Crowe

April 2025

Keeping You Informed

Q1 Accounting and Financial Reporting Developments

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Contents

Message from Sydney Garmong

Partner, National Office

Dear readers,

With the first quarter of 2025 in the rearview mirror, we are on to the second quarter. Spring officially arrived on March 20, and hopefully you are making summer plans to enjoy some time off.

As we mentioned last quarter, the Financial Accounting Standards Board (FASB) opened three invitations to comment (ITC), as follows:

- "Financial Key Performance Indicators for Business Entities," issued Nov. 14, 2024, with comments due April 30, 2025
- "Recognition of Intangibles," issued Dec. 19, 2024, with comments due May 30, 2025
- "Agenda Consultation," issued Jan. 3, 2025, with comments due June 30, 2025

The ITC on financial key performance indicators (KPIs) is important given the topic has been debated for many years, in various forums, mostly from the perspective of whether KPIs should be standardized. The FASB took an important step of posing the question of whether to add a project to its agenda. The ITC on intangibles has been on the FASB's agenda, in some form, for many years, and the topic has garnered disparate views, so the FASB is seeking feedback on if and how to proceed. The latest ITC, which is the "what should we work on next" ITC, is a routine process but the broadest as it will inform the board on where to focus.

The FASB is always looking for feedback on its agenda – and the process is simple. You do not even need to write a comment letter. For all "Documents Open for Comment," the FASB provides an electronic form to encourage feedback from all stakeholders.

We continue to watch how changes are unfolding under the Donald Trump administration, including changes in leadership at federal agencies and accompanying policy changes. Nominees for chair positions are in various stages of consideration by the Senate.

We are seeing several developments at the Securities and Exchange Commission (SEC) while the agency awaits its next chair. On April 9, 2025, the Senate voted 52-44 to confirm Paul Atkins as a commissioner and next chair. On March 27, 2025, the SEC voted to end its defense of its climate disclosure rules.

Top of mind for the SEC are crypto assets and capital formation. For crypto assets, the SEC has formed a task force and hosted its first public roundtable on March 21, 2025, which is archived online. On March 25, 2025, the task force announced four additional roundtables, including one on crypto trading, cleverly titled, "Crypto Task Force Roundtable – Between a Block and a Hard Place: Tailoring Regulation for Crypto Trading," taking place on April 11. Commissioner Hester Peirce is also seeking feedback on areas for task force consideration.

For capital formation, acting SEC Chair Mark Uyeda is prioritizing regulatory action to remove barriers. Congress has also signaled the need to focus on capital formation. More to come – stay tuned. For those interested in AI, the SEC hosted a public roundtable on March 27, 2025, which is archived online. The Center for Audit Quality (CAQ) issued results of AI information disclosed in the annual reports (10-K forms) for the S&P 500.

In case you missed it, we issued our "Annual SEC and PCAOB Update for Public Companies," on Jan. 31, 2025. In addition to updates from the SEC and the Public Company Oversight Board (PCAOB), we cover the 2024 American Institute of CPAs & Chartered Institute of Management Accountants Conference on Current SEC and PCAOB Developments, recap developments from the CAQ, and provide an appendix of key dates for select SEC rulemaking.

On a lighter note, March brought the NCAA tournaments and other festivities such as St. Patrick's Day. For those of you participating, we hope your brackets performed well and you enjoyed all things green. And now, we are onto whether April showers will bring May flowers.

I am grateful to my Crowe colleagues Tony Boras, Alissa Doherty, Jason Eaves, and Mark Shannon for their significant contributions to this publication. We hope you find this report useful, and we welcome any feedback.

First quarter highlights

During the first quarter of the 2025 calendar year, the Financial Accounting Standards Board (FASB) issued two final standards: one to clarify the effective date of the disaggregation of income statement expenses standard and one to remove SEC paragraphs related to Staff Accounting Bulletin (SAB) 121. The FASB issued one new proposal addressing 34 different codification improvements. The FASB also issued an invitation to comment on the future standard-setting agenda.

The Securities and Exchange Commission (SEC) announced changes in leadership; announced the new crypto task force and identified its new members; released statements on meme coins, capital formation, and climate-related disclosures; announced accommodations allowing companies to submit draft registration statements for nonpublic view; held an AI roundtable; and discussed AI's impact on operations and disclosures. The SEC also rescinded SAB 121 and Staff Legal Bulletin 14L; extended compliance deadlines for covered clearing agencies, fund names rules and Form PF; provided exemptive relief from *Exchange Act* Rule 13f-2 and Form SHO; and published new and updated Compliance and Disclosure Interpretations (C&DIs).

The Public Company Accounting Oversight Board (PCAOB) approved a rule amendment to enhance the usefulness of audit firm registration information; withdrew the rules on firm and engagement metrics reporting and amendments on firm reporting; released a presentation addressing the new quality control standard; and provided an overview of the related implementation efforts for the quality control standard. It also published reports on using the work of specialists and journal entries. It released an investor bulletin on why audits matter and provided an update on 2024 inspection activities.

