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BACK TO THE LEDGER: A LIGHTNING-FAST JOURNEY THROUGH A&A CHANGES

presented by

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OVERVIEW

The Past

Accounting issues that dominated the profession over the last decade and how the guidance evolved from initial issuance through implementation and subsequent refinements

The Present

A look at newly effective and recently issued accounting standards updates, along with key implementation considerations and practical impacts on financial reporting

The Future

An overview of the FASB's technical agenda, emerging financial reporting issues and emphases, and developments shaping the future of the profession

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THE PAST

A Decade of Accounting Change

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THE PAST

A Decade of Accounting Change

REVENUE RECOGNITION

A Single Model

- Five-step revenue recognition framework
- Increased emphasis on contracts and performance obligations
- Expanded disclosures

CREDIT LOSSES

Forward-Looking

- Shift from an incurred-loss model to an expected-loss model
- Expanded disclosure

LEASES

Balance Sheet Recognition

- Right-of-use asset and lease liability
- Challenges in tracking and reporting
- Expanded disclosure

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THE PAST

A Decade of Accounting Change – Nonprofits

ASU 2016-14

Nonprofit Financial Statements

- Two classes of net assets
- Enhanced liquidity disclosures
- Expense reporting by natural and functional classification
- Reporting investment income net of direct expenses

ASU 2018-8

Contributions

- Framework to evaluate contribution vs. exchange transactions

ASU 2020-07

Contributed Nonfinancial Assets

- Separate presentation on statement of activities
- Expanded disclosure

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THE PAST

A Decade of Accounting Change

KEY TAKE-AWAYS

- Improved comparability and more consistent reporting
- Increased transparency
- More timely information about credit risks
- Improved usefulness of nonprofit financial statements
- Better understanding of nonprofit resources
- Expanded disclosures

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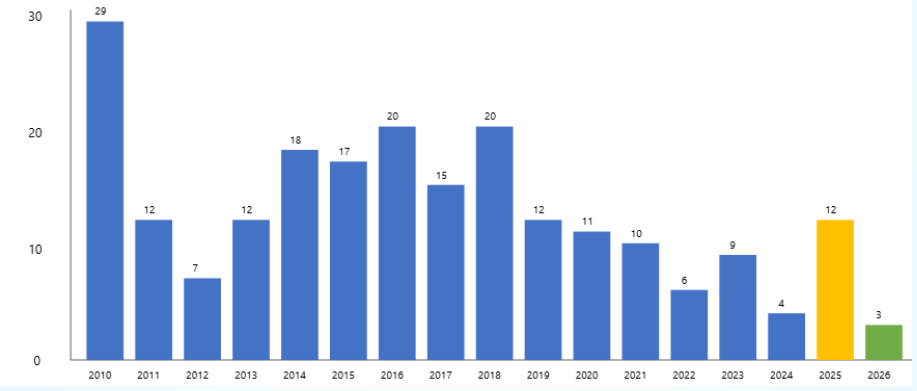
THE PRESENT

Where We Are Now:
The Accounting Profession Today

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THE PRESENT

FASB Accounting Standards Updates Issued by Year (2010-2026)



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THE PRESENT

Welcome to 2026

CREDIT LOSSES

ASU 2025-05

- Simplifies expected credit loss estimates for private companies
- Optional use of post-period collection information
- Effective in 2026

INCOME TAXES

ASU 2023-09

- Improvements to enhance transparency and decision usefulness of income tax disclosures
- Effective in 2026

STOCK COMPENSATION (EMPLOYEES)

ASU 2024-01

- Four illustrative examples added
- Reduces diversity in practice
- Effective in 2026

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THE PRESENT

And Not-So-Distant Future

SHARE-BASED CONSIDERATIONS (CUSTOMERS)

ASU 2025-04

- Clarifies accounting for share-based non-cash consideration payable to a customer
- More customer awards likely will contain performance conditions rather than service conditions
- Reduces diversity in practice
- Effective in 2027

INTERNAL USE SOFTWARE

ASU 2025-06

- Project stages removed
- Capitalization now starts once both of the following are met:
  1. Management has authorized the project and committed to funding it
  2. The "probable-to-complete recognition threshold" is met
- Effective in 2028

GOVERNMENT GRANTS

ASU 2025-10

- Not applicable to non-profits
- Analogy accounting to IAS 20, ASC 958-605 or ASC 450 is no longer permitted and will have to move to the new Topic 832 model
- Grant is recognized when conditions met, receipt is probable and related costs have been incurred
- Asset-related grants – "deferred income approach" or "cost accumulation approach"
- Effective in 2030

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THE PRESENT

And Not-So-Distant Future (continued)

Act 104 of 2026 — Nonprofit Financial Reporting Update

Audit/Review/Compilation triggers annual contributions thresholds increased

Engagement Level	Previous Thresholds (Prior to Act 104)	New Thresholds (Act 104 of 2026)
Audit	$750,000 and above	$1,000,000 and above
Review	$250,000 – $750,000	$500,000 – $999,999
Compilation	$100,000 – $250,000	$150,000 – $499,999

EFFECTIVE **in 2027**

These new thresholds apply to nonprofit reporting periods beginning in 2027.

