FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
December 16-17, 2025
441 G Street NW, Washington, DC, 20548

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: George Scott (chair), R. Scott Bell, Gila Bronner, Bob Dacey, Diane Dudley, Terry Patton, and David Vaudt. Brian Mohr was absent on December 16 and present on December 17. The executive director, Ms. Valentine, and FASAB counsel, Mr. Kirwan, were present throughout the meeting.

Tuesday, December 16, 2025

Administrative Matters

- **Clippings and Updates**

Mr. Scott asked the members if there were any comments on the clippings provided by staff. He noted the list of outreach activities and the non-agenda topics memo.

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

- <u>Infrastructure Assets</u> – The GASB released a preliminary views (PV) document, *Infrastructure Assets,* in September 2024 with comments due in January 2025. 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. The GASB conducted three public hearings and one user forum to discuss feedback on the PV document. Members are continuing to analyze the feedback and reconsidering the proposals in the PV. At the September and December meetings the GASB tentatively decided the following:
    - Required Supplementary Information (RSI) and Supplementary Information:
        - Governments that report infrastructure assets using historical cost net of accumulated depreciation should not be required to report the annual amount or the estimate of maintenance expense for those assets for each of the past 10 fiscal years (FYs). Some members are opposed to removal of this proposal and may present an alternative view.
        - Governments should present as RSI the assessed condition of infrastructure assets reported using the modified approach for the three most recent complete condition assessments.
        - Governments should present as RSI the estimated annual amount to maintain and preserve infrastructure assets at or above the condition level established and disclosed by the government compared to the amounts actually expensed for infrastructure

assets reported using the modified approach for each of the past 10 FYs.

- Governments should continue to disclose in notes to the schedules presented as RSI:

  - The basis for the condition measurement and the measurement scale used to assess and report the condition for infrastructure assets reported using the modified approach

  - The condition level at which the government intends to preserve infrastructure assets reported using the modified approach

  - Factors significantly affecting trends in the information reported as RSI, whether affecting infrastructure assets reported under the modified approach or historical cost net of accumulated depreciation.

- Governments should disclose the reason for a change in an established condition level in notes to RSI.

Some GASB members think that componentization[1] of infrastructure assets is too costly. It is anticipated that some Board members may be putting forth an alternative view associated with that.

- <u>Revenue and Expense Recognition</u> – The goal 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 exposure drafts (EDs), one expected in the first quarter of 2027 and the second in the second quarter of 2028.

- <u>Severe Financial Stress and Probable Dissolution Disclosures</u> – 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. 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. The GASB held three public forums on this topic between July and September 2025. More recently, the GASB has been trying to define "going concern" in the existing literature. Auditors seem to be troubled that

[1] Componentization means to depreciate components of the infrastructure asset separately that have substantially different estimated useful lives.

that term is not continuing to be used since their literature links up with the term "going concern."

The Board believes that the term "going concern" does not fit very well in the state and local government environment. That is the reason it was not used in the PV document.

- Subsequent Events (reexamination of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the American Institute of Certified Public Accountants [AICPA] Statements on Auditing Standards*) – The objective of this project is to improve the accounting and financial reporting for subsequent events to address issues related to (1) confusion about and challenges associated with applying the existing standards, (2) inconsistency in practice in the information provided about subsequent events, and (3) the usefulness of the information provided about subsequent events. The GASB just issued Statement No. 105, *Subsequent Events*. The Statement defines subsequent events as transactions or other events that occur after the date of the financial reporting statements but before the date the financial statements are available to be issued. The definition of subsequent events in the Statement modifies the subsequent events time frame throughout the GASB literature. The Statement also clarifies the different types of subsequent events, when note disclosures are required, and the information that should be included in those note disclosures.

  The requirements of Statement No. 105 are effective for reporting periods beginning after June 15, 2026. Early application is encouraged.

- 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*.

- 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. At its June 2025 meeting, the GASB discussed staff suggestions for modeling the financial reporting model and the financial reporting entity in the context of government-wide, fund, and component-unit reporting. GASB has formed a consultative group that includes three preparers, four auditors, five users, four technologists, and three observers.

The group has been very active, both in meetings and meeting with the GASB recently.

- The GASB is working towards issuing a discussion memorandum in May 2026. It is expected to include information on how the reporting entity is going to be included and how note disclosures will be accommodated.

