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July 2022

Keeping you informed

Second quarter accounting and financial reporting developments

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Message from Sydney Garmong

Partner, National Office

Dear readers,

We hope this note finds you well and that you will be able to take the time to rest and recharge this summer.

Whatever your summer plans, we continue to see an active FASB, SEC, and PCAOB.

Of note this quarter, the FASB issued one new standard on the fair value measurement of equity securities subject to contractual sale restrictions and released a reference rate reform proposed accounting standards update, the SEC continued its high pace of activity, and the PCAOB settled into its new agenda and board priorities. Meanwhile, the AICPA issued updated digital asset guidance, and the GASB was busy with a number of new items.

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

Second quarter highlights

During the second quarter of the 2022 calendar year, the Financial Accounting Standards Board (FASB) issued one new standard on the fair value measurement of equity securities subject to contractual sale restrictions and a new proposal on the deferral of reference rate reform and amendments to the definition of the Secured Overnight Financing Rate (SOFR) swap rate.

The Securities and Exchange Commission (SEC) issued a statement on importance of independence; remarked on market structure, enforcement landscape, swaps, climate-related disclosures proposal, special purpose acquisition companies proposal, financial markets, cybersecurity; proposed environmental, social, and governance (ESG) disclosures for certain investment advisors and investment companies and changes to the Names Rule for funds; extended the comment period for climate-related disclosures; reopened comment periods for recovery of erroneously awarded compensation and for private fund advisers and Regulation ATS proposals; issued guidance on crypto assets and geopolitical risk considerations; and released its updated regulatory agenda. The SEC also announced its 2022 examination priorities.

The Public Company Accounting Oversight Board (PCAOB) announced new advisory board members, held the first meetings for each of the two new advisory boards, updated its standard-setting agenda, adopted new requirements for lead auditor's use of other auditors, and requested comments on estimates and specialists audit requirements. The American Institute of Certified Public Accountants (AICPA) and the Chartered Institute of Management Accountants (CIMA) updated their digital assets practice aid.

In addition to these highlights from the quarter, we have included recent developments from 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

Fair value measurement of equity securities subject to contractual sale restrictions

On June 30, 2022, the FASB issued issued ASU 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions," to clarify 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. This ASU also clarifies that an entity cannot recognize and measure a contractual sale restriction as a separate unit of account. The ASU includes various disclosure requirements for equity securities subject to contractual sale restrictions. Entities will be required to disclose the nature and remaining duration of the restriction, the circumstances that could cause a lapse in the restriction, and the fair value of the equity securities subject to contractual sale restrictions reflected in the balance sheet.

Effective dates

For public business entities, the amendments are effective for fiscal years beginning after Dec. 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after Dec. 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. For all entities except investment companies as defined under Topic 946, "Financial Services – Investment Companies," the amendments should be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption.

Proposals

Deferral of reference rate reform sunset date and amendments to definition of SOFR swap rate

On April 20, 2022, the FASB issued a proposed ASU, "Reference Rate Reform (Topic 848) and Derivatives and Hedging (Topic 815): Deferral of the Sunset Date of Topic 848 and Amendments to the Definition of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate," that defers the sunset date of relief provisions within Topic 848 from Dec. 31, 2022, to Dec. 31, 2024. In addition, the definition of the SOFR overnight index swap rate will be updated within the Master Glossary so that it is no longer limited to the overnight index swap rate based on SOFR but would include other rates based on SOFR, such as the term-based version of the SOFR rate.

The proposed ASU would be effective upon issuance of a final update.

Comments were due June 6, 2022.

From the SEC

Public statements and announcements

Investor Advisory Committee meeting

The SEC Investor Advisory Committee held a meeting on June 9, 2022, that included two panel discussions – one regarding accounting of nontraditional financial information and one addressing climate disclosures. The panel discussion on accounting of nontraditional financial information began with a general overview of the U.S. accounting and auditing infrastructure presented by speakers from the SEC and the PCAOB. Three experts discussed whether the accounting and auditing infrastructure is providing investors with the information they need to make informed decisions and provided their suggestions and strategies to make sure the U.S. capital markets remain the most competitive in the world. The panel discussion on climate disclosures focused on the SEC's March 2022 proposed rules to enhance and standardize climate-related disclosures.

Statement on importance of independence

On June 8, 2022, SEC acting Chief Accountant Paul Munter issued a statement on the importance of auditor independence and an ethical culture for the accounting profession. He identifies the SEC's auditor independence rule, Rule 2-01 of Regulation S-X, as integral to the SEC's mandate to protect investors and notes it is fundamental for promoting investor confidence in the quality of financial disclosures. In addition, Munter discusses:

- **The importance of the auditor independence framework under Rule 2-01(b) of Regulation S-X.** Munter says not to overlook the importance of Rule 2-01(b) when determining whether an accountant is independent and that all relevant circumstances should be considered. The independence evaluation is not just a checklist exercise under Rule 2-01(c), and the general standard requires an evaluation of auditor independence, including an assessment of independence both in fact and appearance from the perspective of a reasonable investor.

- **The Office of the Chief Accountant's (OCA) approach to auditor independence consultations.** Munter notes that an important part of consultations is that all relevant circumstances and facts for the specific question are provided to the OCA. Also, Munter warns that relying on previous staff positions might not be appropriate as specific risks, facts, and circumstances might be different even if they appear similar and the OCA will independently access all circumstances.
- **Recurring issues on auditor independence consultations.** Munter identifies recurring issues in recent independence consultations, including treating independence considerations as a checklist in place of a careful analysis, providing nonaudit services without considering the extent and magnitude of the nonaudit services and business relationships, and initiating complex business arrangements through restructurings and the use of alternative practice structures.

Finally, Munter notes the importance of accounting firms fostering an ethical culture with respect to auditor independence and leading by example.

