

FASB Updates: Key Provisions That Can Impact Your Non-Profit Organization

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To fulfill their missions effectively, non-profit organizations need to remain compliant with evolving accounting standards. The Financial Accounting Standards Board (FASB) continues to enhance its guidance with a strong focus on improving transparency, consistency, and relevance in financial reporting, particularly for the non-profit sector.

FASB recognizes the challenges non-profit organizations face. From reliance on donor support and grants to managing in-kind contributions and reporting on program outcomes, non-profit financial statements need to tell a clear and accurate story. FASB is currently refining the existing standards and increasing engagement with non-profit leaders to ensure that new rules effectively reflect the non-profit sector.

Most recently, FASB has introduced a proposed update that would streamline how credit losses are accounted for under the Current Expected Credit Loss (CECL) model, potentially reducing the compliance burden on certain non-profit organizations. To qualify for the proposed CECL update, non-profit organizations must not have issued or be conduit obligors for publicly traded debt instruments.

Key provisions of the proposal which aim to streamline the reporting process, reduce estimation costs, and ensure that non-profits can focus more on mission-driven activities and less on compliance requirements include:

- **Practical Expedient:**

- Eligible non-profits can assume that current economic conditions as of the balance sheet date will persist throughout the forecast period. This approach eliminates the need for complex macroeconomic forecasts when estimating expected credit losses.

- **Accounting Policy Election:**

- If the practical expedient is elected, organizations can also make an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses, allowing them to reflect actual collections in their estimates. This can reduce the allowance for credit losses.

- **Effective Date and Transition:**

- FASB will determine the effective date after considering stakeholder feedback. Early adoption would be permitted.

Additional Accounting Standards Non-Profits Should be Aware of:

ASC 958-605: Revenue Recognition under ASC 958-605 requires non-profits to adhere to updated revenue recognition requirements for contributions, grants, and contracts. A key aspect of compliance involves distinguishing between:

- Contributions: Donations or grants made without a direct exchange of goods or services.
- Exchange Transactions: Instances where goods or services are provided in return for payment.

This differentiation is important for accurately recognizing and reporting revenue. Conditional contributions should only be recorded as revenue once the specified conditions are substantially fulfilled, ensuring precise financial reporting.

ASC 842: Lease Accounting Standards Under ASC 842 require non-profits to recognize most leases on their balance sheets. This includes recording:

- A right-of-use asset: Representing the right to use the leased property.
- A lease liability: Reflecting the obligation to make lease payments.

Compliance challenges may arise, such as identifying all lease agreements, calculating present values, and upgrading accounting systems. Non-profits with below-market rent agreements or donated spaces must treat these as contributions, adding complexity to their financial reporting processes.

ASC 958-720-45: Expense Classification ASC 958-720-45 mandates non-profits to categorize expenses using two methods:

- Natural Classification: Based on the nature of the expense (e.g., salaries, rent, utilities).
- Functional Classification: Based on the purpose of the expense (e.g., program services, administrative functions, fundraising).

This categorization improves transparency, ensures efficient resource allocation, boosts program cost-effectiveness, and strengthens compliance with legal and regulatory standards.

Potential Changes to Watch:

While nothing majorly new has been enacted for non-profits in 2025 yet, a few items on FASB's radar include:

- Crypto and digital assets: Expect further guidance as more non-profits accept crypto donations.
- Sustainability/ESG Reporting: Not yet required, but some larger or international non-profits may begin voluntary reporting that aligns with the International Sustainability Standards Board or Global Reporting Initiative.

FASB's commitment to clarity and collaboration is good news for non-profits. With practical proposals like the CECL simplification and a focus on sector-specific needs, FASB is helping organizations reduce compliance burdens while enhancing the quality of their financial reporting. By staying engaged with these changes, non-profits can not only meet their reporting obligations but also strengthen the trust of donors, partners, and the communities they serve.

For more information on FASB, please contact [Brian Sackstein](#), Partner and Leader of Anchin's Non-Profit and Healthcare Groups, [Matthew Rosenblatt](#), Partner, or your Anchin Relationship Partner