- <u>Research topics</u> –

  - GAAP structure: The objective for the first phase of this pre-agenda research is to evaluate the effectiveness of the GASB's current dual-authority approach to communicating a GAAP structure that includes both original pronouncements and a codification.

  - Pension / Other Post-Employment Benefits (OPEB) disclosures: The objective is to research existing pension and OPEB disclosures in light of 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: This research would bring in note disclosures and coincide with the revenue and expense recognition project.

Mr. Scott thanked Ms. Reese for keeping the Board informed of the GASB's activities.

Agenda Topics

- **Leases**

Before beginning the session on topic A, Mr. Perry, assistant director, discussed a recent Financial Accounting Standards Board (FASB) Topic 842 post-implementation review round table held in September and its final report on its leases guidance. Mr. Perry noted that he attended the round table as a non-participating observer.

Mr. Perry noted that the benefits and cost round table discussion shared many similarities to the federal environment with implementation of Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*. Benefits emphasized by participants included (a) improved data infrastructure for management analysis and monitoring, systems, controls, and processes, (b) improved disclosures and transparency for users, and (c) an overall reduction in structuring and changes in behaviors. Actual costs were greater than expected costs—particularly for lessees. Challenges included systems requirements, vendors, and high costs associated with certain implementers clinging to outdated systems and controls, such as Microsoft Excel. Another challenge discussed at the round table that differed from the federal environment was conflicts between Topic 842 and Topic 606, *Revenue*.

Mr. Perry summarized the overall conclusions of the recently released FASB post-implementation review report.[2] Topic 842 was found to have accomplished its primary objectives. While the benefits of the Statement were generally consistent with the expected benefits, the costs of implementation were higher than expected for lessees. FASB provided support during the implementation period with helpful amendments, improvements, clarifications, and guidance. The report also notes that FASB will continue to monitor for opportunities to further reduce ongoing costs where appropriate.

Mr. Perry encouraged members to review the report, given the many similarities to FASAB staff's post-implementation review findings that were reported in February 2025.

Mr. Perry then introduced topic A. He provided an overview of the alternative approaches for the Board to discuss and consider. Mr. Perry highlighted that three Chief Financial Officer (CFO) Act entities had submitted inquiries and/or feedback regarding the upfront and ongoing costs of accounting for new or modified embedded leases on a prospective basis beginning in FY 2027.

Question 1 – Do members agree with staff recommendation #1 and the associated analysis? If not, which alternative(s), or combination thereof, do members favor?

Question 2 – Do members wish to receive any additional information or clarifications regarding staff's analysis of various alternatives, including the expected benefits and costs outlined in the materials?

Question 3 – Do members have any suggested enhancements or additions to the expected benefits and costs outlined in the materials?

Question 4 – Do members have any significant technical comments on the alternative A and/or alternative C illustrations (attachments 2-3)?

Members discussed the expected immateriality of embedded leases, the expected benefits of recognizing and measuring them on a prospective basis, and the expected costs. Members generally agreed that embedded leases are not expected to be material. Mr. Perry postulated that, if unrecognized embedded lease liabilities meeting the eligibility conditions amount to 10-20 percent of the current lease liability for the federal government on recognized leases as of September 30, 2024, this would be approximately $4-8 billion. Members discussed that service contracts are generally shorter term and that the existing standards require separation of lease and non-lease components, exclusion of variable payments, and favor combining lease and non-lease components into a single lease unit under certain eligibility conditions provided for under paragraphs 75-76 of SFFAS 54. Such treatment, in the context of embedded leases that generally include considerable non-lease and variable-based payments, may reduce measurement precision compared to the practical expedient alternatives summarized in the material.

[2]FASB. *Post-Implementation Review: Topic 842—Leases* (Norwalk, CT: Nov. 20, 2025).

Members agreed with alternative A for reasons set forth in the material, including the cost-benefit considerations, and found it to be responsive to the practitioner feedback summarized therein.

Members discussed whether the staff proposal, which recommended a combination of alternatives A and C, would be necessary. A few members expressed uncertainty regarding the necessity of alternative C, which would extend the transitional accommodation period provided by SFFAS 62, *Transitional Amendment to SFFAS 54*, for a period of 2-3 years. One member noted that the transitional accommodation period will expire on September 30, 2026. A few members noted that the timing of issuance may necessitate an extension if a practical expedient is not issued by October 1. Relatedly, members discussed whether any extension of the transitional accommodation period would need to extend beyond the effective date of a practical expedient.

