

Memorandum

Leases Implementation

May 29, 2026

To: Members of the Board
From: Ricky A. Perry, Jr., Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: Leases Implementation Research Report - **Topic C**

OBJECTIVE

Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, became effective on October 1, 2023. The Board elected to monitor the first two fiscal years of implementation. The attached draft research report provides information to assist the Board in evaluating the extent to which SFFAS 54 and related pronouncements are achieving their intended objectives. It is also designed to inform Board discussions and assessments of reporting practices, results, and outcomes.

DISCLAIMER

The attached report is based on staff's review of FY 2025 federal financial reporting and is intended for discussion purposes only.

The data and analyses contained therein may contain errors and should not be relied upon for assessing accountability and conformance with the standards at the component reporting entity level, nor should it serve as a substitute for reading the component entity financial reports and independent auditor reports of interest.

REQUEST FOR FEEDBACK BY JUNE 11TH

Prior to the June meeting, please review the attached educational material and provide any feedback and comments to staff. There are no specific questions for members in this set of materials.

Please submit any comments to Mr. Perry, with a cc to Ms. Valentine, by June 11th.

NEXT STEPS

Staff will incorporate any feedback discussed at the June meeting into the research report. A final research report will be posted on the leases project page.

ATTACHMENTS

1. Draft leases implementation research report

REFERENCE MATERIALS

Financial reports of CFO Act entities included in study

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Environmental Protection Agency
General Services Administration
National Aeronautics and Space Administration
National Science Foundation
Office of Personnel Management
Small Business Administration
Social Security Administration
U.S. Agency for International Development
U.S. Nuclear Regulatory Commission

Reports of significant consolidation entities included in study

Export-Import Bank of the United States
Federal Communications Commission
Railroad Retirement Board
Securities and Exchange Commission
Security Assistance Accounts
U.S. International Development Finance Corporation

Reports of additional consolidation entities included in study

Millenium Challenge Corporation
Presidio Trust

FY 2024 leases reporting results paper (Feb. 2025 FASAB meeting)

Feb. 2025 Topic C.1

Note: Staff reviewed 32 consolidation entities as part of this study, including 30 significant consolidation entities reporting under FASAB requirements plus two additional consolidation entities. See scope and methodology section of attachment 1.

Leases Implementation Research Report

Summary, Analysis, and Observations After Two Years of Implementation

Objectives

Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, became effective on October 1, 2023. The Federal Accounting Standards Advisory Board (FASAB or “the Board”) elected to monitor the first two fiscal years of implementation. This report provides information to assist the Board in evaluating the extent to which SFFAS 54 and related pronouncements, are achieving their intended objectives. It is also designed to facilitate monitoring of implementation and inform Board discussions and assessments of reporting practices, results, and outcomes.

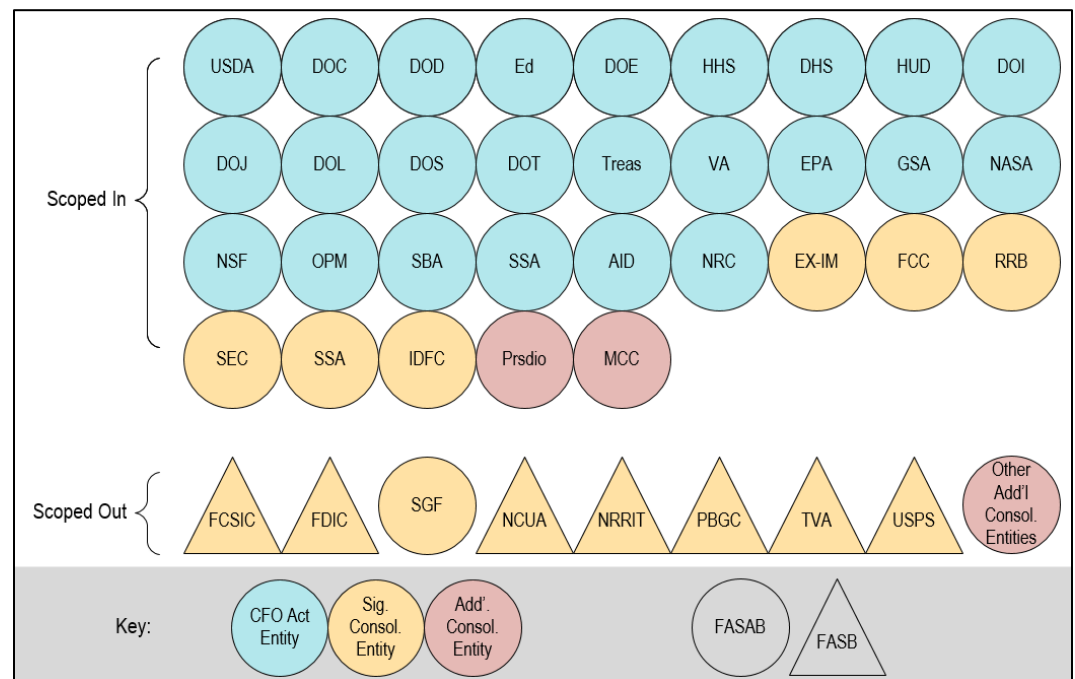
Scope and Methodology

To address the above objectives, staff reviewed 32 consolidation entities as part of this study, including 30 reporting entities classified by the Treasury as “significant entities” and two “additional consolidation entities” with significant leasing operations. All 32 entities selected report under accounting principles promulgated by FASAB. Staff gathered, summarized, and analyzed FY 2025 and FY 2024 agency financial reports and made limited inquiries of knowledgeable officials to obtain certain information.

Of 38 entities classified as “significant entities,” eight were excluded from the scope of this study. Seven exclusions report under Financial Accounting Standards Board (FASB) standards (i.e., FASB ASC® 842, *Leases*), and SFFAS 54 does not apply to the remaining exclusion (see figure 1.1 below).

Of the 32 selected entities, five received disclaimers of opinion (DOD, HUD, USAID, EPA, and SBA), two received qualified opinions (USDA and DOE), and one (DOL) had not issued its financial report as of March 2026. DOL provided certain unaudited data to staff in support of this study.

