

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Board Meeting Minutes

August 18-19, 2026

441 G Street NW, Washington, DC, 20548

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For research purposes, please see the briefing materials at www.fasab.gov. Briefing materials for each session are organized by topic; references to these topics in the minutes are hyperlinked.

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Terry Patton (chair), R. Scott Bell, Eric Berman, Bob Dacey, Diane Dudley, Billy Morehead, and David Vaudt. The executive director, Ms. Valentine, and FASAB counsel, Mr. Kirwan, were present throughout the meeting.

Tuesday, August 18, 2026

Administrative Matters and Briefings

- **Clippings and Updates**

Mr. Patton asked the members if there were any comments on the clippings provided by staff. One member noted two articles dealing with the federal government's recent equity investments. The member suggested the Board discuss the topic during its agenda-setting session.

Mr. Patton noted the list of outreach activities and the non-agenda topics memo. There were no other comments or questions from the members.

GASB Briefing

Ms. Kara Deiana, Governmental Accounting Standards Board (GASB) project manager, highlighted the following GASB projects:

- Infrastructure Assets – The GASB released an exposure draft (ED), *Infrastructure Assets*, in March 2026 with comments due June 26, 2026. GASB had previously released a preliminary views (PV) document in September 2024. The project is the result of research on capital assets. The proposed guidance would update the current guidance on accounting and financial reporting for infrastructure assets. The goal is to make the information (1) more comparable across governments and consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government's economic condition, and (4) a better reflection of the capacity of those assets to provide service and how that capacity may change over time. GASB held three public forums to discuss the proposal. The public forums included round table discussions with different types of stakeholders to provide feedback on the proposal. Re-deliberations will begin in September.
- Revenue and Expense Recognition – The objective of the project is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. The GASB is reviewing feedback received on the June 2020 PV document and is working towards two EDs—one expected in the third quarter of 2027, the second in the fourth quarter of 2028, and a final Statement in the first quarter of 2031. Members tentatively decided to include in the scope of the project recognition and measurement of revenues on a modified accrual basis of accounting. The GASB is continuing deliberations on the measurement component of the model.
- Severe Financial Stress and Probable Dissolution Disclosures – The GASB issued a PV document in March 2025 that addresses issues related to disclosures for severe financial stress and probable dissolution (previously

referred to as *going concern*), which are different. The comment period ended in June 2025. Severe financial stress is a condition where the government is near insolvency. Probable dissolution is a consideration of whether the government will continue as the same legal entity for at least 12 months beyond the date the financial statements are available to be issued. GASB held three public forums on this topic between July and September 2025. The GASB has tentatively decided that the severe financial stress disclosures would apply to governments that are insolvent or in very poor financial condition or will become insolvent in twelve months, which has a forward-looking component. When assessing a government's solvency, it is to be made not at the date of the financial statement, but as of the date the financial statements are available to be issued.

At the June 2026 meeting, the GASB tentatively decided that there will be two separate disclosures: (1) severe financial stress disclosures for governments that are insolvent or near insolvent and (2) insolvency risk disclosures for governments that are expected to be insolvent within 12 months of the date that the financial statements are available to be issued.

At the August meeting, members tentatively decided to develop a list of indicators of financial stress to aid in the assessment of insolvency but not a list of indicators to assess if it is probable that a government will be insolvent.

- Implementation Guide Update – The GASB is pursuing an implementation guide update that focuses solely on questions and answers related to the application of the definition of subsidies in GASB Statement No. 103, *Financial Reporting Model Improvements*. In February, an ED of a proposed implementation guide was issued for public comment; the comment period ended on April 27, 2026. One of the most controversial issues in the proposal was the definition of subsidies, which is critical to the presentation of the proprietary funds statement of revenue, expenses, and changes in fund net position. Two other controversial issues in the proposal deal with supplemental Medicaid payments to hospitals and with higher education entities. The GASB received 94 comment letters. In August, members reviewed a pre-ballot draft of the ED and plan to review a final ballot draft at their September meeting.
- Voluntary Digital Financial Reporting – The objective of the project is to develop one or more governmental digital taxonomies for generally accepted accounting principles (GAAP) financial reporting. The taxonomies that may result from this effort could be used by governments on a voluntary basis to report their GAAP financial statements in digital formats. Although members have not discussed the topic lately, they are still working towards a discussion memorandum (DM). Members expect it to address how to include the reporting entity and how to accommodate note disclosures. It will also address financial statements in the taxonomy, the structure for the government-wide statement of net position, and the governmental funds statement of revenues, expenditures, and changes in fund balance. There will be two different measurement focuses and bases of accounting. It will include some note disclosures to show how they would be

handled in a taxonomy, as well as some of the required supplementary information. In August, the GASB reviewed and provided feedback on a few chapters of a draft DM. The GASB will give feedback on the remaining chapters at its short meeting in August, and, if all continues to go as planned, the DM will be issued shortly afterwards.

- Pre-Agenda Research Topics
 - GAAP Structure: The objective for the first phase of the pre-agenda research was to evaluate the effectiveness of GASB's current dual-authority approach to communicating a GAAP structure that includes both original pronouncements and codification. Based on the results of the first phase, the second phase of the research is intended to explore a single-authority structure, including whether and how it could be operationalized. The GASB issued a DM in April 2026, and the comment period ends on August 31, 2026.
 - Pension / Other Post-employment Benefits (OPEB) Disclosures: The objective is to research existing pension and OPEB disclosures considering the requirements for essentiality in Concepts Statement No. 7, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*.
 - Note Disclosures for Revenue and Expense Recognition: The project would bring in note disclosures and coincide with the revenue and expense recognition project.
 - Financial reporting entity: The GASB added a research activity on the reporting entity in June. The objective of the project is to understand how the existing financial reporting entity guidance is applied in practice, including challenges and diversity related to component unit determinations, note disclosures, and the presentation of component units.

