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OCTOBER 2026

A&A and Uniform Guidance Update

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YOUR PRESENTERS

Healthcare finance, practical perspectives



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Today's Agenda

Single Audit	Approved updates, draft supplement and NJ reporting
Trends Impacting Financial Reporting	Debt covenants, going concern, mergers and acquisitions and joint ventures
FASB Updates	Recent Accounting Pronouncements and Updates

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Single Audit Updates





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Own the analysis before audit

Management	Accounting decisions, forecasts, controls and the supporting documentation.
Auditors	Evidence quality, assumptions, contradictions and financial statement conclusions.
Start early	Coordinate finance, revenue cycle, treasury, legal, IT and governance.

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Today's Single Audit Discussion

What is current in 2026—and what remains pending

Uniform Guidance revisions now affecting audits and awards

NJ Circular 25-12-OMB: thresholds and reporting

Practical readiness actions for healthcare recipients

A focused recap for healthcare finance leaders

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Current 2026 Landscape

2025 is the latest posted final OMB Compliance Supplement.

DRAFT 2026: planning only; final under OMB review per Government Audit Quality Center (GAQC) Alert 505.

Applies to fiscal years beginning after June 30, 2025 (June 30, 2026 year-end audits and later).

For 2026 audits: DRAFT is not for report issuance. Confirm the final Supplement before issuing.

Financial-statement work, Schedule of Expenditures of Federal Awards (SEFA) reconciliation, control preparation and Single Audit planning can continue.

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2026 DRAFT Compliance Supplement—Key Changes

DRAFT 2026—planning only; confirm final before issuance.

One Part 3

Replaces Parts 3.1 / 3.2. Prior guidance still applies where awards are not subject to the 2024 Uniform Guidance revisions.

Federal Funding Accountability and Transparency Act (FFATA) reporting

Test applicable reporting for every major program—even when Reporting is not selected. First-tier subawards of $30,000 or more.

Healthcare focus

Medicaid Cluster: higher-risk designation. 988 / Behavioral Health Crisis Services (ALN 93.00R) added to the Supplement.

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Uniform Guidance Revisions – Auditors

Renamed “OMB Guidance for Federal Financial Assistance.”

Single Audit threshold: at least $1 million of federal awards EXPENDED, for fiscal years starting on or after October 1, 2024.

Type A threshold: $1 million when total federal expenditures are $1–$34 million; larger totals use the graduated table.

Audit findings must explain why the dollar amount of known questioned costs could not be determined or reported.

“Recipient” / “subrecipient” replaces “non-Federal entity” in Subparts A–E; Subpart F retains “non-Federal entity.”

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Uniform Guidance Revisions – Auditees

Establish, document and maintain effective controls, including reasonable cybersecurity protection.

Eligible recipients/subrecipients without a current negotiated rate may elect up to 15% of modified total direct costs (MTDC)—not a mandatory flat 15%.

MTDC includes the first $50,000 of each subaward, regardless of duration.

Equipment: per-unit threshold is the lesser of the entity's capitalization level or $10,000—not a blanket expensing rule.

Unused supplies: residual aggregate value exceeding $10,000 may require payment of the federal share if no other federal award needs them.

Audit-rule effective date: fiscal years starting on or after October 1, 2024.

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Which audit is required?

Annual expenditures • Federal passed through NJ stays federal—not NJ State funds

1 Test federal and NJ State expenditures separately

Federal ≥ $1M

Federal Single Audit*

NJ State ≥ $1M

NJ State Single Audit*

Test each $1M bucket separately. Count federal pass-through once—as federal.

Both met? Address BOTH compliance scopes—not two separate financial-statement audits.

2 If neither reaches $1M, check the combined total

Federal + NJ State ≥ $350K → NJ-required
Yellow Book financial-statement audit*

Single Audit = Yellow Book standards + major-program compliance testing.
A Yellow Book financial-statement audit alone is NOT a Single Audit.

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Federal funding passed through New Jersey

Classify by funding source—not the agency sending payment.

Federal agency
Federal award

→

NJ pass-through agency
Administers federal award

→

Subrecipient
Federal expenditure

Federal pass-through is not NJ State-funded assistance. Count each expenditure once.

Illustrative annual expenditures—not actual recipient data

Direct federal: $300,000
Federal through NJ: +$500,000
Total federal: $800,000
NJ State-funded: $400,000
Combined: $1,200,000

Neither bucket reaches $1M

Combined ≥ $350K:

NJ Yellow Book financial-statement audit*

Combined $1.2M does not, by itself, trigger a Single Audit.

Pennsylvania: The $1 million federal Single Audit threshold also applies. Pennsylvania State-funded award audit requirements may be agency- or award-specific and should be evaluated separately.