Figure 1.1 – Scope of Study



Results in Brief

Reporting Results:

- Reporting entities improved the consistency and presentation of their leases disclosures in FY 2025 after successfully implementing in FY 2024. Financial statements and notes provided quality information on leases balances, activities, and terms.
- The form, content, and presentation of leases information was comparable, understandable, and navigable.
- Reporting entities with significant leases continued to apply the transitional accommodation provided by SFFAS 62, *Transitional Amendment to SFFAS 54*, for the maximum period of three years.
- The intended objectives of SFFAS 54 are being met, and the expected benefits are being realized. Leases reporting has contributed to achieving and demonstrating several aspects of accountability that were expected for reporting entities with significant leases (see SFFAS 54, par. A17-A21).

Audit Results:

- Consistent with FY 2024, none of the 31 audit opinions were affected by leases in FY 2025. All 31 independent auditor reports either expressed a clean opinion or contained a basis for disclaimer or qualified opinion unrelated to leases.
- Two of the 31 consolidation entities' independent auditors reported material weaknesses in internal control over financial reporting related to leases in FY 2025.^{1 2} Three of 31 reported significant deficiencies related to leases.^{3 4} The overall number of leases-related material weaknesses and significant deficiencies decreased from seven in FY 2024 to five in FY 2025.

Opportunities for improvement:

- Staff identified a few opportunities for improvement.
 1. Single-year presentations, highly summarized PP&E roll-forwards, and pervasive absences of management discussion and analysis of trends and significant changes limited the collective usefulness and value of leases information presented in FY 2025. These limitations were especially apparent when attempting to identify and understand factors contributing to significant changes in leases balances and activities for certain reporting entities.
 2. The consistency and comparability of lessee lease expense disclosures could be improved, although reporting entities generally complied with the related requirements. Consistent and comparable lease expense disclosures would enable users to better assess the efficiency and economy of operations and the outcomes of leasing initiatives, such as right-sizing and space optimization efforts.

¹Nine of the remaining 29 consolidation entities received one or more material weaknesses that were entity-wide or systemic in nature. These deficiencies were broader in nature and not interpreted as having sufficient linkage or relevance to leases.

²Some auditors were not engaged to provide an opinion on internal control over financial reporting. Their consideration of internal control was for the limited purpose of designing audit procedures that were appropriate for the purpose of expressing an opinion on the financial statements of those entities. As a result, material weaknesses or significant deficiencies in internal control related to leases may have existed that were not identified.

³See footnote 2 above.

⁴Four of the remaining 28 consolidation entities received one or more significant deficiencies that were entity-wide or systemic in nature. These deficiencies were broader in nature and not interpreted as having sufficient linkage or relevance to leases.

Lessees: Lease Liabilities, Lease Assets, and Disclosures

Figure 2.1 – Lessee Balances, as of September 30, 2025

Reporting entity	Lease liability (mil)	Pct. +/- in liab. since 9/30/24	Lease asset (mil)
General Services Administration (GSA)	\$ 26,319	- 3.6	\$ 25,050
Department of State (DOS)	2,878	- 0.0	2,834
Department of Veterans Affairs (VA)	1,959	- 2.3	1,890
Department of Defense (DOD)	1,532	+ 41.5	1,602
Department of Homeland Security (DHS)	934	+ 10.0	900
Department of Agriculture (USDA)	908	+ 4.1	898
Department of Energy (DOE)	896	- 13.4	881
Department of the Treasury (Treasury)	542	- 5.2	507
Department of Health and Human Services (HHS)	536	- 32.1	501
Department of Justice (DOJ)	425	+ 1.0	407
Department of Transportation (DOT)	264	+ 4.8	251
Securities and Exchange Commission (SEC)	174	- 24.0	167
Department of Commerce (DOC)	169	+ 34.1	169
International Development Finance Corporation (IDFC)	134	- 7.6	128
Department of the Interior (DOI)	118	+ 0.9	114
Department of Labor (DOL)	65	- 13.3	66
Millenium Challenge Corporation (MCC)	45	+ 221.4	41
Agency for International Development (USAID)	43	- 83.5	43
National Aeronautics and Space Administration (NASA)	23	- 4.2	22
Environmental Protection Agency (EPA)	0	- 51.0	0
Small Business Administration (SBA)	-	-	-
Export Import Bank of the U.S. (EX-IM)	-	-	-
Federal Communications Commission (FCC)	-	-	-
Housing and Urban Development (HUD)	-	-	-
Security Assistance Accounts (SAA)	-	-	-
Office of Personnel Management (OPM)	-	-	-
Social Security Administration (SSA)	-	-	-
Presidio Trust (Presidio)	-	-	-
Nuclear Regulatory Commission (NRC)	-	-	-
Department of Education (Education)	-	-	-
Railroad Retirement Board (RRB)	-	-	-
National Science Foundation (NSF)	-	-	-
Total of selected reporting entities	\$ 37,964		\$ 36,471
Government-wide total <i>FR of the U.S. Government, Notes 18 and 6</i>	\$ 38,400	- 2.5	\$ 37,000
Coverage	98.9%		98.6%

Of the 32 reporting entities, 20 reported a lease liability and lease asset as of September 30, 2025, as summarized in figure 2.1 above.

Lease liabilities

Six of the 19 reporting entities displayed a “lease liability” line item under “other liabilities” on the face of the balance sheet: DOJ, DOS, DOI, GSA, SEC, and USAID (no changes since FY 2024).⁵

Thirteen of the 19 reporting entities presented a total “other liabilities” amount on the face of the balance sheet and disclosed the “lease liability” portion in the related footnote (no changes since FY 2024).