The project is being undertaken because recurring stakeholder questions suggest that the complexity, structure, and organization of the guidance may contribute to inconsistent application and unclear communication of which legally separate entities are included in a government's financial reporting entity.

- Digital assets: The objectives of the research activity are to (1) gain an understanding of the nature and underlying characteristics of the types of digital assets; (2) identify the types of transactions involving digital assets that state and local governments currently engage in, as well as the types they may be permitted to engage in; and (3) evaluate whether guidance could be clarified, improved, or expanded to

address reporting for these transactions. The project is being undertaken because governments are increasingly engaging in digital asset activities that raise questions about classification, recognition, measurement, and disclosure, and the GASB wants to determine whether additional guidance or clarification is needed.

One member asked Ms. Deiana what the GASB's reasons were for adding the severe financial stress and probable dissolution disclosures project to its agenda. Ms. Deiana noted that GASB was taking on initiatives to relook at existing guidance that had not been reexamined in a while, and going concern was one of those issues. The background on going concern in general is that it tended to be audit guidance that was placed into accounting literature. She was not aware of major issues that were brought up by GASB stakeholders in that area.

Another member had a question about how the timeline on the revenue and expense recognition project would be affected by the tentative decision to include in the project's scope the recognition and measurement of revenues on a modified accrual basis of accounting. Ms. Deiana noted that this topic is expected to be addressed within the current timeline for the overall project. She also noted that the GASB is intending to break this project up and issue potentially two EDs on the project.

Mr. Patton thanked Ms. Deiana for keeping the Board informed of GASB's activities.

Agenda Topics

- **Leases**

Mr. Perry, assistant director, introduced [topic A](#) by summarizing the overall agreement of respondents to the ED and the feedback provided by members in advance of the meeting. He noted that, overall, the five members providing preliminary feedback to staff in advance of the meeting generally agreed with the staff analysis and recommendations outlined in the materials.

Mr. Perry then presented a few proposed changes to the draft pronouncement provided in the materials based on comments submitted by members:

- Clarifying edits to paragraphs A7 and A21 regarding the Board's expectation that the standards will reduce the ongoing costs of applying Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, requirements without reducing the overall quality of leases reporting.
- Edits to paragraphs A16-A18 to clarify the Board's basis for not making certain changes to the proposal in response to certain comments. Mr. Perry noted that the proposed changes clarify the Board's basis for conclusions on key issues raised by respondents.

- Edits to paragraph A20 to clarify the Board's basis for conclusions on issues raised by a respondent related to changes in accounting principles.

Following this overview, members agreed to discuss their responses to each question provided in the materials.

Question 1 – Do members agree with staff recommendation #1, the associated analysis, and proposed paragraphs A16 and A19 under attachment 3? Please provide feedback.

Members agreed with staff's analysis of item A and the related recommendation. Members discussed that certain commenters seemed to request implementation guidance rather than a change to the proposed standards. Members agreed that incorporating additional guidance would impose additional requirements and reperformance of contract and agreement grouping activities. Members supported explaining the rationale in the basis for conclusions. Members supported the changes to paragraph A16 that were presented earlier by staff in response to preliminary member feedback.

Question 2 – Do members agree with staff recommendation #2, the associated analysis, and proposed paragraphs A17 and A19 under attachment 3? Please provide feedback.

Members agreed with staff's analysis of item B and the related recommendation to explain the rationale in the basis for conclusions. Members supported the changes to paragraph A17 that were presented earlier by staff in response to preliminary member feedback.

Question 3 – Do members agree with staff recommendation #3, the associated analysis, and proposed paragraph A20 under attachment 3? Please provide feedback.

Members agreed with staff's overall analysis of item C, while disagreeing with the staff recommendation to include a basis for conclusions paragraph on the item. Members discussed the nature of the issues raised, along with the inherent challenges associated with including rationale that could be interpreted as non-authoritative implementation guidance. Mr. Perry also noted productive discussions with the respondent on the issues raised regarding the applicability of SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles*. Given these factors, members agreed to remove proposed paragraph A20 from the basis for conclusions.

Question 4 – Do members agree with staff recommendation #4, the associated analysis, and proposed paragraphs A18 and A19 under attachment 3? Please provide feedback.

Members agreed with staff's analysis of item D and the related recommendation to explain the rationale in the basis for conclusions. Members expressed support for the

changes to paragraphs A18-A19 that were presented earlier by staff in response to preliminary member feedback.

Question 5 – Do you prefer to include or exclude the conforming amendment to paragraph 74? Please explain your rationale, including any aspects of the related respondent comments and staff analysis that affect your preference.

Members acknowledged that paragraph 74 addresses multiple-component contracts that have more than one lease component, without regard to nonlease components. Notwithstanding, members noted that the conforming amendment would reinforce the potential availability of the practical expedient to any contract or agreement meeting the paragraph 77A conditions.

Members agreed to retain the proposed conforming amendment to paragraph 74.

Question 6 – Do members agree with staff's analysis of item F? Please provide feedback.

Members agreed with staff's analysis of item F.

Question 7 – Do members agree with staff analysis under item G, recommendation #6, and proposed paragraphs A11 and A19 under attachment 3? Please provide feedback.

Members agreed with staff's analysis of items G.1 and G.2 and the related recommendation to explain the rationale in the basis for conclusions. Members supported the proposed rationale included in the proposed paragraphs.

Question 8 – Do members agree with staff analysis under item H, recommendation #7, the proposed change to paragraph 8, and proposed paragraph A15.a under attachment 3? Please provide comments.

Members agreed with staff's analysis of item H and the related changes to paragraph 8 and the basis for conclusions.

Question 9 – Do members agree with staff's analysis of items I-J, recommendation #7, the proposed changes to paragraphs 77C and A15.b under attachment 3? Please provide feedback.

Members agreed with staff's analysis of item I. Members acknowledged that examples of primary purpose attribution changes from contract modifications would inherently be exceptionally rare in practice in the federal environment. Respondents to the ED could not provide any examples of this occurring in practice.