The Board instructed staff to analyze timelines and summarize transition and effective date issues in the issue paper for the February meeting and provide a pre-ballot draft for continued Board discussion.

- **Intangible Assets/Software Technology**

Mr. Williams, assistant director, introduced topic B by explaining that the objective of the session was for the Board to review and consider the following staff recommendations:

- Accounting guidance for useful life estimation and amortization for intangible assets and internal use software (IUS)
- Accounting guidance for enhancement and maintenance costs for intangible assets and IUS

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

Question 1 – Does the Board agree with staff's recommended accounting guidance for useful life estimation and amortization for intangible assets and IUS? Please provide your feedback on staff's analysis and recommendation.

The Board overwhelmingly agreed with staff's recommended accounting guidance for useful life estimation and amortization for intangible assets and IUS. Based on some member suggestions, the Board agreed to the following edits to the recommended guidance:

- Edit the first sentence in paragraph X1 to explain that accounting for a recognized intangible asset "considers" its useful life. This edit makes it clearer that the accounting for a recognized intangible asset is based on multiple factors, including its useful life.

- Insert a new sentence in paragraph X1 to make it clear that reporting entities are required to estimate the useful life of all intangible assets recognized in accordance with the standards.

- Edit the last sentence in paragraph X1 so that the guidance states that relevant factors for estimating the useful life of an intangible asset “may” include the factors listed in subparagraphs a through e. This edit makes the guidance more permissive by saying that the useful life estimate may consider the listed factors. A member was concerned that preparers could have misinterpreted the original language to mean they must consider all the listed factors for estimating useful life.

- Remove the requirement to account for the estimated residual value of a recognized intangible asset in paragraphs X3 and X4. A member believed that the costs likely outweigh the benefits of requiring preparers to account for residual values of intangible assets.

- Edit paragraph X5 to emphasize that when estimating the useful life of an IUS asset, preparers should consider the history of rapid changes in technology when determining the potential obsolescence of the software.

Mr. Williams said that he would implement the edits for input into the draft Statement.

Question 2 – Does the Board agree with staff’s recommended accounting guidance for enhancement and maintenance costs for intangible assets and IUS? Please provide your feedback on staff’s analysis and recommendation.

The Board overwhelmingly agreed with staff’s recommended accounting guidance for enhancement and maintenance costs for intangible assets and IUS. However, a few members expressed concerns that the guidance, as written, in paragraphs Y1 and Y2 was not fully clear.

Mr. Williams explained that paragraph Y1 establishes that, except for IUS, reporting entities should expense all costs that enhance or maintain a previously acquired intangible asset. He reminded members that the Board had previously decided to develop accounting standards requiring reporting entities to recognize only identifiable intangible assets that a reporting entity acquires from another entity in an exchange transaction for use in providing goods or services. This means that, except for IUS, reporting entities would not be required to capitalize the cost to internally develop intangible assets. Therefore, it would be inconsistent for reporting entities to capitalize internal costs incurred to enhance a previously acquired intangible asset.

Mr. Williams then explained that paragraph Y2 states that any significant costs to renew or upgrade an existing recognized intangible asset, such as a patent, should be accounted for as a new asset, rather than an enhancement of the originally recognized intangible asset. This could also apply to some software assets purchases, such as software licenses. However, per paragraphs Y3 through Y5, preparers would have to capitalize internal development costs that enhance IUS assets.

Mr. Williams explained that this guidance aligns with the practical reality of most intangible assets. For example, one would not typically enhance an existing patent, copyright, or license. They would simply buy a new patent, copyright, or license.

Additionally, he explained that the recommended guidance is consistent with the Board's recognition framework for non-IUS intangible assets that requires preparers to only recognize costs incurred to acquire an identifiable intangible asset from another party. Otherwise, the Board would have to develop a recognition framework for preparers to capitalize internal research and development costs.

Mr. Williams then clarified the meaning of the words "significant" and "nominal" used in paragraphs Y2 and Y6 and how they relate to typical materiality concepts. He explained that while "material" applies to quantitative and qualitative characteristics for recognizing an asset, significant and nominal are meant to apply to the specific quantitative transaction in relation to an already recognized material asset. "Significant" and "nominal" consider the subsequent financial transaction to renew or buy an upgraded version of an already recognized material software asset.

