

Memorandum Commitments

October 6, 2026

To: Members of the Board
From: Sherry L. Lee, Senior Analyst and Domenic N. Savini, Assistant Director
Thru: Monica R. Valentine, Executive Director
Subject: Commitments - **Topic C**

OBJECTIVE

The objective of the meeting is for the Board to continue the August 2026 discussion on proposed changes to the commitment working definition to determine the scope of the commitment disclosure. At the August 2026 meeting, members discussed and provided comments on the following proposed changes to the working definition: (1) deleting the phrase “*upon the occurrence of one or more future events*”, and (2) replacing “*may*” with “*would*.” Members also provided comments on whether to further limit the scope of the commitment disclosure by requiring only “*significant*” commitments to be disclosed.

Staff seeks Board decisions on the following proposals to finalize the commitment definition and the disclosure scope:

- avoiding operationally burdensome terms such as “*legally*”,
- retaining “*may*” and “*upon the occurrence of one or more future events*” to capture non-executory treaties and contingency-related agreements,
- avoid implicitly captured terminology and redundant terms such as “*future*”,
- establishing a “*significant*” disclosure threshold (for commitments individually or in the aggregate by category).

REQUEST FOR FEEDBACK BY OCTOBER 16, 2026

Prior to the Board’s October meeting, please review the attached staff analysis and respond to the ensuing questions by October 16, 2026.

NEXT STEPS

Pending Board member feedback, staff will continue to research and recommend disclosure requirements for commitments.

ATTACHMENTS

1. Staff Analysis
2. Project Timeline

APPENDICES

Appendix A: Distinguishing Between Contingencies and Commitments

Appendix B: [August 5, 2026, Commitments Board Memorandum \(Topic C\)](#)

Staff Analysis

Commitments

October 6, 2026

INTRODUCTION

Project Purpose

The purpose of the project is to develop level A commitment reporting guidance (amending SFFAS 5, *Accounting for Liabilities of the Federal Government*) by defining commitments and establishing disclosure requirements and scope.

Background - August 2026 Board meeting

The following is a summary of the August 2026 Board deliberations on the commitment definition and scope of the commitments project:¹

- **Staff's Then-Proposed Definition:** The Board discussed staff proposed changes to the commitment working definition, including (1) replacing "may" with "would" to reflect the conditional nature of the definition and (2) deleting the phrase "upon the occurrence of one or more future events" because staff believes it is captured in the terms and conditions of the agreement. With the proposed changes incorporated, commitments would be defined as follows:

A commitment is a binding agreement that would result in the use of government resources when the terms and conditions specified in the agreement are met.

In addition, the Board reviewed staff's recommendations to consider only "significant" commitments for disclosure to lessen preparer burden.

August Board Deliberations: Members expressed mixed views on the staff's proposed definition changes and reservations regarding the "significant" scope threshold. Regarding the commitment definition, members were split on retaining "upon the occurrence of one or more future events", while debate over replacing "may" with "would" centered on concerns that "would" is too definitive and could inadvertently exclude treaties requiring future negotiation.

Additionally, members suggested adding "*legally*" before "*binding*" and "*future*" before "*use of government resources*." Staff cautioned that "*legally binding*" could trigger unnecessary legal reviews for agencies and increase preparer burden.

¹ Refer to Appendix B for a brief history of Board deliberation on the commitment definition and project scope.

Regarding project scope, members generally accepted exclusions for commitments subject to specific FASAB standards but raised concerns about limiting disclosures to "significant" commitments, noting that (1) separating budgetary undelivered orders by significance may be impractical and (2) "significant" may lack a clear definition while items deemed insignificant at the agency level could aggregate into a significant exposure at the government-wide level.

Ultimately, the Board agreed that definition and scope remain deeply intertwined. Due to both the commitment and contingency definitions involving the occurrence of one or more future events, the Board directed staff to conduct a side-by-side analysis comparing the two definitions to establish clear boundaries (See Appendix A).