One member raised a concern that removing the reference to paragraph 84 may create an ambiguity regarding the options available when paragraph 77C conditions occur. The member noted that the reference provided additional relief and flexibility for how to handle such a modification, however rare.

Mr. Patton requested that staff further analyze the paragraph 77C issue raised by the member and provide additional information to the Board for discussion during the next day's follow-up session on topic A.

- **Federal GAAP Hierarchy**

Ms. Batchelor, assistant director, introduced [topic B](#) by providing an overview of the project and progress to date. She explained that the Board had agreed with two basic criteria (exposed for public comment with the Board's consideration of comments and approved by the Board) for determining what guidance should be included in the federal GAAP hierarchy. Guidance that meets the basic criteria for inclusion in the hierarchy should then be assessed against the distinguishing characteristics of the highest-level GAAP and lower-level GAAP to determine placement. Based on this, Statements of Federal Financial Accounting Standards (SFFASs or Statements) and Interpretations would continue to be the highest level of GAAP. Technical Bulletins (TBs), Technical Releases (TRs), and Staff Implementation Guides (SIGs) would tentatively be a lower level in the hierarchy. AICPA Industry Audit and Accounting Guides and practices widely recognized and prevalent in the federal government would move to Other Accounting Literature (OAL).

Ms. Batchelor explained that the briefing materials included a summary of the research, observations, and recommendations regarding OAL. Ms. Batchelor explained that with moving practices that are widely recognized and prevalent in the federal government to OAL, it was important to identify administrative directives that may be referenced when preparing federal GAAP financial reports. She noted that **Attachment 3 – Inventory of Directives** was a comprehensive inventory that included directives from the Office of Management and Budget (OMB), the Department of the Treasury, and the Government Accountability Office (GAO). While they may not directly relate to GAAP, certain administrative directives (guidance from central agencies) fulfill statutory requirements and provide guidance that is integral in the preparation of GAAP reports.

Ms. Batchelor explained that the working group agreed that FASAB is different from other standard setters because FASAB issues standards for one organization, the federal government. The role of OMB and Treasury is unique because they issue guidance to lead and direct agencies in the financial reporting of the federal government. OMB and Treasury coordinate federal financial management and ensure consistent, comparable financial reporting across the federal government; this is done through administrative directives.

Ms. Batchelor explained that agencies are required to follow statutorily required administrative directives, and what FASAB does in relationship to the GAAP hierarchy does not change that fact. Hence, decisions made regarding the placement or how the Board chooses to categorize administrative directives do not in any way affect agency requirements pertaining to the directives.

Ms. Batchelor explained that, while all directives are important and must be followed by agencies, the working group agreed that budgetary accounting guidance (OMB Circular

A-11, Preparation, Submission, and Execution of the Budget) is the most critical directive for the Board's consideration because of the unique area of budgetary accounting. FASAB's Memorandum of Understanding states that the Board will neither set nor propose budget concepts, standards, or principles. It further provides that in considering accounting concepts and standards, consideration will be given to the budgetary information needs of executive agencies and the needs of users of federal financial information. Based on this, the Board defers budgetary matters to OMB and has explicitly stated this in the standards. The Board recognizes that OMB A-11 is the appropriate guidance regarding budgetary accounting and has explicitly stated so in SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

Ms. Batchelor explained that although the working group agreed with the approach that included establishing the basic criteria for inclusion in the federal GAAP hierarchy, some members were concerned with OMB A-11 being considered OAL. Their reasoning was that OMB A-11 provides guidance used in preparing the statement of budgetary resources. Considering the different views, staff performed additional outreach. Staff briefed the Financial Statement Audit Network, the Consolidated Financial Statement Group Audit Executive Committee, and GAO to gain additional feedback and assistance with determining options for addressing this unique area.

Based on the additional outreach, there were three potential options for the Board's consideration: (1) a third level in the GAAP hierarchy, (2) specific language regarding administrative directives as a type of OAL, or (3) remaining silent because the reference in SFFAS 7 is sufficient. Ms. Batchelor explained that stakeholders agree that all three options would result in determining that OMB A-11 is the appropriate source of accounting for budgetary accounting and would result in a financial reporting entity preparing financial statements that could be considered in conformity with GAAP.

Ms. Batchelor explained that the Board deferring budgetary matters to OMB is a unique situation that would support the use of OAL guidance because the Board is not permitted to provide guidance in this area. Staff recommended including it as OAL because it does not meet the basic criteria established for inclusion in the GAAP hierarchy. Staff also recommended expanding the discussion of OAL to address the unique federal environment and elaborating on the central agencies' role in providing statutory guidance to agencies through administrative directives. In addition, the revised GAAP hierarchy and OAL should be elaborated to clarify how the GAAP hierarchy is applied and the relationship of OAL.

Question 1 – Does the Board agree with the staff recommendation that the Board continue the tentative decisions made regarding the basic criteria for determining inclusion in the GAAP hierarchy and that administrative directives (including OMB A-11) are classified as OAL? If you do not agree, please explain and provide a preferred approach.

The Board agreed to maintain the basic criteria that was previously agreed upon for determining inclusion in the GAAP hierarchy. Members also agreed that administrative

directives should be classified as OAL because they do not meet the two basic criteria. The Board recognized that references to OMB A-11 are within the standards, so it is clear to stakeholders that OMB A-11 is the proper source of budgetary accounting. However, the reference does not mean that it is part of the GAAP hierarchy, so it should reside in OAL.

Question 2 – Does the Board agree that the discussion of OAL should be expanded to address the unique federal environment by elaborating on the central agencies’ role in providing statutory guidance to agencies through administrative directives that are integral in the preparation of financial statements and clarifying how the GAAP hierarchy is applied and the relationship of OAL? If you do not agree, please explain and provide a preferred approach.

