



CPAs & ADVISORS

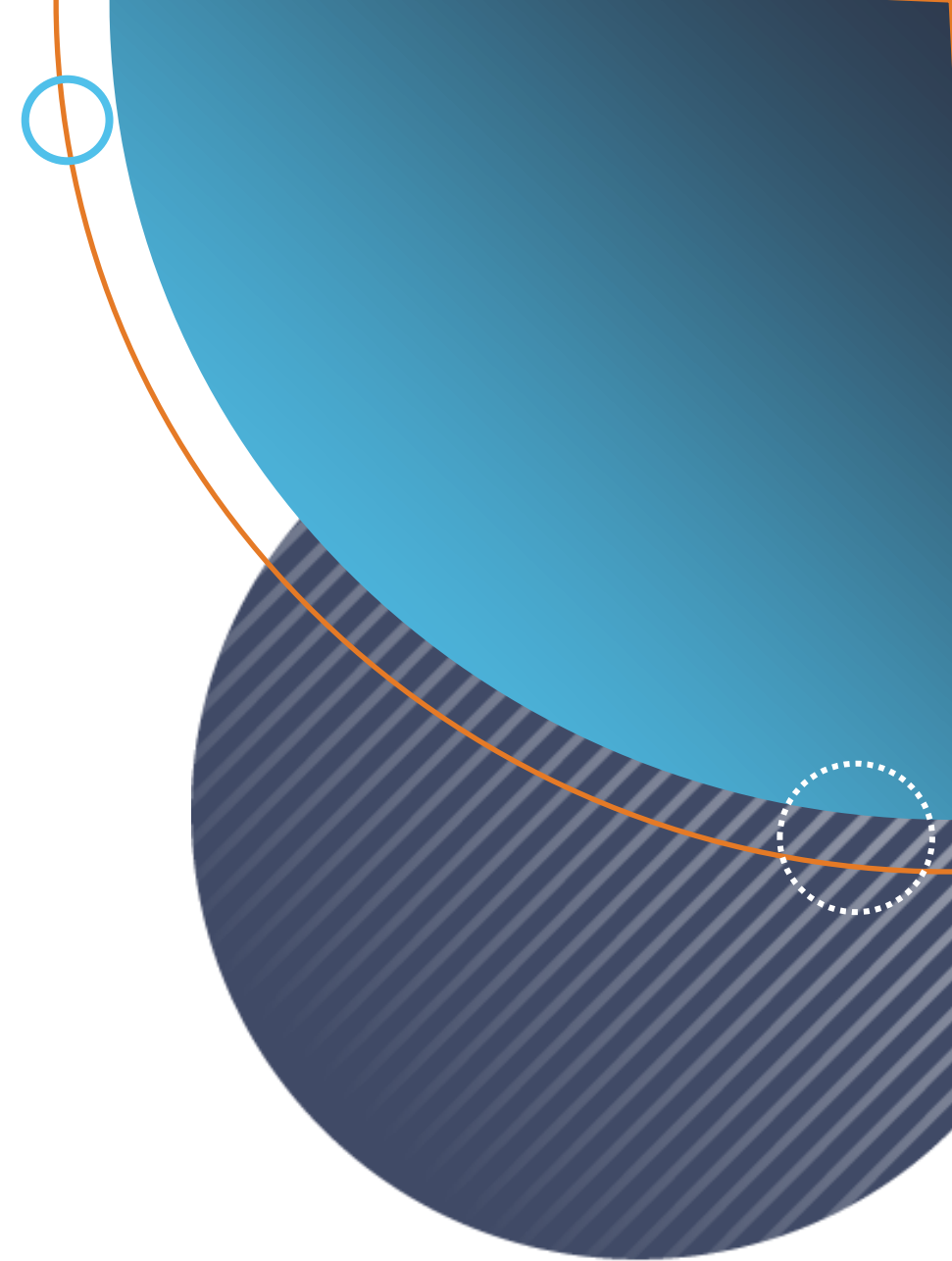
CECL, Software, and Crypto

The ASUs Reshaping Nonprofit
Reporting in 2026

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Meet Today's Presenters



Amy Boland

Partner and Director



Andrew Deyhle

Audit Senior Manager



Thomas Shields

Audit Manager





Housekeeping

Additional Information

Learning Objective To provide attendees with an overview of recent nonprofit ASUs.	Instructional Delivery Methods Group Internet-based
Recommended CPE 1 CPE Credits	Recommended Fields of Study Auditing
Prerequisites None required	Advance Preparation None
Program Level Basic	Course Registration Requirements None
Refund Policy No fee is required to participate in this session.	Cancellation Policy In the event that the presentation is cancelled or rescheduled, participants will be contacted immediately with details.