- Reporting entities generally disclosed the funded and unfunded portions in accordance with SFFAS 1, *Accounting for Selected Assets and Liabilities*,

⁵Note that while staff obtained unaudited DOL balances from DOL staff, staff did not analyze presentation and disclosure methods for DOL since they had not issued audited financial statements at the time of this study. For this reason, the 20 reporting entities reporting a lease liability and lease asset under figure 2.1 does not match the 19 reporting entities analyzed throughout this section for presentation and disclosures.

paragraph 86, and OMB Circular A-136, *Financial Reporting Requirements* (II.3.2.2, II.3.8.13). Some reporting entities elected to include this breakout in their other liabilities note, while others met the requirement by including the information in a separate footnote on liabilities not covered by budgetary resources (no changes since FY 2024).⁶

- Reporting entities consistently used the term: “lease liability(ies)” or “lessee lease liability” in their other liabilities footnotes, although a few entities with clearly immaterial leases used the term “capital lease liabilities” (no changes since FY 2024).

Lease assets

- Reporting entities consistently presented a total “property, plant, and equipment” amount on the face of the balance sheet and disclosed the “right-to-use lease assets” portion of the total in the related footnote (no changes since FY 2024). One entity that used the term “capital leases” in FY 2024 renamed the account “right-to-use lease assets” in FY 2025.

Capitalization thresholds

- SFFAS 6, *Property, Plant, and Equipment*, and Circular A-136 require disclosure of capitalization thresholds for each major class of PP&E. The disclosed capitalization thresholds for lease assets varied among the 20 reporting entities (II.3.8.10).
 - Many significant entities with larger balance sheets disclosed capitalization thresholds ranging from \$100,000 to \$1,000,000.
 - Significant entities with smaller balance sheets disclosed lease asset capitalization thresholds ranging from \$25,000 to \$100,000.
 - Many reporting entities disclosed lease asset capitalization thresholds in their summaries of significant accounting policies for PP&E.
- Some reporting entities did not disclose a capitalization threshold specific to right-to-use lease assets. For many, lease assets were not a major class of PP&E, or the described capitalization thresholds appeared to be applicable to all major classes of PP&E.
- Circular A-136 also requires disclosure of any changes in thresholds during the reporting period (II.3.8.10). Staff identified two changes to lease asset capitalization thresholds across the 19 entities in FY 2024. NASA disclosed the changes to its capitalization threshold, while another entity did not (although the effects of the change were likely deemed immaterial for that entity). Staff expected to see some entities modestly increase their right-to-use lease asset capitalization thresholds as part of their iterative materiality analyses and implementation approaches.
- Some reporting entities did not report lease asset balances due to immateriality. Presidio, for example, reported that non-intragovernmental lessee balances and activity was immaterial.

Changes in balances since FY 2024

As shown in figure 2.1 above, the government-wide lease liability decreased by 2.5 percent in FY 2025. The primary contributor to this reduction was the reduction in the GSA lease liability.

At the component reporting entity level, a few reporting entities had significant increases and decreases to their lease liabilities in FY 2025 compared to FY 2024. Lease liabilities for DOD, DHS, DOC, and MCC increased significantly. A variety of

⁶Parentetical references to applicable Circular A-136 sections are included in select locations throughout this report for reference. The version in effect for FY 2025 was issued on July 14, 2025.

factors may have contributed to these increases, such as entering into additional leases, identifications of unrecognized leases, and contract modifications. Lease liabilities for USAID decreased significantly by \$260 million, or 83.4 percent, in FY 2025 primarily due to the downsizing of overseas missions.⁷

Circular A-136 requires significant entities to disclose PP&E roll-forwards. The illustrative reconciliation provided therein included highly summarized lines for lease assets, (see figure 2.2 below). Based on staff research, the PP&E roll-forward was among the most common issues and a source of confusion for lease practitioners in FY 2025. These summarized roll-forwards, coupled with pervasive omissions of substantive management discussion and analysis of significant changes in lease balances in FY 2025, inhibited staff’s ability to determine the causes of significant changes in the leases balances of reporting entities other than USAID.⁸

Figure 2.2 – Circular A-136 (FY 2025), Section II.3.8.10, Excerpt

To support the *Financial Report* compilation process, significant entities should disclose the illustrative reconciliation below, which should include right-to-use lease assets, if applicable. In addition, the components of the changes in PP&E, Net, should be reflected in the Net Cost to Net Outlays reconciliation, as appropriate.

Reconciliation: Property, Plant, and Equipment, Net	
	202X
Balance Beginning of Year, Unadjusted	\$ -
Effects of Implementation of SFFAS 54 (FY24 only)	-
Balance Beginning of Year, Adjusted	-
Capitalized Acquisitions	-
Right-to-Use Lease Assets	-
Amortization of Right-to-Use Lease Assets	-
Dispositions	-
Transfers in / out without Reimbursement	-
Revaluations	-
Depreciation Expense	-
Donations	-
Other	-
Balance End of Year	\$ -

Government-wide lease liability: staff observation

Although the \$38.4 billion lease liability is immaterial at the government-wide level and reported as a type of “other liability” under note 18, there are opportunities to improve the completeness of this number. Specifically, the “lease liabilities” line within the note 18 schedule only includes those of lessees reporting under SFFAS 54. Certain FASB reporters have significant lease liabilities that are instead classified under the “other miscellaneous liabilities” line of the same schedule. Although FASB entity lease liabilities are immaterial and measured under different rules and data taxonomies, the measurement basis of ASC 842 lease liabilities is reasonably comparable to that of SFFAS 54. Accordingly, staff believes it may improve the quality of the information in the note 18 schedule to include FASB lease liabilities under the “lease liabilities” line of the note 18 schedule.

⁷According to USAID’s independent auditor, conditions related to an ongoing restructuring and orderly wind-down of operations raise substantial doubt about USAID’s ability to continue as a going concern beyond the planned period of dissolution. The financial statements of USAID were prepared on the basis that USAID will continue operations for the duration necessary to carry out this wind-down and do not include any adjustments that might result from the outcome of this uncertainty. (Note: USAID received a disclaimer of opinion on its financial statements in FY 2025)

⁸The FY 2024 version of Circular A-136 required discussion and analysis of significant changes, including changes in excess of 10 percent that were material. The Circular required management to consider public or congressional interest when identifying significant changes. These requirements were removed in the FY 2025 version of the Circular.

SFFAS 54 paragraph 54.a lessee disclosures:

A general description of its leasing arrangements, including the basis terms and conditions on which variable lease payments not included in the lease liability are determined.