The Board generally agreed that the discussion of OAL should be expanded to address the unique federal environment by elaborating on the central agencies’ role in providing statutory guidance to agencies through administrative directives that are integral in the preparation of financial statements and clarifying how the GAAP hierarchy is applied and the relationship of OAL.

Members provided additional thoughts for staff to consider when developing the OAL language:

- A member explained that it is an opportunity to be very helpful to the community and leverage the OAL discussion to make clear the breadth of guidance and the role that central agency guidance plays in the overall framework.
- A member noted that SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, only references OAL in paragraph 8. They believe it is important to fully reorganize the OAL discussion because it relates to paragraphs 6-8. They explained that it is important to be clear that although there are areas where an accounting treatment for a transaction or event is not covered by FASAB, OAL guidance does not technically rise to the level of GAAP.
- A member explained that it might be helpful to recognize the federal government has one preparer (Treasury and OMB) and they are basically the chief financial officer of the federal government. They establish accounting policy that may relate to GAAP, but not all the guidance is GAAP-related. For example, the guidance may relate to presentation and consistency to help with the consolidated financial report of the U.S. Government (CFR), but there is also a lot of guidance that is beyond GAAP.
- Members agreed that how the Board crafts the language addressing the administrative directives is critical. It is important to ensure that it does not appear that the Board is promulgating the administrative directives but instead is recognizing the authoritative context of statutory requirements. It should be clear

that FASAB establishes authoritative GAAP pronouncements that are required to be GAAP compliant and that administrative directives are statutory requirements that must also be met, but for reasons outside of GAAP compliance. While both are very important, they serve different purposes.

- A member explained that they view the GAAP requirements as the base and the statutory requirements as an overlay that includes requirements beyond GAAP. They were surprised to learn that certain stakeholders consider administrative directives to be practices that are widely recognized and prevalent and thereby included in the GAAP hierarchy. They had considered administrative directives to be OAL and perhaps included within the reference to regulatory agencies. They believe it is important that the revised hierarchy is clear that administrative directives are not part of the GAAP hierarchy.
- A member noted that the administrative directives are not issued by the central agencies in a role as a regulator, so they should not be grouped with regulatory agencies.
- A member explained that the revised language should convey that the purpose of including non-GAAP literature is to describe the steps that preparers should take when filling a GAAP void. In conjunction with this, it offers an opportunity to educate stakeholders about administrative directives.

Ms. Batchelor explained that she appreciated the Board feedback and that she would consider members' comments in developing an ED. It is important to have a proper balance while being clear that OAL does not establish GAAP and cannot amend GAAP. Further, although the administrative directives are required to be followed for fulfilling statutory requirements, it is only considered a source of guidance for GAAP purposes when there is an absence in the GAAP hierarchy.

Ms. Batchelor explained that the administrative directives research provided valuable insights regarding the most important administrative directives that should be considered in OAL. She noted that the briefing materials contained a discussion of other significant directives including OMB Circular A-136, *Financial Reporting Requirements*, and OMB Circular A-25, *User Charges*.

Question 3 – Does the Board have any questions regarding staff's administrative directive research?

The Board did not have any questions.

Ms. Batchelor explained the next area for discussion was the research and analysis of the approach other standard setters take for their respective GAAP hierarchies. Researching the GAAP hierarchies of the Financial Accounting Standards Board (FASB), GASB, International Accounting Standards Board, and International Public Sector Accounting Standards Board (IPSASB) provided valuable insights regarding

potential improvements the Board may consider in developing the revised OAL. Staff specifically recommended:

- Continuing to use the term OAL because it is best suited for the federal government environment.
- Including language that conveys that OAL does not conflict with or contradict authoritative GAAP because it adds clarity and understanding to the use of OAL.
- Improving the principle for evaluating the appropriateness of OAL by adding the extent of its use in practice and consideration of the Statements of Federal Financial Accounting Concepts (SFFACs).

Question 4 – Does the Board agree with the staff recommendations to continue use of the term OAL, include language that conveys OAL does not conflict or contradict GAAP, and improve the principle for evaluating the appropriateness of OAL by adding the extent of its use in practice and consideration of SFFACs? If you do not agree, please explain and provide a preferred approach.

The Board agreed that including language that conveys OAL does not conflict or contradict GAAP would be helpful. The Board also agreed that adding the extent of its use in practice and consideration of SFFACs as part of the principle for evaluating the appropriateness of OAL would be an improvement. A member explained, given that FASAB's concepts are not designed for preparers' use, that considering them as part of the principle is appropriate. They explained that there have been creative applications when preparers attempt to use the concepts statements to justify a particular outcome, so they agree with the Board's decision to remove the statement that they are more influential.

The members agreed that a term or phrase for referring to what is currently considered OAL will require further discussion when the Board considers the ED. Additional member feedback included:

- It is important that there is a delineation from authoritative GAAP.
- Keep the phrasing simple (for example "other literature" or "other sources of guidance").
- Avoid using the term "non-authoritative" and describe what it is, such as "other considerations if authoritative GAAP does not provide guidance."

The Board's feedback will be helpful as staff revises OAL to ensure that it accurately reflects the influence and application of OAL when an accounting treatment for a transaction or other event is not specified by FASAB pronouncement.

Next steps: Staff will address the two remaining areas: (1) determining the most efficient way to discontinue SIGs and incorporate existing SIGs into the revised

hierarchy and (2) analyzing the *Application of Standards Issued by the Financial Accounting Standards Board* section of SFFAS 34 (par. 9-12) so the Board may determine if any updates should be made as part of the reexamination. Staff will also begin developing a draft ED.

The meeting adjourned for lunch.

- **Commitments**

Ms. Lee, senior analyst, introduced [topic C, Commitments](#). The purpose of the discussion was to revisit the commitment working definition and project scope to clearly identify commitments for disclosure. Ms. Lee began by giving the Board a brief history of the Board's discussions on the commitment definition and the project scope. Staff first introduced the working definition of commitments in August 2025 based on task force responses to a questionnaire, after the Board had approved the commitments project plan in February 2025. In December 2025, the Board deliberated and streamlined the working definition as follows:

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.