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Healthcare Recipient Readiness

Practical readiness actions: reconcile the SEFA to awards, the general ledger, reimbursement reports and pass-through information.

Inventory awards and determine applicable guidance using actual award terms and federal agency implementation.

Document each control's owner, frequency, retained evidence and reviewer.

Map cybersecurity safeguards to award systems, protected information, third parties and incident escalation.

Confirm contractor/subrecipient classifications; retain subrecipient monitoring evidence throughout the year.

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Recap

$1 million thresholds now apply for federal and NJ Single Audit planning—subject to the distinct fiscal-year rules.

Prepare the SEFA, award terms, controls and monitoring evidence while the final 2026 Supplement is pending.

Coordinate finance, grants, legal, compliance and IT; cybersecurity is part of grant compliance infrastructure.

Low-risk auditee: meet ALL §200.520 conditions for EACH of the preceding TWO audit periods; timely Federal Audit Clearinghouse (FAC) filing is only one criterion.

Federal filing: earlier of 30 calendar days after report receipt or 9 months after year-end, unless an authorized extension applies.

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Trends Impacting Financial Reporting



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Trends Impacting Financial Reporting

Debt covenants

Going concern evaluation

Business combinations and joint ventures

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Understand your covenants and default terms

Ratios	Debt-service coverage, days cash and other ratios: use contract definitions.
Reporting	Audit delivery deadlines and compliance certificates can trigger default.
Default terms	Review notice, cure, acceleration and cross-default provisions with counsel.

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In the event of covenant noncompliance

1 - Understand demand rights

Is long-term debt callable because of a covenant violation?
→ Reclassification to current vs. long-term debt*

2 - Obtain evidence of lender relief

Evaluate executed waivers, qualifying grace periods and cure evidence.

3 - Next tests

Assess probable failure of the same or tighter tests over the next 12 months.

**Generally current if callable—unless a specific GAAP exception is met.*

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What does management need to consider?

1 year

From issuance or availability for issuance: not year-end.

Initial assessment: conditions in aggregate, excluding unimplemented plans.

Substantial doubt: probable inability to meet obligations within the horizon.

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Build a defensible liquidity forecast

Available cash	Separate unrestricted funds from donor restrictions and trustee-held assets.
Cash drivers	Support payer collections, denials, reimbursement timing and debt service.
Credible plans	Document approvals, timing and evidence of implementation and mitigation.

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Disclosure follows the assessment

Doubt alleviated

Disclose the conditions, management's evaluation and the mitigating plans.

Doubt not alleviated

Explicitly state substantial doubt and disclose conditions, evaluation and plans.

Auditor expectations

Test forecast inputs and plans; evaluate disclosures and the reporting effect.

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Resolve accounting before signing

Control & date	Identify the acquirer, governance rights and the date control transfers
Measurement	Fair valuation of assets and liabilities acquired Identify contingent consideration to be included in valuation
Presentation	Evaluate contribution, goodwill or charge treatment

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Accounting Considerations

- Evaluate control, board and veto rights, and economic interests.
- Consolidation, equity method or other treatment depends on facts.
- ASU 2023-05: new basis at formation for in-scope joint ventures (“JV”).
- JV entities that are NFPs under Topic 958 are excluded.

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FASB Updates

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FASB Updates - Healthcare Focus

Annual FY begins after	Calendar Year End	June 30 Year End	Issued update
December 15, 2025	12/31/2026	6/30/2027	2025-05 | Credit losses
December 15, 2027	12/31/2028	6/30/2029	2025-06 | Software
December 15, 2028 (Public) December 15, 2029 (Private)	12/31/2029 12/31/2030	6/30/2030 6/30/2031	2025-10 | Government Grants*

Early adoption is permitted.

**For-profit entities only*

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Simplify the estimate, not the scope

Eligible balances

Current receivables and current contract assets from ASC 606 transactions.

Not every CECL asset – contribution and pledges receivable excluded.

Practical expedient

Assume current conditions remain unchanged over the asset's remaining life.

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Choose a supportable collections policy

Policy choice	Non-public business entities using the expedient may also consider collection activity after the balance sheet date.
Cutoff date	Select and disclose the collections cutoff; apply consistently to in-scope assets.
Maintain Support	Reconcile aged balances, cash receipts, adjustments and estimation decisions.

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For-Profits: Before and After

Before ASU 2025-10

- No direct guidance.
- Instead, alternative guidance was used to support reporting:
  - International Accounting Standards (IAS) 20
  - Not-for-profit contribution model
  - Gain-contingency model

After ASU 2025-10

Established the accounting for a government grant received by a business entity, including guidance for
(1) a grant related to an asset and
(2) a grant related to income.