- Eighteen of 19 reporting entities met this disclosure requirement. One reporting entity only included a general description of nominal leases but did not include a general description of the nature and terms of its leases that make up its lease liability.
- Overall, staff found paragraph 54.a disclosures to be of consistent high quality, providing relevant and informative descriptions of non-intragovernmental leases for federal lessees (no changes since FY 2024).

SFFAS 54 paragraph 54.b lessee disclosures:

The total amount of lease assets and the related accumulated amortization, to be disclosed separately from PP&E assets.

- Reporting entities consistently met this requirement in their PP&E footnote schedules, displaying costs, accumulated amortization, and net book value, by PP&E type, including right-to-use lease assets. These schedules included a line for right-to-use lease assets (II.3.8.10) (no changes since FY 2024).

SFFAS 54 paragraph 54.c lessee disclosures:

The amount of lease expense recognized for the reporting period for variable lease payments not previously included in the lease liability.

- As noted above (par. 54.a) variable payments not included in the lease liability generally appeared to be either immaterial or not applicable to a majority of federal lessees' lease liabilities. A few reporting entities, such as DOC and DOT, disclosed variable lease payments recognized as lease expense that were not previously included in the lease liability.

SFFAS 54 paragraph 54.d lessee disclosures:

Principal and interest requirements to the end of the lease term, presented separately, for the lease liability for each of the five subsequent years and in five-year increments thereafter.

- Reporting entities consistently met this requirement in their leases footnotes, along with OMB Circular A-136 form and content requirements for presenting this information (II.3.8.19) (no changes since FY 2024).

SFFAS 54 paragraph 54.e lessee disclosures:

The amount of the annual lease expense and the discount rate used to calculate the lease liability.

Annual lease expense

- Reporting entities met the requirement for disclosing annual lease expenses in a variety of ways (similar to FY 2024). Staff viewed the forms of presentation and disclosure as generally appropriate in the context of the respective reporting entities.

- Most reporting entities met this requirement through lease asset amortization disclosures in their PP&E footnotes (par. 54.b) and separate disclosures of lease expenses in their leases footnotes.
 - Many of these reporting entities repeated the lease asset amortization amounts (disclosed in their PP&E note) in their leases note and separately disclosed interest expense.
 - Most reporting entities with significant short-term lease expenses did not disclose those expenses, as such disclosure is not required.
- Some reporting entities partially met this requirement through their PP&E footnote disclosures of lease asset amortization and did not disclose interest expense. Materiality or other considerations may have affected these presentation and disclosure decisions. In many cases, omissions of current year interest expense disclosures would not necessarily preclude users from having a general idea of what the annual interest expense for the lease portfolio would have been due to other accompanying disclosures, including those required by paragraph 54.d.
- A few reporting entities did not disclose annual lease expense information in their PP&E or leases notes due to immateriality.
- Although reporting entities generally met the annual lease expense disclosure requirements, the consistency and comparability of these disclosures could be improved.

Some of the inconsistencies may have stemmed from the variety of lease types and expense categories, the design of the standard (which separates the disclosure requirements across paragraphs and topic areas, as illustrated in figure 2.3 below), and the organization of disclosures by lease type.

Circular A-136 financial reporting requirements could improve the consistency and comparability of annual lease expense disclosures by requiring the various categories of lease expenses to be totaled and presented by type, if material.

Figure 2.3 – Prevalent Disclosure Practices for Lease Expenses, by Type and Category

Lease Type	Lease Expense Category	Disclosure Required?	Disclosure Location	SFFAS 54 Paragraphs (Rec., Disc.)
Intragov.	Fixed and variable	✓	Leases note	27, 37.b
	Short-term	✗	Usually omitted	23, N/A
With-the-public	Lease asset amortization	✓	PP&E note always Leases note sometimes	50, 54.e
	Interest	✓	Leases note	43, 54.e
	Variable payments not included in the lease liability	✓	Leases note, always (if material/applicable)	41, 54.c

Discount rates used to calculate the lease liability

- A majority of reporting entities consistently disclosed a range of discount rates in accordance with paragraph 54.e. Lower ends of reported discount rate ranges were between 3.4 and 4.69 percent. Upper ends were between 4.0 and 6.0 percent.

- Although *the source* (emphasis added) of the discount rates used to calculate the lease liability is not required to be disclosed under SFFAS 54, many reporting entities continue to disclose this information. Many, but not all, reporting entities cited a policy that aligned with the wording in paragraph 42 while others cited a more summarized policy (e.g., “Treasury rates”).
- A few reporting entities disclosed discount rate ranges in FY 2025 that were narrower than those disclosed in FY 2024. This could signal that those reporting entities either (a) updated their disclosures based on current Treasury rates rather than the actual range of rates used to initial measure their lease liabilities that have not since been remeasured or (b) remeasured their lease liabilities with updated rates in a manner that is not consistent with paragraphs 46-48 of SFFAS 54.

Overseas residential leases disclosures

- A few reporting entities reported international residential leases balances and activities. Although there are no special disclosure requirements specific to these types of leases, reporting entities with significant balances and activity would generally disclose them under the requirements of paragraph 54.a.

Lessees:
Intragovernmental Leases Reporting and Disclosures

Figure 2.4 – FY 2025 Intragovernmental Lessees

Reporting Entity	Intragovernmental Lessee Reporting?	Reporting Entity	Intragovernmental Lessee Reporting?
USDA ●	Yes	NSF ●	Yes
DOC ●	Yes	NASA ●	Yes
DOD ●	Yes	SBA ●	Yes
Education ●	Yes	SSA ●	Yes
DOE ●	Yes	USAID ●	Yes
HHS ●	FY25: None noted. FY24: Yes	NRC ●	Yes
DHS ●	Yes	EX-IM ●	Yes
HUD ●	Yes	FCC ●	Yes
DOI ●	Yes	RRB ●	Yes
DOJ ●	Yes	SEC ●	Yes
DOL ●	FY24: Yes	OPM ●	None noted
DOS ●	Yes	IDFC ●	None noted
DOT ●	Yes	Presidio ●	None noted
Treasury ●	Yes	EPA ●	None noted
VA ●	Yes	MCC ●	None noted
GSA ●	Yes	SAA ●	Did not implement

SFFAS 54 paragraph 37 lessee disclosures:

37. Lessees should disclose the following regarding intragovernmental lease activities (which may be grouped for purposes of disclosure):

a. A general description of significant intragovernmental leasing arrangements, including general lease terms with any applicable specific intragovernmental requirements

b. Annual lease expense in total and by major underlying asset category

- Of the 32 reporting entities reviewed in this study, 25 reported intragovernmental lessee activities in their footnotes in FY 2025, as summarized in figure 2.4 above.
- Some noted that intragovernmental lessee activities were immaterial or not applicable. A few reporting entities did not disclose intragovernmental lessee activities, nor are they required to do so, since intragovernmental leases were immaterial.