Summary of Recommendations and Analysis

To achieve stewardship and budgetary integrity objectives while balancing preparer burden, staff recommends the Board:

- I. **Adopt a refined commitment definition** retaining "may" and "upon the occurrence of one or more future events" to capture non-executory treaties and contingency-related agreements without adding operationally burdensome terms such as "legally".
 - Consistent with SFFAC 1, pars. 13, 15-16 and 118 (budgetary integrity and stewardship), SFFAC 5, pars. 39, 42–43, 45, A4–A5 (distinguishing future obligations from present liabilities), and stakeholder feedback on treaties, staff recommends retaining "may" and "upon the occurrence of one or more future events" to capture non-executory treaties and contingent agreements without adding unnecessary terms such as "legally". Omitting "legally" before "binding" is conceptually grounded in the cost-benefit principle (SFFAC 1, par. 37). That is, requiring a formal "legally binding" determination would force federal agencies to undergo exhaustive legal reviews for every agreement, generating substantial preparer burden and operational cost without necessarily yielding a proportional increase in decision-useful information for financial statement users (SFFAC 1, par 71).²
- II. **Limit disclosure scope** by adopting a "significant" threshold, requiring disclosures for commitments that are significant individually or in the aggregate by category.

² SFFAC 1: *Objectives of Federal Financial Reporting* and SFFAC 5: *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*. <https://fasab.gov/accounting-standards/document-by-chapter/>

- Consistent with SFFAC 1, pars. 37, 71 (public accountability, cost-benefit framework, and its corollary decision-usefulness), and the government-wide reporting objectives of SFFAC 4 (pars. 15-16)³, staff recommends limiting disclosures to commitments that are significant individually or in the aggregate by category to reduce preparer burden.

Staff requests Board feedback on the above recommendations; details concerning each follow.

ANALYSIS AND RECOMMENDATIONS

At the August 2026 meeting, the Board reviewed and deliberated proposed changes to the commitment working definition. Staff's rationale included (1) replacing "may" with "would" to better reflect the conditional nature of the definition and (2) deleting the phrase "upon the occurrence of one or more future events" because staff believes the occurrence of the future event is part of the terms and conditions in the agreement.

I. **RECOMMENDATION #1 – Staff now recommends retaining "may" and "upon the occurrence of one or more future events" in the commitment definition and simply make the definition straight forward.**

We started with this: Commitment working definition:

A commitment is a binding agreement that, upon the occurrence of one or more future events or when the terms and conditions specified in the agreement are met, may result in the use of government resources.

We then considered this: Staff proposed definition considered at the August meeting:

A commitment is a binding agreement that would result in the use of government resources when the terms and conditions specified in the agreement are met.

What staff proposes now is this: Retaining "may" and "upon the occurrence of one or more future events."

*A commitment is a binding agreement that **may** result in the use of government resources **upon the occurrence of one or more future events** or when the terms and conditions specified in the agreement are met.*

³ SFFAC 4: *Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government.* <https://fasab.gov/accounting-standards/document-by-chapter/>

At the August 2026 meeting, the Board reviewed staff proposed changes to the commitment working definition and the following is a summary of the discussions:

- Members generally agreed with retaining “binding agreement” in the definition. However, one member suggested adding “legally” to “binding agreements”.
- On deleting the phrase “upon the occurrence of one or more future events”, members were divided. Four members suggested retaining the phrase because deleting might exclude agreements that are non-executory contracts. These agreements, they contended, depend on the occurrence of a triggering future event or events that may not be agreed-upon outcomes as in terms and conditions. Three members agreed with staff on deleting the phrase because they believed the occurrence of the future event or events should be part of the terms and conditions in the agreement.
- Members had mixed responses on replacing “may” with “would”. One member was concerned that adopting “would” in the definition might exclude many of the treaties from commitment disclosure because they are not monetary in nature until further negotiations. These treaties, however, may quickly become liabilities of the U.S. government when further agreements are reached by the countries. One member supported “would” in the definition because it is more definitive but agreed with potential issues raised related to treaties.
- One member suggested adding “future” in front of “use of government resources” because there may be timing difference between recording a liability and making the payment.
- Members generally agreed that it might be helpful for the Board to look at the definitions of commitment and contingency concurrently to clearly distinguish commitments from contingencies in the commitment definition.

a. Analysis

The following is the staff analysis on the proposed attributes in the commitment definition.