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THE PRESENT

And Not-So-Distant Future (continued)

NEWLY ISSUED ACCOUNTING STANDARDS UPDATES

- **ASU 2026-01** – *Initial Measurement of PIK Dividends on Preferred Stock* – effective in 2027
- **ASU 2026-02** – *Environmental Credits and Environmental Credit Obligations* – effective in 2029
- **ASU 2026-03** – *Fair Value Measurements* (Investment Companies)

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Reality – AI Is Here



The profession is no longer asking "if" AI will impact accounting, but "how" it will be used responsibly.

- **Research and Technical Guidance**
- **Data Analytics**
- **Documentation and Reporting**
- **Auditing Procedures**

AI can accelerate analysis and documentation, but professional skepticism, interpretation and judgment remain the responsibility of the accountant.

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THE FUTURE

Where We're Headed:
What's Next for the Profession

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THE FUTURE

Overview

PART 1
THE FUTURE OF THE GUIDANCE

- FASB technical agenda
- Trends
- Challenges and principles

PART 2
THE FUTURE OF THE CRAFT

- The creative economy
- The evolving toolbox
- The unchanging principles
- The role of the profession

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THE FUTURE

The Future of the Guidance

FASB TECHNICAL AGENDA

- Digital assets
- Equity method of accounting
- Definition of common control
- Private credit
- Indexing of debt and equity
- Codification improvements (evergreen)

Research topics:

I. *Accounting for and disclosure of intangibles*
II. *Consolidation for business entities*
III. *Statement of cash flows*

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THE FUTURE

The Future of the Guidance

TRENDS

- Infrastructure supporting technological developments
- Compensation developments (share-based compensation comparability)
- Significant estimates
- Data integrity
- Service organization control (SOC) reports

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The Future of the Guidance

CHALLENGES & PRINCIPLES

- Evolving landscape
- Economic substance
- Decision usefulness
- Comparability



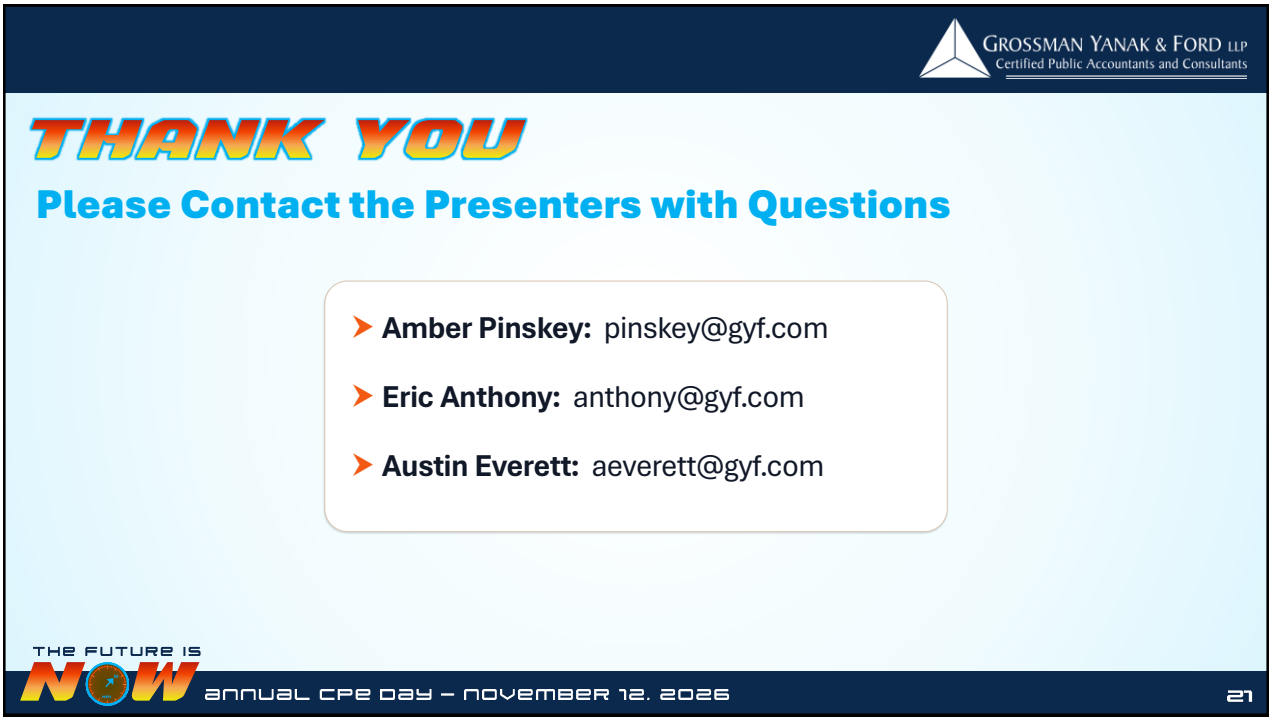
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THE FUTURE

The Future of the Craft

- The creative economy
- The evolving toolbox
- The unchanging principles
- The role of the profession




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THANK YOU
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