Remarks on market structure

In his speech on June 8, 2022, before the Piper Sandler Global Exchange Conference, SEC Chair Gary Gensler discussed market structure and how the playing field is not level across different parts of the market. He concentrated on trading in dark pools and through wholesalers, noting that key aspects of the U.S. national market system rules, including rules related to order handling and execution, have not been updated in almost seven years. Gensler described the requests he has made of staff for recommendations on how to update the rules, specifically in the following six areas:

- Minimum pricing increment
- National best bid and offer
- Disclosure of order execution quality
- Best execution
- Order-by-order competition
- Payment for order flow, exchange rebates, and related access fees

Discussion of key matters

On June 2, 2022, the 40th Annual SEC and Financial Reporting Institute Conference was held and included speakers and presentations from the SEC, the FASB, and the PCAOB among others. The opening keynote session with representatives from the FASB and the SEC OCA focused primarily on the FASB agenda consultation and highlighted the 500-plus letters written by investors and stakeholders to the FASB with feedback on recent standards updates. Some of the key areas of feedback centered around the need for further disaggregation of the income statement (additional information about expenses), disclosures on climate regulations and environmental credits, policies related to digital assets, and a review of the income tax provision disclosure requirements (better understanding of complex tax positions). The session also touched on what projects the FASB, the SEC, and the PCAOB are planning to work on in the coming year including standardizing key performance indicators (KPIs), reorganizing consolidation guidance, and the climate disclosure proposal.

Speakers also discussed ESG matters throughout the conference, including implementation of new ESG policies and regulations and what the future holds for companies disclosing information related to ESG policies. One presenter emphasized that while ESG disclosure requirements are not fully instituted yet, companies need to be proactive about instituting policies and controls related to ESG disclosures now. Management should consider using the help of specialists, regulators, auditors, and researchers to identify how the ESG disclosure requirements will affect companies.

Other sessions focused on the remote work environment, high employee turnover and the labor shortage and its effect on auditing and accounting, the Russia-Ukraine war and how it is affecting the agencies, the recent increase in the use of non-GAAP adjustments and a plan to release further guidance about when a company can and can't use them, and PCAOB inspection focus areas.

Testimony before Congress

On May 17, 2022, Chair Gensler provided testimony before the Subcommittee on Financial Services and General Government of the U.S. House Appropriations Committee on necessary increases in SEC resources.

Gensler noted that it takes constant vigilance to protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation, and he said U.S. securities laws are the gold standard for capital markets around the world. He said that we cannot take U.S. leadership in capital markets for granted as new financial technologies and business models continue to change the face of finance for investors and issuers, more retail investors than ever are accessing our markets, and other countries are developing competitive capital markets. To meet the challenges of maintaining these high standards, the SEC needs to be adequately resourced. Market participation, responsibilities, technologies, and competition have increased, the funding for the SEC has not, and the agency has shrunk in size.

Gensler detailed his budget request for enforcement and examinations, corporate finance, trading and markets, and investment management, among other areas. He shared that the expansive growth and added complexity in the capital markets continue to necessitate increased resources for the SEC. He said, “Markets don’t stand still. The world isn’t standing still. Our resources can’t stand still, either.”

Remarks on enforcement landscape

Gurbir Grewal, director of the SEC Division of Enforcement, presented a speech on May 12, 2022, at the Securities Enforcement Forum West 2022. Grewal said a goal of enforcement is to increase public confidence in the U.S. markets and government and to offset the waning trust in institutions. Grewal noted that it is in everyone’s collective interest to ensure that investigations move quickly and efficiently. He discussed the perception of delayed accountability as investigations seem to take a very long time and examined obstacles that are encountered throughout the enforcement process including document production issues; reputational, financial, psychological, and emotional costs; trust between staff and counsel and staff and witnesses; and questionable privilege claims.

With regard to document production, he noted there are problems with delayed or slow production, too many documents being provided, or too few being provided in response to requests. Highlighting the importance of documents, Grewal described them as “the lifeblood of many investigations.” He ended his speech with thoughts on the way forward including discussing cooperation, the ways to cooperate, and the benefits of cooperating.

Remarks on swaps

On May 11, 2022, Chair Gensler delivered prepared remarks before the International Swaps and Derivatives Association Annual Meeting. Gensler noted that the U.S. economy benefits from a well-functioning swaps market as it is important that companies have the ability to manage their risks. He addressed security-based swaps, which are under the SEC's jurisdiction. Related to the security-based swap markets, he concentrated his remarks on reducing risk, increasing transparency, and enhancing market integrity. He described recent actions taken by the SEC including rule implementations and proposals to reduce risk, enhance pre-trade and post-trade transparency, and improve market integrity. He added that there is still more work to do.

Gensler closed his speech by discussing crypto assets with derivatives and the use of derivatives within structured and so-called complex products. He described actions that can be taken to improve guidance and regulations over these products.

Discussion on climate disclosures and SPACs proposals

On May 6, 2022, the SEC's Small Business Capital Formation Advisory Committee met to examine the SEC's proposed rules on climate-related disclosures and proposed rules on special purpose acquisition companies (SPACs), shell companies, and projections.

Chair Gensler provided remarks to the committee on both proposals. He said he believes the climate-related disclosures proposal will help ensure that investors receive consistent, comparable, and decision-useful information and will establish clear and consistent reporting obligations for issuers. Gensler said that the SPACs proposal would strengthen the disclosures, marketing practices, and gatekeeper and issuer obligations for SPACs.

Commissioner Hester Peirce also provided remarks on the proposals' potential effects on small businesses. She noted that the climate change proposal would vastly expand the disclosure requirements and compliance burdens for all public companies, and she shared concerns that she provided when the rules were proposed. She posed several questions about the unique challenges that small companies might face. She also noted that the SPAC proposal would require significant changes to the operations, economics, and timeline of SPACs.

