

CPAs / ADVISORS



# Spring 2026 FASB & GASB Standards Update

**Mark Daffer, CPA**  
*April 16, 2026*

1

## **Mark Daffer, CPA** **Senior Manager, Blue & Co.**

- Chattanooga, TN
- Graduate of Middle Tennessee State University
- Have worked as an external auditor since 2012
- Have been involved solely with the healthcare industry since 2017



2

## Purpose and agenda

- Cover new standards with implementation dates coming in the next 2-3 years
- Discuss effects on financial statement presentation, disclosures, estimation, and governance oversight
- Provide examples of implementation
- Discuss internal controls within finance departments and their importance

[www.blueandco.com](http://www.blueandco.com)

3

## Upcoming FASB Standards Updates

CPAs / ADVISORS  
**blue**

4

# ASU 2023-05, Business Combinations – Joint Venture Formations (Subtopic 805-60)



5

## Purpose of the new standard

- Prior to the update, there was no specific guidance on accounting for the formation of a joint venture, which led to differences in practice for how joint venture transactions were recorded.
- Certain transactions were recorded using the historical carrying value of the contributed assets and liabilities of each member of the joint venture



6

## Key takeaways under ASU 2023-05

- Implementation of the standard was for any fiscal year beginning after December 15, 2024
- Scope exception for not-for-profit entities (continue to use guidance under ASC 958-805, Not-for-Profit Entities-Business Combinations)
- Entities are required to value assets and liabilities at fair value going forward



7

## Three-step process at formation

1. Determine what the formation date of the joint venture was.
2. Recognition of the identifiable assets and liabilities included in the joint venture, as well as any non-controlling interest in those net assets, using the fair value of the identifiable assets and liabilities at formation.
3. Recognition and measurement of goodwill, if any exists, as the time of formation.



8

## Disclosure requirements

- Formation date of the new joint venture
- A description of the purpose of the formation of the new joint venture
- The fair value of the joint venture as a whole as of the formation date
- A description of the assets and liabilities as a result of accounting for its formation, either presented on the face of the financial statements or disclosed in the notes to the financial statements



9


## Disclosure requirements (continued)

- The amounts recognized by the joint venture for each major class of assets and liabilities as a result of accounting for its formation, either presented on the face of the financial statements or disclosed in the notes to the financial statements
- A qualitative description of the factors that make up any goodwill recognized



10

*Do not edit  
How to change the design*



**How confident are you in your organization's process for estimating reserves on patient accounts receivables?**

*i* The [Slido app](#) must be installed on every computer you're presenting from **slido**

11

**ASU 2025-05, Financial Instruments – Credit Losses (Topic 326)**

CPAs / ADVISORS  
**blue**

12

## Purpose of the new standard

- To address challenges encountered when applying the guidance in Topic 326, Financial Instruments – Credit Losses, to current accounts receivable and current contract assets arising from transactions under Topic 606, Revenue from Contracts with Customers
- To reduce costs and complexity of estimating credit losses on current accounts receivable and current contract assets.



13

## Key takeaways under ASU 2025-05

- Implementation of the standard is for any fiscal year beginning after December 15, 2025
- Standard only applies to estimating credit losses on current accounts receivable and current contract assets.
- Practical expedient (available to all entities) allows you to assume current conditions stay the same for the life of the asset when forecasting expected credit losses.



14

## Key takeaways under ASU 2025-05 (cont.)

- Accounting Policy Election (only available to non-public entities):
  - You may consider collection activity after the balance sheet date when estimating credit losses.
  - This option can only be used if the practical expedient is also elected.
- Important to note scope clarification that the standard **only** applies to current accounts receivable and current contract assets.



15

## Key takeaways under ASU 2025-05 (cont.)

- If you elect the practical expedient, you still need to adjust historical loss data **if it no longer reflect current conditions.**
- Examples:
  - A customer is struggling financially, but past data does not show it yet – adjustment may be needed.
  - A major economic downturn occurs before the balance sheet date – adjust historical data to reflect the new reality.



16

## Key takeaways under ASU 2025-05 (cont.)

- If you are using an aging schedule to estimate credit losses, non-public entities can choose to update historical loss rates based on collections after the balance sheet date) FASB ASC 326-20-30-10G).
- Changing the date you consider for those collections is not treated as a change in accounting principle in accordance with FASB ASC 250 (FASB ASC 326-20-30-10H).



