Not-for-Profit & Governmental Update – Key 2026 Updates

May 13, 2026

CRI CARR RIGGS & INGRAM®

CRIadv.com

Course Materials

Any information taken from these course materials should be applied in a manner that is consistent with the context provided by the presenter.

Course Description

This course provides a focused update on the most significant 2026 developments affecting not-for-profit and governmental organizations. Participants will explore key accounting updates, including cryptocurrency reporting and simplified credit-loss guidance, along with major federal tax changes impacting compensation, endowments, and charitable giving. CPAs will gain practical insights to strengthen compliance, enhance financial reporting, and better advise and audit their not-for-profit and governmental clients.

Learning Objectives

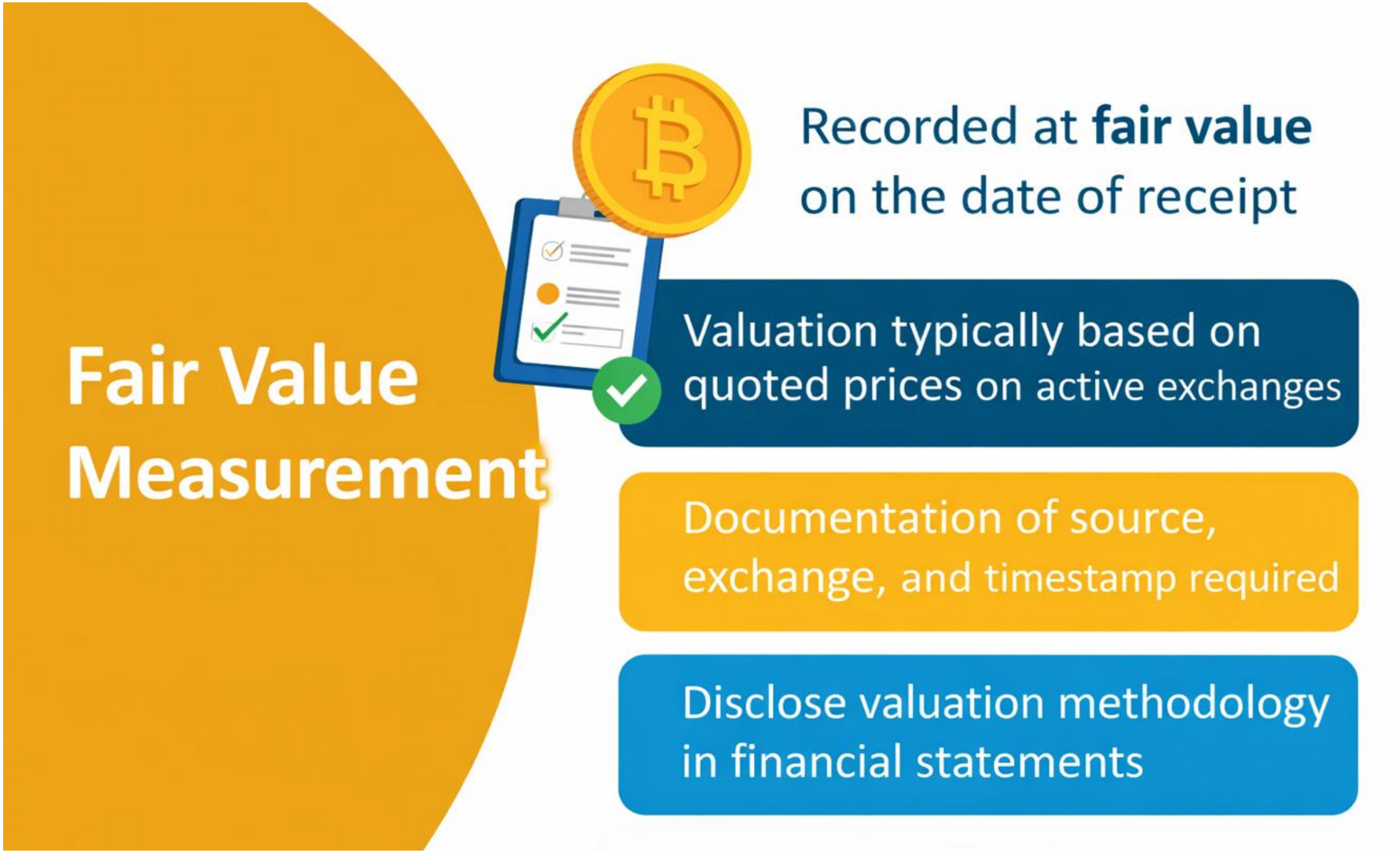
After completing this session, participants will be able to:

1. Apply the guidance in ASU 2023-08 and ASU 2025-08.
2. Recognize the new tax developments for not-for-profits and industry trend resources
3. Apply the guidance in of GASB Statements 103-105.

Learning Objective 1

Apply the guidance in ASU 2023-08 and ASU 2025-08

Cryptocurrency Contributions



Cryptocurrency Contributions

Cryptocurrency Contributions

Policies and Controls

Establish **clear policies** for acceptance, valuation, and liquidation.

- Define which cryptocurrencies will be accepted
- Implement controls for wallet security and transaction authorization
- Include crypto assets in organizational risk assessments

CECL Change – What is CECL?

'Current Expected Credit Losses'

U.S. GAAP model to estimate and record expected credit losses on certain financial assets

Formerly known as 'allowance'

Requires recognition of an allowance for credit losses based on expected losses over the life of a financial asset, rather than waiting until a loss is probably or incurred.

CECL Change

Recent applicable standards

ASU 2025-05 Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets

ASU 2025-08 Financial Instruments – Credit Losses (Topic 326)

CECL Change – ASU 2025-05

Applies to current financial assets arising from ASC 606 revenue transactions (i.e. program service fees, tuition, memberships)

Does not apply to contributions, pledges, loans/notes receivable, or investments

Practical expedient – Assume that current economic conditions remain unchanged over the remaining life of the asset

Can consider cash collections received after the statement of financial position date, but before issuance, in the expected credit loss estimate

Purposes – to simplify the estimation process and lower administrative burden and to better align allowance with actual results when receivables are collected after year-end

Required disclosures – whether the expedient and post-period collections election were elected and the cutoff date for considering cash collections

CECL Changes – ASU 2025-08

Applies to acquired loans (excluding credit cards) that qualify as 'purchased seasoned loans' (PSL) – defined as acquired loan assets purchased at least 90 days after origination or obtained in a business combination; and expands the previous 'gross-up' method – formerly limited to deteriorated assets - to cover PSLs as well

Simplifies accounting for acquired loans or notes receivable, promotes a more faithful representation of expected credit losses, and reduces earnings volatility