Also in December 2025, the Board generally agreed on excluding commitment agreements subject to specific FASAB standards from commitment disclosure. At the June 2026 meeting, the Board discussed potential commitment exclusions, categories, and disclosure based on the working definition. Because the definition affects the scope of the commitment disclosure, the Board recommended revisiting the working definition and project scope to clearly identify commitments for disclosure.

Commitment Definition

Ms. Lee shared her analysis and recommendations for the following key attributes in the commitment working definition:

- “Binding agreement”
 - Non-binding agreements typically do not result in the use of government resources. Considering costs and benefits, staff does not recommend a change.
- “Upon the occurrence of one or more future events or when the terms and conditions specified in the agreement are met”
 - Given that the terms and conditions already require something to happen (such as delivering goods or services or occurrence of a future event) before the use of government resources could occur, adopting the phrase “upon the occurrence of one or more future

events” is unnecessary. In addition, including the phrase in the commitment definition could result in confusion when similar terminology is included in the contingency definition. Staff recommends deleting the phrase from the commitment definition.

- “May”
 - The use of government resources depends on whether the terms and conditions in the agreement are met. As such, the word “would” seems more appropriate than the word “may” for the conditional statement in the definition. That is, using “may” implies mere possibility, making a firm agreement sound tentative or speculative. Staff recommends replacing “may” with “would.”
- “Use of government resources”
 - The inclusion of the phrase “use of government resources” avoids confusions with the budgetary term “expenditures” in the OMB commitment definition and “outflow or sacrifice of government resources” in liability concepts. Staff does not recommend a change.

Ms. Lee proposed the following updated definition based on the above analysis and recommendations:

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.

Question 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.

- Members generally agreed with retaining “binding agreement” in the definition, with one member suggested adding “legally” to “binding agreement.” Ms. Lee raised concern that agencies might be prompted to go through their respective legal offices to determine their “legally binding” financial responsibilities under the agreements, thereby increasing preparer burden.
- Members were divided on deleting the phrase “upon the occurrence of one or more future events.”
 - Four members suggested retaining the phrase because deleting it might exclude agreements such as non-executory contracts. The members believe that these agreements 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 to delete the phrase because the occurrence of the future event or events is part of the terms and conditions in the agreement.
- Members generally agreed that it might be helpful for the Board to look at the definitions of commitment and contingency together to clearly distinguish the two concepts.
- 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. The member noted that the Board needs to decide whether to include these treaties in the commitment disclosure. Disclosing these treaties would bring accountability and transparency on the potential liability to the government resulting from these treaties, and the definition needs to be broad enough to capture these treaties for disclosure. Adopting “would” in the definition could be too definitive.
 - One member supported “would” in the definition because it is more definitive but agreed with potential issues raised related to treaties.
 - Mr. Savini, assistant director, cautioned that including “may” in the definition could result in overreporting treaties and increase preparer burden.
 - Ms. Lee reminded the Board that the word “may” introduces uncertainties, and the Board may need to define the circumstances in which the agreements may not result in the use of government resources when terms and conditions in the agreement are met.
- On the phrase “use of government resources,” one member suggested adding “future” in front of the phrase because there may be a timing difference between recording a liability and making the payment.

Commitment Project Scope

The attributes in the commitment definition determine whether certain agreements are included or excluded from commitment disclosure. The proposed definition would include:

- binding agreements (and exclude non-binding agreements) and

- agreements that would result in the use of government resources (and exclude those that would not result in the use of government resources).

When “terms and conditions in the agreement are met,” resulting in the use of government resources, the government has fulfilled its responsibilities associated with the commitment. That is, a part or the whole agreement is no longer a commitment (and is a candidate for liability consideration).

In addition, the Board generally agreed to exclude from commitment disclosure those agreements subject to specific FASAB standards:

- SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*
- SFFAS 5, *Accounting for Liabilities of the Federal Government*, related to pensions, other retirement benefits, and OPEB (amended by SFFAS 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits*)
- SFFAS 17, *Accounting for Social Insurance*
- SFFAS 37, *Social Insurance: Additional Requirements for Management’s Discussion and Analysis and Basic Financial Statements*
- SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*
- SFFAS 51, *Insurance Programs*
- SFFAS 54, *Leases*

Ms. Lee proposed further exclusions by requiring only “significant” commitments be disclosed.

Question 2 – Does the Board agree with the scope for the commitment disclosure requirements? Please explain your rationale along with any changes you suggest staff consider.

Some members were concerned about including “significant” in the requirements for commitment disclosure:

- One member did not support requiring only “significant” commitments to be disclosed. The member pointed out that with respect to budgetary obligations, the undelivered orders capture the population as part of the budgetary process. Segregating the population into significant and insignificant budgetary obligations would be inappropriate, according to the member. In addition, the member noted that some of the 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.

- One member also cautioned about requiring only “significant” agreements in the disclosure and noted that “significant” may need to be clearly defined.
- One member reminded the Board that it 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.

Members generally agreed that the Board needs more discussions on the definition and the scope as they are intertwined. Members also generally agreed to compare the commitment and contingency definitions to clearly distinguish the two.

- **Department of War Briefing**

Mr. Patton introduced [topic D](#) by welcoming Department of War (DoW) representatives, Mr. Pankaj "Pete" Prabhakar and Dr. Eddie Jo, to present potential amendments and accommodations to select federal accounting standards they believe will help them achieve an unmodified audit opinion by fiscal year (FY) 2028. Mr. Patton emphasized that it is always important that the Board hears from its stakeholders.

Mr. Patton asked that Board members consider DoW's proposal and use this session to ask Mr. Prabhakar and Dr. Jo questions to help them further understand DoW's challenges and basis for their proposals. Mr. Patton also clarified that the Board would use the information gathered from this topic to inform its agenda-setting discussion the next day under [topic F](#).