17

## Key takeaways under ASU 2025-05 (cont.)

- If both the **accounting policy election** and **practical expedient** are used:
  - No allowance is needed for receivables/contract assets that were **collected before the financial statements are issued**.
  - For any **remaining uncollected amounts**, estimate credit losses using the **practical expedient**.
    - This means evaluating based on **delinquency status** as of the date the financial statements are available to be issued.



18

## Disclosure requirements

- If elected, an entity must disclose the election of either the practical expedient, or, for an entity other than a PBE, both the practical expedient and the accounting policy election (FASB ASC 326-20-50-12A).
- In annual reporting periods, an entity other than a PBE that makes the accounting policy election must disclose the date through which it has considered subsequent collection activity (FASB ASC 326-20-50-12B).



19

## ASU 2025-06, Accounting for Internal-Use Software



20

## Purpose of the new standard

- To modernize the accounting treatment of costs related to internal-use software to better reflect the evolution of software development practices.
- The new standard updates rules to recognize that software is often developed in a more flexible, non-linear fashion.



21

## Key takeaways under ASU 2025-06

- Implementation of the standard is for any fiscal year beginning after December 15, 2027
- Internal-use software contains both of the following characteristics (FASB ASC 350-40-15-2A):
  1. The software is acquired, internally developed, or modified solely to meet the entity's internal needs
  2. During the software's development or modification, no substantive plan exists or is being developed to market the software internally



22

## Key takeaways under ASU 2025-06 (cont.)

	Old Guidance	New Guidance
Internal-Use Software (ASC 350-40):		
Software developed or obtained for the entity's own use. Examples include an ERP system, payroll system, or SaaS platform the entity uses to deliver its service.	Capitalization begins at application development stage; ends after testing.	Capitalization trigger begins when management commits funding and it is probable the software will be completed and used as intended (probable-to-complete threshold); ends when software is substantially complete and ready for its intended use (this part did not change)

23

## Key takeaways under ASU 2025-06 (cont.)

- Probable-to-Complete Threshold: You can only capitalize costs if you're reasonably sure the software will be completed and used.
- Significant Development Uncertainty: If there is major uncertainty – like unproven technology or unclear performance requirements – you **cannot** capitalize costs, yet.
  - Examples of uncertainty:
    - The software has new, unique, or untested features that have not been proven through coding and testing.
    - The main performance requirements are not clear or keep changing.

24

## Example – Entity X

- **Background:**
  - Entity X wants a single reporting software for various operating units (i.e. Hospital, Clinics, Home Health, etc.)
  - A single reporting software (“base layer”) is wanted to make financial consolidation easier.
  - Entity X hires a third-party to provide the base layer and also asks for a new feature (“analytical layer”) that doesn’t exist yet.




25

## Example – Entity X (cont.)

- **Contract Details:**
  - The base layer is an off-the-shelf product, paid for over 5 years.
  - The analytical layer is custom-built and paid for separately.
  - Entity X will use the base layer, even if the analytical layer is not finished.
- **Summary:**
  - Base layer costs are capitalized as an asset, as it is probable the software will work and there is no major uncertainty.
  - Analytical layer costs are expensed until proven to work, as there is significant uncertainty whether it will integrate and be usable.



26



**What type of software does your organization use?**

*Do not edit  
How to change the design*

*i* The [Slido app](#) must be installed on every computer you're presenting from **slido**

27

# ASU 2025-10, Accounting for Government Grants Received by Business Entities

CPAs / ADVISORS  
**blue**

28

## Purpose of the new standard

- Introduces authoritative guidance for accounting for government grants received by business entities under Topic 832: Government Assistance, which was previously lacking in US GAAP



29

## Key takeaways under ASU 2025-10

- Implementation of the standard is for any fiscal year beginning after December 15, 2028 for PBEs (December 15, 2029 for all other entities)
- NFP entities and EBPs are scoped out of the update
- Recognition and Measurement
  - A grant is recognized when it is probably that the entity will comply with conditions and receive the grant. Measurement is based on the nature of the grant (income-related vs. asset-related).