The Center for Audit Quality (CAQ) published an analysis of AI-related information in S&P 500 companies' 10-K forms.

In addition to these highlights from the quarter, we have included recent developments from the American Institute for Certified Public Accountants (AICPA) and the Governmental Accounting Standards Board (GASB).

Checklists for the effective dates of FASB Accounting Standards Updates (ASUs) and GASB statements are provided in the appendix.

From the FASB

Final standards

Expense disaggregation disclosures

On Jan. 6, 2025, the FASB issued ASU 2025-01, "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date," to clarify the effective date of ASU 2024-03, "Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." This amendment addresses questions that were raised regarding the effective date of ASU 2024-03 for public business entities with non-calendar year ends. The amendment clarifies that all public business entities are required to adopt the guidance in annual reporting periods beginning after Dec. 15, 2026, and interim periods within annual reporting periods beginning after Dec. 15, 2027. Early adoption is permitted.

Amendments to SEC paragraphs pursuant to SAB 122

On March 28, 2025, the FASB issued ASU 2025-02, "Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122," in response to the release of SEC SAB 122, which rescinded SAB 121. The ASU amends the guidance in ASC 405-10-S99-1 to remove all of the text of SAB Topic 5.FF, "Accounting for Obligations To Safeguard Crypto-Assets an Entity Holds for Its Platform Users," originally added pursuant to SAB 121. The ASU is effective upon issuance.

Proposals

Codification improvements

On Jan. 22, 2025, the FASB issued a proposed ASU, "Codification Improvements," to make improvements to generally accepted accounting principles. The amendments affect a wide variety of topics in the Accounting Standards Codification (ASC). This proposed update addresses 34 issues. Of these, the board highlighted the following issues:

- Issue 1 – Remove the master glossary term "amortized cost"
- Issue 4 – Clarify the calculation of earnings per share when a loss from continuing operations exists
- Issue 6 – Clarify calculation of the reference amount for beneficial interests
- Issue 20 – Clarify guidance for the transfer of receivables from contracts with customers
- Issue 25 – Clarify accounting for certain receivables by not-for-profit entities

Comments are due April 22, 2025.

Other activity

Invitation to comment on future standard-setting agenda

On Jan. 3, 2025, the FASB issued an invitation to comment (ITC), "Agenda Consultation," to solicit feedback about the future of the FASB's standard-setting agenda. The FASB is looking to gain insight into:

- Whether the financial accounting and reporting topics described in this ITC are areas for which there is potential for significant improvement
- The priority and urgency of addressing each topic
- Which potential solution(s) the FASB should consider
- For any potential solution, the expected benefits and expected costs
- Whether there are other financial accounting and reporting topics beyond those described in this ITC that the FASB should consider adding to its agenda and the priority and urgency of addressing those topics. This would include accounting associated with emerging accounting issues, changes in business models, and potential areas of convergence

The topics described in this ITC include combination of entities, financial instruments, intangibles, other assets and liabilities, retirement and other employee benefits, income and expenses, presentation and disclosure of financial reporting information, and current research agenda projects.

Comments are due June 30, 2025.

From the SEC

Leadership changes

Acting chair

On Jan. 21, 2025, the SEC announced that Mark Uyeda was appointed acting chair of the SEC, following the departure of Gary Gensler. Following this appointment, Uyeda named selections to serve in senior staff, executive staff, and other leadership positions in an acting capacity across the agency.

Chief accountant

On Jan. 14, 2025, the SEC announced that Paul Munter, chief accountant, would be retiring from federal service effective Jan. 24, 2025.

Public statements and announcements

Crypto Task Force

On Jan. 21, 2025, Uyeda announced the formation of a crypto task force led by Commissioner Hester Peirce, with the aim of "developing a comprehensive and clear regulatory framework for crypto assets." Peirce released a statement on the task force's commitment to promoting innovation, creating a consistent regulatory framework within the SEC's statutory authority, and providing the industry with greater regulatory clarity, while achieving the agency's key mission of investor protection. Peirce outlined many of the task force's objectives and areas of consideration, including clarifying the status of crypto assets under securities laws and the SEC's scope of jurisdiction, potentially providing prospective and retroactive regulatory relief for certain coin and token offerings, and assessing paths to registration for token offerings.

Members of the public are invited to engage with the task force via written submission or meeting request.

On March 3, 2025, the SEC announced the names of the members of the task force and its first public roundtable, which was at SEC headquarters and streamed live on the SEC website on March 21, 2025. A recording of the roundtable, which focused on the topic of defining security status for crypto assets, is available on the SEC website. Uyeda, Peirce, and Commissioner Caroline Crenshaw issued statements and posed questions for the task force's consideration and discussion. The task force also announced further roundtables, meeting topics, and dates. further roundtables, meeting topics, and dates.

