Louisiana & Mississippi HFMA Summer Institute

Healthcare Accounting Update: What finance leaders need to know in 2026

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Agenda

1. FASB Update
2. Impact of Current Events
3. GASB Update
4. Uniform Guidance Update
5. Q&A

01

FASB Update

01

FASB Update – effective now

ASU 2022-03

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

ASU 2022-03, Restricted Equity Securities
Summary

The ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the security's unit of account & should not be considered in measuring fair value.

Entities are now prohibited from recognizing & measuring the contractual sales restriction as a separate unit of account, *e.g.*, as a liability or contra-asset.

New disclosures.

Effective Dates
ASU 2022-03

PBEs
Annual periods beginning after December 15, 2023

All Others
Annual periods beginning after December 15, 2024

Resource: [Prepared for New Fair Value Guidance for Restricted Equity Securities?]

ASU 2022-03, Restricted Equity Securities
Scope

The ASU applies to all equity securities subject to any contractual sales restriction.

Common examples include, but are not limited to:	Underwriter lock-up agreements – Contractual sale restrictions typically executed with an initial or secondary public offering to prohibit the sale of equity securities owned by certain investors for a specified period
	Market standoff agreement – A legal contract that prevents company insiders from selling their shares in the company on the stock market for a certain period of time following an initial public offering
	A provision within a broad shareholder's agreement
	Private investments in public equity or a business combination involving a special-purpose acquisition company

ASU 2022-03, Restricted Equity Securities

Disclosures

These disclosures are required for equity securities subject to contractual sale restrictions:

- The fair value of equity securities subject to contractual sale restrictions
- The nature & remaining duration of the restriction(s)
- The circumstances that could cause a lapse in the restriction(s)

ASU 2022-03, Restricted Equity Securities

Effective Date & Transition

ASU 2022-03 is effective for public business entities (PBE) for fiscal years beginning after December 15, 2023, including interim periods therein, with early adoption permitted. All other entities would be required to adopt this ASU for fiscal years beginning after December 15, 2024 & interim periods therein.

Early adoption is permitted for both interim & annual financial statements that have not yet been issued (or made available for issuance).

For entities other than investment companies—as defined under ASC 946, *Financial Services—Investment Companies*—the ASU would be applied prospectively as an adjustment to current-period earnings on the date at which the entity first applies the new guidance, with any adjustments recognized in earnings. The entity will disclose the amount recognized as an adjustment to earnings in the period the entity first applies the measurement guidance.

Specialized transition guidance is provided for investment companies.

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ASU 2023-05

Joint Ventures

ASU 2023-05, Joint Ventures
Summary

Provides—for the first time—recognition & initial measurement for joint ventures (JVs).

The ASU does not change the JV definition, the accounting by an equity method investor for its JV investment, or the accounting by a JV for contributions received after formation.

Early adoption is permitted, and existing JVs have an option to apply the guidance retrospectively.

New Requirements			
Form a new entity without an acquirer	Measure its identifiable net assets & goodwill at the formation date	Initial measure of the total net assets is equal to the fair value of 100% of outstanding equity interests	New disclosures

Effective Dates
ASU 2023-05

All Entities
For JV formations on or after January 1, 2025

Resource: New JV Accounting Rules – Fair Value Required

ASU 2023-05, Joint Ventures
Scope & Exclusions

The ASU covers the accounting for contributions received (both monetary & nonmonetary) upon formation by entities that meet the JV or a corporate JV definition.

The ASU does **not** apply to:	Transactions between a JV & its owners other than the formation of a JV
	Formations of entities determined to be not-for-profit entities under ASC 958, *Not-for-Profit Entities*
	Combinations between entities, businesses, or nonprofit activities under common control
	Entities in the construction or extractive industries that may be proportionately consolidated by their investor-venturers
	Collaborative arrangements within the scope of ASC 808, *Collaborative Arrangements*

ASU 2023-05, Joint Ventures

New Guidance

The formation of a JV is the creation of a new reporting entity, & none of the assets &/or businesses contributed to the JV are viewed as having survived the combination as an independent entity. **No accounting acquirer will be identified.**

Formation Date

Determining the formation date is a critical first step because the JV will measure its identifiable net assets & goodwill, if any, at the formation date. The JV formation date is the date on which an entity initially meets the JV definition, which may not be the legal formation date.