Members generally agreed with Mr. Williams' explanation of the guidance. However, some members believed that the wording in paragraphs Y1 and Y2 should be clarified to explain the accounting requirements more clearly.

One member believed the current language was sufficient for broad, principle-based level A guidance and suggested the Board could clarify further in the basis for conclusions of the Statement or through implementation guidance. However, another member preferred that the Board clarify the use of the terms "modify" versus "upgrade" in the authoritative guidance, either by editing paragraphs Y1 and Y2 or with a footnote.

Two members had concerns with the guidance using the terms "significant and nominal" without more clarification in the authoritative guidance. One member suggested using the words "significant and "nonsignificant" since existing FASAB guidance uses "nominal" in a different context.

However, another member had concerns using "significant" because preparers and auditors may interpret its meaning inconsistently and conflate it with materiality. The member recommended using the terms "nominal" and "more than nominal" and making it clear in the guidance that the terms apply to subsequent financial transactions in relation to the initial cost of the recognized asset.

Additionally, a member noted that paragraph Y6 addresses nominal upgrades for only perpetual software licenses and suggested that the guidance address how to account for nominal upgrades for all intangible assets in paragraph Y2. Mr. Williams explained that he recommended paragraph Y6 as specific IUS guidance to address a common scenario for perpetual software licenses that staff had received several questions on over the years.

Mr. Williams confirmed he would note the Board's concerns and suggestions for paragraphs Y1, Y2, and Y6 to recommend further edits as the Board compiles the draft Statement. He said that staff next planned to recommend accounting guidance, as needed, for impairments of intangible assets and IUS.

The meeting adjourned for lunch.

- **SFFAS 49 TR**

Mr. Savini, assistant director, introduced topic C by presenting a revised draft Technical Release (TR) that incorporated comments from respondents on the ED titled *Implementation Guidance for Public Private Partnerships*. Staff summarized refinements made following task force deliberations, public comments, and respondent working group(s), consistent with prior Board feedback. The TR clarifies the identification of public-private partnership (P3) arrangements, improves consistency in applying SFFAS 49, *Public Private Partnerships*, and responds to recurring technical inquiries regarding SFFAS 47, *Reporting Entity,* and SFFAS 54. Staff emphasized that the TR does not amend or expand SFFAS 49 and remains within the scope of implementation guidance.

Board members expressed broad support for the clarity and usefulness of the TR. Members agreed the guidance is needed to address inconsistent P3 identification across agencies and appreciated the discipline in maintaining scope. Several members noted that the respondent requests for additional examples should be addressed through training and outreach, rather than expanding the TR itself.

Question 1 – Do members agree with staff recommendation #3, which is more fully discussed on pages 10-11? Please explain.

Staff had identified three options:

- Do nothing and maintain the current TR position exempting consolidated P3s from SFFAS 49.
- Adopt the respondent working group and P3 task force position to require SFFAS 49 for consolidated P3s.
- Combine both options 1 and 2 into a modified position requiring that specific or described SFFAS 49 disclosures apply to consolidated P3s.

Staff presented the consolidated accounting issue and identified pros and cons involving the application of SFFAS 47 to certain arrangements. Staff outlined the background, the criteria for determining consolidation versus disclosure, and the implications for government-wide reporting.

Board members discussed the importance of consistent application of SFFAS 47 and avoiding unintended expansion of consolidation requirements. The Board concluded that consolidation under SFFAS 47 does not eliminate or alter the underlying risk-sharing relationship that gives rise to the disclosure objectives in SFFAS 49. The Board agreed that consolidated entities should not be exempt from SFFAS 49 reporting. Consolidation provides entity-level presentation but does not convey the specific terms, conditions, and risk exposures inherent in public-private partnership arrangements. Exempting consolidated entities would reduce transparency, create inconsistent reporting outcomes across agencies, and undermine the comparability that SFFAS 49 was designed to achieve. As a result, the Board affirmed that SFFAS 47 and SFFAS 49 must be applied in a coordinated manner, and consolidation alone is not a basis for omitting the disclosures required by SFFAS 49. The Board agreed with the staff-recommended option 2 approach that adopted the P3 task force and respondent working group recommendation to require SFFAS 49 reporting for consolidated entities, given that it appropriately balances clarity with burden reduction. Several members emphasized the need for agencies to apply SFFAS 47 using substance over form and supported timely issuance of the TR by the Accounting Standards Implementation Committee (ASIC).

