



Not-for-profit organization insights

**A summary of year-end accounting reminders
for not-for-profit organizations**

May 2026



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Overview

We are pleased to provide **PwC's Not-for-Profit organization insights**, designed to help you navigate the accounting and reporting implications of recent standard setting developments. This resource offers a concise summary of the standards most relevant to not-for-profit (NFP) entities and provides insights into the potential impacts of adoption. We also include references to PwC publications where you can explore each topic in more detail. A complete list of standards required (or eligible) for adoption by NFPs is available in the Appendix.

Additionally, we highlight resources to help you stay informed on broader macroeconomic, geopolitical, and industry-specific developments that may affect your organization.

About us: Health industries

PwC's Health Industries practice is dedicated to helping not-for-profit organizations, along with payers, providers, pharmaceutical, biotech, life sciences, and medtech entities respond to the industry's most pressing challenges and opportunities. Our team delivers tailored solutions that enable organizations to innovate, manage financial performance, and deliver on their missions more successfully. Whether it is navigating accounting changes, implementing digital strategies, or improving operational efficiency, we are here to help you uncover new value and transform your business through our consulting, audit, tax, and technology solutions. To learn more, visit <https://www.pwc.com/us/en/industries/health-industries.html>.

Health industries research and insights

Not-for-profit organizations are operating in a period of rapid change, with rising cost pressures, evolving consumer expectations and continued disruption. NFPs are balancing the need to improve affordability, accelerate digital transformation, strengthen risk management, and address persistent workforce shortages. At the same time, organizations are looking for new sources of growth and more efficient operating models. PwC's [Health industries research and insights](#) offers insights to help organizations adapt and thrive amid these changes.

Perspectives in higher education

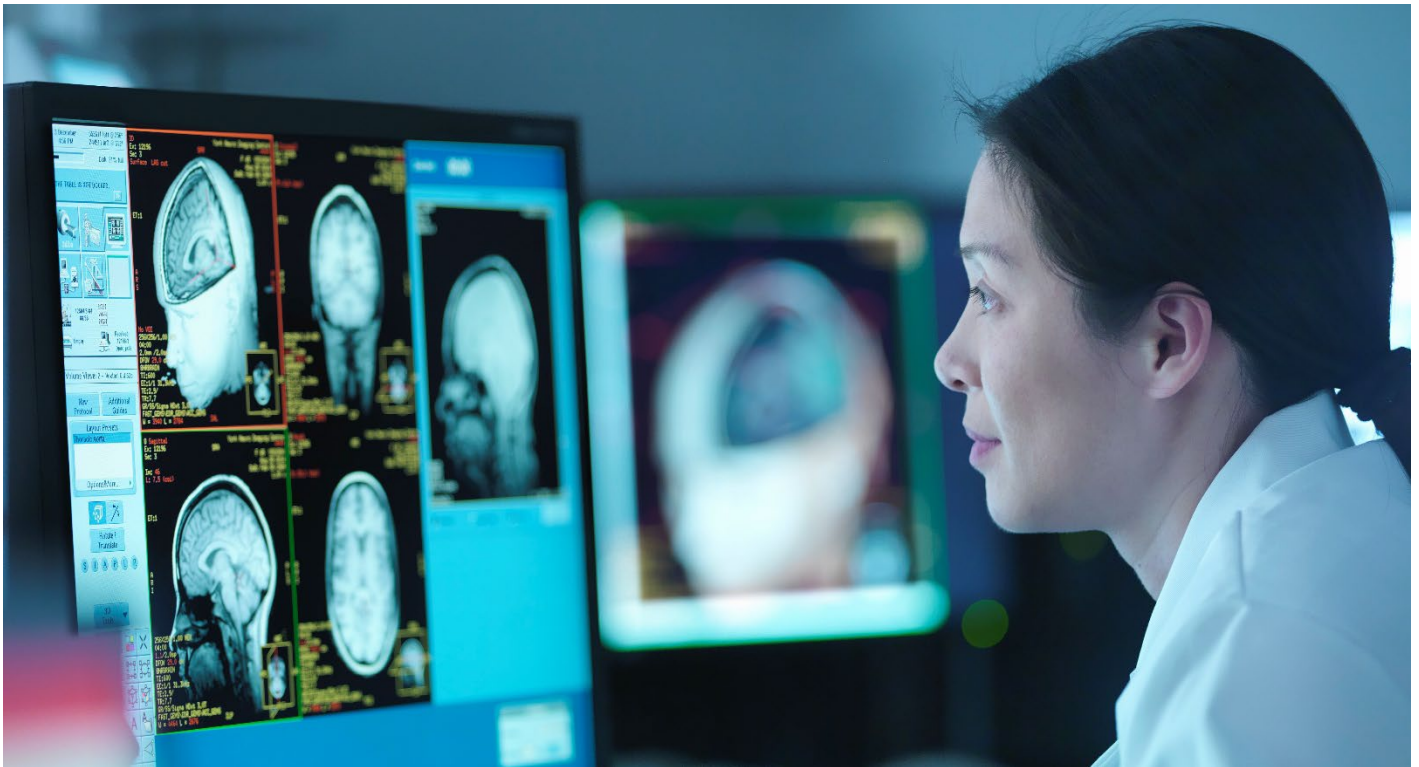
Higher education institutions continue to face a growing number of challenges, including increased political scrutiny and shifting public perceptions. The sector is likely to experience continued change driven by evolving research funding, declining international student enrollment, and changing compliance