Mr. Prabhakar and Dr. Jo then presented the following:

- DoW proposed a temporary deferral of SFFAS 54 until after FY 2029 with full implementation in FY 2030 to focus immediate resources on securing an unmodified audit opinion.
- DoW stated that the current ED, *Embedded Leases Practical Expedient*, provides meaningful relief to allow agencies to elect not to assess certain contracts for embedded leases. However, agencies would still be required to identify and capitalize material embedded leases in certain circumstances. DoW suggested that eliminating the embedded lease requirement entirely would promote consistency across agencies, reduce audit complexity, and allow resources to be focused on higher-risk areas.
- DoW requested that the Board amend SFFAS 5 to require the development of an estimate for asset-driven environmental liabilities once an asset has been determined to be decommissioned. DoW said this amendment would result in a more accurate estimate closer to when the resource outflow will occur and align with mission execution.

Several Board members asked DoW clarifying questions related to their proposals. A few members asked DoW to address why they believe their requests would help them achieve a clean audit opinion when it seemed, based on DoW's analysis and financial statements, that lease assets and liabilities and asset-driven cleanup cost liabilities appear to be immaterial to DoW.

Another member asked DoW to clarify how many of its reporting entities currently have audit findings related to asset-driven environmental liability estimates and questioned whether the components with audit findings can apply lessons learned from components that do not have an audit finding in this area. Another member asked DoW to explain the unique estimation challenges the agency faces compared to other agencies that recognize asset-driven environmental liabilities.

Mr. Patton concluded the session by thanking Mr. Prabhakar and Dr. Jo for attending the Board meeting to present the DoW proposals.

Adjournment

The Board meeting adjourned for the day at 3:50 p.m.

- **Steering Committee Meeting**

The Committee discussed FASAB's proposed FY 2027 and FY 2028 budgets and the upcoming executive director vacancy, as well as other administrative matters.

Wednesday, August 19, 2026

Agenda Topics

- **Leases (continued)**

Mr. Perry began the follow-up session on [topic A](#) by recapping the previous day's discussion and the pending resolution of the proposed updates to proposed paragraph 77C. He noted that staff recommendation #7 had proposed removing the reference to paragraph 84 that was originally exposed.

Mr. Perry and Mr. Dacey explained that the reference to paragraph 84 could be retained as exposed. They noted that once a modification causes a contract to no longer qualify for the practical expedient, paragraph 84 could become applicable and provide a limited exception when the related conditions are met. Specifically, the exception would provide for accounting for the new lease separately while continuing to apply the practical expedient to the remainder of the contract. If paragraph 84 conditions are not met, the entity would apply paragraph 73 and separate the lease and nonlease components. The Board agreed to retain the reference to paragraph 84 in paragraph 77C.

Staff will incorporate this and other changes, including the removal of paragraph A20 in the basis for conclusions, into the master copy and distribute ballot copies to members following completion of the revisions and preparation of balloting materials.

- **Intangible Assets/Software Technology**

Mr. Williams, assistant director, introduced [topic E](#) by explaining that the objective of the meeting is for the Board to review and consider staff recommendations for:

- Note disclosure guidance for intangible assets, including internal use software
- Accounting and reporting guidance for intangible heritage assets

Mr. Williams said that staff was requesting the Board's feedback on the recommendations.

Question 1 – Does the Board agree with staff's recommended note disclosure requirements? Please provide your feedback on staff's analysis and recommendation.

The Board agreed with staff's recommended note disclosure guidance with the following edits and suggestions:

- In paragraphs X1.a. and X2.b., add "accumulated impairment loss" as a disclosed balance along with cost, accumulated amortization, and net book value for component reporting entities and the CFR, respectively. The Board also agreed to add language emphasizing that these disclosures are for balances as of the end of the year.
- In paragraph X1.b., the Board agreed that component reporting entities should disclose "a brief description of each major class of intangible asset."
- The Board agreed to minor grammatical edits to paragraphs X1.c. and X1.f.
- For paragraph X2.c., the Board agreed to remove the requirement for the CFR to disclose consolidated intangible asset impairment losses recognized by component entities along with a general description of what constitutes intangible asset impairment. The Board believed that consolidated impairment losses for intangible assets would not be material at the government-wide level. Additionally, the Board believed this disclosure was too detailed and would be challenging to implement at the government-wide level. Members noted that the CFR could still reference applicable component-entity reports that disclose an impairment loss.
- Some members also suggested that the intangible assets ED briefly discuss how reporting entities could categorize intangible assets by major class in the basis for conclusions. However, one member said that Board guidance has never

defined major classes for property, plant, and equipment, and there have not been any application challenges. The member further explained it is a form and content issue, and that OMB Circular A-136 has always provided a standard structure of major asset class for agencies to follow.

- One member emphasized that the Board should keep considering cloud-service arrangements during future deliberations for the commitments project because the Board has decided not to recognize those types of commitments as liabilities in the intangible assets ED.

Question 2 – Does the Board agree with staff’s recommended guidance for applying intangible heritage assets to SFFAS 29, *Heritage Assets and Stewardship Land*? Please provide your feedback on staff’s analysis and recommendation.