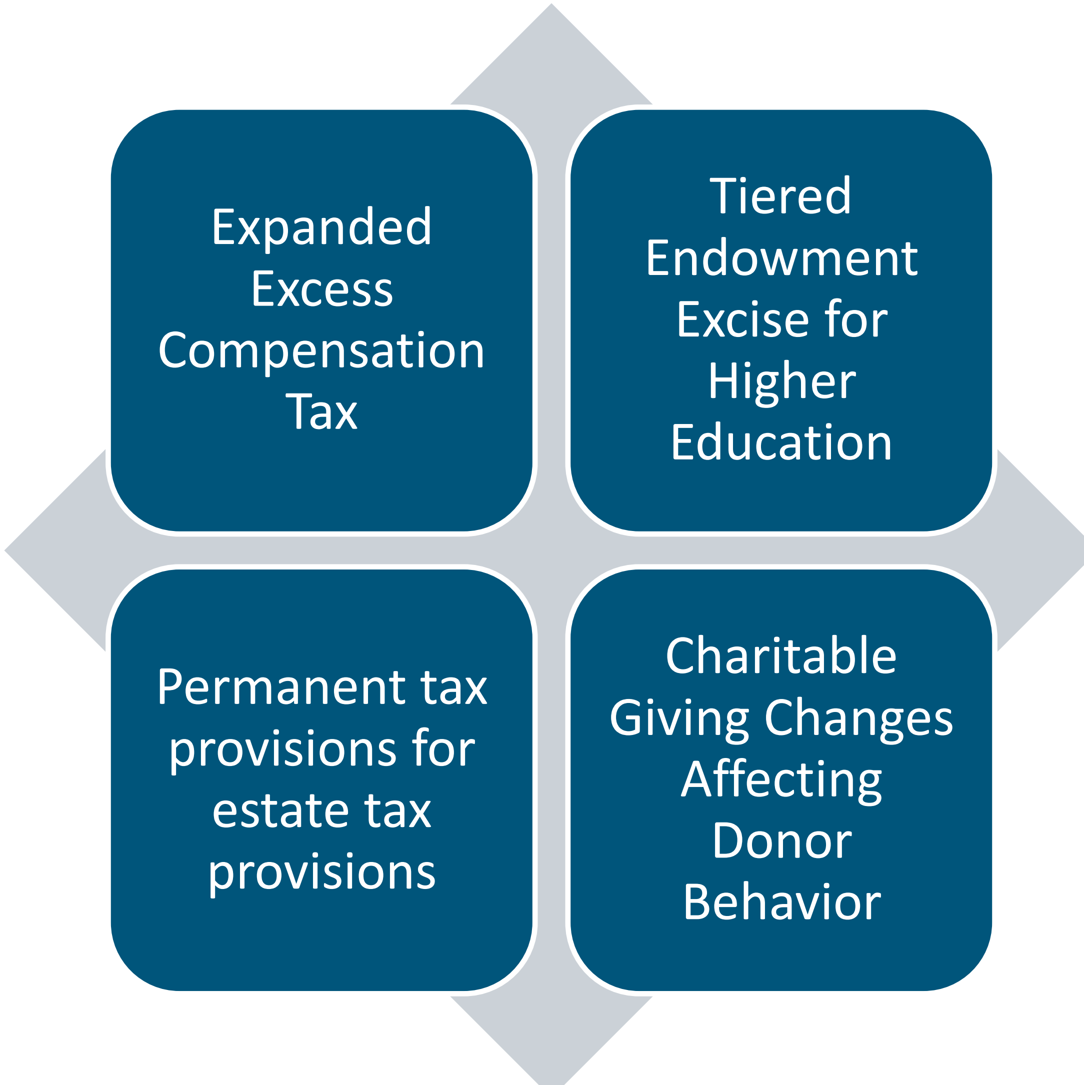
CECL Changes

	2025-05 Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets	2025-08 Financial Instruments – Credit Losses (Topic 326)
Effective date	Fiscal years beginning after 12/15/25 including interim periods (i.e. years ending 12/31/26 or 6/30/27)	Annual and interim periods beginning after 12/15/26 (i.e. years ending 12/31/27 or 6/30/28)
Early adoption	Permitted	Permitted as long as financial statements haven't been issued
Application	Applied prospectively; no restatement or prior period adjustments required	Applies prospectively; no restatement or prior period adjustments required

Learning Objective 2

Recognize the new tax developments for not-for-profits and industry trend resources

Federal Tax Developments



Expanded Excess Compensation Tax

(Section 4960)

- Applies to all employees, includes related entities
- Loss of volunteer exceptions
- Growing exposure due to non-indexed $1M threshold

Tiered Endowment Excise Tax for Higher Education

- Applies to institutions with 3,000+ tuition-paying students
- Rates up to 8% on net investment income
- Potential expansion to other institution types

Charitable Giving Changes Affecting Donor Behavior

- 0.5% income floor for charitable deductions
- Reduced 35% maximum tax benefit
- Strategic timing and gift-type considerations
- 2027 K-12 scholarship contribution credit (capped at $1,700 per donor)

Nonprofit Entity Trend Resources

ProPublica – Nonprofit Explorer

- https://projects.propublica.org/nonprofits
- Enter key words – i.e. Oklahoma Animal Welfare
- Provides a list of entities and most recent revenue amounts
- Can view individual entities and get specific information including graphs of trends
- FREE!