Remarks on financial markets

Recently, both Chair Gensler and Commissioner Caroline Crenshaw spoke about regulating various aspects of the financial markets:

- On May 6, 2022, Gensler presented a speech on enhancing the efficiency, resiliency, and transparency of the U.S. markets, including consideration of disclosures. He highlighted the importance of new rules to meet the needs of the current and future markets and to help the U.S. maintain its competitiveness in the world market.
- On April 26, 2022, Gensler spoke virtually about the fixed income markets, noting their importance to individuals, companies, and governments in the U.S. and around the world. He discussed some of the policy work at the SEC with respect to strengthening and increasing transparency, modernizing rule sets for electronic platforms, and enhancing financial resiliency.
- On April 28, 2022, Crenshaw presented a speech discussing SPACs and SPAC IPOs. She noted that the SEC has identified several areas of concern with SPACs, including misaligned incentives, several points of dilution that might disproportionately affect retail investors, and a lack of liability that could create an unjustified advantage in this path to the public markets over the traditional IPO. She encouraged all "to think about the ever-growing divide between the public and private markets and how the paths to public markets can be improved and made more efficient while preserving key investor and market integrity protections."
- On April 14, 2022, Crenshaw presented a speech addressing private markets and their important role in the economy. She said that private markets are growing at record rates and companies are staying private for longer periods of time, and she discussed whether adequate protection exists for investors in private markets. She noted the debate on the balance between public and private markets and posed multiple questions to help define recommendations from the SEC.

Remarks on cybersecurity

Chair Gensler on April 14, 2022, gave a speech before the joint meeting of the Financial and Banking Information Infrastructure Committee and the Financial Services Sector Coordinating Council, addressing the SEC's important roles as part of "Team Cyber" and as a regulator.

Gensler said he thinks about the evolving cybersecurity risk landscape in three ways: cyberhygiene and preparedness, cyber incident reporting to the government, and disclosure to the public. He discussed the SEC's cybersecurity policy work related to financial sector registrants, public companies, service providers, and the SEC itself.

Related to financial sector SEC registrants, Gensler discussed proposed changes to and expansion of Regulation Systems Compliance and Integrity (Reg SCI) and said that he believes additional opportunities exist to expand Reg SCI to further strengthen the cyberhygiene of important financial entities, including and beyond the Treasury market. He highlighted the rules proposed in February 2022 that would require registered investment advisers, registered investment companies, and business development companies to bolster their cybersecurity practices focusing on adopting written plans to address cybersecurity risks, disclosing certain cybersecurity incidents to the public, reporting certain cybersecurity incidents to the SEC, and meeting specific recordkeeping obligations. He said such reforms could reduce the risk that these registrants would not be able to maintain critical operational capability during a significant cybersecurity incident.

For public companies, Gensler discussed the March 2022 proposal to enhance cybersecurity disclosures, which would require ongoing disclosures on companies' governance, risk management, and strategy with respect to cybersecurity risks and would mandate material cybersecurity incident reporting.

Gensler noted that the SEC is not immune to cyberattacks and said the staff continues to work to protect SEC data and information technology. He concluded with a reminder that cyber risks have implications across the financial sector, investors, issuers, and the economy and the SEC has a role to play, along with the rest of Team Cyber.

Remarks on climate-related disclosures proposal

On April 12, 2022, at the Ceres investor briefing, Chair Gensler delivered remarks on the recently proposed climate-related disclosure rules. He began with some background on the tradition of disclosures, noting that the SEC has provided guidance and requirements when needed for disclosure of information relevant to investors and has played a role in standardizing disclosures. He said that the proposed climate-related disclosures would provide investors with consistent, comparable, and decision-useful information and would provide consistent and clear reporting obligations for issuers.

Gensler added that climate-related disclosures already are being made by hundreds of companies and that investors already are making decisions based on climate risks, which can create significant financial risks to companies. He said, "It makes sense to build on what so many companies are already doing to enhance the consistency, comparability, and decision-usefulness of these disclosures for investors." He described the importance of including the disclosures in filings, specifically Form 10-K, so that investors can find useful information in one place rather than having to piece together information from different locations.

Gensler encouraged issuers and investors of all sizes to comment, noting that the SEC will benefit from wide and diverse input, including how the proposal approaches disclosure of strategy, governance, risk management, targets, financial statement metrics, and greenhouse gas emissions.

Proposals and guidance

Reopening of comment period on recovery of erroneously awarded compensation

The SEC on June 8, 2022, reopened the comment period on proposed rules for listing standards for recovery of erroneously awarded compensation. In conjunction with reopening the comment period, the SEC staff released a memo providing supplemental data and analysis on the voluntary adoption of compensation recovery provisions by issuers and the impact of including "little r" restatements as triggers for a compensation recovery analysis.

The SEC initially proposed the rules in July 2015 to implement Section 954 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act). The comment period for the proposal was first reopened for 30 days in October 2021.

Comments were due July 14, 2022.

Proposed ESG disclosures for certain investment advisers and investment companies

On May 25, 2022, the SEC proposed amendments to rules and reporting forms to promote consistent and reliable information for investors about funds' and advisers' incorporation of ESG factors. Those affected by the changes would include certain registered investment advisers, advisers exempt from registration, registered investment companies, and business development companies.

Funds and advisers would be required to provide more specific disclosures in prospectuses, annual reports, and brochures based on the ESG strategies they pursue. Funds that focus on the environmental factors generally would be required to disclose the greenhouse gas emissions associated with their portfolio investments. Funds that claim to achieve specific ESG impacts would have to describe the specific impacts and summarize their progress on achieving those impacts. Funds that use proxy voting or other engagement with issuers as a significant means of implementing their ESG strategy would be required to disclose information about their voting of proxies on particular ESG-related voting matters and information concerning their

ESG engagement meetings. The proposed amendments also include implementing a layered, tabular disclosure approach for ESG funds to allow investors to compare ESG funds at a glance. Additionally, the proposal would require certain ESG reporting on Forms N-CEN and ADV Part 1A.

Comments are due Aug. 16, 2022.

Also on May 25, Chair Gensler issued a statement in support of the proposal, and Commissioners Allison Herren Lee, Crenshaw, and Peirce all issued statements sharing their positions on the proposed amendments.

Proposed changes to funds' Names Rule

To address changes in the fund industry and compliance practices that have developed since the rule was adopted almost 20 years ago, the SEC, on May 25, 2022, proposed amendments to improve and modernize the *Investment Company Act* "Names Rule" to prevent misleading and deceptive fund names. This proposal addresses public feedback on potential rule reforms received as part of a March 2020 request for comment.