30

## Key takeaways under ASU 2025-10 (cont.)

- **Presentation**
  - Two approaches for grants related to income
    - Separate line item (e.g. Other Income)
    - Offset related expenses
  - Two approaches for grants related to assets
    - Deferred income approach
    - Cost accumulation approach (adjust asset basis)
- **Repayment**
  - If conditions are breached, repayment is recognized immediately in income or as an adjustment to asset carrying amount



31

## Disclosure requirements

- Nature and terms of the grant
- Accounting policies that are applied
- Significant conditions and contingencies



32

## Example 1 – Income-Based Grant

- A Hospital receives a \$500,000 government grant to subsidize payroll costs during an economic downturn. The grant is contingent on the Hospital maintaining at least 80% of its workforce for six months.
- Accounting Treatment under ASU 2025-10:
  - Recognition: When it becomes probably that the Hospital will meet the conditions and receive the grant.
  - Measurement: \$500,000 (amount of the grant)

33

## Example 2 – Income-Based Grant (cont.)

- Accounting Treatment under ASU 2025-10 (cont.):
  - Presentation options:
    - Separate line item: record as “Government Grant Income” on the income statement
      - Journal entry example: Dr. Cash \$500,000, Cr. Government Grant Income \$500,000
    - Offset related expense (reduce payroll expense by \$500,000)
      - Journal entry example: Dr. Cash \$500,000, Cr. Payroll Expense \$500,000

34

## Example 1 – Asset-Based Grant

- A Hospital receives a \$500,000 government grant to purchase a piece of equipment for a new operating segment to be used for at least 5 years.
- Accounting Treatment under ASU 2025-10:
  - Recognition: When it becomes probably that the Hospital will meet the conditions and receive the grant.
  - Measurement: \$500,000 (amount of the grant)



35

## Example 2 – Asset-Based Grant (cont.)

- Accounting Treatment under ASU 2025-10 (cont.):
  - Presentation options:
    - Deferred Income Approach: record as deferred income and amortize over the useful life of the asset
      - Journal entry example: Dr. Cash \$500,000, Cr. Deferred Grant Income \$500,000
    - Cost Reduction Approach (reduce carrying amount of the equipment by \$500,000)
      - Journal entry example: Dr. Equipment \$1,000,000, Cr. Cash \$1,000,000. Once grant is received: Dr. Cash \$500,000, Cr. Government Grant (contra-asset account within PP&E) \$500,000



36

# Upcoming GASB Pronouncements



37

# GASB Standard No. 103, Financial Reporting



38

## Purpose of the new pronouncement

- To improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability



39

## Key takeaways under GASB Statement No. 103

- Implementation of the pronouncement is for any fiscal year beginning after June 15, 2025
- Management's Discussion and Analysis is now broken into 5 required areas:
  1. Overview of Financial Statements
  2. Financial Summary
  3. Detailed Analyses
  4. Significant Capital Asset and Long-Term Financing Activity
  5. Currently Known Facts, Decisions, or Conditions



40

## Key takeaways under GASB Statement No. 103 (cont.)

- Updates to Unusual or Infrequent Items
  - Eliminates categories of special or extraordinary items
  - Requirement to display inflows and outflows related to each unusual or infrequent item **separately** as the last line item
  - Disclosure should be made in the footnotes about the identifiable activity to which an unusual or infrequent item is related, if such a situation exists. Also disclose if that item is within the control of management.



41

## Key takeaways under GASB Statement No. 103 (cont.)

- Noncapital Subsidies
  - Subsidies are now defined in the codification as:
    - Resources received from another party or fund
      - a) for which the proprietary fund does not provide goods and services to the other party or fund, and
      - b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise



42

## Key takeaways under GASB Statement No. 103 (cont.)

- Exposure Draft (February 2026)
  - One proposed question indicates supplemental payments that are not part of any contractual relationship between the patient and the government for healthcare coverage should be considered subsidies under Statement 103.
  - Under this guidance, supplemental payments would be considered non-operating revenue within the entity's financial statements.
  - Potential debt covenant implications, if applicable



43

## Key takeaways under GASB Statement No. 103 (cont.)

### Operating revenues (detailed)

- Total operating revenues

### Operating expenses (detailed)

- Total operating expenses
  - Operating income (loss)

### Noncapital subsidies (detailed)

- Total noncapital subsidies
  - Operating income (loss) and noncapital subsidies
- Other nonoperating revenues and expenses (detailed)
  - Total other nonoperating revenues and expenses
    - Income (loss) before unusual or infrequent items

### Unusual or infrequent items (detailed)

- Increase (decrease) in fund net position

Net position—beginning of period

Net position—end of period



44

# GASB Standard No. 104, Disclosure of Certain Capital Assets



45

## Purpose of the new pronouncement

- To provide users of government financial statements with essential information about certain types of capital assets. The statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.