“Legally Binding” - Avoid adding “legally” to the commitment definition

Although “binding” in the legal context means “legally binding”, staff is concerned that adding “legally” to the definition may prompt agencies to require legal reviews of their agreements to determine their “legally binding” financial responsibilities under the agreements, thereby increasing preparer burden. In addition, given that some commitments such as those with a contingency element may contain uncertainties, determining the “legally binding” financial responsibilities may be too difficult. For these reasons, staff does not recommend adding “legally” to the commitment definition.

“Upon the Occurrence of a Future Event or Events” - Appropriate if the Board determines “may” over “would”

Staff initially believed that the occurrence of a future event or events is part of the terms and conditions specified in the agreement. Upon further discussions, however, staff learned that this may not be the case for non-executory agreements such as treaties and other international agreements. Many of the U.S. treaties and other international agreements establish frameworks for the countries to cooperate on certain activities at the discretion of the parties involved. Whether these agreements result in the use of government resources depends on whether the countries involved decide to engage in cooperative activities, that is, the occurrence of a future event or events rather than terms and conditions in the agreement.

Because there is uncertainty associated with the occurrence of the future event or events, whether the phrase “upon the occurrence of a future event or events” is needed in the commitment definition depends on the Board’s decision on adopting “may” or “would.” If the Board determines “may” is more appropriate, the phrase is needed in the definition. Conversely, if the Board determines “would” is more appropriate, the phrase is not needed in the commitment definition.

“May” vs. “Would”- “May” increases accountability and transparency

Impact of “Would”: Adopting “would” may provide clearer guardrails and a more predictable outcome, making it easier for agencies to evaluate agreements. However, it restricts disclosure scope by excluding agreements involving uncertainties, including agreements that require further actions and agreements with contingent elements—such as environmental remediation agreements where eventual costs depend on future feasibility studies—potentially omitting significant uncertain exposures.

Impact of “May”: On the other hand, using the attribute “may” introduces flexibility but might bring greater ambiguity and uncertainty. “May” expresses possibility rather than expectation, which could require agencies to monitor a larger number of agreements for commitments, thereby increasing preparer burden without necessarily adding meaningful value to financial statement users. Because “may” also means “may not”, the broad leeway associated with “may” could blur the lines of reasonable likelihood that government resources might be used. However, it may be necessary to adopt “may” in the definition because of the uncertainty associated with commitments with a contingency element.

Adopting “May” increases accountability and transparency: When deciding whether to adopt “may” or “would”, the Board should refer to SFFAC 1, *Objectives of Federal Financial Reporting*, for guidance. SFFAC 1 provides a framework for developing standards that meet the needs of internal and external users for federal financial information while considering the associated costs and benefits.

The reporting objectives consist of (1) budgetary integrity, (2) operating performance, (3) stewardship, and (4) systems and controls. While it is important to

consider all four objectives in paragraphs 13 through 17 of SFFAC 1, the “stewardship” objective is particularly relevant to commitments reporting because of the significant effect that commitments may have on the future position and condition of the federal government. In addition, the budgetary integrity objective is another important consideration because reporting should assist in fulfilling the government’s duty to be publicly accountable by providing information on the status of budgetary resources. Paragraph 118 of SFFAC 1 explains that “examples of information that could help meet this objective include information about the sufficiency of budget authority for covering commitments and the status of obligated and unobligated balances of budgetary resources.”

Furthermore, as described in par. 71 of SFFAC 1 “accountability” and its corollary, “decision usefulness,” comprise the two fundamental values of governmental accounting and financial reporting. Accountability to the public and usefulness of commitment information for decision-making should be considered when developing the guidance for commitments. The benefits associated with reporting commitments information should be weighed against the cost of developing and providing the information, as described in paragraph 37.

