expected credit losses for such balances.

- **Tentative Board Decisions**
  - Asset Scope: Current accounts receivable and current contract assets that arise from transactions accounted for under Topic 606
  - Entity Scope: All entities for the practical expedient and all entities other than PBEs for the accounting policy election.

- **Final ASU expected to be issued in Q2 2025**

Credit Losses—Topic 606 Receivables

Example 1 – Election of Practical Expedient

- Company is not aware of any information that is expected to significantly impact collectibility.
- No adjustment to historical loss information is necessary.

Past-Due Status		Outstanding Receivables Balance	Credit Loss Rate		Expected Credit Loss Estimate
Current	$	5,984,698	0.3%	$	17,954
1–30 days past due		8,272	8%		662
31–60 days past due		2,882	26%		749
61–90 days past due		841	58%		488
91–120 days past due		554	82%		454
More than 120 days past due		342	99%		339
Total	$	5,997,589		$	20,646

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Credit Losses—Topic 606 Receivables

Example 2 – Application of Practical Expedient When Receivable Does Not Share Similar Characteristics

- Company identified $2,000 balance from Customer S who recently filed for bankruptcy; Customer S receivable no longer shares similar risk characteristics with receivables due from other customers and no amount is expected to be collected from customer.
- Company has not identified other information expected to affect the collectibility of the remaining receivables portfolio.

Past-Due Status	Outstanding Receivables Balance	Credit Loss Rate	Expected Credit Loss Estimate
Current	$ 5,984,698	0.3%	$ 17,954
1–30 days past due	6,272 [(a)]	8%	502
31–60 days past due	2,882	26%	749
61–90 days past due	841	58%	488
91–120 days past due	554	82%	454
More than 120 days past due	342	99%	339
Collectively assessed subtotal	5,995,589		20,486
Individually assessed subtotal (Customer S)	2,000		2,000
Total	$ 5,997,589		$ 22,486

(a) Outstanding receivable balance reduced by $2,000 to reflect individual assessment of Customer S.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

Credit Losses—Topic 606 Receivables

Example 3 – Practical Expedient Accompanied by Accounting Policy Election—Entity R Financial Statements Are Available to be Issued on May 15

- Outside of collection activity detailed below, the company is not aware of any other information that is expected to have a significant impact on collectibility.

Balance Sheet Date			Date the Financial Statements Are Available to Be Issued			
12/31/20X0			5/15/20X1			
Past-Due Status	Outstanding Receivables Balance	Collections between Balance Sheet Date and the Date the Financial Statements Are Available to Be Issued	Remaining Balance Uncollected	Past-Due Status	Credit Loss Rate [(a)]	Expected Credit Loss Estimate
Current	$ 5,984,698	$ (5,968,449)	$ 16,249	More than 120 days past due	99%	$ 16,087
1-30 days past due	8,272	(8,272)	-	More than 120 days past due	99%	-
31-60 days past due	2,882	(2,279)	603	More than 120 days past due	99%	597
61-90 days past due	841	(623)	218	More than 120 days past due	99%	216
91-120 days past due	554	(289)	265	More than 120 days past due	99%	262
More than 120 days past due	342	(145)	197	More than 120 days past due	99%	195
Total	$ 5,997,589	$ (5,980,057)	$ 17,532			$ 17,357

(a) Credit loss rate based on the days past due measurement as of the date the financial statements are available to be issued.

ASU 2023-08 (Crypto Assets) – Scope and Measurement

Scope: Crypto assets must meet **all** the following:

The definition of ***intangible asset*** as defined in Codification	Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets	Are created or reside on a distributed ledger based on blockchain or similar technology
Are secured through cryptography	Are fungible	Are not created or issued by the reporting entity or its related parties

Measurement

- Measure at fair value
- Increases and decreases recognized in net income (changes in net assets)

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

Crypto Assets – Presentation and Disclosure

Balance Sheet

Crypto assets separate from other intangible assets measured using other measurement bases

Income Statement (or Statement of Activities)

Gains and losses in net income separate from amortization and impairment of other intangible assets

Statement of Cash Flows

Classify cash flows from crypto assets received in ordinary course of business or as a contribution and converted nearly immediately into cash as operating activities *

Disclosures

- Significant crypto asset holdings
- Restrictions on crypto assets held
- Reconciliation of activity between the beginning and end of the period
- Historical realized gains and losses

* The Board clarified that an NFP that nearly immediately liquidates crypto assets received **with donor-imposed restrictions for long-term or capital use** would be required to classify the activity as cash flows from **financing activities**.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

Transition and Effective Date – Crypto Assets

Transition

- In year of application, adjust beginning of period retained earnings (or net assets) for transition to fair value.

Effective Date

- Guidance will be effective for all entities for fiscal years beginning after December 15, 2024 (CY 2025/ FY2026), including interim periods within those fiscal years.
- Early adoption is permitted.