ASU 2023-05, Joint Ventures

Measurement

$ Initial measurement of a JV's total net assets is equal to the fair value of 100% of the JV's equity immediately following formation (including any noncontrolling interest in the net assets recognized by the JV).

The ASU has special provisions/clarifications for contingent payments, share-based payment awards, private company alternatives in-process research & development, goodwill, transfer of financial assets, & incomplete initial accounting.

ASU 2023-05, Joint Ventures
Disclosures

A JV's required disclosures should help a financial statement user understand the nature & financial effect of the JV formation in the period in which the formation date occurs.

JV disclosure requirements upon formation are more streamlined than for a business combination & should include the following:

- The formation date
- A description of the purpose for which the JV was formed, *e.g.*, to share risks & rewards in developing a new market, product, or technology; combine complementary technological knowledge; or pool resources in developing production or other facilities
- The formation-date fair value of the JV as a whole
- A description of the assets & liabilities recognized by the JV at the formation date
- The amounts recognized by the JV for each major class of assets & liabilities as a result of accounting for its formation (either presented on the face of financial statements or disclosed in the financial statement notes)
- A qualitative description of the factors that make up any goodwill recognized

ASU 2023-05, Joint Ventures
Effective Date & Transition

All JV formations with a formation date on or after January 1, 2025 on a prospective basis.

- Early adoption is permitted in any interim or annual period if financial statements have not yet been issued (or made available for issuance), either prospectively or retrospectively.

Retrospective Adoption	A JV formed before the effective date can elect to apply the ASU retrospectively if sufficient information is available. If elected, the cumulative effect of initially applying the ASU would be an adjustment to the opening balance of retained earnings at the initial application date. The initial application date would be the beginning of the earliest comparative period presented.
	If the ASU is adopted on a retrospective basis, the standard change in accounting principle disclosures in ASC 250 would apply in the period of adoption.

ASU 2023-08

Crypto Assets

ASU 2023-08, Crypto Assets
Summary

Covered crypto assets would be measured at fair value under ASC 820, *Fair Value Measurement*, with any changes in fair value reported in net income each reporting period.

Crypto assets should be presented separately from other intangible assets on the balance sheet. An entity can—but is not required to—present crypto assets on a more disaggregated basis, *i.e.*, by individual crypto asset holding or intangible asset class.

Gains & losses from remeasuring crypto assets would be reported in net income separately from the changes in the carrying amounts of other intangible assets, such as amortization or impairments.

Crypto assets received as noncash consideration during the ordinary course of business that are converted "nearly immediately" into cash would be classified as operating cash flows.

Effective Dates
ASU 2023-08
Early adoption permitted

All Entities
Fiscal year beginning after December 15, 2024

Resource: [Details on FASB's New Crypto Guidance]

ASU 2023-08, Crypto Assets
Scope

ASU 2023-08 will apply to all entities, including public business entities, private companies, nonprofits (NFPs), & employee benefit plans holding assets meeting the scope criteria below:

- ☑ Meet the intangible asset definition in the Codification Master Glossary, which specifically excludes financial assets
- ☑ Do not provide the asset holder with enforceable rights to—or claims on—underlying goods, services, or other assets. Contracts with customers, guarantees, & insurance contracts (even if in digital form) continue to be covered by other GAAP
- ☑ Are created or reside on a distributed ledger or blockchain or similar technology
- ☑ Are secured through cryptography
- ☑ Are fungible
- ☑ Are not created or issued by the reporting entity or its related parties

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ASU 2023-08, Crypto Assets

Annual & Interim Disclosures

For annual & interim reporting periods, an entity is required to disclose the following information:

- The name, cost basis, fair value, & number of units for each significant crypto asset holding & the aggregate fair values & cost basis of the crypto asset holdings that are not individually significant

Restrictions. The following information is required for crypto assets subject to contractual sale restriction(s):