Peirce issued a statement soliciting public feedback on key areas of task force consideration, including the security status of crypto assets, providing targeted relief or tailored disclosure requirements for registered or qualified token offerings, providing non-exclusive safe harbor from registration, trading in secondary markets, custody requirements, crypto lending, crypto exchange-traded products, tokenized securities, and re-proposing a micro-innovation sandbox.

Concurrent with the recent increase in the commission's activity surrounding crypto assets, the Division of Corporation Finance (Corp Fin) staff released a statement on meme coins, stating that Corp Fin does not view these crypto assets as securities subject to federal securities laws. The staff noted that persons involved in meme coin offerings and sales need not register these transactions with the SEC. Following this statement, Corp Fin has continued to publish clarifying statements on its views on crypto asset-related topics including statements on proof-of-work mining activities and stablecoins. In both statements, Corp Fin provided background and defined the scope of covered crypto assets or related activity, and it concluded that transactions involving neither covered stablecoins nor covered mining activities involve the offer or sale of securities.

Capital formation

Uyeda continued to signal an increased focus on capital formation, remarking on the topic at the Florida Bar's 41st Annual Federal Securities Institute and M&A Conference on Feb. 24, 2025. In his statement, Uyeda indicated that the SEC would prioritize exploration of and research into regulatory measures to ease capital formation, including recommendations previously made by the Office of the Advocate for Small Business Capital Formation. Uyeda also discussed:

- Amending the definition of an accredited adviser and other measures to provide expanded pathways to retail investment in private companies
- Reviewing the definition of an emerging growth company (EGC) and providing greater relief for EGC disclosure requirements
- Reexamining the large accelerated and accelerated filer thresholds, the definition of a smaller reporting company, and scaling disclosure requirements for each classification

The SEC's Office for the Advocate for the Small Business Capital Formation Advisory Committee met on Feb. 25, 2025. Agenda items included the committee's exploration of ways to support and facilitate capital formation for emerging fund managers, and the challenges faced by small public companies not listed on a national securities exchange. Uyeda and Peirce offered opening remarks in support of the committee's recommendations, addressing concerns on investor protections, and posing questions for the committee's consideration.

On March 3, 2025, Corp Fin announced enhanced accommodations allowing companies to submit draft registration statements for nonpublic review. The change allows for expanded types of forms to be submitted as draft registration statements, permits reporting companies to submit for nonpublic review regardless of how much time has passed since their initial public offering, and allows companies to make initial submissions without certain underwriter disclosures.

The SEC announced its 44th Annual Government-Business Forum on Small Business Capital Formation will be held at SEC Headquarters on April 10, 2025, with an option for virtual participation.

On Dec. 12, 2024, the Office of the Advocate for Small Business Capital Formation issued its annual report, providing data analysis on capital formation, policy recommendations, and a summary of activities of the office and the SEC's Small Business Capital Formation Advisory Committee in 2024. Policy recommendations included proposals for continued and improved SEC engagement with small businesses and their investors, supporting private/public collaborations and mentorship, exploring Regulation Crowdfunding initiatives, providing more defined pathways to establish networks with sophisticated investors, diversify capital allocators and decision-makers, and more.

Artificial intelligence

The SEC held a public roundtable discussion on artificial intelligence in the financial industry, open to the public in person at SEC headquarters and virtually on March 27, 2025. Uyeda, Crenshaw, and Peirce provided opening remarks. Panel topics included the benefits, costs, and uses of AI in the financial industry; fraud, authentication, and cybersecurity; AI governance and risk management; and future trends in AI. Recordings of the roundtable panel sessions are available on the SEC website.

The SEC Investor Advisory Committee met on March 6, 2025, to discuss retail investor fraud and AI's impact on operations. AI presents various risks and opportunities that companies need to disclose consistently for investor clarity as inconsistency across industries hampers effective risk assessment and comparison by investors. These risks may include cybersecurity, competition, innovation, regulations, intellectual property, ethical, and reputational concerns. The panel discussed how the SEC can standardize AI-related disclosures and ensure investors receive clear, comparable information about AI's impact on corporate operations and financial disclosures.

Statement on climate

On Feb. 11, 2025, Uyeda announced the SEC is deliberating the next steps for the ongoing litigation on its climate-related disclosure rules. He directed the staff to request the court not schedule arguments until the SEC forms its current positions.

On March 27, 2025, the SEC voted to end its defense of its 2024 final rules requiring enhanced and standardized disclosures of climate-related risks and greenhouse gas emissions metrics. The effective date of the final rule was previously stayed in response to pending litigation in the U.S. Court of Appeals for the 8th Circuit. As a result of the SEC's withdrawal of its defense, SEC counsel may not advance the arguments in the brief previously filed by the agency, and the SEC yielded any oral argument time to the court.

Annual NRSRO report

On Jan. 28, 2025, the SEC's Office of Credit Ratings published its annual report on Nationally Recognized Statistical Rating Organizations (NRSRO). The report provides an overview of 2024 NRSRO examinations and an analysis of examination results and participant discussions on credit rating activity and industry developments.