Under the current Names Rule, registered investment companies whose fund names suggest a focus in a particular type of investment (among other areas) must adopt a policy to invest at least 80% of the value of their assets in those investments. The proposed amendments would require more funds to adopt an 80% investment policy by extending the requirement to any fund name with terms suggesting that the fund focuses on investments that have (or whose issuers have) particular characteristics including fund names with terms such as "growth" or "value" or terms indicating that the fund's investment decisions include one or more environmental, social, or governance factors. The proposed amendments would limit temporary departures from the 80% investment requirement and clarify the rule's treatment of derivative investments. The proposal also provides new enhanced disclosure and reporting requirements, updates notice requirements, and establishes recordkeeping requirements.

Comments are due Aug. 16, 2022.

Chair Gensler and Commissioners Peirce, Lee, and Crenshaw issued statements on the proposed amendments.

Geopolitical risk considerations

The staff in the SEC's Division of Corporation Finance (Corp Fin) in May published "Sample Letter to Companies Regarding Disclosures Pertaining to Russia's Invasion of Ukraine and Related Supply Chain Issues" to provide guidance on disclosures. While the letter was created to specifically address the current conflict, the comments could be applied more broadly across similar situations. The letter indicates that Corp Fin believes that companies should provide detailed disclosure, to the extent material or otherwise required, regarding:

- "Direct or indirect exposure to Russia, Belarus, or Ukraine through their operations, employee base, investments in Russia, Belarus, or Ukraine, securities traded in Russia, sanctions against Russian or Belarusian individuals or entities, or legal or regulatory uncertainty associated with operating in or exiting Russia or Belarus
- "Direct or indirect reliance on goods or services sourced in Russia or Ukraine or, in some cases, in countries supportive of Russia
- "Actual or potential disruptions in the company's supply chain
- "Business relationships, connections to, or assets in, Russia, Belarus, or Ukraine"

The financial statements also might need to reflect and disclose:

- Impairment of assets
- Changes in inventory valuation
- Deferred tax asset valuation allowance
- Disposal or exiting of a business
- Deconsolidation
- Changes in exchange rates
- Changes in contracts with customers or the ability to collect contract considerations

Additionally, Corp Fin notes that "many companies have experienced heightened cybersecurity risks, increased or ongoing supply chain challenges, and volatility related to the trading prices of commodities regardless of whether they have operations in Russia, Belarus, or Ukraine that warrant disclosure." Also, Corp Fin requests that companies should "consider how these matters affect management's evaluation of disclosure controls and procedures, management's assessment of the effectiveness of internal control over financial reporting, and the role of the board of directors in risk oversight of any action or inaction related to Russia's invasion of Ukraine, including consideration of whether to continue or to halt operations or investments in Russia and/or Belarus."

Extended comment period on climate-related disclosures and reopened comment period for private fund advisers and Regulation ATS proposals

On May 9, 2022, the SEC announced that it has extended the public comment period from May 20, 2022, until June 17, 2022, on the proposed rulemaking to enhance and standardize climate-related disclosures for investors.

A recent report from Crowe, "SEC Proposes Climate-Related Disclosures: A Closer Look," provides considerations for management and boards.

Additionally, the SEC announced the reopening of the comment periods for 30 days on the proposed rulemaking to enhance private fund investor protection and on the proposed rulemaking to include significant Treasury markets platforms within Regulation ATS. The reopened comment periods ended on June 13, 2022.

Proposed security-based swap execution facilities rules

On April 6, 2022, the SEC proposed new Regulation SE under the *Securities Exchange Act of 1934* (Exchange Act) to create a framework for the registration and regulation of security-based swap execution facilities (SBSEFs), as mandated under the Dodd-Frank Act.

The proposal would implement the Exchange Act's trade execution requirement for security-based swaps and address the cross-border application of that requirement, implement Section 765 of the Dodd-Frank Act to mitigate conflicts of interest at security-based swap execution facilities and national securities exchanges that trade security-based swaps, and promote consistency between the proposed Regulation SE and the existing rules under the Exchange Act. Among other requirements, the proposed rules would require an entity meeting the definition of an SBSEF to register with the SEC as an SBSEF on Form SBSEF or register as a national securities exchange.

Comments were due June 10, 2022.

Crypto assets guidance

On March 31, 2022, the SEC issued Staff Accounting Bulletin (SAB) 121, providing guidance for entities filing financial statements with the SEC that provide crypto asset custody services for platform users. It answers three questions:

- How should an entity account for its obligations to safeguard crypto assets held for platform users?
- What disclosure would the staff expect an entity to provide regarding its safeguarding obligations for crypto assets held for its platform users?
- How and when should an entity initially apply the guidance in this topic in its financial statements?

Crowe released on April 22, 2022, an article taking an in-depth look at SAB 121. As significant judgment might be required to determine the applicability of SAB 121, the article provides a decision tree to help entities decide if the SAB's accounting and disclosure guidance applies to them.

Regulatory agenda

On June 22, 2022, the SEC released its Spring 2022 regulatory agenda, which lists short- and long-term regulatory actions that the SEC plans to take. This recent release lists 27 rules in proposal stage and 26 rules in the final stage. These rulemakings address each part of the SEC's three-part mission of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation.

Examination priorities

On March 30, 2022, the SEC's Division of Examinations announced its 2022 examination priorities, including several significant areas of focus and many perennial risk areas. Annually, the division publishes its examination priorities to provide transparency into its examination program and insights into its risk-based approach, including the areas that might present risks to investors and U.S. capital market integrity.

The 2022 examination priorities are categorized as follows:

- Private funds
- ESG investing
- Retail investor protections
- Information security and operational resiliency
- Emerging technologies
- Crypto assets

New commissioners

On June 16, 2022, the U.S. Senate confirmed Jaime Lizarraga and Mark Uyeda to serve as SEC commissioners. Uyeda will serve until June 5, 2023, replacing Elad Roisman, who recently resigned. Lizarraga's term will run through June 5, 2027, as he replaces Allison Herren Lee, who left the SEC in June 2022.