The chair asked whether any member objected to forwarding the TR to the ASIC. No objections were raised, and the Board approved forwarding the SFFAS 49 TR to the ASIC for finalization and timely issuance.

> **Next steps:** Staff will coordinate with the ASIC to ensure timely release of the TR, as well as additional implementation matters as they arise.

Adjournment

The Board meeting adjourned for the day at 2:15 p.m.

- **Steering Committee Meeting**

The Committee discussed FASAB's FY 2026 proposed budget, as well as other administrative matters.

Wednesday, December 17, 2025

Agenda Topics

- **GAAP Hierarchy Reexamination**

Ms. Batchelor, assistant director, introduced topic F by providing an overview of the project and progress to date. She explained that staff had established a federal GAAP hierarchy working group and the working group had held two meetings thus far.

Ms. Batchelor explained the workgroup's approach was to define the basic characteristics of accounting guidance that should be included in the federal GAAP hierarchy and the common distinguishing characteristics of accounting guidance at the highest-level and lower-level GAAP. She emphasized that establishing these common characteristics is intended to provide a basis for placement of accounting guidance in specific categories or levels within the overall federal GAAP hierarchy.

Question 1 – Does the Board agree with the staff recommended basic characteristics for inclusion in the federal GAAP hierarchy and distinguishing characteristics to provide a basis for placement of accounting guidance in specific categories or levels of GAAP? If you do not agree, please explain and provide a preferred approach.

Ms. Batchelor explained that the briefing materials provided a summary of the basic characteristics developed by the working group to assess accounting guidance for inclusion in the federal GAAP hierarchy:

- exposed for public comment and include the Board's consideration of stakeholder comments,
- approved by the Board, and
- included in the FASAB Handbook.

Based on Board feedback on the materials prior to the meeting and additional analysis, Ms. Batchelor recommended removing "included in the FASAB Handbook" as a basic characteristic. She explained that it might be considered somewhat duplicative because all guidance approved by the Board is in the Handbook. Further, the Board does not review the Handbook itself.

The Board agreed with the two basic characteristics (exposed for public comment with the Board's consideration of comments and approved by the Board) for inclusion in the federal GAAP hierarchy.

Ms. Batchelor explained that guidance that meets the basic characteristics for inclusion in the hierarchy should then be assessed against the distinguishing characteristics of the highest-level and lower-level GAAP to determine placement. The distinguishing characteristics identified by the task force focus on the intended purpose of the guidance and whether a document is formally voted on and issued by the Board versus under the oversight of the Board.

She explained the distinguishing characteristics for the *highest-level GAAP*:

- represented by a position of the Board as indicated by formal voting and issuance by the Board and

- issued with the purpose of creating, amending,[3] interpreting, or clarifying standards.

Ms. Batchelor also explained the distinguishing characteristics for lower-level GAAP:

- developed under the oversight and approval of the Board as indicated by a "does not object" approval by the Board and issuance by others and

- issued with the purpose of providing guidance for applying or implementing higher-level guidance.

The Board agreed with the distinguishing characteristics for the highest-level GAAP and lower-level GAAP.

Question 2 – After considering the assessment of the sources of accounting guidance against the basic and distinguishing characteristics, does the Board agree with the approach? If you do not agree, please explain and provide a preferred approach.

The Board agreed with the working group's approach.

Question 3 – Please provide specific feedback and comments regarding staff's assessment of each of the sources assessed: Statements of Federal Financial Accounting Standards (SFFASs or Statements), Interpretations, Technical Bulletins (TBs), AICPA Industry Audit and Accounting Guides made specifically applicable to federal reporting entities and cleared by the FASAB,TRs, Staff Implementation Guides (SIGs), practices widely recognized and prevalent in the federal government, and Statements of Federal Financial Accounting Concepts (SFFACs).

Ms. Batchelor explained staff's assessment of the sources of accounting guidance in the existing federal GAAP hierarchy against the basic and common distinguishing characteristics was detailed in the briefing materials and included a discussion of the purpose and use, due process, and other factors specific to each of the sources of accounting guidance. Ms. Batchelor explained the analysis provides whether each source should continue in the hierarchy (based on the assessment against the basic characteristics) and determining placement within the hierarchy (based on comparing each source against the distinguishing characteristics identified.)