46

## Key takeaways under GASB Statement No. 104

- Implementation of the pronouncement is for any fiscal year beginning after June 15, 2025
- Disclosure by asset class now required
  - Traditional asset classes (land, building, equipment, etc.)
  - Leased assets
  - Subscription-based assets
- Requirement to identify capital assets held for sale
  - **Disclosure only**



47

## GASB Standard No. 105, Subsequent Events



48

## Purpose of the new pronouncement

- To improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users.



49

## Key takeaways under GASB Statement No. 105

- Implementation of the pronouncement is for any fiscal year beginning after June 15, 2026
- Definition of Subsequent Event:
  - Transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This Statement describes the date the financial statements are available to be issued as the date at which
    - a) the financial statements are complete in a form and format that complies with generally accepted accounting principles and
    - b) approvals necessary for issuance have been obtained



50

## Key takeaways under GASB Statement No. 105 (cont.)

- **Recognized vs. Nonrecognized subsequent events**
  - Recognized – a subsequent event that provides evidence of conditions that existed at the financial statement date that inform accounting estimates reported as of the financial statement date.
  - Nonrecognized – a subsequent event that results in either a significant effect that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs and is one of the following:
    - a) A debt-related transaction, other than regular debt service payments
    - b) A government combination or disposal of government operations
    - c) A change to the legally separate entities that compose the financial reporting entity
    - d) A transaction or other event that is of such a nature that disclosure of the event is essential to a financial statement user's analysis for making decisions or assessing accountability



51


## Key takeaways under GASB Statement No. 105 (cont.)

- In contrast to recognized events, nonrecognized events do not inform conditions that existed at the financial statement date, and, therefore, the effects related to nonrecognized events should not be incorporated into amounts reported as of the financial statement date in the basic financial statements. Instead, information about nonrecognized events should be disclosed and include:
  - a) A description of the nonrecognized event and its effect
  - b) An estimate of the amount of the effect of the nonrecognized event, or the reason why an estimate of the amount cannot be made



52

*Do not edit  
How to change the design*



**How do you feel about implementation of new standards for your organization?**

*i* The [Slido app](#) must be installed on every computer you're presenting from **slido**

53

**Internal Control Matters**

CPAs / ADVISORS  
**blue**

54

## Core Components of Internal Controls

1. Control Environment
  - The foundation, setting the organization's tone and consciousness regarding control.
2. Risk Assessment
  - Identification and analysis of risks to achieving financial reporting objectives.
3. Control Activities
  - Policies, procedures, and rules (e.g., authorizations, reconciliations, segregation of duties) that ensure management directives are carried out.
4. Information and Communication
  - Systems that support the capture and exchange of information for decision-making.
5. Monitoring
  - A process to assess the performance of internal controls over time.



55

## Two keys to evaluation of internal controls

1. Are controls properly designed?
  - Proper segregation of duties
    - i. Authorization
    - ii. Custody
    - iii. Recordkeeping
2. Are controls operating effectively?
  - Can evidence of proper segregation be provided?
  - Is there documented evidence that controls are properly designed and operating as intended?



56

## Common areas of internal controls that have deficiencies

- Manual Journal Entries
  1. Is there a proper segregation of duties between those who can make manual journal entries and those with the responsibility to review and evaluate financial performance?
  2. Can documentation be provided to support manual journal entries?
  3. Is there proper **documented** authorization for manual journal entries?
  4. Can you reasonably explain the purpose of journal entries that have been made?



57

## Common areas of internal controls that have deficiencies (cont.)

- Information Technology
  1. Are there proper authorizations within the financial reporting systems given to employees based on their responsibilities?
  2. Can **documentation** be provided listing employees that have access to the financial reporting systems?
  3. Can **documentation** be provided supporting authorizations that specific employees have?
  4. Are there adequate backup procedures in place if a cyberattack were to occur?
  5. Can a **documented** disaster recovery plan be provided?
  6. Can **documented** instances of protections in place be provided to prove they are both in place, and being tested regularly?



58



59



60