requirements. In response, colleges and universities are embracing transformation, closely managing budgets, and developing transparent plans to adapt to the current landscape.

In the 2026 edition of Perspectives in higher education, we not only highlight these items but also explore topics such as the expansive impact of artificial intelligence on institutions, cyber security best practices, and the shifting environment for accreditation. Additionally, we provide our annual update on developments in Washington and share insights on how industry trends are impacting all institutions.

Health industries perspectives

Our Health industries site includes the latest accounting and reporting insights exclusively for Health industries. To receive updates directly to your inbox, navigate to PwC Industry Edge and toggle any or all of the Health industries subtopics to which you would like to subscribe, fill in the required fields at the bottom, and click submit.



Select standards applicable to NFP organizations

This section discusses the most significant accounting standards required to be adopted by not-for-profit organizations. Each standard is presented with its applicable adoption year, including both calendar and fiscal year references for not-for-profits that do not follow a calendar year end. See the Appendix for a complete listing of the standards that NFPs are required to adopt in the current and future years.

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

ASU 2022-03: Effective calendar year 2025, fiscal year 2026

ASU 2022-03 clarifies that a contractual restriction on the sale of an equity security (e.g., an underwriter lock-up agreement) is not considered part of the unit of account of the equity security and therefore is not considered in measuring fair value. The standard also introduces new disclosure requirements for entities holding securities with contractual sale restrictions: (1) the fair value of such equity securities on the balance sheet; (2) the nature and remaining duration of the restriction(s); and (3) the circumstances that could cause a lapse in the restriction.

The guidance can impact not-for-profit organizations when the restrictions on the sale of an equity security are related to characteristics of the equity holder (e.g., pre-IPO a lock-up agreement, a market stand-off agreement, or a sale restriction provision within an agreement between certain shareholders).

Where can I learn more?

Fair value guide, Chapter 4

Financial statement presentation guide, Chapter 20

ASU 2022-03, Fair Value Measurement (Topic 820)—Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

Effective date

Fiscal years beginning after December 15, 2024, including interim periods within those fiscal years

Accounting for and Disclosure of Crypto Assets

ASU 2023-08: Effective calendar year 2025, fiscal year 2026

ASU 2023-08 updates the accounting treatment for certain crypto assets. Previously, crypto assets were accounted for as indefinite-lived intangible assets under a cost-less-impairment model. Under the new guidance, an entity is required to measure eligible crypto assets at fair value each reporting period, with changes in the fair value recognized in net income (or change in net assets). This update is intended to provide financial statement users with more relevant, timely information that better reflects the economics of crypto asset holdings.

ASU 2023-08 also enhances disclosures by requiring organizations to separately present crypto assets from other intangible assets. Additionally, organizations will be required to disclose information such as the nature and quantity of crypto assets held, their fair value, cost basis, and any applicable contractual sale restrictions including the nature and duration of the restrictions and potential causes for lapses in restrictions. Lastly, organizations will need to include a rollforward showing activity from the beginning to the end of the period for total crypto asset holdings along with disaggregated information for additions, dispositions, gains, and losses during the period.

This new standard is not likely to impact non-healthcare NFPs that held crypto assets in an investment portfolio managed for total return (such as an endowment) because that portfolio, including crypto holdings, was likely already measured at fair value. However, for NFPs that previously did not record crypto assets at fair value, it is likely that the crypto assets are held as intangibles and thus the accounting would change.