Rules and guidance

Covered clearing agencies and fund names compliance deadlines extension

On Feb. 25, 2025, the SEC issued an extension for its final rule on standards for covered clearing agencies, providing an additional year for Treasury securities covered clearing agencies (CCAs) to comply with the trade submission requirements. CCAs now have until Dec. 31, 2026, to comply for eligible cash market transactions, and June 30, 2027, for eligible repo transactions.

On March 14, 2025, the SEC issued a six-month extension for its final rule on fund names. The new compliance date for large funds is June 11, 2026, and for small funds Dec. 11, 2026.

Staff Legal Bulletin 14L rescission

On Feb. 12, 2025, Corp Fin published Staff Legal Bulletin (SLB) 14M, rescinding SLB 14L and providing updated clarifications on the staff's views on shareholder proposal exclusions and other related matters.

SLB 14L had limited a company's ability to exclude shareholder proposals on the basis of the "economic relevance" exclusion under Rule 14a-8(i)(5) or the "ordinary business" exclusion under Rule 14a-8(i)(7). In particular, the now-rescinded SLB provided exceptions that generally prevented companies from invoking these exclusions for shareholder proposals raising issues with broad social or ethical impact. The new SLB 14M reverts to a company-specific analysis and is generally expected to provide companies with greater latitude in excluding proposals based on their lack of economic relevance or relation to ordinary business operations.

SAB 121 rescission

On Jan. 23, 2025, the SEC issued SAB 122. This document rescinds the previously issued SAB 121, which required an entity to record a liability when it had an obligation to safeguard third-party crypto assets.

For a summary of the recission and its effects, refer to the Crowe article "SEC Rescinds SAB 121 on Crypto Safeguarding Obligation."

Exemptive relief

On Feb. 7, 2025, the SEC provided temporary relief from *Exchange Act* Rule 13f-2 and reporting on Form SHO. Rather than an initial Form SHO due on Feb. 14, 2025, the new initial reporting date is Feb. 17, 2026, for the January 2026 reporting period.

On Feb. 10, 2025, the SEC exempted reporting of certain personally identifiable information to the Consolidated Audit Trail (CAT) for U.S. natural persons who trade in the stock market. The exemption mitigates certain security risks and is not required to achieve the purpose of the CAT.

Form PF compliance date extension

The SEC and the Commodities Futures Trading Commission (CFTC) extended the compliance date of jointly issued final amendments to Form PF from March 12, 2025, to June 12, 2025. The final amendments imposed enhanced reporting and disclosure requirements on certain SEC-registered investment advisers to private funds, including:

- Enhanced reporting for large hedge fund advisers on qualifying hedge funds with a net asset value of at least $500 million, including enhanced information on risk and exposure, investment performance by strategy, and financing and investor liquidity
- Enhanced reporting for advisers and their private funds, including enhanced information on assets under management and asset value, withdrawal and redemption rights, inflows and outflows, borrowings and types of creditors, beneficial ownership, and fund performance
- Separate reporting for "each component fund of a master-feeder arrangement and parallel fund structure" and aggregate reporting for trading vehicles used by reporting funds

In addition, the amendments remove the aggregate reporting requirement on hedge funds by large hedge fund advisers.

New and updated C&DIs

On March 6, March 12, and March 20, 2025, Corp Fin issued several updates to the division's Compliance and Disclosure Interpretations (C&DIs) on various topics including *Securities Act* sections, *Securities Act* rules, *Securities Act* forms, Regulation Crowdfunding, and tender offers.

On Jan. 27, 2025, Corp Fin published new updates to the Compliance and Disclosure Interpretations (C&DIs) on proxy rules and Schedules 14A/14C. The new C&DIs relate primarily to persons submitting or acting under a Notice of Exempt Solicitation.

On Feb. 11, 2025, Corp Fin issued updated C&DIs on beneficial ownership reporting.

From the PCAOB

Standard-setting and rulemaking

Firm and engagement metrics and firm reporting

On Feb. 11, 2025, the PCAOB withdrew its proposed rules on firm and engagement metrics and firm reporting that were originally adopted by the PCAOB, subject to SEC approval, on Nov. 21, 2024.

Quality control standard

The PCAOB on Jan. 30, 2025, released a staff presentation intended to help firms and auditors understand the risk assessment process under the PCAOB's new quality control standard, QC 1000, "A Firm's System of Quality Control." Topics include:

- Establishing quality objectives
- Identifying and assessing quality risks
- Designing and implementing quality responses that address quality risks
- Modifying the risk assessment

On March 19, 2025, the PCAOB staff provided an overview of the recent implementation efforts concerning QC 1000, particularly highlighting the monitoring and remediation process.