Nonprofit Entity Trend Resources

National Center for Charitable Statistics (NCCS)

- https://nccs.urban.org
- Dashboard, Data Visualizations, Finances
- Select Filter
- View tabs for Assets, Revenues, and Expenses
- FREE!

Nonprofit Entity Trend Resources

Evangelical Council for Financial Accountability (ECFA)

- https://ecfa.org
- Sign up for email notifications/get on distribution list
- Receive annual State of Giving report that includes various trend information
- Great free policy resources
- FREE! (mostly)

Learning Objective 3

Apply the guidance in of GASB Statements 103-105

GASB Statement 103

What Is in Statement 103?

- Management's discussion and analysis
- Unusual or infrequent items
- Proprietary funds statement of revenues, expenses, and changes in fund net position
  - Presentation
  - Operating v. nonoperating
  - Statistical section
- Major component units
- Budgetary comparisons

Overall Aims of the MD&A Revisions

Increase the number of people who can read and understand it

Reduce repetition where possible

Focus on explaining *why* changes occurred

Clarify for governments what should be included

Overall Changes MD&A

Statement 34	Statement 103
• Sections described but not specifically titled	• Sections specifically titled
• Target reader not identified	• Target reader may not know governmental accounting and financial reporting or the geographic area
• Does not mention repetition	• Avoid unnecessary duplication by referring to discussions elsewhere rather than repeating them

Overall Changes MD&A

Statement 34	Statement 103
• MD&A should discuss the current-year results in comparison with the prior year, with emphasis on the current year • This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year	• Analysis should be fact based and discuss both significant positive or negative impacts on balances and results in comparison with the prior year • Analysis should assist readers in understanding **why** balances and results changed, rather than simply presenting the amounts or percentages of change

Overall Changes MD&A

Statement 34	Statement 103
• Describe significant capital asset activity during the year, including a discussion of commitments made for capital expenditures	• Describe significant capital asset activity, *including intangible assets*; significant additions, disposals, and changes to commitments
• Describe significant long-term **debt** activity during the year, including a discussion of changes in credit ratings and debt limitations	• Describe significant long-term **financing** activity during the year, including debt, leases, PPPs, and SBITAs; agreements entered into, changes in credit ratings, and changes to debt limitations

Overall Changes MD&A

Currently Known FDC: Examples

Statement 34	Statement 103
• None provided	• Trends in relevant economic and demographic data • Relevant factors used to develop the next year's budget indicating how results of operations are expected to change next year, such: – Changes in the total amount available for appropriation – Changes in planned spending

FDC = Facts, Decisions, or Conditions

Overall Changes MD&A

Currently Known FDC: Examples

Statement 34	Statement 103
• None provided	• Expected changes in budgetary net position or fund balance • Actions government has taken related to pensions/OPEB; capital asset plans; liabilities for leases, PPPs, and SBITAs; and other long-term financings that will affect the subsequent period • Actions other parties have taken that will affect the government, such as new legislation or regulations imposed on the government

Overall Changes MD&A

Statement 34	Statement 103
• Currently known facts are information management is aware of as of the date of the auditor's report • An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund (if applicable) • A discussion by governments that use the modified approach (if applicable)	• Currently known refers to information management is aware of as of the date of the financial statements are issued • Budgetary analysis (if applicable) moved to accompany the budgetary comparison schedules in RSI • Modified approach discussion (if applicable) moved to accompany the schedules in RSI

Improving MD&A: General Consideration

Begin working on MD&A soon after fiscal year-end, rather than waiting until the financial statements are nearly finished

- Preliminary information can be used initially
- The important issues to address in the discussion and analysis, including the reasons why things changed, are likely already known
- The result will be more readable and useful if sufficient time is taken to consider how the narrative reads
- Use tables, charts, graphs, bulleted lists, and other features that breakup the text and communicate more clearly

Try to institute these changes as part of ongoing procedures, rather than just a one-time effort

GASB Statement 104

Why Did the GASB Issue This Statement?