- The fair value of those crypto assets
- The nature & remaining duration of the restriction(s)
- The circumstances that could cause the restriction(s) to lapse

An entity with multiple crypto assets subject to contractual sale restrictions shall consider all the following:

a. The level of detail necessary to satisfy the required disclosures
b. How much emphasis to place on each of the required disclosures
c. How much aggregation or disaggregation to undertake
d. If financial statement users need additional information to evaluate the quantitative information disclosed

ASU 2023-08, Crypto Assets
Annual Disclosures

For annual reporting periods, an entity is required to disclose the following information:

- A rollforward/reconciliation of activity in the reporting period for crypto asset holdings
- For any crypto dispositions in the reporting period, the difference between the sale price & the cost basis & a description of the activities that resulted in the dispositions. If gains & losses are not presented separately, the entity is required to disclose the income statement line item in which those gains & losses are recognized
- The method for determining the cost basis of crypto assets, *e.g.*, first-in, first-out; specific identification; average cost; or other

An entity that receives crypto assets as noncash consideration in the ordinary course of business or as NFP contributions that are converted nearly immediately into cash is not subject to this rollforward requirement.

ASU 2025-05

Financial Instruments—Credit Losses

ASU 2025-05, Financial Instruments—Credit Losses

Measurement of Credit Losses for Accounts Receivable & Contract Assets

Improved Credit Loss Measurement

- Simplifies measurement of credit losses for current accounts receivable & contract assets.

Key Provisions:

- **Optional Practical Expedient (available to all entities)**:
  Entities may elect to assume that current conditions as of the balance sheet date do not change over the remaining life of the receivables and contract assets.
- **Accounting Policy Election:**
  If practical expedient is elected, non-public entities may choose to consider post-balance sheet cash collection activity when estimating expected credit losses.

ASU 2025-05, Financial Instruments—Credit Losses

Measurement of Credit Losses for Accounts Receivable & Contract Assets

Disclosure Requirements:

- Disclose the date through which post-balance sheet collections were considered.
- Disclose whether the practical expedient has been elected and, if so, whether the accounting policy election is applied.

Transition & Effective Date

- Effective for annual periods after Dec 15, 2025 (incl. interims)
- Early adoption permitted
- Prospective application

ASU 2025-05

Early adoption permitted

All Entities

Annual periods beginning after December 15, 2025, including interim periods. December 31, 2026 and beyond.

01

FASB Update – effective in future

ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)
Improvements to the Accounting for Internal-Use Software

Background

- Modernizes guidance in ASC 350-40 for internal-use software costs by eliminating reference to linear, stage-based development, *e.g.*, preliminary, application, post-implementation, which no longer reflects how software is built today.

Key Provisions

- **Eliminates stage-based model**: Removes references to software development stages, *e.g.*, preliminary, application development, post-implementation.
- **New recognition threshold**: Entities must capitalize software costs when:
  - Management authorizes and commits funding for the software project.
  - It is probable the project will be completed, and the software will function as intended (the "probable-to-complete" threshold).

ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)
Improvements to the Accounting for Internal-Use Software

Key Provisions (cont'd.)

- **Probable-to-complete**: Entities must assess whether significant uncertainty exists in the development activities when evaluating the "probable-to-complete" threshold.
- **Evaluation of significant uncertainty**: Significant uncertainty exists when software includes novel or unproven features, or key performance requirements are not identified or are subject to substantial change.

Disclosure Requirements:

- Entities must provide ASC 360-10 disclosures for all capitalized software costs.

ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)
Improvements to the Accounting for Internal-Use Software

Transition & Effective Date

- Prospective: Apply the guidance only to software costs incurred after the adoption.
- Modified Retrospective: Apply prospective to new and in-process projects, while derecognizing capitalized costs of in-process projects that no longer meet new criteria via a cumulative-effect adjustment to opening retained earnings (or other equity).
- Retrospective: Apply the new rules as if ASU 2025-06 has always been in effect and recognize a cumulative-effect adjustment at the beginning of the earliest year presented.
- Annual periods after Dec 15, 2027 (incl. interims).
- Early adoption is permitted.