Audit firm registration information

On Jan. 2, 2025, the SEC approved the PCAOB's rule amendment to enhance the usefulness of audit firm registration information as adopted on Nov. 14, 2024. The amendment allows the PCAOB to address situations in which a registered firm has ceased to exist, is nonoperational, or no longer wishes to remain registered, as demonstrated by its failures to file annual reports on PCAOB Form 2 and pay annual fees for at least two consecutive reporting years.

The amended rule will take effect initially for annual reports and annual fees that are due in 2025, meaning that a registered firm that does not file an annual report and does not pay an annual fee for both the 2025 and 2026 reporting years could be deemed withdrawn from registration under Rule 2107(h) beginning in the fall of 2026.

Guidance

Why audits matter

On March 26, 2025, the PCAOB published an investor bulletin, "Why Audits Matter," that offers insights into the significance of financial statement audits. The bulletin elaborates on how audits establish trust and enable investors to make informed decisions regarding the purchase, retention, or sale of company securities based on accurate financial information reflecting the company's true performance and financial health. The fundamental purpose of a financial statement audit is to provide assurance with a high degree of certainty that the financial statements are free from material misstatements, whether due to error or fraud.

According to the publication, audits play a critical role in assessing the fairness of the financial statements and confirming they are presented in accordance with U.S. GAAP or international accounting standards. Audits build trust by enhancing financial statement accuracy, increasing reliability of the financial statements, and providing information to investors.

Additionally, the bulletin outlines the PCAOB's responsibilities in maintaining the credibility of audits and highlights its initiatives aimed at promoting audit quality and safeguarding investors. It also advises investors on ways to remain informed, such as reviewing audit reports, using PCAOB resources to understand inspection results and auditor profiles, and engaging with companies directly.

Using the work of specialists

On Feb. 4, 2025, the PCAOB published "Spotlight: Considerations for Audit Firms Using the Work of Specialists," highlighting observations "designed to help audit firms ensure appropriate procedures are performed when using the work of a specialist." To address this, the report covers the following topics:

- Evaluating the work of a company specialist
- Using the work of an auditor-employed specialist
- Using the work of an auditor-engaged specialist
- Common deficiencies related to use of specialists
- Reminders for audit firms
- Good practices
- Questions for audit committees

The audit committee section provides questions that audit committees might want to consider in order to gain an understanding of their audit firm's work related to the use of specialists.

Journal entries

On Jan. 16, 2025, the PCAOB released a new staff publication, "Audit Focus: Journal Entries," to address common deficiencies related to the auditor's examination of journal entries. It provides key reminders for auditors related to testing of journal entries, identification of the most common types of journal entry testing deficiencies, and examples of good practices.

Inspections

Update on 2024 inspection activities

On March 31, 2025, the PCAOB released a spotlight report, "Staff Update on 2024 Inspection Activities," which summarizes the results of the 2024 inspection including common deficiencies, reports on observed improvements, describes the drivers of improvement and the PCAOB's efforts to enhance audit quality, and details the overall inspection approach. The report indicates that inspection staff observed significant reductions in aggregate deficiency rates across almost all categories of inspected firms in 2024.

The focus areas in these inspections included recurring deficiencies, evaluating audit evidence obtained by the auditor, the auditor's understanding of the company and its environment, the use of other auditors, going concern assessments, and critical audit matters. The report outlines common deficiencies identified in auditing internal control over financial reporting (ICFR), specific financial statement areas, PCAOB standards or rules, and independence issues. The top financial statement area deficiency categories were identified as revenue and related accounts, inventory, accounts impacted by business combinations, investment securities, allowance for credit losses, and long-lived assets, goodwill, and intangible assets.

The report emphasizes that the PCAOB has undertaken concentrated efforts to encourage firms to address their high deficiency rates. PCAOB initiatives described in the report include publishing a variety of information, resources, and tools to help firms improve audit quality; increasing transparency; engaging regularly with firms; and providing focused support to smaller firms. Additionally, the PCAOB is publishing implementation guidance for new PCAOB standards, prioritizing guidance and communication regarding remediation submissions for quality control deficiencies, engaging directly and regularly with U.S. audit committees, and enhancing focus on the impact of firm culture on audit quality.

From the AICPA

Draft single-segment disclosures for broker-dealers

On Jan. 21, 2025, the AICPA Financial Reporting Executive Committee (FinREC) provided for public comment an exposure draft detailing draft segment disclosures for a broker-dealer with a single reportable segment to comply with the new segment disclosures required by ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The draft disclosures as well as additional segment guidance, as described in the exposure draft, will ultimately be included in the AICPA's "Brokers and Dealers in Securities – Accounting Guide."

Comments were due March 24, 2025.

See more details in the Crowe article "AICPA FinREC Releases Draft Single-Segment Disclosures."

