

Non-Profit Notes Newsletter

FASB Proposes Delay in Application of New Leases Standard for Not-for-Profits

By Mark Piszko, CPA, CGMA, Partner

At its recent meeting, the Financial Accounting Standards Board (FASB) voted to issue a proposal that would delay the effective date for changes to accounting for leases for private companies, certain not-for-profits and small reporting companies. The delay would also apply to several other major accounting standards, including credit losses, hedging and long-duration insurance contracts. Once issued, the proposal will include an exposure draft with a 30-day comment period. At this point, it is expected that the proposal will be approved as final after the comment period.

Effective Date of Change

The current leases standard has an implementation date for fiscal periods beginning January 1, 2020. The proposal would delay the effective date by one year to January 1, 2021. Note that the effective date remains January 1, 2020 for not-for-profits that are conduit debt obligors and for employee benefit plans. In either case, early adoption is still permitted.

Reason for Proposed Change

The FASB reacted to concerns expressed by not-for-profits and smaller private companies that they were facing obstacles in implementing the new standards, particularly the leases standard. Limited financial staff and resources, time required to educate staff, effort required to gather all necessary information (including lease contracts), and limitations in IT applications and solutions are some of the reasons given as implementation challenges.

Future Consideration

The FASB is currently considering a change in its philosophy that, if adopted, would create a two-year gap, rather than the current one-year gap, between the implementation dates for major accounting standards changes for public companies and small private companies and all not-for-profit entities, including those with outstanding conduit debt offerings.

Contact Us

If your not-for-profit organization needs assistance understanding the revisions to the leases standard, or with any accounting, auditing, tax or business consulting services, please contact the partner in charge of your account or:

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