Ms. Batchelor explained that, based on the assessment, Statements and Interpretations would continue to be the highest level of GAAP. TBs, TRs and SIGs meet the basic characteristics for inclusion but would be a lower-level GAAP.

When considering the pronouncement vehicles identified as having characteristics of lower-level guidance, Ms. Batchelor explained that TBs are uniquely challenging

[3] "Amending" is used broadly to refer to changes to standards that may include rescinding.

because they may be used to provide application guidance but may also address areas not directly covered by existing Statements or Interpretations. TBs are constrained by specific guidelines established in TB 2000-1, *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance*, including guidelines for assessing whether an issue may be resolved through a TB. TB 2000-1 procedures provide for both due process (more limited in rigor and within a tighter minimum time frame than provided for Statements and Interpretations) and review but no affirmative vote by FASAB members.

Although TBs may provide guidance to address areas not directly covered by existing Statements or Interpretations, TB 2000-1 explains that a TB can provide guidance only when a problem can be resolved within certain guidelines: (a) the guidance is not expected to cause a major change in accounting practice, (b) the administrative cost involved with implementing the guidance is not expected to be significant to most affected entities, and (c) the guidance does not conflict with a broad principle or create a novel accounting practice.

Ms. Batchelor explained that these guidelines limit the types of issues that can be addressed in a TB. TB 2000-1 further explains that, generally, a FASAB Statement or Interpretation is more appropriate than a TB if any of the guidelines that limit the use of TBs are not met.

Ms. Batchelor explained when attempting to reconcile the fact that TBs may address areas that are not covered in an SFFAS, staff believes that changes to the rules of procedures and resulting due process would be needed for TBs to be considered at the highest-level GAAP. Absent changes to due process, staff believes TBs would continue to be a level under those sources at the highest level. Staff believes making any changes to due process would naturally affect the timeliness of TBs and this may be inconsistent with the purpose of providing timely resolution in certain contexts that fall under the existing guidelines for use.

Since AICPA Guides and practices widely recognized and prevalent in the federal government do not meet the basic characteristics for inclusion, the Board discussed the possibility that neither would continue to be included in the federal GAAP hierarchy. SFFACs would continue in other accounting literature, which is consistent with the current treatment. Along with SFFACs, Ms. Batchelor explained that AICPA Guides and practices widely recognized and prevalent in the federal government would be included in other accounting literature. Ms. Batchelor explained that including SFFACs as other accounting literature would offer the Board more opportunity to explain and describe objectives and fundamentals within the conceptual framework without complicating the hierarchy. The working group plans to consider ways to present the other accounting literature and determine if an order, precedence, or tiers would be helpful. With this approach, more could be explained about specific sources that should be considered as more influential, such as the specific administrative directives, while maintaining that they are separate from the GAAP hierarchy. This approach would be consistent with other standard setters.

The Board generally agreed with the staff analysis and recommendations, including the various sources of guidance. The Board had a robust discussion about each source of guidance and provided the following feedback:

- Certain members explained that they value that the project includes reviewing the overlapping purposes of the various sources' guidance and related due process.

- A few members tentatively agreed with removing the AICPA Industry Audit and Accounting Guides from the federal GAAP hierarchy but suggested that it may be a good idea to first confer with the AICPA.

- The Board discussed the unique nature of TBs. Members agreed that TBs fulfill an important need because they provide the Board with a vehicle to provide time-sensitive guidance. A member emphasized the importance of clearly articulating the purpose of the TB and the extent to which they contain new requirements.

- The Board discussed widely recognized and prevalent practices in the federal government at length because it is viewed as the most challenging and complex area to address. A member explained that there are some practices that have been around a long time (such as parent-child reporting), and FASAB should try to identify those practices that are legitimate today and consider what to do with them. The member explained that he was not sure if placing them in the broad category of other accounting literature would be the best way to address them.