From the CAQ

AI-related disclosures

During February 2025 the CAQ published results of an analysis of AI-related information in S&P 500 companies' 10-K forms, available as of June 2024. Key findings include:

- **Prevalence of AI mentions.** Approximately 72% of S&P 500 companies mentioned AI-related information in their 2023 10-Ks.
- **Sections of disclosure.** AI-related information was primarily mentioned in Item 1A (Risk Factors), Item 1 (Business), Item 7 (MD&A), and Item 8 (Financial Statements), and less commonly in Item 1C (Cautionary Note Regarding Forward Looking Information), Item 1C (Cybersecurity), and Item 3 (Legal Proceedings).
- **Common themes in risk factors.** Companies focused on legal, regulatory, reputational, and cybersecurity risks associated with AI. Concerns included rapid AI adoption, data privacy, competitive threats, and cybersecurity vulnerabilities.
- **Business use and investments.** Companies discussed their use of AI in products, services, and internal operations, as well as current and potential regulations in the U.S. and EU.
- **Management's discussion and analysis (MD&A) disclosures.** Companies highlighted AI-related acquisitions, investments, and enhancements, along with future outlooks and potential impacts on their business.
- **Financial statements.** AI mentions in financial statements included segment information, acquisitions, business descriptions, and, less commonly, goodwill, intangible assets, commitments, contingencies, and subsequent events.

From the GASB

Final standards

The GASB issued no new standards during the first quarter of 2025.

Proposals

Severe financial stress and probable dissolution disclosures

On March 31, 2025, the GASB issued a preliminary views proposal, "Severe Financial Stress and Probable Dissolution Disclosures," intended to present the board's current thinking on how to provide financial statement users improved information about governments experiencing severe financial stress and those facing uncertainty about continued existence.

The preliminary views document separates the two concepts of financial stress and continued existence, and it clarifies the circumstances under which disclosures are required, resulting in more consistent and comparable information. The resulting disclosures would provide users with essential information about the severe financial stress (SFS) condition or probable dissolution (PD).

SFS disclosures. Key proposals include requiring a government to make SFS disclosures if it is experiencing a degree of financial stress as of the financial statement date that indicates it is approaching or at the point of insolvency, regardless of its continued existence. The point of insolvency is defined as when a government is generally unable to pay or is not paying its liabilities as they come due. A government nearing insolvency is under substantial financial stress but has not yet become insolvent. Assessing near insolvency will require judgment, and the document proposes example indicators to assist in making this assessment.

The proposed SFS disclosures would be the reasons and causes for the condition, the government's evaluation of the significance of those reasons and causes, the actions taken by the government in response, and the known effects of the condition.

PD disclosures. Key proposals include requiring a government to make PD disclosures if it is probable that it will cease to exist as the same legally separate entity within 12 months of the date the financial statements are available to be issued, irrespective of its financial condition. Relevant factors would be assessed collectively to determine the likelihood of dissolution within the specified time frame.

The proposed PD disclosures would be a statement that dissolution is probable, the reasons and causes for the PD, the government's evaluation of the significance of those reasons and causes, the actions taken by the government in response, and information about the recoverability, amounts, or classification of assets and liabilities.

Comments are due June 30, 2025.

Other activity

Postimplementation review report on fair value standard

On Feb. 26, 2025, the GASB published a post-implementation review (PIR) report on the board's fair value standard, "GASB Statement No. 72, 'Fair Value Measurement and Application,'" which was effective for reporting periods beginning after June 15, 2015.

The report, issued by GASB staff, concludes that Statement 72 met the three PIR objectives:

- The standard accomplishes its stated purpose.
- Costs and benefits are in line with expectations.
- The board followed its standard-setting process.

The report indicates that the statement effectively addressed the key issues related to improving the reporting of complex fair value measurements by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring assets and liabilities at fair value, providing additional application guidance for fair value measurements, and enhancing disclosures about fair value measurements.

Other conclusions noted in the report include:

- The application of the statement provides users of financial reports with decision-useful information, including fair value measurements that are highly relevant to the analysis of governmental financial information and disclosures related to fair value.
- The costs of continued application of the statement reflect an expected peak in the year of implementation with a decrease in the following year.
- The expected benefits of the statement, which include improved guidance on how to measure fair value and what to apply it to, greater consistency on the definition of fair value, increased comparability and transparency, and enhanced disclosure information, have been achieved.
- No standard-setting process recommendations were identified from the review.

The PIR process serves as a critical assessment to determine if GASB standards are meeting their intended objectives, particularly in terms of furnishing financial statement users with pertinent information in a cost-effective manner. Throughout the PIR process, the board actively seeks and considers a wide range of stakeholder feedback and additional research to evaluate the effectiveness of the standards that have been issued and to identify potential areas for improvement that the board might need to consider.

Study of GAAP utilization among U.S. state and local governments

On March 25, 2025, the GASB published a working paper, "Financial Reporting Framework Requirements for State and Local Governments: Evaluating GAAP Choice," summarizing a study of the use of GAAP by U.S. state and local governments.