Some agreements involve uncertainties, such as treaties that require further actions or agreements to be firm commitments and contingency-related commitments. Staff believes that disclosing these commitments that “may” result in the use of government resources would bring accountability and transparency on the potential liability to the government resulting from these treaties. Thus, the definition should be broad enough to capture these agreements for disclosure. Adopting “would” in the definition could be too definitive and exclude these agreements from commitment disclosure.

“Future” Use of Government Resources - “Future” is inherently understood and adding may be redundant

A member suggested adding “future” in front of “use of government resources” to reflect the timing difference between recording a liability and making the payment to settle the liability. However, “future” is implied as the occurrence will be in the future. In addition, if the Board adopts the phrase “upon the occurrence of one or more future events”, adding “future” seems overly detailed and redundant. Staff does not recommend adding “future” in front of “use of government resources”.

- b. Staff Recommendation #1 - Staff recommends retaining “may” and “upon the occurrence of one or more future events” in the commitment definition and simply make the definition straight forward.**

The commitment definition should be clearly defined to avoid confusion and inconsistent application of the reporting guidance. When defining commitments, staff recommends that the Board consider the objectives of reporting commitment to ensure future resources are sufficient to cover commitments and bring transparency and

accountability to these agreements. **Staff recommends that the Board consider adopting the following definition, which does not change the key attributes in the working definition:**

A commitment is a binding agreement that may result in the use of government resources upon the occurrence of one or more future events or when the terms and conditions specified in the agreement are met.

Question for the Board:

1. Does the Board agree with the staff analysis and recommendations for the commitment definition? Please explain your rationale along with any changes, improvements, or edits you suggest staff consider.

I. RECOMMENDATION #2 – Staff recommends that the Board consider commitments that are significant individually or significant in the aggregate by category for disclosure.

a. At the August 2026 meeting, the Board reviewed the staff proposal to limit the commitment disclosure to “significant” commitments and members made the following comments:

- Undelivered orders capture the population as part of the budgetary process. Segregating the population into significant and insignificant budgetary obligations would be inappropriate. In addition, some commitments are narrative disclosures without amounts. Agencies may choose to focus on individually “significant” agreements in the narrative disclosures but still need to consider other less significant agreements in the disclosure.
- “Significant” may need to be clearly defined.
- The Board needs to consider the implications at the agency level versus government-wide reporting. Some commitments that are deemed insignificant at the agency level may be significant when aggregated at the government-wide level.

b. Analysis

Determining whether a commitment is significant is a matter of professional judgment. As an example, per SFFAS 44 footnote 6⁴, the Board established a definition for 'significant' to guide practitioners in identifying matters that warrant reporting consideration. Similar concepts may be applied to determine whether a commitment is significant. Because the primary reporting objectives of reporting commitments are stewardship and budgetary integrity, whether a commitment is significant may be based on the potential

⁴ “The determination of whether or not an item is significant is a matter of professional judgment. Such judgments may be based on: (1) the relative costs of providing the service before and after the decline, (2) the percentage decline in service utility, or (3) other considerations. Determining if a decline in service utility is significant is separate and distinct from materiality consideration that include considering the likely influence that such disclosure could have on judgment or decisions of financial statement users.”

impact the commitment may have on the future financial position and condition or future budgetary resources of the federal government.

Modeling a definition for the term significant from SFFAS 44, the Board could apply the following three-factor filter to help practitioners ascertain significance:

1. Financial Baseline Assessment: Evaluate the total obligation (or estimated funding amount) against the agency's net cost of operations, net position, or annual budgetary resources.
2. Risk and Flexibility Profile: Assess the extent to which the commitment restricts future resource allocations or obligates the entity to long-term financial commitments.
3. Qualitative and Contextual Factors: Consider special conditions, such as contingent triggers, complexity of transactions or arrangements, or statutory oversight interests.