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About GRF CPAs & Advisors

Advancing

TALENT, CLIENTS and COMMUNITIES

Proudly independently
owned and operated

200+
Staff

35
Partners and
Principals

1,600+
Nonprofit
Clients

1,000+
Audits
Performed
Annually



Nonprofit State of the Union





ASU 2025-05: Credit Losses Topic 606 Receivables

Polling Question #1

Are you still listening?

ASU 2025-05: Credit Losses Topic 606 Receivables

Overview for Not-for-Profit Organizations

- Provides clarification on applying ASC 326 (CECL) to current receivables and current contract assets arising from ASC 606 revenue
- Applies to not-for-profit entities with exchange transactions
 - Tuition, program service fees, grants with commensurate value, etc.
- Aims to reduce diversity in practice related to collectability and credit loss estimation
- Requires consistent application and disclosure of the election of both the practical expedient and accounting policy
 - Disclose the date through which subsequent cash collections were evaluated

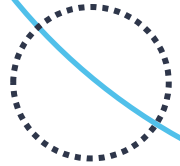
Practical Expedient

- Current conditions matter:
 - Assume the economic and business conditions as of the balance sheet date continue over the remaining life of the asset.
- Adjust historical data for current realities:
 - Historical loss data should be modified to reflect conditions that exist at the balance sheet date, such as
 - Customers experiencing financial stress or duress
 - Recent changes in the entity's credit policies
 - Onset of severe economic recessions
- Goal is to produce a forward-looking estimate of credit losses that aligns with the current environment

Accounting Policy Election

- Collection activity after the balance sheet date is relevant:
 - Entities can factor in collections that occur after the balance sheet date
- Timing for evaluation:
 - Consider collections up to the date the financial statements are available to be issued, or an alternative date chosen by the entity
- Impact on fully collected accounts:
 - For current accounts receivable or contract assets that are fully collected, the credit loss allowance would be zero
- Key takeaway:
 - This approach ensures more accurate and timely recognition of expected credit losses, reflecting actual cash collection events close to the reporting date.

CECL Estimation Process Flow



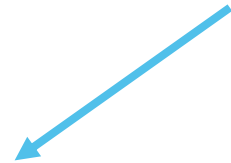
Historical Data

- Past loss experience



Adjust for Current Conditions

- Economic changes
- Customer stress
- Credit policy updates



Consider Post-Balance Sheet Collection

- Include collections up to statement issue date
- Fully collected accounts = \$0 allowances



Estimate Expected Credit Loss

- Record forward-looking allowance

Required Order of Assessment if Both Options Elected

1. Consider subsequent collections

- Assess all outstanding balances as of the balance sheet date
- Calculate the remaining uncollected balance after post-B/S collections

2. Evaluate remaining balances using the practical expedient

- Entity may update historical loss rates for post-B/S activity, but it is not required
- If using an aging schedule, the entity can alternatively use the loss rates as of the balance sheet date
- Apply the chosen rates against the delinquency status as of the post-B/S collection date selected by the entity.

Transition and Effective Date

- **Effective Date:**
 - Applies to annual periods beginning after December 15, 2025, including interim periods within
 - Early adoption is permitted for financial statements not yet issued or available for issuance
- **Transition Requirements:**
 - Prospective application — apply ASU to new transactions and balances going forward
- **Key Takeaway:**
 - Entities do not need to restate prior periods
 - Focus is on forward-looking application, simplifying implementation for NFPs and private companies.



Entity Uses Direct Write-off

- Accounts receivable represent amounts billed to customers, and management expects to collect substantially all of them. Although the entity currently uses the direct write-off method for credit losses, generally accepted accounting principles require an allowance for expected credit losses. In this case, the impact of using the direct write-off method is **not materially different** from the allowance method, and the resulting allowance is **immaterial** to the financial statements.