Paragraph 37.a intragovernmental lessee disclosures:

- Descriptions of the types of significant intragovernmental leasing arrangements varied. Lease descriptions included: office space, buildings, structures, warehouse space, laboratories, structures, parking, land, airfields, training facilities, vehicles, and equipment. Many reporting entities referenced occupancy agreements with GSA for office space. Disclosures were consistent across FY 2025 and FY 2024, with a few minor differences and additional types of underlying assets noted by a few entities.

Paragraph 37.b Intragovernmental Lessee Disclosures

- Of the 25 reporting entities reporting intragovernmental lessee activities, 21 reported annual intragovernmental lease expense in total and by major category in FY 2025. Several reporting entities elected to use two categories: real and personal property. Others elected to use more detailed categories such as land, buildings, vehicles, and equipment. This disclosure requirement may have been immaterial for certain intragovernmental lessees that elected not to disclose the amount(s). Three of the 21 entities reported an amount in FY 2025 after not reporting an amount in FY 2024.
- USAID disclosed that its leases with GSA were terminated due to downsizing.

Figure 2.5 – Intragovernmental Lease Expenses

Reporting entity	FY 2025 Intragovernmental Lease Expense (mil)	FY 2024 Intragovernmental Lease Expense (mil)
DOJ ●	\$ 2,040	\$ 2,029
DHS ●	1,908	1,834
VA ●	404	409
DOI ●	404	404
DOS ●	296	301
DOC ●	276	253
USDA ●	255	192
DOT ●	231	226
DOE ●	197	196
HUD ●	114	89
SBA ●	44	43
GSA ●	38	46
NASA ●	37	38
SEC ●	35	30
FCC ●	29	29
NRC ●	28	NR
NSF ●	26	NR
DOD ●	25	NR
USAID ●	14	42
EXIM ●	8	8
RRB ●	3	3

- Two of the three reporting entities that disclosed outyear intragovernmental leases payments in FY 2024 removed these outdated disclosures (required under legacy GAAP) in FY 2025.

**Lessors:
Lease
Receivables,
Unearned Lease
Revenue, and
Disclosures**

Figure 3.1 – Lessor Balances, as of September 30, 2025

Reporting Entity	Lease receivable, net (mil)	Unearned lease revenue (mil)
Presidio ●	\$ 704	\$ 663
NASA ●	698	698
DOI ●	356	362
DOT ●	325	323
GSA ●	91	Not separately presented
DOD ●	99	99
DOS ●	23	Not separately presented
Treasury ●	Not separately presented	2

Of the 32 reporting entities reviewed, eight separately displayed a lease receivable and/or unearned lease revenue liability on their balance sheets as of September 30, 2025, as summarized in figure 3.1 above. One reporting entity, USDA, acts as a non-intragovernmental lessor but does not report a lease receivable due to the variable payments associated with its leases (see figure 3.2 below).

Lease receivables

- Seven of the eight reporting entities separately displayed a lease receivable amount in the financial statements and/or footnotes. Three of these six reporting entities displayed a “lease receivable” line item on the face of the balance sheet: the Presidio Trust, DOI, and DOS. The remaining four reporting entities presented a total “other assets” amount on the face of the balance sheet and disclosed the lease receivables portion in the related footnote (II.3.8.12). Reporting entities displaying a lease receivable used the term “lease receivable” or “lessor lease receivable.”
- Staff did not identify any examples of lease receivables with an allowance. These receivables were generally considered fully collectible.

Unearned lease revenue

- Six of the eight reporting entities separately displayed an unearned lease revenue in the financial statements and/or footnotes. Two of these six reporting entities displayed an “unearned lease revenue” line item on the face of the balance sheet: the Presidio Trust and DOI (same as FY 2024). The remaining four reporting entities presented a total “other liabilities” amount on the face of the balance sheet and disclosed the unearned lessor revenues in the related footnote (II.3.2.2, II.3.8.18).

SFFAS 54 paragraph 67.a disclosures:

A general description of its leasing arrangements, including the basis, terms, and conditions on which any variable lease payments not included in the lease receivable are determined

- Overall, staff found reporting entity lessors’ paragraph 67.a disclosures to be of consistent high quality, providing relevant and informative descriptions of non-intragovernmental leasing arrangements for federal lessors.

SFFAS 54 paragraph 67.b disclosures:

The carrying amount of assets on lease by major classes of assets, and the amount of related accumulated depreciation

- Practices for meeting this disclosure requirement varied among the reporting entities with significant non-intragovernmental lessor balances. Staff expected some variability due to the variability in data and lessor portfolios.

Some reporting entities, such as Presidio and DOT, lease entire units of property to non-intragovernmental parties. In these cases, the reporting

entities can more readily obtain cost and depreciation data for the underlying assets on lease.

Other reporting entities, such as GSA, often lease small portions of their underlying assets to non-intragovernmental parties, such as ground-floor unit leases to retailers with the remainder of the underlying buildings being intragovernmental leases and thus not subject to paragraph 67.b. As a result, obtaining cost and amortization data can be more challenging due to unit-of-account, data, and measurement issues. GSA’s resulting disclosures allude to and address this (see excerpt below). For this reason, GSA had a noteworthy approach for meeting the requirement in a manner that was practical, accurate, and consistent with the requirement.