It would also be noted that assessing significance serves as an initial operational threshold and is separate and distinct from overall financial statement materiality, which considers the decision-making impact on end-users.

Agencies enter into numerous agreements in carrying out their missions. Without setting guardrails, agencies may be required to review every agreement for potential commitment reporting to support completeness, resulting in unnecessary burden.

If the Board adopts "may" rather than "would" in the commitment definition, it will increase the population of agreements subject to commitment disclosure, thereby increasing preparer burden while the additional benefits may not justify the additional costs. However, requiring agencies to disclose only significant commitments, either individually or aggregated by commitment categories, would capture commitments with the most impact on the future financial position and condition or future budgetary resources of the government while avoiding unnecessary burden to the agencies.

While applying a "significant" filter risks omitting some commitments, this risk is mitigated when agencies evaluate "significant" across aggregated commitment categories rather than isolated transactions. That is, the "significant filter" would apply after grouping items into categories, not before. Defining standardized categories ensures that individually minor

commitments are grouped and assessed collectively, capturing items that become significant in the aggregate. Clearly defining these categories provides a practical filter for agencies while safeguarding the completeness of governmentwide disclosures.

- c. **Staff Recommendation #2 - Staff recommends that the Board consider requiring only significant commitments, either individually or aggregated by commitment category, to be disclosed to reduce preparer burden.**

Question for the Board:

2. Does the Board agree with staff proposal to require only significant commitments, either individually or aggregated by commitment category, for disclosure? Please explain your rationale along with any changes you suggest staff consider.

NEXT STEPS

Pending Board feedback, staff will continue to research and recommend guidance for the commitment disclosure. Specifically, staff will work with the task force to clearly define and describe the commitment categories to avoid over-counting commitments. Staff will also research to determine the appropriate measurement attributes for commitment “amount or estimated amount”.

Project Timeline and Key Decisions				
PROJECT NAME: COMMITMENTS				
Phase	Approved Dates (Updated Dates)	Description	Key Decisions by Board Meeting (including major changes that impact timeline)	Date Phase Completed/Expected to be Completed
Preliminary Research	Q4 FY23 – Q4 FY24	Conduct literature review, case file research, and analysis of the commitment note disclosures in the Agency Financial Reports and Financial Report of the U.S. Government.	N/A (Conducted prior to formal project plan approval)	Q4 FY24
Initiate Project	Q1 FY25 – Q2 FY25	Develop project plan and initial research necessary for development of the plan.	February 2025 Board Meeting: Key decision #1 – Board approves project plan	Q2 FY25
Research Phase	Q2 FY25 – Q1 FY26	Form a task force, perform research, and prepare research memo(s) documenting results and recommendations.	August 2025 Board Meeting: - Key decision #1 – The Board generally supported the proposed draft commitment working definition and suggested keeping the definition streamlined. October 2025 Board Meeting: - Meeting canceled – Government shut down.	Q1 FY26

Project Timeline and Key Decisions				
PROJECT NAME: COMMITMENTS				
Phase	Approved Dates (Updated Dates)	Description	Key Decisions by Board Meeting (including major changes that impact timeline)	Date Phase Completed/Expected to be Completed
Development Phase	Initially approved: Q2 FY26 – Q1 FY27 Updated: Q2 FY26 – Q2 FY27	Develop issue/development phase paper(s) that addresses issues identified and any other steps to ensure project objectives are addressed. Seek tentative Board decisions on each of the issues.	December 2025 Board Meeting: - Key decision #1 – The Board agreed on a streamlined version of the draft commitment working definition. The Board generally did not support “measurable” in the definition and agreed to remove the footnote. February 2026 Board Meeting: - Meeting canceled June 2026 (Q3 FY26) Board Meeting: - Key decision #1 – The Board generally agreed that the framework for identifying significant commitment categories is a good start. - Key decision #2 – The Board generally agreed on scope exclusions for agreements subject to specific standards, disclosures - Key decision #3 – The Board generally agreed on the proposed commitment disclosure and recommended streamlining the disclosure to simply include a description of the general nature of the commitments. The Board deferred the discussion on the amount or estimated	Initially approved: Q1 FY27 Updated: Q2 FY27