Annual Disclosure – Allowance for Credit Losses



- The allowance for credit losses for accounts receivable by portfolio segment and the related activity are as follows:
 1. Beginning Balance
 2. Provision for credit losses
 3. Write-offs
 4. Recoveries
 5. Ending Balance
- The disclosure is only required if the credit loss allowance is deemed material to the financial statements as a whole

Disclosures – Financing Receivables

- Objective is to help users understand:
 - Credit risk in the portfolio
 - Nature and extent of risk inherent in financing receivables or contract assets.
 - Management monitoring
 - How management tracks and assesses credit quality.
 - Expected credit losses (ECL)
 - Management's estimate of expected credit losses for the reporting period.
 - Changes in ECL estimates
 - Significant changes in expected credit losses during the period and reasons.
- Provide information either by portfolio segment or class of financing receivable, with professional judgement as to determine level of disaggregation

Polling Question #2

Are you still listening?

ASU 2025-06, Accounting for and Disclosure of Software Costs

ASU 2025-06, Accounting for and Disclosure of Software Costs

Entity Required to Begin Capitalizing:

1. Once management has formally approved the project and committed the required funding
2. Probable the project will be completed and operate as designed

Determination is based on whether future events are expected to occur

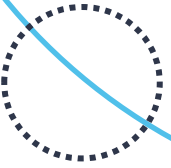
Key Judgment: Probability of Completion

- “Probable” refers to a reasonable expectation of successful completion
- Consider whether remaining development activities can be executed as planned

Judgement in Capitalizing Software Costs

- Capitalization requires management judgment
- Probable-to-complete threshold is not met if significant development uncertainty exists
- Examples of uncertainty:
 - Software is novel, unique, or uses unproven technology
 - Software includes technological innovations or untested functions
 - Performance requirements are incomplete or may change substantially
- Only capitalize costs when **completion and use are reasonably probable, otherwise expense costs as incurred.**

Stopping Capitalization



- Capitalization ends once the software has reached substantial completion and is available for its intended use
- This point is generally achieved when all significant testing activities have been finalized

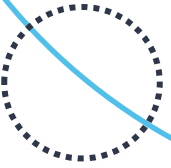
Costs Eligible for Capitalization in Internal-Use Software

- Capitalization costs include:
 - External direct costs of materials and services consumed in development
 - e.g., third-party software development fees, employee travel for software duties
 - Payroll and payroll-related costs for employees directly working on the project (proportional to time spent)
 - Interest costs incurred during software development
 - Costs for software enabling access or conversion of old data to new systems
- Only costs **directly attributable to developing or obtaining the software** for internal use are capitalized

Costs NOT Eligible for Capitalization

- Internal and external training costs related to the software are expensed as incurred
- Actual data conversion activities are expensed as incurred, such as:
 - Purging or cleansing existing data
 - Reconciling or balancing old and new data
 - Creating new or additional data
 - General administrative and overhead costs are **not** capitalized.

Capitalize vs Expense



Capitalize	Expense
<ul style="list-style-type: none">• Direct payroll and benefits of developers actively working on the software	<ul style="list-style-type: none">• General & administrative costs (HR, finance, legal, executive oversight)
<ul style="list-style-type: none">• Third-party development and coding costs	<ul style="list-style-type: none">• General IT support and shared services
<ul style="list-style-type: none">• Costs to design, code, configure, and test the software	<ul style="list-style-type: none">• Facilities, rent, utilities, and other indirect overhead
<ul style="list-style-type: none">• Directly attributable costs incurred after probable-to-complete is achieved	<ul style="list-style-type: none">• Costs incurred before probable-to-complete is achieved
<ul style="list-style-type: none">• Certain incremental costs directly tied to development activities	<ul style="list-style-type: none">• Training, data conversion, and post-implementation support

Transition and Effective Date

- **Effective Date:**
 - Applies to annual periods beginning after December 15, 2027, including interim periods within
 - Early adoption is permitted for financial statements not yet issued or available for issuance
- **Transition Requirements:**
 - May elect either prospective or retrospective transition
- **Alternative Approach Permitted:**
 - Prospective for new and in-process projects for which capitalization has not yet begun upon adoption
 - Modified retrospective for in-process projects for which capitalization has begun upon adoption



Polling Question #3

Are you still listening?