  Ms. Batchelor explained that the working group plans to identify an inventory of the widely recognized and prevalent practices in the federal government that may be referenced by users today. As explained in the briefing materials, staff identified the areas of budgetary accounting matters and form and content (Office of Management and Budget Circular A-136, *Financial Reporting Requirements*). The working group will continue to identify other critical directives. However, these directives do not meet the proposed basic characteristics for inclusion in the federal GAAP hierarchy. Specifically, they are neither subject to the due process of the Board nor approved by the Board. The working group envisions expanding the discussion on other accounting literature by providing additional context and analysis to assist users with application. Ms. Batchelor explained the working group will explore options for other accounting literature, such as an order of precedence or groupings/tiers of guidance.

  The Board discussed how certain guidance, such as FASB's accounting for non-federal investments, has become widely recognized and prevalent practice in the federal government because there is not any guidance in FASAB literature under levels a-c. Ms. Batchelor explained that this is an example of the correct application of the GAAP hierarchy using other accounting literature. Although one may need to go to other accounting literature to find the appropriate treatment for matters not addressed in the federal GAAP hierarchy, it does not mean the treatment is not considered GAAP. Ms. Batchelor commented that this would be clarified and explained.

A member suggested adding a representative to the working group from an entity that applies FASB to ensure this perspective is included.

Question 4 – Does the Board agree with the staff recommendation that the Board consider discontinuing the use of SIGs and use TBs for all future narrow, time-sensitive topics? If you do not agree, please explain and provide a preferred approach.

Ms. Batchelor explained that in assessing each of FASAB's communication vehicles against the characteristics, the process identified overlapping purposes among certain communication vehicles that contributes to the complexity of the existing GAAP hierarchy, which can lead to stakeholder confusion over the various communication methods. She explained that this leads to the question of whether all FASAB vehicles are needed. There appears to be general understanding and agreement among stakeholders regarding the purpose and uses of standards and concepts. Confusion in practice primarily relates to understanding the different purposes and uses for the various FASAB communication vehicles—Interpretations, TBs, TRs and SIGs.

Considering the stakeholder comments that FASAB should simplify the hierarchy, the working group thoughtfully considered each communication vehicle's purpose to determine if each should continue. The briefing materials provided a comprehensive analysis of FASAB's vehicles that resulted in the staff recommendation that the Board consider discontinuing the use of SIGs.

Ms. Batchelor explained that there are many similarities when considering TBs and SIGs. Both TBs and SIGs are used to address narrow topic areas where timely guidance is needed. The need for timely guidance in certain situations is often the driver for selecting the use of TBs and SIGs. Relatedly, both vehicles often address time sensitive areas or emerging issues. TBs and SIGs are typically in question-and-answer format and are staff documents under the oversight of the Board. Both are exposed for a minimum 15-day comment period but often for longer when time permits. Neither document requires an affirmative vote of the Board (rather, they undergo a review period with an opportunity to object), and both are exposed and later issued if a majority of the members do not object.

The Board tentatively agreed with the recommendation to discontinue the use of SIGs and use TBs for time sensitive topics going forward. Ms. Batchelor explained the working group will consider the most efficient manner to implement the discontinuation of SIGs as part of the revised federal GAAP hierarchy that is developed. For example, the working group will consider how to incorporate the existing SIGs. It was noted that FASAB staff is currently addressing implementation questions related to SFFAS 64, *Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15,* through a proposed SIG. The Board agreed that this project would continue as a SIG and that the forthcoming SIG could be handled in a manner consistent with the other existing SIGs.

A member suggested that staff consider clarifying that technical inquiry responses are not part of the federal GAAP hierarchy. The member explained that clarifying this would be helpful for preparers who may not be sure of the status of technical inquiries.

> **Next steps:** Staff will work with the working group on addressing the area of other accounting literature. This will include developing an inventory of widely recognized and prevalent practices in the federal government that are critical today. It will also include expanding the discussion on other accounting literature to provide more context and explanation as to how it is used with the hierarchy. The working group will also consider ways to present the other accounting literature and if an order of precedence or tiers would be helpful.