Crypto Assets and Cyber Unit expansion

On May 3, 2022, the SEC announced the addition of 20 positions to the newly renamed Crypto Assets and Cyber Unit in the Division of Enforcement, which will increase the unit to 50 positions. The Crypto Assets and Cyber Unit is responsible for protecting investors in crypto markets and from cyber-related threats.

Since 2017, when it was created, "the unit has brought more than 80 enforcement actions related to fraudulent and unregistered crypto asset offerings and platforms, resulting in monetary relief totaling more than $2 billion." The unit has brought numerous actions against SEC registrants and public companies for failing to maintain adequate cybersecurity controls and for failing to appropriately disclose cyber-related risks and incidents. To continue to address the ever-growing crypto markets and ensure investors are protected, the expanded unit will focus on investigating securities law violations related to:

- Crypto asset offerings
- Crypto asset exchanges
- Crypto asset lending and staking products
- Decentralized finance platforms
- Nonfungible tokens
- Stablecoins

From the PCAOB

New advisory groups

The PCAOB has completed its selection process and announced, on May 9, 2022, the members of its two new advisory groups – the Investor Advisory Group (IAG) and the Standards and Emerging Issues Advisory Group (SEIAG). The members' service will begin immediately. Board member Kara M. Stein will serve as the acting IAG co-chair. Barbara Vanich, acting chief auditor, will serve as the chair of the SEIAG.

The PCAOB held its first meeting of the IAG on June 8, 2022. Topics included the PCAOB strategic plan for 2022 through 2027, the standard-setting agenda, and the IAG going forward.

The first meeting of the SEIAG was held virtually on June 15, 2022. Following a similar format to the IAG meeting, the SEIAG discussed the PCAOB strategic plan and standard-setting agenda.

Standard-setting

New requirements for lead auditor's use of other auditors

The PCAOB, on June 21, 2022, adopted amendments to its auditing standards to strengthen requirements that apply to audits involving multiple audit firms. The amendments are intended to improve the quality of audits where other accounting firms or individual accountants perform work on the audit. The amendments detail certain procedures for the lead auditor to perform when planning and supervising an audit that involves other auditors, and they apply a risk-based supervisory approach to the lead auditor's oversight of other auditors for whose work the lead auditor assumes responsibility.

The amendments are subject to approval by the SEC and will be effective for audits of financial statements for fiscal years ending on or after Dec. 15, 2024.

Updates to standard-setting and research agenda

On May 4, 2022, the Office of the Chief Auditor (OCA) of the PCAOB released updated standard-setting and research agendas. The agendas are designed to further the PCAOB's objective of advancing audit quality to protect the interests of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports.

The agendas are the result of the PCAOB's assessment of priorities that support the board's goals. The standard-setting agenda includes six short-term projects where the Office of the Chief Auditor expects PCAOB action during the coming 12 months. These six projects include other auditors, quality control, noncompliance with laws and regulations, an attestation standards update, going concern, and confirmations. The agenda also includes four short midterm projects on substantive analytical procedures, fraud, interim ethics and independence standards, and interim standards. The research agenda includes a project on data and technology and a project on audit evidence.

Requests for comments on estimates and specialists audit requirements

On April 12, 2022, the PCAOB issued a request for comment on the initial impact of new requirements for auditing accounting estimates and using the work of specialists. Comments and other information obtained will be evaluated to determine whether additional guidance or other steps are appropriate.

Comments were due June 10, 2022.

From the AICPA and CIMA

Digital assets guidance

Due to continuing questions by entities about the scope and applicability of the guidance within SAB 121, in June 2022, the AICPA issued an update to its Practice Aid, "Accounting for and Auditing of Digital Assets," which includes responses to frequently asked questions about SAB 121. Among other items, the responses provide guidance on what entities should consider in determining whether they have a safeguarding obligation subject to SAB 121 and how safeguarding liabilities are reflected in an entity's financial statements.

From the GASB

Final standards

Omnibus 2022

On May 9, 2022, the Governmental Accounting Standards Board (GASB) issued Statement 99, "Omnibus 2022," to address accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements.

The statement covers these issues:

- Accounting and financial reporting for exchange or exchange-like financial guarantees
- Classification and reporting of certain derivative instruments that are neither hedging derivative instruments nor investment derivative instruments
- Clarification of certain provisions of:
  - Statement 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," as amended, related to the focus of the governmentwide financial statements
  - Statement 87, "Leases," related to the determination of the lease term, short-term lease classification, identification of lease incentives, and the recognition and measurement of lease liabilities and lease assets
  - Statement 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," related to 1) the determination of the public-private and public-public partnership (PPP) term and 2) recognition and measurement of installment payments and the transfer of the underlying PPP asset
  - Statement 96, "Subscription-Based Information Technology Arrangements," related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of subscription liabilities

- Extending the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of certain interest-rate swaps
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Updating certain terminology for consistency with existing authoritative standards

Effective dates

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR; accounting for SNAP distributions; disclosures of nonmonetary transactions; pledges of future revenues by pledging governments; clarification of certain provisions in Statement 34, as amended; and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by topic.

Accounting changes and error corrections

On June 13, 2022, the GASB issued Statement 100, "Accounting Changes and Error Corrections." The statement is designed to improve the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

The statement defines the following categories of accounting changes or error corrections and prescribes the applicable accounting and financial reporting guidance for each category:

- **Changes in accounting principles.** Report retroactively by restating prior periods.
- **Changes in accounting estimates.** Report prospectively by recognizing the change in the current period.
- **Changes to or within the financial reporting entity.** Report by adjusting beginning balances of the current period.
- **Corrections of errors in previously issued financial statements.** Report retroactively by restating prior periods.

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):

- **Display in financial statements.** The aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, should be displayed by reporting unit.
- **Disclosure in the notes.** Descriptive information about accounting changes and error corrections, such as their nature, should be disclosed in notes to financial statements. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.
- **Presentation in RSI and SI.** For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

Effective date

The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Compensated absences

On June 16, 2022, the GASB issued Statement 101, "Compensated Absences," to enhance the recognition and measurement guidance for compensated absences and refine related disclosure requirements.