ASU 2025-06

Early adoption permitted

All Entities

Annual periods beginning after December 15, 2027, including interim periods. December 31, 2028 and beyond.

ASU 2025-10, Government Grants (Subtopic 832)

Accounting for Government Grants Received by Business Entities

Background

- GAAP had not provided specific authoritative guidance about the recognition, measurement, and presentation of a grant received by a business entity from a government. The amendments in this ASU establish the accounting for a government grant received by a business entity, including guidance for a grant related to an asset and a grant related to income.

Key Provisions

- **Government grant recognition**: Requires that a government grant received by a business entity should not be recognized until:
  - It is probable that a business entity will comply with the conditions attached to the grant and the grant will be received.
  - A business entity meets the recognition guidance for a grant related to an asset or a grant related to income.

ASU 2025-10, Government Grants (Subtopic 832)

Accounting for Government Grants Received by Business Entities

Key Provisions (cont'd.)

- **Asset**: a grant related to an asset be recognized on the balance sheet as a business entity incurs the related costs for which the grant is intended to compensate, either as:
  - Deferred income (the deferred income approach) – systematic and rational basis over the periods in which a business entity recognizes as expenses the costs for which the grant is intended to compensate.
  - An adjustment to the cost basis in determining the carrying amount of the asset (the cost accumulation approach) – there is no separate subsequent recognition of the government grant proceeds in earnings.

Presentation Requirements:

- Requires a business entity to present a grant related to income and a grant related to an asset for which the deferred income approach is elected as part of earnings either (1) separately under a general heading such as other income or (2) deducted from the related expense.

ASU 2025-10, Government Grants (Subtopic 832)

Accounting for Government Grants Received by Business Entities

Transition & Effective Date

- Modified Retrospective – No Prior Period Restatement: Applies to both government grants entered into on or after the effective date and government grants that are not complete as of the effective date. Prior-period results should not be restated.
- Modified Retrospective – Prior Period Restatement: Applies to both government grants entered into on or after the beginning of the earliest period presented and government grants that are not complete as of the earliest period presented. Prior-period results should be restated and cumulative-effect adjustment for government grants that are not complete as of the beginning of the earliest period presented.
- Retrospective: Apply to all government grants through a cumulative effect adjustment to the opening balance of retained earnings as of the beginning of the earliest period presented.
- Annual periods after Dec 15, 2029 (incl. interims). December 31, 2030 and beyond.
- Early adoption is permitted.

Proposed ASU

Accounting for Debt Exchanges

- The proposal would simplify the accounting for certain debt exchanges, eliminating the lender-by-lender analysis required by existing guidance to determine whether an exchange is an extinguishment or modification.
- The proposed guidance would apply when an existing debt obligation is contemporaneously settled using cash received from the issuance of a new debt obligation entered into with at least one of the existing creditors and multiple creditors participate in the issuance of the new debt obligation.
- The exchange of debt instruments would be accounted for as the issuance of a new debt obligation and an extinguishment of the existing debt obligation if (1) the existing debt obligation has been repaid in accordance with its contractual terms or repurchased at market terms and (2) the new debt obligation has been issued at market terms following the issuer's customary marketing process.
- If the new debt obligation has a single creditor or the transactions do not meet those conditions, an entity would evaluate whether the existing debt instrument and the new debt instrument have substantially different terms under Subtopic 470-50 to determine whether the transactions should be accounted for as (1) a modification of the existing debt obligation or (2) the issuance of a new debt obligation and an extinguishment of the existing debt obligation.

02

Impact of Current Events

Impact of Current Events

Accounting Considerations Related to Current Events

External Impacts

Reductions in revenue due to:

- OBBBA
- Lower ACA subsidies
- Medicaid reductions
- GME reform
- 340B changes
- Terminations of/stop-work orders on federal grants
- Lowered federal indirect cost rates
- Reduced IRA credits
- Market volatility

Increased costs due to:

- Increased supply chain costs (labor, tariffs)
- Additional compliance activities, audits, etc.
- Revocation of tax-exempt status

Internal Impacts

- Hiring freezes, layoffs, terminations, severance
- Restructuring operations, shutting down projects, and/or mothballing equipment
- Changes to compliance control processes
- Rebalancing of investment portfolio
- Issuing new debt/commercial paper
- Increased usage of donor-restricted funds
- Increased use of quasi/board-restricted endowments
- Suspending or cancelling capital projects

03

GASB Update

GASB Update

GASB 103 – Financial Reporting Model Improvements

Overview & Effective Date

The new guidance updates requirements for management's discussion & analysis (MD&A), unusual & infrequent items, **proprietary fund statement**, component unit, and other required supplementary information.