The Board agreed with staff’s recommended guidance that would reference and align relevant parts of SFFAS 29 in the intangible assets ED along with some clarifying guidance so that readers can apply the SFFAS 29 heritage asset standards to intangible assets. Additionally, the Board agreed to the following:

- For paragraph Y3, the Board agreed to simplify the guidance by stating that reporting entities should quantify intangible assets based on units instead of physical units when applying disclosure guidance in SFFAS 29. Staff cautioned the Board that it is important that the guidance make it clear that reporting entities should only disclose intangible assets that are identifiable as assets that the government controls, otherwise the scope of disclosable intangible assets could become wide-ranging, such as cultural resources unique to the United States but not owned or controlled by the U.S. government. The Board generally agreed with staff but believed the ED could refer to the recognition criteria for identifiable intangible assets or offer further explanation in the basis for conclusions.
- The Board agreed to include a conforming amendment in the intangible assets ED that would amend SFFAS 29, paragraph 15 to add intangible assets in the definition of heritage assets. The Board agreed it is important that SFFAS 29 include a reference to intangible assets to prevent confusion when applying the intangible asset and heritage asset standards together.
- Some members were concerned that applying SFFAS 29 to intangible assets would result in inconsistent disclosure of internally generated intangible assets with heritage characteristics when the intangible assets ED would require no such disclosure or recognition for internally generated intangible assets used in operations. Staff noted that the Board had previously agreed to scope out all internally generated intangible assets, except software, from the intangible assets ED and that this scope-out language could also apply to heritage intangible assets.

Mr. Williams said that staff would implement the edits and make note of the other suggestions for inclusion in the draft ED. He said that staff planned to present the draft intangible assets ED for the Board's review at the October 2026 meeting.

- **Annual Report Review**

Ms. Valentine introduced the draft FY 2026 annual report from topic G. She noted that FASAB releases an annual report and three-year plan each FY to enhance visibility of its operations and to obtain input regarding the Board's plans. The report includes a letter from the chair and a letter from the executive director. It also includes FASAB's collaboration, outreach, and educational activities throughout the FY, as well as a section on governance, operations, and budgetary resources.

Ms. Valentine added that Board members complete a survey annually to assess the Board's conformance to the five criteria, as identified by the American Institute of CPAs, which are essential for a GAAP standard-setting body. The survey results provide information needed for the annual report and support continuous improvement. The survey results are provided to the Appointments Panel and the Board. Survey results are also summarized and included in the annual report.

Ms. Valentine noted that she had added highlights from the member survey identifying areas that contributed to the effectiveness and efficiency of the Board during the year.

The objective for the session was for the members to review an initial draft of the FY 2026 annual report and three-year plan. Ms. Valentine reminded the members that since the report would not be issued until November, they would have an opportunity to see an updated version at the October meeting.

Ms. Valentine asked the members two questions:

Question 1 – Does the Board have any suggested revisions to the annual report?

Question 2 – Does the Board have any suggested revisions to the three-year plan?

Staff received feedback from members with suggested edits on the draft report.

Some of the comments from members included:

- Add the 2027 meeting dates to the report in a call-out box.
- Include a link to the [webpage](#) where people can find the meeting dates, as well as other information about attending the meetings virtually or in-person, to encourage participation.
- Possibly change the format of the report to conform with the AGA citizen-centric report.

- Include a statistical report that shows comparisons of some of FASAB's trainings.
- Include a glossary of acronyms.
- Add a note in the report about the two meetings that the Board canceled in FY 2026.
- Update the report to include the release of TR 24, *Implementation Guidance for SFFAS 49, Public-Private Partnerships*.
- Add an FY 2026 results in brief after the table of contents.
- Consider adding live pictures in the report.
- Consider giving an overview of the 2026 annual update training in the annual report.
- Consider mentioning high-level information on the 2027 annual update training.

Members also made suggestions related to the 2027 annual update training:

- Encourage the specialty topics/panels.
- Include an on-demand option, potentially via FASAB's [YouTube channel](#).
- Consider a session on the CFR.
- Consider a session featuring a federal entity's report that implemented recently issued FASAB guidance.
- Consider having an AGA Certificate of Excellence in Accountability Reporting panel.

Ms. Valentine noted that she would review the editorial suggestions to her letter from the executive director and pass along editorial suggestions to Mr. Patton's letter from the chair. Those edits would be made at Mr. Patton's discretion.

Ms. Valentine referred to the budgetary resources section of the report and noted that the FY 2026 actuals are still projected. In addition, FASAB does not have a budget for FY 2027 yet. Staff will add these numbers when they become available.

Ms. Valentine noted that she would work with staff to update the draft FY 2026 annual report based on the meeting discussion, edits from the Board, and edits from the Appointments Panel.

Ms. Valentine reminded the Board members to provide any other suggested edits to her so that staff could make those updates and have a final draft ready for the October meeting. FASAB plans to issue the final report on November 16, 2026.

The meeting adjourned for lunch.

- **Technical Agenda Review**

Ms. Valentine introduced [topic F](#)— the technical agenda review—to the Board. She noted that the Board annually reviews its technical agenda to determine priorities for the upcoming year. In addition to setting the Board’s priorities annually in August, the Board usually conducts a mid-year review of the technical agenda at the February meeting. Due to unforeseen circumstances, FASAB canceled the February 2026 meeting, which precluded a mid-year technical review.

Ms. Valentine reiterated that the Board currently has eight active projects on the technical agenda, two research topics, and one monitoring topic underway. [Topic F](#) provides the summary, status, and next steps for these projects.

Ms. Valentine noted that she had received feedback from most members on the three questions noted below. She also had received feedback from a couple members about wanting to add two projects not in the staff memo: digital assets and equity investments in non-federal entities. In addition, the Board needed to address the two DoW requests presented on August 18, 2026, from [topic D](#).

Question 1 – Does the Board agree to continue with the current technical agenda projects and the use of detailees and interns, if available and where appropriate, to continue moving projects forward, including initial research on the next reexamination projects?

Some members were concerned about staff resources and whether the project timelines in attachment 3 could be met. Members discussed the following in relation to these concerns.

Some members asked about using detailees and interns as a resource for helping with projects. Ms. Valentine and Mr. Savini noted that staff had been successful in leveraging resources through its various task forces and agency details; however, assistance is sporadic and normally short term in nature. Past experiences have shown that there is a hidden administrative cost and burden that requires staff time and resources to onboard detailees, monitor their progress, and review their work. This reduces the overall efficiency advantage. Further, while task force volunteers remain an integral and crucial part of staff’s work, it is important to recognize that government-wide reductions and budget constraints may affect their ability to assist with FASAB’s efforts.