Select Other Technical Agenda and Research Projects

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

Software Costs – Project Update (as of April 30)

March 2024
- Decided to pursue targeted improvements to the internal-use software guidance in Subtopic 350-40, Intangibles—Goodwill and Other—Internal-Use Software
- Met with NAC members

April–May 2024
- Performed outreach with practitioners and preparers to understand the operability, auditability, and potential changes to capitalization outcomes from the targeted improvements
- Performed outreach with investors on potential disclosures to enhance transparency

June–September 2024
- The Board completed initial deliberations
- Drafted a proposed Accounting Standards Update for vote by written ballot
- Met with NAC members in September 2024

October 2024
- Proposed Accounting Standards Update issued with 90-day comment period.

2025
- Board redeliberating proposed Accounting Standards Update
- Comment period ended January 2025

Software Costs – Proposed Starting Threshold for Capitalization

Current GAAP (Subtopic 350-40)

Capitalization begins when:

- Preliminary project stage is completed

- Management has authorized and committed to funding the software project
- It is probable that the project will be completed and the software will be used to perform the function intended (the probable-to-complete threshold)

Proposed Update

As required under current GAAP, capitalization would begin when:

- Management has authorized and committed to funding the software project
- The probable-to-complete threshold has been met

Additionally, entities may have to consider whether significant development uncertainty exists by evaluating:

- Whether the software being developed has novel, unique, unproven functions and features, or technological innovations
- Whether significant performance requirements have been identified and do not continue to be substantially revised

If significant development uncertainty exists, the probable-to-complete threshold is not considered to be met.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

Software Costs – Other Proposed Amendments

Presentation

Cash paid for capitalized internal-use software costs would be included as a separate investing cash outflow on the statement of cash flows

Disclosure

- Current disclosure requirements in other GAAP (PP&E, notes to financial statements, risks and uncertainties, and R&D) should continue to be considered
- Certain intangible asset disclosures in Subtopic 350-30 would be limited to the costs of software to be sold, leased, or marketed (Subtopic 985-20)
- No additional disclosures would be required

Website Development Costs

Website development cost recognition guidance (Subtopic 350-50) would be superseded; certain aspects would be incorporated into the software guidance

Software Costs – Proposed Transition

The proposed amendments would permit an entity to apply the guidance prospectively or retrospectively.

Prospective Application	Retrospective Application
• Apply to software costs for new and in-process projects that are incurred on or after the effective date	• Recast comparative periods and recognize a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate component of equity or net assets) as of the beginning of the first period presented

The Board will determine the effective date and whether early application should be permitted after it considers stakeholder feedback on the proposed amendments.

Accounting for Environments Credit Programs (ECP) – Overview

Environment Credits (ECs)

- An enforceable right represented to prevent, control, reduce, or remove emissions or other pollution that is separately transferable in an exchange transaction. May be represented by a variety of forms, including credits, certificates, allowances, and offsets.
  - Can be acquired, granted as part of a regulatory compliance program, internally generated, or received in a nonreciprocal transfer.

Recognition: Asset recognized when it is *probable* that the entity will sell the environmental credit or use that credit to settle an environmental credit obligation. Cost of all other environmental credits is recognized as an expense as incurred.

Measurement: Compliance ECs generally measured at cost with no impairment. Noncompliance ECs tested for impairment. An entity may make an accounting policy election to subsequently measure certain classes of noncompliance ECs at fair value.

Environment Credit Obligations (ECOs)

- An enforceable obligation resulting from regulatory compliance programs represented to prevent, control, reduce, or remove emissions or other pollution that may be settled with environmental credits.

Recognition: Liability recognized when events have occurred on or before a reporting date that result in environmental credits being owed to a regulator under the assumption that the reporting date is the settlement date.

Measurement: ECO liability measurement linked to the measurement of an entity's compliance ECs. Funded ECO liabilities - Measured using the carrying amount of the related compliance ECs. Unfunded ECO liabilities – Generally measured using the FV of ECs at the balance sheet date necessary to satisfy the ECO.

ECP – Disclosures and Project Status

Disclosures

- Qualitative Information
  - How an entity obtains and uses ECs
  - The regulatory compliance programs the entity is subject to
  - Significant estimates and judgments
- Quantitative Information
  - Significant EC holdings and obligations (description, carrying amount, classification)
  - Revenues/gains (losses) from sales of ECs
  - Expenses for ECs not initially recognized (or subsequently derecognized)
  - Impairment losses
  - Expenses during reporting period from to ECO liabilities
  - Cash paid for ECs
  - Applicable fair value disclosures in Topic 820

Project Status

- Proposed ASU issued for comment in December 2024
  - Comments due April 15, 2025
  - Redeliberations expected to begin in Q2 2025

Codification Improvements – Proposed Update

In January 2025, the Board issued a proposed Accounting Standards Update, with comments due April 22, 2025