Do not underestimate the effort involved.

Statement 103 Effective Date

Fiscal Years Beginning After June 15, 2025

GASB Update

GASB 103 – Financial Reporting Model Improvements

Management's Discussion and Analysis:

Five Required Sections

Overview of Financial Statements	Financial Summary	Detailed Analyses	Significant Capital Asset & Long-Term Financing Activity	Currently Known Facts, Decisions, or Conditions

GASB Update

GASB 103 – Financial Reporting Model Improvements

Required Supplementary Information - Statistical Section

- For governments engaged only in **business-type activities (**or business-type & fiduciary activities), a new RSI schedule is required in the statistical section:
- Revenues by major source, distinguishing between operating, noncapital subsidy, & other nonoperating revenues & expenses.

Statement 103 eliminates the option to report information about major component units in the reporting entity's financial statement notes

- Present each major component unit separately in the statement of net position & activities
- Exception to Presentation – If this reduces readability, combining statements of net position & activities should be presented after the fund financial statements

GASB Update

GASB 103 – Financial Reporting Model Improvements

Unusual or Infrequent Items

Presentation

- Last presented item before the net change in resource flows
- Inflows & outflows should not be netted

Disclosure

- The program, function or identifiable activity to which the item is related
- Whether the item is within control of management

New Required Definitions of Operating and Nonoperating Activity

Operating

- Items other than nonoperating

Nonoperating

- Subsidies received & provided
- Contributions to permanent & term endowments
- Revenues & expenses related to financing
- Resources from disposal of capital assets and inventory
- Investment income & expenses

GASB Update

GASB 103 – Financial Reporting Model Improvements

New Required Definitions of Subsidies

Resources received from another party **or fund**

- For which the proprietary reporting entity **does not provide goods or services**, AND
- That **directly or indirectly** keep the proprietary reporting entity's current or future **fees and charges lower than they otherwise would be**

Resources provided to another party or fund

- For which the other entity **does not provide goods or services**, AND
- That are **recoverable** through the proprietary reporting entity's **current or future pricing policies**

GASB Update

GASB 103 – Financial Reporting Model Improvements

Proprietary Fund Statement Presentation

New Required Presentation Format – separate noncapital subsidies caption and subtotal

Operating revenues (detailed)
    Total operating revenues
Operating expenses (detailed)
    Total operating expenses
        Operating income (loss)
Noncapital subsidies (detailed)
    Total noncapital subsidies
        Operating income (loss) and noncapital subsidies
Other nonoperating revenues and expenses (detailed)
    Total other nonoperating revenues and expenses
        Income (loss) before unusual or infrequent items
Unusual or infrequent items (detailed)
    Increase (decrease) in fund net position
Fund net position—beginning of period
Fund net position—end of period

GASB Update

GASB 104 – Disclosure of Certain Capital Assets

Overview & Effective Date

The new guidance requires capital assets held for sale, intangible assets, lease assets & subscription assets to be broken out separately in note disclosure.

Statement 104 does not change any current recognition or measurement requirements.

Statement 104 Effective Date	Fiscal Years Beginning After June 15, 2025

GASB 104 – Disclosure of Certain Capital Assets: Presentation

Disclose following items separately

- Lease Assets by Major Class (Statement 87)
- Intangible RTU assets recognized by an operator, by major class of asset (Statement 94)
- Subscription assets (Statement 96)
- Other intangible assets, by major class of asset

Intangible assets that represent a right to use an asset should NOT be disclosed in the same major class as any owned assets of that type

GASB Update

GASB 104 – Disclosure of Certain Capital Assets
Capital Assets Held for Sale

Applies to both tangible & intangible capital assets & does not require an asset to be idle to meet the criteria

Asset is held for sale if both criteria are met:

- Entity has decided to pursue the sale of the asset and
- It is probable that the sale will be finalized within one year of the financial statement date

Factors to Consider:

- Whether the asset is available for immediate sale in its present condition
- Whether an active program to locate a buyer has been initiated
- Market conditions for selling that type of asset
- Regulatory approvals needed to sell the asset

GASB Update

GASB 104 – Disclosure of Certain Capital Assets

Disclosure & Presentation

- A capital asset held for sale should continue to be reported within the appropriate major class of capital asset.