GSA disclosure excerpt (abridged):

“GSA leases a portion of its building space to non-Federal tenants. The majority of these types of leasing agreements, referred to as outleases, are in a small portion of the building, typically restaurants, sandwich or coffee shops at the pedestrian walkway, or represent excess space not being used for government operations. ... As of September 30, 2025, there are 19 buildings where the outlease represents the predominant use of the building. The net book value for these buildings is \$31 million as of September 30, 2025. This includes accumulated depreciation of \$65 million and historical cost of \$96 million.”

SFFAS 54 paragraph 67.c and 67.d disclosures:

The total amount of revenue (for example, lease revenue, interest revenue, and any other lease-related revenue) recognized in the reporting period from leases.

The amount of revenue recognized in the reporting period for variable lease payments and other payments not previously included in the lease receivable, including revenue related to residual value guarantees and termination penalties.

Figure 3.2 – Lessor Revenues, FY 2025

Reporting Entity	Disclosed lessor revenues, total (mil)	Amounts of revenue by type (mil), if disclosed / applicable
DOI •	279	73 fixed 206 variable
USDA •	189	189 variable
Presidio •	171	41 unearned revenue amortization 33 interest 17 variable 79 intragov / short-term
NASA •	49	N/A; total only
GSA •	17	N/A; total only
DOT •	11	3 unearned revenue amortization 8 interest < 1 variable
DOS •	4	N/A; total only
DOD •	1	N/A; total only
Treasury •	Not disclosed; immaterial	

- DOI, USDA, and Presidio had relatively significant non-intragovernmental lessor revenues. Considerable portions of their lease revenues were variable and, therefore, not originally included in the lease receivable. Much of DOIs lease revenues were variable in nature, while much of Presidio’s revenues were associated with short-term or intragovernmental leases. Presidio elected to separately disclose annual lease revenues for its short-term leases even though this was not a requirement of the standard. In Presidio’s case, the amount was a material portion of its overall revenues reported in its statement

of net cost (\$79 million out of \$230 million), and staff viewed this as a noteworthy reporting practice under the circumstances.

- Staff did not identify examples of disclosed revenue “related to residual value guarantees and termination penalties” when reviewing non-intragovernmental lessor disclosures. These types of revenues were likely not applicable or immaterial for federal lessors in FY 2025. When these types of revenues are material and recognized during a reporting period, however rarely, staff believes the disclosure requirements for this information will provide relevant information for users.

SFFAS 54 paragraph 68 disclosures:

In addition to the disclosures in paragraph 67, if a federal entity’s principal ongoing operations consist of leasing assets through the use of non-intragovernmental leases, the federal entity should disclose a schedule of future lease payments that are included in the lease receivable, showing principal and interest, for each of the five subsequent years and in five-year increments thereafter.

- Paragraph 68 applies to federal entities whose *principal ongoing operations* (emphasis added) consist of leasing assets through the use of non-intragovernmental leases. Accordingly, staff believes this requirement is not applicable to any reporting entity lessors subject to this review except Presidio. However, five of the nine reporting entity lessors presented in figure 3.2 above disclosed these schedules. Presidio, which more clearly meets the applicability criterion, disclosed this information in accordance with paragraph 68.

Lessors:
Intragovernmental Leases Reporting and Disclosures

Figure 3.3 – Intragovernmental Lessors

Reporting Entity	Intragovernmental Lessor Reporting?	Reporting Entity	Intragovernmental Lessor Reporting?
DOD	Yes	EPA	N/A or immaterial
DOI	Yes	NASA	N/A or immaterial
DOS	Yes	NSF	N/A or immaterial
GSA	Yes	OPM	N/A or immaterial
USDA	N/A or immaterial	SBA	N/A or immaterial
DOC	N/A or immaterial	SSA	N/A or immaterial
Education	N/A or immaterial	USAID	N/A or immaterial
DOE	N/A or immaterial	NRC	N/A or immaterial
HHS	N/A or immaterial	EX-IM	N/A or immaterial
DHS	N/A or immaterial	FCC	N/A or immaterial
HUD	N/A or immaterial	RRB	N/A or immaterial
DOJ	N/A or immaterial	SEC	N/A or immaterial
DOL		SAA	Did not implement
DOT	N/A or immaterial	IDFC	N/A or immaterial
Treasury	N/A or immaterial	MCC	N/A or immaterial
VA	N/A or immaterial	Presidio	N/A or immaterial

SFFAS 54 paragraph 38 lessor disclosures:

38. Lessors should disclose the following regarding intragovernmental lease activities (which may be grouped for purposes of disclosure):

a. A general description of significant leases

b. Future lease payments that are to be received to the end of the lease term for each of the five subsequent fiscal years and in five-year increments thereafter

- Of the 32 reporting entities reviewed in this study, four reported intragovernmental lessor activities, as summarized in figure 3.4 above.

Paragraph 38.a intragovernmental lessor disclosures:

- GSA intragovernmental lessor lease descriptions included office space, furniture, and equipment. Other intragovernmental lessor description examples included properties in park areas (DOI’s National Park Service); office space, vehicles, and equipment (DOD); and office space (DOS).

Paragraph 38.b intragovernmental lessor disclosures:

- Intragovernmental lessors consistently disclosed information on future lease payments that are to be received to the end of the lease term in a manner consistent with paragraph 38.b.

Transitional Accommodation (SFFAS 54 par. 96A-96E)

Figure 4.1 – Transitional Accommodation Elections

Reporting Entity	Election, Length	Reporting Entity	Election, Length
USDA •	Y, full 3 years	GSA •	Y, full 3 years
DOC •	Y, full 3 years	NASA •	Y, full 3 years
DOD •	None noted	NSF •	None noted
Education •	None noted	OPM •	None noted
DOE •	Y, length not noted	SBA •	Y, full 3 years
HHS •	Y, full 3 years	SSA •	Y, full 3 years
DHS •	Y, full 3 years	USAID •	Y, full 3 years (nn in FY25)
HUD •	None noted	NRC •	None noted
DOI •	Y, full 3 years	EX-IM •	None noted
DOJ •	Y, full 3 years	FCC •	None noted
DOL •	Y, full 3 years	MCC •	Y, full 3 years (nn in FY25)
DOS •	Y, full 3 years (nn in FY25)	RRB •	None noted
DOT •	Y, full 3 years	SEC •	None noted
Treasury •	Y, full 3 years	SAA •	None noted
VA •	Y, full 3 years	IDFC •	Y, full 3 years (nn in FY25)
EPA •	None noted	Presidio •	Y, full 3 years

- Twenty of the 32 entities reviewed elected to apply the transitional accommodation. Some entities with smaller leases portfolios did not disclose an election. Given the high rate of application, paragraphs 96A-96E appear to have facilitated adoption of the new standards and met the initial objectives of SFFAS 62.