The statement supersedes Statement 16, "Accounting for Compensated Absences," and aligns 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:

- The leave is attributable to services already rendered.
- The leave accumulates.
- The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The general approach for measurement is accumulated leave multiplied by an employee's pay rate as of the financial reporting date. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences.

This statement amends the existing 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 (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

Effective date

The requirements of this statement are effective for fiscal years beginning after Dec. 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Financial statement disclosures criteria concepts statement

On July 7, 2022, the GASB issued Concepts Statement No. 7, "Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements – an Amendment of GASB Concepts Statement No. 3." The statement would provide enhanced guidance when the GASB establishes note disclosure requirements for state and local governments and would establish new criteria for state and local governments to follow in developing their disclosures for notes to financial statements.

The concepts statement describes the purpose of notes to financial statements and the intended users of notes. It addresses the types of information that are appropriate or not appropriate for note disclosures. In addition, the proposal addresses the degree of importance that information disclosed in the notes should possess and the characteristics that distinguish information that is considered essential to users in making economic, social, or political decisions or assessing accountability. Information is considered essential if it is distinguished by the following characteristics:

- The information has or is expected to have a meaningful effect on users' analyses for making decisions or assessing accountability.
- A breadth or depth of users use or are expected to use the information in their analyses for making decisions or assessing accountability.

The concepts included in this concepts statement establish that information disclosed in notes to financial statements should correspond to the reporting units presented in the financial statements.

Concepts statements identify the objectives and fundamental principles that can be applied to address numerous accounting and financial reporting issues. Concepts statements do not, however, prescribe the accounting and financial reporting standards that apply to a particular item or event.

Proposals

Certain risk disclosures exposure draft

On June 30, 2022, the GASB issued an exposure draft, "Certain Risk Disclosures," which would provide users of government financial statements with essential information about risks related to a government's current vulnerabilities due to certain concentrations and certain constraints common in the governmental environment.

This proposed statement defines a concentration as a lack of sufficient diversity related to an aspect of a significant revenue source or expense. It defines a constraint as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority.

A government would be required to disclose information about a concentration or constraint if all of the following criteria are met:

- A concentration or constraint is known to the government prior to the issuance of the financial statements.
- An event associated with the concentration or constraint either has occurred or is more likely than not to begin to occur within 12 months of the financial statement date or shortly thereafter (for example, 3 months).
- It is at least reasonably possible that within three years of the financial statement date, the event will cause there to be a substantial effect on the government's ability to continue to provide services at the level provided in the current reporting period or meet its obligations as they come due.

If a government determines that these requirements for disclosure have been met for a concentration or constraint, the notes to the financial statements would disclose descriptions of 1) the concentration or constraint, 2) each event associated with the concentration or constraint, and 3) actions taken by the government prior to the issuance of the financial statements to mitigate the effect.

Comments are due Sept. 30, 2022.

ESG-related paper

The GASB on May 31, 2022, released a paper, "Intersection of Environmental, Social, and Governance Matters With Governmental Accounting Standards," to explain how ESG matters intersect with public accountability in many GASB standards and how ESG matters may affect amounts reported and disclosed in the financial statements. The document provides an overview of ESG reporting including defining ESG matters for purposes of the document and providing examples of topics that interested parties commonly consider ESG matters. The document explains how ESG matters, predominantly social and governance matters, intersect with the notion of being publicly accountable to citizens in many GASB standards. Various examples are provided in which the objectives of specific GASB standards may intersect with environmental, social, and governance matters.

Accounting Standards Updates (ASU) effective dates

Checklist A – ASU effective dates for public business entities (PBEs)....................................A-1

Checklist B – ASU effective dates for nonpublic business entities (non-PBEs).....................B-1

Checklist A

ASU effective dates for public business entities (PBEs)

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Leases with Variable Lease Payments (ASU 2021-05) Provides that lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if certain criteria are met.	**March 31, 2022**	**Permitted**
Goodwill Impairment Testing (ASU 2017-04) Removes step two – the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value – of the goodwill impairment test. **ASU 2019-10** – Deferral of effective dates.	**For SEC filers, excluding smaller reporting companies, tests performed on or after Jan. 1, 2020** **For all other PBEs, including smaller reporting companies, tests performed on or after Jan. 1, 2023**	**Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Credit Losses (ASU 2016-13) Replaces the incurred loss model with the current expected credit loss (CECL) model for financial assets, including trade receivables, debt securities, and loan receivables. Clarifying standards: **ASU 2018-19** – Clarifies that impairment of operating lease receivables is in the scope of ASC Topic 842, "Leases," and not the CECL model. **ASU 2019-04** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options. **ASU 2019-05** – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost. **ASU 2019-10** – Deferral of effective dates. **ASU 2019-11** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, financial assets secured by collateral maintenance provisions, and conforming cross-references to Subtopic 805-20. **ASU 2020-03** – Aligns contractual term to measure expected credit losses for a net investment in a lease to be consistent with the lease term determined under Topic 842. Clarifies that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded. **ASU 2022-02** – Targeted amendments specific to troubled debt restructurings (TDRs) by creditors and vintage disclosure related to gross write-offs. An entity is required to apply the loan and refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan, rather than applying the recognition and measurement guidance for TDRs. Requires public business entities to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within scope of Subtopic 326-20.	**For SEC filers, excluding smaller reporting companies, March 31, 2020** **For all other PBEs, including smaller reporting companies, March 31, 2023** **For ASU 2019-04, ASU 2019-05, ASU 2019-11, and ASU 2020-03, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise effective dates the same as ASU 2016-13** **For ASU 2022-02, March 31, 2023, for entities that have adopted ASU 2016-13; otherwise effective dates the same as ASU 2016-13**	**Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06) Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over- substance-based accounting conclusions driven by remote contingent events.	**For SEC filers, excluding smaller reporting companies, March 31, 2022** **For all other PBEs, including smaller reporting companies, March 31, 2024**	**Permitted as of the fiscal years beginning after Dec. 15, 2020.** **An entity must adopt the guidance as of the beginning of the fiscal year and not in a subsequent interim.**
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.	**For SEC filers, excluding smaller reporting companies, March 31, 2023** **For all other PBEs, including smaller reporting companies, Dec. 31, 2025**	**Permitted**
Issuer's Accounting for Modifications or Exchanges of Freestanding Written Call Options That Are Classified in Equity (ASU 2021-04) Clarifies the guidance for a modification or an exchange of a freestanding equity-classified written call option (for example, warrants). The amendments provide that an entity should treat such modification or exchange as an exchange of the original instrument for a new instrument. The amendments provide guidance on how an entity should measure and recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. The amendments do not affect a holder's accounting for freestanding call options.	**March 31, 2022**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end PBEs	Early adoption
Disclosures by Business Entities About Government Assistance (ASU 2021-10) Requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance such as a grant model within Subtopic 958-605, "Not-for-Profit Entities – Revenue Recognition," or International Accounting Standards 20, "Accounting for Government Grants and Disclosure of Government Assistance."	**March 31, 2022**	**Permitted**
Customer Contracts Acquired in a Business Combination (ASU 2021-08) Requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 on revenue from contracts with customers. The amendments apply to contract assets or contract liabilities in contracts with customers and other contracts to which the provisions of Topic 606 apply. The amendments also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	**March 31, 2023**	**Permitted, including in an interim period**
Portfolio Layer Method of Hedge Accounting (ASU 2022-01) Expands the scope of assets eligible for portfolio layer method hedging to include all financial assets. The amendments remove the requirement that all assets in the closed portfolio have a contractual maturity date on or after the earliest-ending hedge period. The amendments require an entity to maintain fair value hedge basis adjustments at the closed portfolio level for a currently designated hedge and prohibit an entity from considering portfolio layer method fair value hedge basis adjustments on a currently designated hedge in its determination of credit losses. When a breach occurs (that is, the aggregate amount of the hedged layers currently exceeds the amount of the closed portfolio), an entity is required to present the fair value hedge basis adjustments with a breach in interest income and disclose the amount along with the circumstances that led to the breach.	**March 31, 2023**	**Permitted, including in an interim period when amendments in ASU 2017-12 have been adopted**
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 and clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments also require additional disclosures about the restriction, including the nature and remaining duration of the restriction.	**March 31, 2024**	**Permitted, including in an interim period**