- The notes to financial statements should include for each major class of asset
  - A separate disclosure of historical cost & accumulated depreciation/amortization
  - The carrying amount of debt for which capital assets held for sale are pledged as collateral

- Disclosure should be made for both governmental and business-type activities.

GASB Update

GASB 105 – Subsequent Events

Overview & Effective Date

The new guidance establishes requirements for the recognition and disclosure of subsequent events – events occurring after the financial statement date but before the financial statements are available to be issued – and requires disclosure of the date through which subsequent events have been evaluated.

Statement 105 Effective Date → Fiscal Years Beginning After June 15, 2027

GASB Update

GASB 105 – Subsequent Events

- Defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued.
- Describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained.
- Clarifies the subsequent events that constitute recognized and nonrecognized events:
  - A recognized event provides evidence of conditions that existed at the financial statement date that inform accounting estimates reported as of the financial statement date.
  - A nonrecognized event results in a significant effect (favorable or unfavorable) that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs and is one of the following:
    - Debt-related transaction
    - Government combination or a disposal of government operations
    - Change to the legally separate entities that compose the financial reporting entity
    - Transaction or other event that is of such a nature that the disclosure information is essential to a user's analysis for making decisions or assessing accountability.

GASB Update

GASB 105 – Subsequent Events

- The following information should be disclosed about a nonrecognized event:
  - A description of the nonrecognized event and its effect
  - An estimate of the amount of the effect of the nonrecognized event, or the reason why an estimate of the amount cannot be made.
- Requires the date through which subsequent events have been evaluated to be disclosed.

04

Uniform Guidance Update

2024 Revision to the Uniform Guidance

- Most substantial change since original issuance 10 years ago, but not complete overhaul
- Several updates to thresholds, and text that is more “plain language”
- Changed “non-federal entity” to “recipient or subrecipient”
    - Highlights that the audit requirements are not applicable to for-profit entities
- Effective date is October 1, 2024
- **New awards** entered into on or after October 1, 2024
- **Notice of Federal Opportunities** issued prior to October 1, 2024, that will result in awards issued on or after October 1, 2024. Federal agencies should provide clear direction to applicants that 2024 Revisions will be in effect

2024 Revision to the Uniform Guidance

- 2024 Revisions effective for **existing awards** (issued prior to October 1, 2024):
  - Federal agencies encouraged to apply 2024 Revisions to: Any amendments entered on or after October 1, 2024
  - Existing awards that will extend into FY 2025 or beyond
- 2024 Revisions effective for **Subawards**:
  - When a federal agency amends an existing award to apply 2024 Revisions, Pass-through Entities **must amend** any subawards already issued under that award
  - Pass-through Entities **must not** apply the 2024 Revisions to a subaward if the federal agency has not applied the 2024 Revisions – even if the subaward is executed on or after October 1, 2024
- Terms and conditions of the contract will be important in determining which version of the UG applies
- Recipients and subrecipients will need to track the requirements applicable to each award. This is needed so they are aware of the requirements they need to comply with, as well as to provide to the auditor that is performing the single audit

2024 Revision to the Uniform Guidance

Audit Requirements

- Effective Date for fiscal years beginning after October 1, 2024
  - Increased threshold for single audit or program-specific audit from $750,000 to $1,000,000
  - Increased Type A threshold for Major Program determination from $750,000 to $1,000,000
  - Modified the Type A program threshold table to increase the first and second tiers of total federal awards expended from $25 million to $34 million
- Pay attention to potential changes in state single audit requirements

05

Questions