Prospective Implementation and the Application of SFFAS 21

Figure 5.1 – Implementation Adjustments to Beginning Balances in FY 2024

Reporting Entity	PP&E Balance Reconciliations, Beg. Bal Adj. (mil)	Adj. to Beg. Bal. Cumulative Results on SCNP (mil)
USDA •	1,007	0
DOC •	111	0
DOD •	0	0
Education •	0	0
DOE •	1,049	-63
HHS •	0	0

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DHS	798	21
HUD	0	0
DOI	132	0
DOJ	395	0
DOL	87	-3
DOS	2,259	-4
DOT	177	-8
Treasury	599	0
VA	1,778	0
EPA	0	0
GSA	26,280	725
NASA	27	0
NSF	0	2
OPM	0	0
SBA	0	0
SSA	0	0
USAID	260	0
NRC	0	5
EX-IM	0	0
FCC	0	0
MCC	20	3
RRB	0	0
SEC	239	6
SAA	0	0
IDFC	156	17
Presidio	0	-40

- SFFAS 54, paragraph 97.a, requires prospective application. Accordingly, reporting entities reported the effects of implementation in accordance with SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles*, paragraph 13, in FY 2024.
- To support this requirement, along with the consolidations process, OMB Circular A-136 also required significant entity lessees to report the effects of implementation as adjustments to the beginning PP&E balances in FY 2024 (see figure 5.1 above). These adjustments were reflected within PP&E reconciliations contained in the notes (II.3.8.10). As shown above, several reporting entity lessees disclosed significant beginning balance adjustments in their PP&E reconciliations, including GSA, DOS, VA, DOE, USDA, and DHS. Adjustments of this nature were no longer necessary in FY 2025.
- Reporting entities with significant lease receivables, such as NASA and Presidio, similarly disclosed the reasons for the changes in their “Other Assets” notes in FY 2024.
- SFFAS 54 and SFFAS 21 also required reporting entities to report the cumulative effect of the change on prior periods as a “change in accounting principle” adjustment to the beginning balance of the cumulative results of operations in their FY 2024 statements of changes in net position (see figure 5.1 above). Reporting entities with unamortized balances under previous requirements were reduced to zero as part of this adjustment (see SFFAS 54, par. 96-97, and TR 20, par. 98-99). Some reporting entities may not have had material unamortized balances to zero down. As a result, not all reporting entities reported changes in accounting principles adjustments in their statements of changes in net position in FY 2024.

Audit Results

Audit opinions:

- None of the independent auditor opinions reviewed in this study were adversely modified or affected by the leases standard in the first or second year of implementation (FY 2024 and FY 2025). All independent auditor reports

either expressed a clean opinion or contained a basis for disclaimer or qualified opinion unrelated to leases.

Internal control over financial reporting:

- Two of the 31 consolidation entities' independent auditors reported material weaknesses in internal control over financial reporting related to leases in FY 2025.^{9 10}
 - GSA and DOD had material weaknesses specific to leases.
 - DOI's FY 2024 material weakness specific to leases was downgraded to a significant deficiency in FY 2025. DOC's FY 2024 material weakness specific to leases was remediated.
- Three of the 31 consolidation entities' independent auditors reported significant deficiencies in internal control over financial reporting related to leases in FY 2025.^{11 12}
 - DOI, DOS, and USAID had significant deficiencies related to leases.
 - GSA's FY 2024 significant deficiency from was upgraded to a material weakness in FY 2025. USDA's FY 2024 significant deficiency was remediated.

Emphasis-of-matter paragraphs:

- Eight of the 32 consolidations entities' independent auditors included an emphasis-of-matter paragraph related to adoption of SFFAS 54 in their FY 2024 audit reports: USDA, DOI, DOJ, DOS, GSA, NASA, SEC, and Presidio. Leases activity and balances were significant for these reporting entities. No emphasis-of-matter paragraphs related to leases were reported in FY 2025.

Technical Inquiries

Between October 1, 2023, and March 31, 2026, a period of 30 months, staff has received and responded to 50 technical inquiries on leases.

Overall, the technical inquiry data show indications that the post-issuance projects have been helpful to practitioners and auditors. The volume of technical inquiries during implementation has remained considerably lower than expected, as reported in staff's February 2025 paper.¹³ Forty-two of the 50 inquiries received in the past 30 months were analyzed in that paper.

Staff received eight technical inquiries related to leases between February 1, 2025, and March 31, 2026. All eight technical inquiries were sufficiently addressed by extant standards and guidance. As noted in the February 2025 paper on leases reporting results for FY 2024, 42 inquiries were submitted between October 2023 and January 2025 and were sufficiently addressed by extant standards and guidance.

⁹Nine of the remaining 29 consolidation entities received one or more material weaknesses that were entity-wide or systemic in nature. These deficiencies were broader in nature and not interpreted as having sufficient linkage or relevance to leases.

¹⁰Some auditors were not engaged to provide an opinion on internal control over financial reporting. Their consideration of internal control was for the limited purpose of designing audit procedures that were appropriate for the purpose of expressing an opinion on the financial statements of those entities. As a result, material weaknesses or significant deficiencies in internal control related to leases may have existed that were not identified.

¹¹See footnote 10 above.

¹²Four of the remaining 28 consolidation entities received one or more significant deficiencies that were entity-wide or systemic in nature. These deficiencies were broader in nature and not interpreted as having sufficient linkage or relevance to leases.