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
Premium Amortization on Purchased Callable Debt (ASU 2017-08) Shortens the amortization period for premiums on purchased callable debt securities to the earliest call date, instead of to the maturity date. Clarifying standards: **ASU 2020-08** – Clarifies that an entity should reevaluate whether a callable debt security that has multiple call dates is within the scope of paragraph 310-20-35-33 for each reporting period.	**Dec. 31, 2020** **For ASU 2020-08, Dec. 31, 2022**	**Permitted, including in an interim period** **For ASU 2020-08, permitted only as of annual periods beginning after Dec. 15, 2020, including interim periods within**
Simplifying Accounting for Income Taxes (ASU 2019-12) Simplifies the accounting for income taxes by removing certain exceptions in Topic 740. Improves consistent application of other areas of guidance within Topic 740 by clarifying and amending existing guidance.	**Dec. 31, 2022**	**Permitted, including in an interim period**
Interaction Between Accounting for Equity Securities, Equity Method Investments, and Certain Derivative Instruments (ASU 2020-01) Clarifies the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contract and purchased options accounted for under Topic 815.	**Dec. 31, 2022**	**Permitted, including in an interim period**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Leases **(ASU 2016-02)** Revises recognition and measurement for lease contracts by lessors and lessees; operating leases are recorded on the balance sheet for lessees. Replaces Topic 840 with Topic 842. Clarifying standards: **ASU 2018-01** – Provides a practical expedient in transition to not evaluate existing or expired land easements under Topic 842 that were not previously accounted for as leases under Topic 840. **ASU 2018-10** – Provides 16 improvements and clarifications to the guidance in Topic 842. **ASU 2018-11** – Provides an optional transition method for adopting Topic 842 that will eliminate comparative period reporting under the new guidance in the adoption year. Provides a practical expedient for lessors to not separate nonlease components from the associated lease component in specified circumstances. **ASU 2018-20** – Provides improvements specific to lessors for evaluating sales taxes, recording reimbursed costs, and allocating variable payments to lease and nonlease components. **ASU 2019-01** – Provides improvements in determining fair value of underlying assets by lessors that are not manufacturers or dealers, presentation of the statement of cash flows for sales-type and direct financing leases, and transition disclosures. **ASU 2019-10** – Deferral of effective dates **ASU 2020-05** – Deferral of effective dates. **ASU 2021-05** – Provides that lesssors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if certain criteria are met. **ASU 2021-09** – Allows risk-free rate election by class of underlying asset, rather than at the entitywide level. When the rate implicit in the lease is readily determinable, the lessee must use that rate regardless of whether it has made the risk-free rate election.	**Dec. 31, 2022**	**Permitted**
Contributed Nonfinancial Assets of Not-for-Profit Entities **(ASU 2020-07)** Improves financial reporting for not-for-profit entities by providing specific presentation and disclosure requirements for contributed nonfinancial assets other than contributed services.	**Dec. 31, 2022**	**Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Various Codification Improvements (ASU 2020-10) Amendments improve codification by having all disclosure-related guidance available in the disclosure sections of the codification. Prior to this ASU, various disclosure requirements or options to present information on the face of the financial statements or as a note to the financial statements were not included in the appropriate disclosure sections of the codification. Contains various other minor amendments to codification that are not expected to have a significant effect on current accounting practice.	**Dec. 31, 2022**	**Permitted**
Issuer's Accounting for Modifications or Exchanges of Freestanding Written Call Options That Are Classified in Equity (ASU 2021-04) Clarifies the guidance for a modification or an exchange of a freestanding equity-classified written call option (for example, warrants). The amendments provide that an entity should treat such modification or exchange as an exchange of the original instrument for a new instrument. The amendments provide guidance on how an entity should measure and recognize the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. The amendments do not affect a holder's accounting for freestanding call options.	**Dec. 31, 2022**	**Permitted, including in an interim period**
Practical Expedient in Measuring Current Price Input of Equity-Classified Share-Based Awards (ASU 2021-07) Allows a nonpublic entity to determine the current price of a share underlying an equity-classified share-based award using the reasonable application of a reasonable valuation method. The amendments provide characteristics of the reasonable application of a reasonable valuation method. A reasonable valuation performed in accordance with Treasury regulations is an example of a way to achieve the practical expedient.	**Dec. 31, 2022**	**Permitted for financial statements that have not been issued or made available for issuance as of Oct. 25, 2021**
Disclosures by Business Entities About Government Assistance (ASU 2021-10) Requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance such as a grant model within Subtopic 958-605, "Not-for-Profit Entities – Revenue Recognition," or International Accounting Standards 20, "Accounting for Government Grants and Disclosure of Government Assistance."	**Dec. 31, 2022**	**Permitted**
Goodwill Impairment Testing (ASU 2017-04) Removes step two – the requirement to perform a hypothetical purchase price allocation when the carrying value of a reporting unit exceeds its fair value – of the goodwill impairment test. Clarifying standards: **ASU 2019-10** – Deferral of effective dates.	**Tests performed on or after Jan. 1, 2023**	**Permitted for interim or annual goodwill impairment tests performed on testing dates on or after Jan. 1, 2017**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Credit Losses (ASU 2016-13) Replaces the incurred loss model with the CECL model for financial assets, including trade receivables, debt securities, and loan receivables. Clarifying standards: **ASU 2018-19** – Clarifies the effective date for non-PBEs and that impairment of operating lease receivables is in the scope of ASC Topic 842, "Leases," and not the CECL model. **ASU 2019-04** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses accrued interest, transfers between classifications or categories for loans and debt securities, recoveries, vintage disclosures, and contractual extensions and renewal options. **ASU 2019-05** – Targeted transition relief provides an option to irrevocably elect the fair value option, on an instrument-by-instrument basis, for certain financial assets (excluding held-to-maturity debt securities) previously measured at amortized cost. **ASU 2019-10** – Deferral of effective dates. **ASU 2019-11** – Provides specific improvements and clarifications to the guidance in Topic 326. Addresses expected recoveries for purchased financial assets with credit deterioration, transition relief for troubled debt restructurings, disclosures related to accrued interest receivables, financial assets secured by collateral maintenance provisions, and conforming cross-references to Subtopic 805-20. **ASU 2020-03** – Aligns contractual term to measure expected credit losses for a net investment in a lease to be consistent with the lease term determined under Topic 842. Clarifies that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded. **ASU 2022-02** – Targeted amendments specific to troubled debt restructurings (TDRs) by creditors and vintage disclosure related to gross write-offs. An entity is required to apply the loan and refinancing and restructuring guidance to determine whether a modification results in a new loan or a continuation of an existing loan, rather than applying the recognition and measurement guidance for TDRs.	**Dec. 31, 2023** **For ASU 2019-04, ASU 2019-05, ASU 2019-11, and ASU 2020-03, March 31, 2020, for entities that have adopted ASU 2016-13; otherwise, effective dates the same as ASU 2016-13**	**Permitted as of the fiscal years beginning after Dec. 15, 2018, including interim periods within**
Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06) Clarifies the accounting for certain financial instruments with characteristics of liabilities and equity. The amendments reduce number of accounting models for convertible debt instruments and convertible preferred stock. The cash conversion and beneficial conversion feature models were removed. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract. Improves disclosure requirements for convertible instruments and earnings-per-share guidance. Revises derivatives scope exception guidance to reduce form-over-substance-based accounting conclusions driven by remote contingent events.	**Dec. 31, 2024**	**Permitted as of the fiscal years beginning after Dec. 15, 2020, including interim periods within**