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Main provisions:

A government grant received by a business entity should not be recognized until:

1. It is probable that (a) a business entity will comply with the conditions attached to the grant and (b) the grant will be received.
2. A business entity meets the recognition guidance for a grant related to an asset or a grant related to income.

A grant related to an asset should be recognized on the balance sheet as a business entity incurs the related costs for which the grant is intended to compensate, either as:

1. Deferred income (the deferred income approach)
2. An adjustment to the cost basis in determining the carrying amount of the asset (the cost accumulation approach).

Disclosure requirements, including:

- The nature of the government grant received
- Accounting policies used to account for the grant
- Significant terms and conditions of the grant

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What will change?

Current Guidance	Capitalization of internal use software is driven by the nature of the costs and the project stage in which they occur.
Updated Guidance	Removes all references to software development project stages and capitalization occurs after two conditions are met.

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Capitalization under updated guidance

Internal-Use Software is capitalized when both occur:

1) Management has authorized and committed to funding the software project; AND
2) It is probable that the project will be completed and the software will be used to perform the function intended (referred to as the “probable-to-complete recognition threshold”).

Significant development uncertainty means the probable threshold has not been met.

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Keep in mind

Process Recommendations

- Maintain a clear inventory of ongoing projects
- Maintain management approval evidence
- Cost tracking
- Clear capitalization start date

Internal and external training costs are not internal-use software development costs and shall be expensed as incurred. (350-40-25-4)

Data conversion costs, except costs to develop or obtain software that allows for access to or conversion of old data by new systems, shall be expensed as incurred. (350-40-25-5)

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Leave with three workstreams

Treasury	Extend the liquidity horizon; test covenants; secure needed lender evidence.
Controller	Document transaction scope, control, dates, restrictions and valuation needs.
IT & governance	Map GAAP adoption; control project costs; assess fraud reporting and oversight.

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Other FASB Updates



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Not-for-Profit Entities

Issue 23: Clarify the Applicability of NFP Consolidation Guidance

An NFP business-oriented health care entity with an investment in a for-profit entity, other than a limited partnership or similar legal entity (such as a limited liability company that has governing provisions that are the functional equivalent of a limited partnership), should apply the guidance in the General Subsections of Subtopic 810-10, Consolidation—Overall, to determine whether that interest constitutes a controlling financial interest.

Issue 24: Remove the Phrase Recognized and Unrecognized from NFP and Health Care Entities Income Statement Guidance

Remove the phrase recognized and unrecognized from the NFP and health care entities income statement guidance in paragraphs 954-220-45-6 and 958-220-45-9(c).

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Not-for-Profit Entities

Issue 25: Clarify Accounting for Certain Receivables by Not-for-Profit Entities

NFPs are required to measure receivables arising from exchange transactions using the guidance in Subtopic 326-20, Financial Instruments—Credit Losses— Measured at Amortized Cost, and remove paragraph 958-310-35-3.

Issue 29: Remove Reference to a Probability Assessment in Evaluating Whether to Recognize Part of a Transaction as a Contribution

Remove paragraphs 958-360-50-4(d) and 958-605-55-25 related to the use of a probability assessment in evaluating whether to recognize part of a transaction as a contribution.

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Not-for-Profit Entities

Issue 30: Update NFP Business Combinations Guidance to Reference Exceptions to the Recognition Principle

Update paragraph 958-805-25-21 to reference the exceptions discussed in paragraphs 805-20-25-16 through 25-17 and related guidance.

Issue 31: Clarify Relevant Guidance for an NFP That Is an Acquirer

Update paragraph 958-805-30-5 to clarify that an NFP that is an acquirer should apply the guidance in Subtopic 958-805, Not-for-Profit Entities— Business Combinations, instead of the guidance in Subtopic 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest, and Subtopic 805-30, Business Combinations—Goodwill or Gain from Bargain Purchase, Including Consideration Transferred.

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ISSUED GAAP

Effective 2027 (fiscal years beginning after 12/15/2026)

ASU	ASU Title
2024-03	Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses
2025-03	Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity
2025-07	Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract
2025-09	Derivatives and Hedging (Topic 815): Hedge Accounting Improvements (*Private companies – fiscal years beginning after 12/15/2027*)
2025-12	Codification Improvements
2026-01	Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock

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ISSUED GAAP

Effective 2028 (fiscal years beginning after 12/15/2027)

ASU	ASU Title
2025-11	Interim Reporting (Topic 270): Narrow-Scope Improvements*
2026-02	Environmental Credits and Environmental Credit Obligations (Topic 818)*

**Effective date for public business entities*

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CONTINUE THE CONVERSATION

Thank you. Questions?



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