- GASB standards are inconsistent with respect to distinguishing financial assets from nonfinancial assets
- Statements 87, 94 & 96 require governments to recognize intangible right-to-use assets, which are distinct from the underlying assets, and to disclose them separately from other capital assets
- Statement 34 identifies intangibles as a type of capital asset
- GASB research found that nonfinancial assets other than tangible capital assets are pervasive among governments and that not all types are equally important to financial statement users

GASB Statement 104

Capital Asset	Pre-104	Post-104
Intangible right-to-use lease assets	By major class of underlying asset	By major class of underlying asset
Intangible right-to-use assets recognized by an operator in a public-public partnership (PPP)	Not specified	By major class of underlying PPP asset
Intangible right-to-use subscription assets	In the aggregate	In the aggregate
Other intangible assets	Not specified	By major class of asset

Additionally, intangible right-to-use assets should not be disclosed in the same major class as owned assets of that type

GASB Statement105

The underlying standards are over 50 years old and were brought into GASB standards through Statement 56 in 2009, but without reexamination

GASB research and outreach found:

- Significant diversity in practice, including governments (1) recognizing or disclosing as subsequent events items that did not meet the definition and/or (2) failing to recognize or disclose events that occurred that meet the definition
- Descriptions of recognized and nonrecognized events could be difficult to understand
- Governments are inconsistent in what information they disclose about subsequent events

GASB Statement 105 - Definition

Subsequent events are 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

- That is the "subsequent events time frame"

The date the financial statements are available to be issued is the date at which:

- The financial statements are complete in a form and format that complies with GAAP and
- All approvals necessary for issuance have been obtained

Subsequent events are either recognized events or nonrecognized events

GASB Statement 105 – Recognized Events

A subsequent event that provides evidence of conditions that existed *as of the financial statement date* that inform accounting estimates as of the financial statement date

Accounting estimates reported as of the financial statement date should reflect the effects of conditions that exited at that date, including conditions substantiated by recognized events

Identifying recognized events requires professional judgment and knowledge of the facts and circumstances

GASB Statement 105 – Recognized Events

Example 1: The bankruptcy of a major customer of a water utility during the subsequent events time frame may be indicative of the customer's deteriorating financial health at the financial statement date

- If so, the utility should incorporate the event in its measurement of uncollectible accounts receivable in the financial statements – *this is a recognized event*

Example 2: A major customer of a water utility experiences severe property damage due to a storm during the subsequent events time frame

- If so, *this is* NOT *a recognized event*
- Should be evaluated as a potential nonrecognized event

GASB Statement 105 – Nonrecognized Events

A subsequent event that results in a significant effect (favorable or unfavorable) that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs (i.e., the following FY) and is one of the following:

- A debt-related transaction (but not leases, SBITAs, or PPPs)
- A government combination or a disposal of government operations
- A change to the legally separate entities that comprise the financial reporting entity
- A transaction or other event that is of such a nature that the required disclosures are essential to financial statement users

Nonrecognized events do not inform conditions that existed at the financial statement date – they should be disclosed rather than incorporated into amounts in the financial statements

GASB Statement 105 – Effective Date & Transition

Effective for subsequent events associated with fiscal years beginning after June 15, 2026, and all reporting periods thereafter

- FYEs 6-30-27, 9-30-27, 12-31-27, 3-31-28
- Earlier application is encouraged

Should be applied prospectively

GASB Statement 105 – Effective Date & Transition

The date through which subsequent events have been evaluated, even if there were none

For each nonrecognized event, disclose:

- A description of the nonrecognized event and its effect
- An estimate of the amount of its effect, or the reason why an estimate of the amount cannot be made

Disclosures should correspond to the reporting units in the financial statements

Information that is the same for multiple reporting units should be combined in a manner that avoids unnecessary duplication

GASB Statement 105 – Potential Implementation Issues

The new standards are better organized and written, which should help to lessen false negatives (subsequent events not being reported) and false positives (reporting events that are not subsequent events)

Nevertheless, it will still be challenging to evaluate whether a subsequent event indicates conditions that existed as of the financial statement date

Some effort may be necessary for governments whose subsequent event disclosures did not already contain the information required by Statement 105

- Today's Presenter

Charlotte Henry, Partner
Tulsa, OK
918.628.0500
chenry@CRIadv.com