Where can I learn more?

Crypto assets guide, Chapter 1

ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60)— Accounting for and Disclosure of Crypto Assets

Effective date

Fiscal years beginning after December 15, 2024, including interim periods within those fiscal years

Improvements to Income Tax Disclosures

ASU 2023-09: Effective calendar year 2026, fiscal year 2027

ASU 2023-09 focuses on two specific disclosure areas—an entity’s rate reconciliation and income taxes paid—and applies to all entities subject to income taxes.

While many not-for-profit organizations are exempt from income tax, those with taxable activities, such as unrelated business income (UBI), taxable subsidiaries, or the net investment income (endowment) tax, will be affected by certain provisions of this update. Not-for-profit organizations are subject to the requirements for “entities other than public business entities” (i.e., non-PBEs).

Under the new guidance, non-PBEs are required to qualitatively disclose the nature and effect of the specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. A numerical reconciliation is not required for non-PBEs.

In addition, for each annual period presented, a not-for-profit will be required to disclose the year-to-date amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign, and to provide additional disaggregated information on income taxes paid (net of refunds received) to an individual jurisdiction (which may be a country, state, or local territory) that is equal to or greater than 5% of total income taxes paid (net of refunds received).



Where can I learn more?

Financial statement presentation guide, Chapter 16

In depth: **FASB issues guidance on income tax disclosures**

ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures

Effective date

Fiscal years beginning after December 15, 2025, including interim periods within those years with early adoption permitted

Measurement of Credit Losses for Accounts Receivable and Contract Assets

ASU 2025-05: Effective calendar year 2026, fiscal year 2027

ASU 2025-05 provides a practical expedient relating to estimating credit losses under the current expected credit loss (CECL) model for current accounts receivable and current contract assets arising from revenue transactions accounted for under ASC 606, *Revenue from Contracts with Customers*, including those acquired in a transaction accounted for under ASC 805, *Business Combinations*.

The ASU provides a practical expedient to assume that current conditions as of the balance sheet date will persist through the reasonable and supportable forecast period for eligible assets. Entities will still be required to adjust historical data used in the estimation to reflect current conditions.

In addition, a not-for-profit organization can also make an accounting policy election to consider subsequent collections of balances received after the balance sheet date through a date selected by the entity. This policy election is available only if the not-for-profit organization elects the practical expedient. The date selected must be when or before financial statements are available to be issued. Under this accounting policy election, no credit loss would be recorded on balances that have been collected through subsequent receipts. Remaining uncollected amounts would be evaluated for credit losses using the practical expedient.

A not-for-profit organization may find it beneficial to adopt this standard early to reduce the effort associated with the assessment and documentation of reasonable and supportable forecasts of future economic conditions that is required when estimating expected credit losses on these assets prior to the election of the practical expedient.

Where can I learn more?	Effective date
<p><u>Loans and investments</u> guide, Chapter 7</p> <p><u>ASU 2025-05</u>, Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets</p>	Fiscal years beginning after December 15, 2025, including interim periods within those years with early adoption permitted

Targeted Improvements to the Accounting for Internal-Use Software

ASU 2025-06: Effective calendar year 2028, fiscal year 2029

ASU 2025-06 makes targeted improvements to existing internal-use software guidance in response to feedback that the current guidance is outdated and difficult to apply to current development practices (e.g., iterative or agile development environments).

The existing guidance considers project stages to assess whether costs should be expensed or capitalized, while the new guidance removes references to project stages. Instead, under the new guidance, an entity is required to start capitalizing eligible costs for software projects when both of the following occur: (1) management, with the relevant authority, implicitly or explicitly authorizes and commits to funding a computer 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).

The “probable-to-complete” threshold is not met if there is significant development uncertainty. Significant development uncertainty may exist if (1) the software being developed has technological innovations or novel, unique, or unproven functions or features, and the uncertainty has not been resolved through coding and testing and (2) the significant performance requirements of the software have not been identified. If such uncertainty exists, the costs are tantamount to research and development costs and should be expensed as incurred.

ASU 2025-06 does not change the types of costs that are capitalizable once the threshold for capitalization is met and there are no incremental disclosures specific to capitalized internal-use software costs due to the new standard.

Where can I learn more?