One member asked if FASAB could partner with AGA and use their research budget to assist with project research. Mr. Kirwan stated that FASAB is legally not allowed to accept voluntary donations outside of the federal government.

One member asked if Accounting Standards Implementation Committee (ASIC) members could help with research. Ms. Valentine explained that ASIC recommends implementation guidance to the Board for applying existing FASAB guidance through

the ASIC due process. As with the Board, the ASIC briefing materials for Committee deliberation are prepared by FASAB staff. Therefore, ASIC members are not available to assist with project research.

The members agreed with staff's recommendations to continue with the current technical agenda projects and the use of detailees and interns, if available and where appropriate.

Question 2 – Does the Board agree to add the environmental and disposal liabilities project as an active project on the technical agenda?

Members are aware that a significant amount of guidance for environmental and disposal liabilities is available: SFFAS 5; chapter 4, *Cleanup Costs*, from SFFAS 6, *Accounting for Property, Plant, and Equipment*; and TR 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*.

One member asked if staff had reviewed GASB's guidance for environmental liability standards. Ms. Gilliam, assistant director, and Ms. Batchelor noted that staff had not yet reviewed the GASB guidance but that reviewing other standard setters' guidance is a standard part of a project's research.

Some members suggested that staff look at disclosures of state and local governments that have large environmental liabilities, such as California.

Members recommended that staff focus on the issues identified in the Invitation to Comment (ITC) to best manage the initial scope of this project.

Members agreed that research should clarify the difference between disposal and clean-up costs.

The Board agreed with staff's recommendation to add the environmental and disposal liabilities project as an active project on the technical agenda.

Question 3 – Does the Board agree that the two research topics and one monitoring topic should remain in their current status? Are there other topics the Board would like to add as research or monitoring topics?

Revenue Reexamination Research Topic

Some members were concerned that the revenue reexamination research topic had stalled with no recent activity. Mr. Perry, the lead on the revenue research, explained that the ITC had identified two narrow and immaterial topics three years ago. SFFAS 7 provides sufficient guidance for revenue, despite these minor concerns. Mr. Perry is monitoring SFFAS 7 and does not have any additional updates at this time.

The Board agreed that the two research topics and one monitoring topic should remain in their current status.

Several members suggested two additional topics for agenda consideration: digital assets and equity investments.

One member asked if staff could add these two topics to their current projects to begin research. Ms. Valentine noted that, depending on the level of research the Board is looking for, additional time for research could potentially slow down the staff members' current projects.

Digital Assets

Several members suggested adding digital assets to the Board's agenda. One member noted that FASAB staff had received one substantive technical inquiry from a federal entity. Some members referenced the work GASB is doing on this topic. One member suggested an education session on digital assets. Some members noted that digital assets could potentially be included in the intangible assets project.

The Board agreed to add digital assets as a research topic.

Equity Investments

Several members suggested adding equity investments to the Board's agenda in response to several articles sent to members that reference the federal government's recent activities involving equity investments in non-federal businesses. One member noted that a recent article noted that the federal government had investments in 37 non-federal entities.

One member noted that the IPSASB found it very difficult to develop standards concerning these types of investments. The member also stated that federal entities with equity investments are currently using FASB guidance to account for them: Accounting Standards Codifications 320 (Investments—Debt Securities), 321 (Investments—Equity Securities), 323 (Investments—Equity Method and Joint Ventures), 325 (Investments—Other), and 820 (Fair Value Measurement).

Mr. Savini noted that he plans to present a proposal to the Board on measurement and recognition of public-private partnerships (P3s) in October. The staff analysis will also include P3-related-equity-investment research related to the DoW Military Housing Privatization Initiative. The Board will have an opportunity to consider options regarding these issues.

The Board agreed to add equity investments as a research topic.

Discussion of DoW Proposals

On August 18, 2026, DoW presented potential amendments and accommodations to select federal accounting standards they believe would help them achieve an unmodified audit opinion by FY 2028.

Leases. The DoW proposed a temporary deferral of SFFAS 54 “until after December 2029 (targeting implementation by September 30, 2030) to focus immediate resources on securing an unmodified audit opinion.” In addition, the DoW believes “eliminating the embedded lease requirement entirely would promote consistency across agencies, reduce audit complexity, and allow resources to be focused on higher-risk areas.”

Environmental Liabilities. For SFFAS 5, the DoW “requests an amendment to require the development of an estimate for asset driven environmental liabilities once an asset has been deemed or otherwise determined to be decommissioned. This amendment would provide an estimate closer to when the resource outflow will occur and align with mission execution.”

Ms. Valentine and Ms. Batchelor explained that staff had been working with DoD/DoW as part of the technical clarifications of existing standards project for over 10 years, and staff is very responsive to DoW’s requests. Staff will continue to reach out and work with DoW. One concern was that staff can only assist DoW if they are also responsive to clarification questions from staff.

Regarding DoW’s proposals that the Board (1) temporarily defer SFFAS 54 until after December 2029 and (2) eliminate the embedded lease requirement entirely, the Board did not add the proposals to its technical agenda.

Regarding DoW’s proposal that the Board amend SFFAS 5 and 6 to require the development of an estimate for asset driven environmental liabilities once an asset has been deemed or otherwise determined to be decommissioned, the Board agreed with staff’s recommendation to add the environmental and disposal liabilities project as an active project on the technical agenda.

The Board did agree that staff should continue to proactively reach out to DoW to assist as needed. For example, staff can assess if there are other opportunities to address DoW’s issues related to the implementation of SFFAS 54 by trying to understand how DoW might effectively apply the guidance. Several members also suggested DoW consult with their auditors on the related materiality considerations.

Adjournment

The Board meeting adjourned for the day at 2:30 p.m.