ASU 2023-08 Crypto Assets

ASU 2023-08 Crypto Assets

- Digital assets may be **subsequently measured at fair value**, with changes recognized in **net income**, if they meet all the following criteria:
 - Qualify as an intangible asset
 - Do not provide enforceable rights to underlying goods, services, or other assets
 - Are created or recorded on a distributed ledger (blockchain)
 - Are secured through cryptography
 - Are fungible (interchangeable with other units)
 - Are not issued or created by the reporting entity or its affiliates

Presentation and Measurement of Digital Assets

1. Fair value only
 2. Separate presentation
 3. Separate recognition of gains/losses
 4. Operating cash flow treatment
 5. Fair value measurement guidance
- Digital assets require **consistent fair value measurement, separate presentation, and clear disclosure** to distinguish them from other intangible assets.

Disclosures for Digital/Crypto Assets



- Individually significant holdings:
 - Name, cost basis, fair value, and number of units for each significant asset
- Aggregate holdings:
 - Cost basis and fair value for holdings that are not individually significant
- Assets with sale restrictions:
 - Fair value of crypto assets subject to contractual sale restrictions at the balance sheet date.
- Include nature and remaining duration of restrictions, and circumstances under which restrictions may lapse

Required Disclosures



1. Rollforward of the activity in the reporting period
2. For any dispositions:
 - Difference between disposal price and cost basis
3. Disclose the income statement line item that gains and losses are recognized, if not separately presented
4. Disclose the method for determining cost basis
 - FIFO, average cost, specific identifications, etc.

Required Disclosures – if Not Nearly Immediately Converted to Cash

- Aggregate roll-forward of balances:
 - Additions and disposals
 - Gains and losses reported
- Activity descriptions for additions and disposals:
 - Purchases or sales
 - Receipts from customers
 - Mining activity
 - Use as payment for services
- Disclose total cumulative realized gains and total cumulative losses during the period

Transition and Effective Date

- **Effective Date:**
 - Applies to annual periods beginning after December 15, 2027, including interim periods within
 - Early adoption is permitted for financial statements not yet issued or available for issuance
- **Transition Requirements:**
 - Modified retrospective transition with a cumulative-effect adjustment to the opening retained earnings as of the beginning of year of adoption



IRS Considerations

- Classification: Cryptocurrency is treated as property, not currency
- Donation acknowledgment:
 - Written acknowledgement to the donor
 - Do not assign a dollar value on behalf of the donor
- Required IRS forms:
 - Form 8283 – Noncash Charitable Contribution: Must be filed for donations valued over \$500
 - Form 8282 – Donee Information Return: Must be provided to the donor if the nonprofit sells donated crypto >\$5,000 within 3 years.

Crypto Considerations

- **Develop clear policies**
- **Consider using a third-party processor**
- **Recognition:** Record as contribution revenue at fair value at the time of receipt (or pledge), regardless of whether the wallet is managed by the nonprofit or a third-party service
- **Fees and services:** Expense any related fees or service charges as incurred
- **Subsequent conversion:** If the cryptocurrency is converted to cash later, record any gain or loss at that time.

Digital Assets Held with a Custodian

- **Recognition:**

- Recognize the digital assets only if the reporting entity has “control” over the assets
- The concept of “control” is discussed in Topic 606 and other guidance

- **Assessment considerations:**

- Evaluate the specific facts and circumstances of the custodian and depositor agreement
- A legal analysis may be necessary to determine whether control exists.

Polling Question #4

Are you still listening?

Upcoming Events

Networking: After Work Power Hour Talks

- February 11, 2026 | 4:30 pm - 6:00 pm
- Virginia

Networking: Accounting Technology Reimagined: A Dinner Discussion for Nonprofit Finance Leaders

- February 18, 2026 | 5:00 pm - 8:00 pm
- Los Angeles, CA

Workshop: Virtual Workshop: ERM in Non-Profit Organizations

- February 19, 2026 | 1:00 pm - 4:00 pm

Webinar: DCAA's Annual Update

- February 24, 2026 | 2:00 pm - 3:00 pm

Webinar: Sage Intacct Q1 2026 Release Overview

- February 26, 2026 | 11:00 am - 12:00 pm

Roundtable: Ask the Association Marketing Expert

- March 4, 2026 | 4:00 pm - 7:00 pm
- Maryland

Questions?

Contact Us



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