Project Timeline and Key Decisions				
PROJECT NAME: COMMITMENTS				
Phase	Approved Dates (Updated Dates)	Description	Key Decisions by Board Meeting (including major changes that impact timeline)	Date Phase Completed/Expected to be Completed
			amount to future meeting(s). August 2026 (Q4 FY26) Board Meeting: - Seek the Board's tentative decision on definition and scope exclusions October 2026 (Q1 FY27) Board Meeting (updated based on meeting discussions): - Continue to seek the Board's tentative decision on definition and scope exclusions. - Distinguish between commitments and contingencies. Update category definitions, analysis of categories (including category definition update) to ensure they reflect reporting gap, discuss measurement attributes for categories December 2026 (Q1 FY27) Board Meeting: Distinguish between commitments and contingencies and address remaining issues. - Update category definitions, analysis of categories (including category definition update) to ensure they reflect reporting gap,	

Project Timeline and Key Decisions				
PROJECT NAME: COMMITMENTS				
Phase	Approved Dates (Updated Dates)	Description	Key Decisions by Board Meeting (including major changes that impact timeline)	Date Phase Completed/Expected to be Completed
			discuss measurement attributes for categories - Address any remaining issues February 2027 (Q2 FY27) Board Meeting: - Finalize commitment definition, categories, and disclosures.	
Exposure Draft & Comment Period	Initially approved: Q2 FY27 – Q4 FY27 Updated: Q3 FY27 – Q2 FY28	Develop exposure draft (ED) based on Board decisions. Address Board comments and feedback. Document will move to pre-ballot and ballot draft. Once ED is approved, ED will be released for comment. Comment period for ED.	April 2027 (Q3 FY27) Board Meeting: - Board deliberate on draft ED June 2027 (Q3 FY27) Board Meeting: - Board deliberate on draft ED August 2027 (Q4 FY27) Board Meeting: - Board deliberate on draft ED October 2027 (Q1 FY28) Board Meeting: - ED pre-ballot	Initially approved: Q4 FY27 Updated: Q2 FY28

Project Timeline and Key Decisions				
PROJECT NAME: COMMITMENTS				
Phase	Approved Dates (Updated Dates)	Description	Key Decisions by Board Meeting (including major changes that impact timeline)	Date Phase Completed/Expected to be Completed
			December 2027 (Q1 FY28) Board Meeting: - ED ballot December 2027 – February 2028 (Q2 FY28): 90-day comment period	
Resolution & Finalization Phase	Initially approved: Q4 FY27 – Q4 FY28 Updated: Q3 FY28 – Q1 FY29	Analysis of comment letters. Project manager presents staff analysis and summary of respondent feedback and recommendations. Board (re)deliberates areas. Project manager prepares proposed Draft Statement incorporating Board decisions. Address Board comments and feedback. Document will move to pre-ballot and ballot draft. Once approved, it is transmitted to sponsors for 90-day review.	April 2028 (Q3 FY28) Board Meeting: - Analyze comment letters June – September 2028 (Q4 FY28): 90-day sponsor review period October – December 2028 (Q1 FY29): - Final Issuance	Initially approved: Q4 FY28 Updated: Q1 FY29

Appendix A

Distinguishing Between Contingencies and Commitments

The following table compares the definitions of commitment and contingency by the standard setters:

Table 1.0
Comparison of Definitions

Standard-Setter	Commitment	Contingency
FASAB	A binding agreement that may result in the use of government resources upon the occurrence of one or more future events or when the terms and conditions specified in the agreement are met. <i>(As proposed in October 2026)</i>	An existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur. (SFFAS 5)
FASB	FASB does not specifically define commitments. ASC 440, <i>Commitments</i> , provides guidance on two categories of commitments: general commitments and unconditional purchase obligations. General commitments include unused letters of credit; preferred stock dividends in arrears; commitments for the purchase of certain long-term assets, such as plants; and obligations to reduce debt, maintain working capital, or restrict dividends. Unconditional Purchase Obligations include take-or-pay and throughput contracts.	An existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur. (ASC 450)
GASB	GASB does not have general definition of commitment. GASB 91 addresses “commitments” related to conduit debt obligations, which may be	An existing condition, situation or set of circumstances involving a possible loss that will ultimately be resolved when one or more future

Standard-Setter	Commitment	Contingency
	described as the issuer's promise to provide financial support for debt service.	events occur or fail to occur. (GASB Statement No. 10)
IASB / IPSASB	IASB/IPSASB does not have a single, standalone "commitment" definition in one standard, but the term is used in specific contexts and is defined by reference to existing standards such as IAS 1 and IFRS 18 as a binding contractual arrangement that does not yet meet the definition of a liability. because no goods or services have been received and no present obligation exists at the reporting date.	IASB does not define contingency. It defines contingent liability as "a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity."

Both the definitions of commitment and contingency reference future events but commitment and contingency are two different concepts.

Definitions

In SFFAS 5, paragraph 38, a contingency is defined as "an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when **one or more future events occur or fail to occur.**"

The current proposed commitment definition is "a binding agreement that may result in the use of government resources **upon the occurrence of one or more future events** or when the terms and conditions specified in the agreement are met."

Past Events or Transactions vs. Future Event or Transactions

For contingencies, the triggering event or transaction that obligates the government has occurred. For commitments, the signing of the agreement is not the trigger that obligates the government; the triggering event or transaction will occur in the future.

Contingent vs. Conditional

For contingencies, the use of government resources depends on an **uncertain future event** that may or may not happen. For commitments, the use of government resources depends on agreed-upon terms and conditions or **expected future events**.

Potential Present Obligations vs. Future Obligations

SFFAC 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*, provides the definition and basic recognition criteria for liabilities. In SFFAC 5 paragraph 39, the Board defines liability “a present obligation of the federal government to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.”

SFFAC 5 describes present obligation as “a duty or responsibility to act in a certain way”. To have a present obligation means that the obligation arose as a result of a past transaction or another event and has not yet been settled.

Contingencies are existing conditions, situations, or set of circumstances involving uncertainty as to possible gain or loss to an entity. For contingencies, “past transactions or another event” criteria have been met and contingencies are therefore “present obligations”. However, the “present obligations” are contingent on the occurrence or nonoccurrence of future events. Thus, contingencies are potential present obligations.

Commitments, on the other hand, are binding agreements and the obligations will occur in the future upon the occurrence of a future event or events or when the terms and conditions specified in the agreement are met. Commitments are therefore not “present obligations”. Rather, they are “future obligations”.

Balance Sheet Recognition and Disclosure vs. Disclosure Only

Contingencies are candidates for balance sheet recognition when the future outflow or other sacrifice of resources is probable and measurable, and a candidate for disclosure if reasonable possible. Commitments, on the other hand, are candidates for disclosure only and not for balance sheet recognition because the “past events or transactions” criteria for liability recognition has not been met.

Relationship Between Contingencies and Commitments – Some commitments may contain contingencies

Some commitment agreements may contain uncertainties as to possible loss to the government when the terms and conditions in the agreement are met; the cost to the government may depend on a future event that may or may not occur. For example, two entities may enter into an agreement to clean up contaminants when a spill occurs, but the costs to the entities may depend on a feasibility study of a cleanup plan. In this case, whether the commitment agreement results in the use of government resources depends on the outcome of the feasibility study, which may or may not be feasible. These agreements may be considered **commitments with contingency elements or contingency-related commitments**.

Appendix B: August 5, 2026 Commitments Board Memorandum (Topic C)

Follow the link to view the August 5, 2026, Commitments Board Memorandum (Topic C).

[26_08_Topic_C_Commitments_web.pdf](#)