Although the GASB establishes GAAP for state and local governments, no single authority requires that GAAP be used. Rather, each state can decide to require a financial reporting framework (either GAAP or an alternative) or allow its local governments choice in selecting a framework. This study identifies and categorizes state-imposed financial reporting requirements for state, county, municipal, and special district governments. In addition, the study includes a statistical model of the determinants of GAAP choice in the absence of a state requirement to use GAAP.

The study found that larger governments, those issuing public debt filed with the Municipal Securities Rulemaking Board, and those subject to a single audit as result of federal funding are more inclined to use GAAP. Additionally, it found that governments in states with a well-developed alternative to GAAP are less likely to use GAAP. These findings offer a basis for predicting and evaluating future trends in the use of GAAP by governments.

Accounting Standards Updates (ASU) effective dates

Checklist A

ASU effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure. Clarifying standards: ASU 2019-09 – Deferral of effective dates. ASU 2020-11 – Deferral of effective dates. ASU 2022-05 – Revises transition guidance to allow for an insurance entity to make an accounting policy election on a transaction-by-transaction basis. An insurance entity may elect to exclude contracts from applying the amendments if certain conditions are met as of the effective date.	**For SEC filers, excluding smaller reporting companies, March 31, 2023** **For all other PBEs, including smaller reporting companies, Dec. 31, 2025**	**Permitted**
Amendments to SEC Paragraphs Pursuant to SAB 122 (ASU 2025-02) Removes text of SEC Staff Accounting Bulletin (SAB) Topic 5.FF, “Accounting for Obligations To Safeguard Crypto-Assets an Entity Holds for Its Platform Users,” from Accounting Standards Codification 405-10-S99-1 as SAB 122 rescinded this topic.	**March 18, 2025 (upon issuance)**	**Not applicable**
Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture’s separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**March 31, 2025**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Crypto Assets **(ASU 2023-08)** Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. Requires extensive disclosure about crypto assets measured at fair value on an interim and annual basis, requires an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**March 31, 2025**	**Permitted, including in an interim period**
Scope Application of Profits Interest Awards **(ASU 2024-01)** Provides an illustrative example compromised of four fact patterns to demonstrate how an entity should apply the guidance in paragraph 718-10-15-3 when determining whether a profits interest award should be accounted for in accordance with Topic 718. The four fact patterns illustrate how the guidance in paragraph 718-10-15-3 applies to common award features.	**March 31, 2025**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Amendments to Remove References to the Concepts Statements **(ASU 2024-02)** Removes references to concept statements, a nonauthoritative source of literature, in the guidance. The amendments simplify the codification and distinguish between authoritative and nonauthoritative literature by addressing 16 topical issues.	**March 31, 2025**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Improvements to Income Tax Disclosures (ASU 2023-09) Enhances transparency into income tax disclosures. Requires annual disclosure of certain information relating to the rate reconciliation, income taxes paid by jurisdiction, income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. Eliminates certain requirements relating to unrecognized tax benefits and certain deferred tax disclosure relating to subsidiaries and corporate joint ventures.	**Dec. 31, 2025**	**Permitted**
Induced Conversions of Convertible Debt Instruments (ASU 2024-04) Clarifies whether certain settlements of convertible debt instruments should be accounted for as an induced conversion if certain conditions are met and provides certain clarifications.	**March 31, 2026**	**Permitted**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Disaggregation of Income Statement Expenses (ASU 2024-03) Requires disclosure of information about certain costs and expenses for public business entities relating to purchases of inventory, employee compensation, depreciation, intangible asset amortization; and depreciation, depletion, and amortization recognized as part of oil and gas-producing activities included in each relevant expense caption. The amendments also require certain other disclosures. Clarifying standard: **ASU 2025-01** – Clarifies the effective date.	**Dec. 31, 2027**	**Permitted**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the codification pursuant to matters identified by the Securities and Exchange Commission in its August 2018 Release No. 33-10532, "Disclosure Update and Simplification."	**For SEC filers and certain entities required to file or furnish financial statements with the SEC, when removal of the related disclosure from Regulation S-X or Regulation S-K becomes effective**	**Prohibited**