Included are 34 Codification updates for a broad range of Topics arising from technical corrections, unintended application of the Codification, clarifications, and other minor improvements

Improvements are not intended to have a significant effect on current accounting practice or result in significant costs to most entities

FASB EXPOSURE DRAFT

Proposed Accounting Standards Update

Issued: January 22, 2025
Comments Due: April 22, 2025

Codification Improvements

The Board issued this Exposure Draft to solicit public comment on proposed changes to the *FASB Accounting Standards Codification*®. Individuals can submit comments in one of three ways: using the electronic feedback form on the FASB website, emailing comments to director@fasb.org, or sending a letter to "Technical Director, File Reference No. 2025-ED100, FASB, 801 Main Avenue, PO Box 5116, Norwalk, CT 06856-5116."

Financial Accounting Standards Board

Codification Improvements – NFP-Related Issues

Issue 15	Update References for NFP Presentation Guidance
Issue 23	Clarify the Applicability of NFP Consolidation Guidance
Issue 24	Remove the Phrase *Recognized and Unrecognized* from NFP and Health Care Entities Income Statement Guidance
Issue 25	Clarify Accounting for Certain Receivables by NFP Entities
Issue 26	Clarify NFP Receivables Guidance for Equity Securities
Issue 27	Clarify Impairment Guidance for Institutions of Higher Education
Issue 28	Remove Reference to Equity Securities in the NFP Other Investment Guidance
Issue 29	Remove Reference to a Probability Assessment in Evaluating Whether to Recognize Part of a Transaction as a Contribution
Issue 30	Update NFP Business Combinations Guidance to Reference Exceptions to the Recognition Principle
Issue 31	Clarify Relevant Guidance for an NFP That Is an Acquirer
Issue 32	Add Cross-Reference to Hedge Documentation and Hedge Effectiveness Guidance for Certain NFPs

Issue 25 – Clarify Accounting for Certain Receivables by NFP Entities

- Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost, applies to all entities, including NFPs.
- Paragraph 958-310-35-3 requires receivables arising from exchange transactions to be reported at net realizable value if the amounts are due within one year.
- Stakeholders noted that paragraph 958-310-35-3 is inconsistent with the guidance in Subtopic 326-20 and should have been updated by the amendments in Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*

FASB FINANCIAL ACCOUNTING STANDARDS BOARD

Issue 25 – Clarify Accounting for Certain Receivables by NFP Entities

- The proposed Update on Codification improvements would amend paragraph 958-310-35-3 to refer to CECL for the accounting of receivables arising from exchange transactions, clarifying that all entities, including NFPs, would need to measure receivables arising from exchange transactions using the credit losses guidance in Subtopic 326-20.

  Not-for-Profit Entities—Receivables

  Subsequent Measurement

  > Receivables from Exchange Transactions

  958-310-35-3 See Subtopic 326-20 on credit losses for guidance on the accounting for receivables~~Receivables~~ arising from exchange transactions~~ shall be reported at net realizable value if the amounts are due within one year~~.

- When finalized by the Board, the guidance in the proposed Update related to the application of Topic 326 (see previous slides) will introduce a practical expedient for all entities and an accounting policy election for private companies and NFPs to simplify the application of the guidance in Subtopic 326-20 to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606.

Topic 815 – Derivatives Scope Refinements

- **Project Objectives**
  - Refine the scope of derivative accounting. (Issue 1)
  - Address existing diversity in practice in accounting for a share-based payment received from a customer in a revenue contract. (Issue 2, likely not applicable to many NFPs)
- **Stakeholder Feedback**
  - A frequently cited challenge was the broad interpretation of the accounting definition for derivatives and the complexity of applying scope exceptions.
  - Accounting for certain contracts as derivatives may not provide decision-useful information because the contracts relate to the performance of one of the parties to the contract.
- **Current Guidance**
  - Entities must evaluate whether a contract feature meets the accounting definition of a derivative. If so, entities must then evaluate whether any of the derivative scope exceptions apply.
  - Derivatives are measured at fair value.
- **Latest Developments**
  - On April 9, 2025, the Board completed redeliberations on the proposed ASU (issued in July 2024). Key decisions for Issue 1 are on the following slide.
  - Final ASU expected to be issued in 3Q 2025.

Topic 815 – Derivatives Scope Refinements: Issue 1

Main Proposed Provisions

- New scope exception for contracts with underlyings based on the operations or activities specific to one of the parties to the contract
- Replace the current predominant characteristics (correlation) assessment with a fair value assessment

April 9 Board decisions

- Affirmed the proposed new scope exception but decided that contracts in entity's own equity and certain call and put options on debt would not qualify for the exception.
- Decided to retain the existing correlation assessment in GAAP instead of replacing it with the proposed fair value assessment.

Amendments would be applied on a prospective basis to new contracts, with an option to apply on a modified retrospective basis.

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Questions?

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Thank You

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