- **Commitments**

Ms. Lee, senior analyst, introduced topic G by explaining that the objective of the session was to obtain the Board's feedback on the following:

- Changes made to the working definition of commitments that members suggested during the August 2025 meeting
- Task force recommendation to exclude agreements that are subject to specific FASAB guidance from the scope of the commitments project
- Task force recommendation that the Board consider developing specific categories of commitments to assist reporting entities in identifying agreements for commitments reporting

Changes to the Working Definition of Commitments:

The following is the commitments working definition incorporating member suggestions made during the August 2025 meeting:

> *Commitments are binding agreements [FN] that may result in a measurable future use of government resources.*
>
> *FN* **–** *Commitments are not liabilities of the government. Upon the occurrence of the future transactions (exchange or nonexchange) or events (such as the delivery of goods or services), an assessment will determine whether the government has incurred a liability. If part or all of a contract or agreement has met the criteria for a liability, that part or all of a contract is no longer considered a commitment.*

Task Force Recommendation on Scope Exclusion

Staff provided the task force with two options for scope exclusions:

- Option 1 – Targeted exclusion of commitment agreements based on recognized liabilities. For example, long-term noncancelable leases are recognized as liabilities on the balance sheet and would be excluded from commitment reporting. Only 13 percent of the respondents supported option 1.

- Option 2 – Broader exclusions based on agreement type. Commitment agreements subject to specific FASAB standards would be excluded. A majority (87 percent) of the respondents supported option 2 because subjecting the same agreement to multiple standards would be redundant and potentially inconsistent.

The task force recommends option 2 exclusion based on the feedback.

Developing Categories of Commitments

Some task force members expressed concern that, due to the general and broad nature of the commitment definition, reporting entities and auditors might spend significant resources to identify agreements for commitments reporting. These task force members recommend that the Board consider developing specific categories of commitments for reporting, consistent with other accounting standard setters, to reduce burden.

Question 1 – Does the Board agree with the suggested changes to the working definition of commitment?

The Board generally did not support including "measurable" in the commitment definition. Some agreements, such as treaties, may not have specific amounts or may have ranges instead of specific amounts. These agreements would be more narrative in the disclosures. Including "measurable" in the definition would exclude these potentially significant agreements from reporting.

A member suggested that "measurable" could infer something to be measurable but not material or not significant and could lead to overreporting. The member suggested replacing "measurable" with "quantitatively material or qualitatively significant." Staff noted that FASAB historically uses "significant" rather than "material" in its authoritative guidance because materiality is determined by the reporting entity, and "significant" would encompass something that may be "quantitatively material and qualitatively significant." However, the Board generally believed that "measurable" and "significant" need to be addressed but might be more appropriate for other sections of the authoritative guidance such as disclosure criteria rather than in the commitment definition.

Board members questioned the usefulness of the footnote to the definition. A member pointed out that information in the footnote seems to focus on the liability aspect, and commitments and liabilities are mutually exclusive. Another member believed that exchange or nonexchange is in relation to the binding agreement and not to a future event. Members agreed to remove the footnote entirely to keep the definition concise and move the information to other sections of the guidance such as disclosures.

Based on the member comments, staff updated 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.*

Question 2 – Does the Board agree with the option 2 scope exclusion recommended by the task force?

The Board generally supported option 2, which is recommended by the task force. Some members recommended staff analyze existing standards for similarities and discrepancies and determine (1) if those agreements meet the commitment definition and (2) if the disclosures required by the specific standards are consistent with the commitments disclosures. The similarities and differences would help the Board better determine the scope exclusions.

Question 3 – Does the Board support staff working with the task force and the CFO Council to (1) refine the application of the scope exclusions and (2) further identify significant categories of commitments?

The Board supported the task force recommendation that staff work with the CFO Council and the task force to develop categories of federal commitments to help reporting entities identify agreements for commitments reporting.

Question 4 – Does the Board have any other comments or concerns related to commitments reporting?

The Board did not have other comments or concerns related to commitments at this point.

> **Next steps:** Staff will (1) work with the task force and the CFO Council to identify significant categories of federal commitments, (2) work with the task force to develop the commitments reporting requirements, and (3) analyze existing standards for potential commitments and document the similarities and differences in definition and disclosure requirements between those standards and the commitments project.

Closing Remarks

Prior to adjourning, Mr. Scott recognized Ms. Bronner for her ten years of service on the Board. Ms. Bronner thanked Mr. Scott, fellow Board members, and staff for an enriching and wonderful experience during her time on the Board.

Ms. Bronner then recognized Mr. Scott, acknowledging that his tenure on the Board was also coming to an end. Mr. Scott thanked the Board, staff, and participating stakeholders for their contributions and commitment to the Board’s mission throughout his tenure.

Adjournment

The Board meeting adjourned for the day at 11:45 a.m.