Checklist B

ASU effective dates for nonpublic business entities (non-PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Long-Duration Insurance Contracts (ASU 2018-12) Revises the accounting for life insurance and annuity contracts by eliminating the method of locking in liability assumptions and the premium deficiency test for traditional and limited-payment contracts, among other methodology changes. Requires additional disclosure. Clarifying standards: **ASU 2019-09** – Deferral of effective dates. **ASU 2020-11** – Deferral of effective dates. **ASU 2022-05** – Revises transition guidance to allow for an insurance entity to make an accounting policy election on a transaction-by-transaction basis. An insurance entity may elect to exclude contracts from applying the amendments if certain conditions are met as of the effective date.	**Dec. 31, 2025**	**Permitted**
Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03) Clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. Clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The amendments include various disclosure requirements.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASU 2023-02) Expands the option to account for tax equity investments, regardless of the tax credit program from which the income tax credits are received, using the proportional amortization method if certain conditions are met. For tax equity investments not accounted for under the proportional amortization method, the amendments require entities to apply ASC Topic 323, "Equity Method or Joint Ventures," or ASC Topic 321, "Investments – Equity Securities." The amendments require specific disclosures that must be applied to all investments that generate income tax credits and income tax benefits from a tax credit program for which an entity has elected to apply the proportional amortization method, including investments within the tax credit program that do not otherwise qualify for the proportional amortization method.	**Dec. 31, 2025**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Joint Venture Formations (ASU 2023-05) Amends the accounting for contributions made to a joint venture upon formation in a joint venture's separate financial statements. The amendments require that a joint venture apply a new basis of accounting upon formation. By applying a new basis of accounting, a joint venture, upon formation, will recognize and initially measure its assets and liabilities at fair value with exceptions to the fair value measurement that are consistent with the business combination guidance.	**Dec. 31, 2025**	**Permitted, including in an interim period**
Crypto Assets (ASU 2023-08) Requires holdings of certain crypto assets to be measured at fair value at each reporting period with changes in fair value recorded through earnings. The amendments apply to assets meeting certain defined characteristics and require crypto assets to be presented separately from other intangible assets on the balance sheet with changes in fair value presented separately from other changes in intangible assets on the income statement. Requires extensive disclosure about crypto assets measured at fair value, requires an annual rollforward of an entity's crypto holdings, and specifies certain statement of cash flows presentation for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash.	**Dec. 31, 2026**	**Permitted**
Scope Application of Profits Interest Awards (ASU 2024-01) Provides an illustrative example compromised of four fact patterns to demonstrate how an entity should apply the guidance in paragraph 718-10-15-3 when determining whether a profits interest award should be accounted for in accordance with Topic 718. The four fact patterns illustrate how the guidance in paragraph 718-10-15-3 applies to common award features.	**Dec. 31, 2026**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**
Amendments to Remove References to the Concepts Statements (ASU 2024-02) Removes references to concept statements, a nonauthoritative source of literature, in the guidance. The amendments simplify the codification and distinguish between authoritative and nonauthoritative literature by addressing 16 topical issues.	**Dec. 31, 2026**	**Permitted, including in an interim period. If adopted in an interim period, an entity must adopt as of the beginning of the fiscal year that includes that interim period.**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Induced Conversions of Convertible Debt Instruments (ASU 2024-04) Clarifies whether certain settlements of convertible debt instruments should be accounted for as an induced conversion if certain conditions are met and provides certain clarifications.	**Dec. 31, 2026**	**Permitted**
Disclosure Improvements (ASU 2023-06) Amends disclosure or presentation requirements and provides clarifications or technical corrections to a variety of topics within the codification pursuant to matters identified by the Securities and Exchange Commission in its August 2018 Release No. 33-10532, "Disclosure Update and Simplification."	**Two years after removal of the related disclosure from Regulation S-X or Regulation S-K are proposed and become effective**	**Prohibited**

Governmental Accounting Standards Board (GASB) statement effective dates

Checklist C

Effective dates for all GASB statements

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Omnibus 2022 **(GASB Statement 99)** Addresses a variety of topics including the classification and reporting of derivative instruments; clarification of provisions in Statements 34, 87, 94, and 96; extension of the LIBOR cessation date; and various technical updates related to SNAP, nonmonetary transactions, pledges of future revenues, and terminology.	**Varies by topic (see pages 11 and 12 of the statement)** **Upon issuance, June 15, 2022, June 15, 2023**	**Permitted**
Accounting Changes and Error Corrections **(GASB Statement 100)** Provides guidance for various categories of accounting changes or error corrections and prescribes the applicable accounting and financial reporting guidance for each category. The statement also establishes how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information (RSI) and supplementary information (SI).	**June 15, 2023**	**Permitted**
Compensated Absences **(GASB Statement 101)** Provides recognition and measurement guidance for all types of compensated absences under a unified model. This statement requires that a liability for compensated absences be recognized if all of these occur: 1) The leave is attributable to services already rendered. 2) The leave accumulates. 3) The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This statement amends the existing disclosure requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability, and it no longer requires the government to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.	**Dec. 15, 2023**	**Permitted**

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Certain Risk Disclosures (GASB Statement 102) Provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If these criteria are met, the statement provides disclosure requirements that will enable users of financial statements to understand the nature of the concentrations or constraints identified and the government's vulnerability to the risk of a substantial impact.	**June 15, 2024**	**Permitted**
Financial Reporting Model Improvements (GASB Statement 103) Improves key areas of the current financial reporting model, including enhancements of management's discussion and analysis (MD&A); presentation of the proprietary fund statement of revenues, expenses, and changes in net position; budgetary comparison information requirement changes; display of unusual or infrequent items; presentation of major component unit information; and other application issues.	**June 15, 2025**	**Permitted**
Disclosure of Certain Capital Assets (GASB Statement 104) Provides users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets.	**June 15, 2025**	**Permitted**

Learn more

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