Software costs guide, Chapter 3

In depth: **FASB updates software cost guidance**

ASU 2025-06, Targeted Improvements to the Accounting for Internal-Use Software

Effective date

Fiscal years beginning after December 15, 2027, including interim periods within those years with early adoption permitted

Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract

ASU 2025-07: Effective calendar year 2027, fiscal year 2028

ASU 2025-07 was issued to address stakeholder concerns that derivative accounting under ASC 815 was too broad and to provide a scope exception from derivative accounting for contracts (or embedded features) with payments based on the operations or activities specific to one of the parties in the contract. Further, to eliminate diversity in practice in accounting for share-based noncash consideration from customers, the standard clarifies when Topic 606 applies.

The new guidance adds a new ASC 815 scope exception for non-exchange-traded contracts whose underlying is based on the operations or activities of one of the parties, including events like FDA approval, litigation outcomes, or ESG performance targets. Specific to NFPs, this would also include many forgiveness provisions in programmatic loans. Under the new guidance, many of those arrangements may no longer be treated as derivatives measured at fair value through earnings, as long as the underlying is not tied to a market rate, market price, market index, or the price/performance of a financial asset or liability.

Where can I learn more?

Derivatives and hedging guide, Chapter 3

In depth: **FASB updates derivative and revenue scope**

ASU 2025-07, Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract

Effective date

Fiscal years beginning after December 15, 2026, including interim periods within those years with early adoption permitted



Appendix

Standards effective in calendar year 2025, fiscal year 2026

ASU No.	Standard name	Effective date
ASU 2022-03	Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions	Fiscal years beginning after December 15, 2024 and interim periods within those fiscal years
ASU 2023-05	Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement	Effective prospectively for all joint venture formations with a formation date on or after January 1, 2025
ASU 2023-08	Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets	Fiscal years beginning after December 15, 2024, including interim periods within those fiscal years

Standards effective in calendar year 2026, fiscal year 2027

ASU No.	Standard name	Effective date	Early adoption?
ASU 2023-09	Income Taxes (Topic 740): Improvements to Income Tax Disclosures	Fiscal years beginning after December 15, 2025	Early adoption permitted in any annual period in which financial statements have not yet been issued (or made available for issuance) either prospectively or retrospectively
ASU 2024-02	Codification Improvements—Amendments to Remove References to the Concepts Statements	Fiscal years beginning after December 15, 2025, including interim periods within those fiscal years	Early adoption permitted in any interim or annual period in which financial statements have not yet been issued (or made available for issuance) either prospectively or retrospectively
ASU 2025-05	Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets	Fiscal years beginning after December 15, 2025, including interim periods within those fiscal years	Early adoption permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance

Standards effective in calendar year 2027, fiscal year 2028 and beyond

ASU No.	Standard name	Effective date	Early adoption?
ASU 2025-06	Intangibles—Goodwill and Other—Internal-Use Software (<u>Subtopic 350-40</u>): Targeted Improvements to the Accounting for Internal-Use Software	Fiscal years beginning after December 15, 2027, including interim periods within those fiscal years	Early adoption permitted as of the beginning of an annual reporting period
ASU 2025-07	Derivatives and Hedging (<u>Topic 815</u>) and Revenue from Contracts with Customers (<u>Topic 606</u>): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract	Fiscal years beginning after December 15, 2026, including interim periods within those fiscal years	Early adoption permitted in both interim and annual reporting periods
ASU 2025-09	Derivatives and Hedging (<u>Topic 815</u>): Hedge Accounting Improvements	Fiscal years beginning after December 15, 2027, including interim periods within those fiscal years	Early adoption permitted in both interim and annual reporting periods
ASU 2025-11	Interim Reporting (<u>Topic 270</u>): Narrow-Scope Improvements	Interim reporting periods within annual reporting periods beginning after December 15, 2028	Early adoption permitted in interim reporting periods
ASU 2025-12	Codification Improvements	Fiscal years beginning after December 15, 2026, including interim periods within those fiscal years	Early adoption permitted in both interim and annual reporting periods

PwC reference library

PwC's Health policy and intelligence institute

[PwC's health policy and intelligence institute](#) provides insights to regulatory and policy developments that impact health industries. Whether it's specific Medicaid law changes or broad federal healthcare reforms, the health policy and intelligence institute helps provide actionable insights to health services professionals to better anticipate impact, develop strategies, and make informed decisions.

PwC's accounting podcast series

Our accounting podcast series includes a library of podcasts covering the most significant accounting and reporting trends relevant for the year-end close.

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Thank you