¹³See https://files.fasab.gov/pdf/files/25_02_Topic_C2_Leases_Combined_web.pdf.

Figure 7.1

SFFAS 54 par.	Topic area	Oct. 23 - Jan. 25	Feb. 25 - Mar. 26
1-5	Scope	7	1
6-13	Definitions	3	
14-21	Lease Term	2	1
22-24	Short-term leases		
25	Transfers of ownership		
26-38	Intragovernmental leases	6	
39-54	Lessee recognition/ measurement/ disclosures	8	3
55-68	Lessor recognition/ measurement/ disclosures	5	
69	FR of the USG disclosures		
70-71	Lease incentives, concessions	3	
72-77	Contracts/agreements with multiple components	2	1
78-79	Combinations	4	
80-86	Terminations, modifications	1	
87-88	Subleases		
89-92	Sale-leasebacks		
93	Lease-leasebacks		
96-97	Implementation	8	2
98	Effective date		

As noted in February 2025, staff is maintaining a list of implementation guidance update candidates for consideration by the Accounting Standards Implementation Committee. As of April 2026, staff has identified five candidates. Three of the five candidates were identified and presented at the February 2025 meeting, while two additional candidates have been flagged since that time. These candidates would provide practice examples of nonlease service components and guidance on updating discount rates (specifically, an example of when not to update them).

Opportunities Areas for Improvement

1. Staff found that single-year presentations, highly summarized PP&E roll-forwards, and the absence of management discussion and analysis of trends and significant changes in lease balances and activities limited the collective usefulness and value of leases information presented in FY 2025. These limitations were especially apparent when attempting to identify and understand factors contributing to significant changes in leases balances and activities for certain reporting entities. As a result, users may have difficulty identifying drivers of changes in leases balances and activities across reporting periods.
2. The consistency and comparability of lessee lease expense disclosures could be improved, although reporting entities generally complied with the related requirements. Consistent and comparable lease expense disclosures would enable users to better assess the efficiency and economy of operations and the outcomes of leasing initiatives, such as right-sizing or space optimization efforts.

Lessons Learned

1. The Board's willingness to devote staff and Accounting and Auditing Policy Committee (AAPC, now the Accounting Standards Implementation Committee, or ASIC) resources to the leases post-issuance project facilitated successful adoption of SFFAS 54. To date, the Board has issued four Statements to defer, amend, and clarify SFFAS 54, one Technical Bulletin on intragovernmental leasehold reimbursable work agreements, one Technical Release to provide leases implementation guidance, two updates to correct, clarify, and include additional Q&A to the implementation guidance. An additional proposed Statement to provide a practical expedient for embedded leases is under due process as of the date of this report.

2. The AAPC, task force, and detailees played a critical role in the post-issuance phase of the leases project in facilitating successful adoption. The detailees contributed significantly to the Board's ability to issue quality and timely guidance and amendments during the implementation period.
3. The volume of technical inquiries was considerably lower than expected and inquiries were adequately addressable with extant standards and guidance.
4. Respondents to the exposure document titled *Deferral of the Effective Date for SFFAS 54*, strongly agreed with the proposed two-year deferral of SFFAS 54 that was proposed at the time. Insightful and compelling comments provided by one respondent in support of a *three-year* deferral ultimately convinced staff and the Board to defer issuance by three fiscal years. This highlights the importance of the Board's practices of (a) not relying on the number of respondents in favor of or opposed to a given position or proposal, and (b) carefully studying the information and rationale provided by each respondent.
5. Collaborations with the Governmental Accounting Standards Board and Financial Accounting Standards Board—coupled with the use of content analyses to harmonize and converge implementation guidance with that of the GASB (to the extent possible)—enhanced the quality of the Board's leases guidance and the efficiency of the project to develop guidance.
6. The Board's decision to provide a transitional accommodation to SFFAS 54, paragraph 73, for "embedded leases" was widely adopted. The accommodation provided flexibility and encouraged reporting entities to manage their implementation activities, while some reporting entities with immaterial lease portfolios did not make the election. The three-year transitional period allowed the Board to monitor uptake and reporting data. This, in turn, informed subsequent deliberations and allowed the Board to further assess the issues and alternatives, and expected benefits and costs, for providing a permanent practical expedient.
7. As reported in February 2023, organizational change management, project management, and systems are top management challenges affecting leases implementation among several reporting entities. These challenges are generally consistent with many of the challenges encountered by many FASB and GASB reporters.

Upfront implementation costs appeared to be higher than expected due to a variety of challenges (as noted in staff's February 2023 paper).¹⁴ Relatedly, the Board's research and monitoring activities quickly identified these challenges and recognized that implementation timelines would be longer than expected. However, after issuance of the original standard, the Board quickly moved to monitor implementation and make requisite adjustments based on research, including deferring the effective date and issuing implementation guidance and clarifying amendments, to mitigate upfront and ongoing implementation costs and timeline challenges.

Overall Observations

The intended objectives and benefits of SFFAS 54 are discussed in basis for conclusions paragraphs A17-A21 of Statement 54. These include: (a) providing relevant and comparable information for assessing operating performance and monitoring investments in PP&E and financing activities (par. A18); (b) improved accountability of resources and obligations (par. A19); and (c) increased comparability to allow users to make comparisons of leases information among federal entities (par. A21).

Staff found that these intended objectives and benefits were achieved in FY 2025 and FY 2024 reporting. Reporting entities provided relevant and comparable information

¹⁴See https://files.fasab.gov/pdf/files/23_02_Topic_E_Leases_Combined.pdf.

that allow users to make informed assessments and judgments about operating performance, investments in PP&E and financing activities, and accountability for resources and obligations.

Disclaimer

This research report is based on staff's review of FY 2025 and FY 2024 federal financial reporting and is intended for discussion purposes only.

The data and analyses contained in this report may contain errors and should not be relied upon for assessing accountability and conformance with the standards at the component reporting entity level, nor should it serve as a substitute for reading the component entity financial reports and independent auditor reports of interest to the reader.

This research report was prepared by staff and is not authoritative. Official positions of the FASAB are determined only after extensive due process and deliberations.