Accounting Standards Update (ASU)	Effective dates for Dec. 31 year-end non-PBEs	Early adoption
Customer Contracts Acquired in a Business Combination (ASU 2021-08) Requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 on revenue from contracts with customers. The amendments apply to contract assets or contract liabilities in contracts with customers and other contracts to which the provisions of Topic 606 apply. The amendments also provide certain practical expedients for acquirers when recognizing and measuring acquired contract assets and contract liabilities from revenue contracts in a business combination.	**Dec. 31, 2024**	**Permitted, including in an interim period**
Portfolio Layer Method of Hedge Accounting (ASU 2022-01) Expands the scope of assets eligible for portfolio layer method hedging to include all financial assets. The amendments remove the requirement that all assets in the closed portfolio have a contractual maturity date on or after the earliest-ending hedge period. The amendments require an entity to maintain fair value hedge basis adjustments at the closed portfolio level for a currently designated hedge and prohibit an entity from considering portfolio layer method fair value hedge basis adjustments on a currently designated hedge in its determination of credit losses. When a breach occurs (that is, the aggregate amount of the hedged layers currently exceeds the amount of the closed portfolio), an entity is required to present the fair value hedge basis adjustments with a breach in interest income and disclose the amount along with the circumstances that led to the breach.	**Dec. 31, 2024**	**Permitted, including in an interim period when amendments in ASU 2017-12 have been adopted**
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.	**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 and clarifies that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. The amendments also require additional disclosures about the restriction, including the nature and remaining duration of the restriction.	**Dec. 31, 2025**	**Permitted, including in an interim period**

Governmental Accounting Standards Board (GASB) statement effective dates

Checklist C – Effective dates for all GASB statements.. C-1

Checklist C

Effective dates for all GASB statements

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Postponement of the Effective Dates of Certain Authoritative Guidance (GASB Statement 95) Postpones the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.	**Upon issuance, May 8, 2020**	**Not applicable**
Replacement of Interbank Offered Rates (GASB Statement 93) Addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR), which is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments tied to LIBOR.	**June 15, 2020, except:** **Paragraph 11b, periods ending after Dec. 15, 2021** **Paragraphs 13 & 14, June 15, 2021**	**Permitted**
Accounting for Interest Cost Incurred Before the End of a Construction Period (GASB Statement 89) Supersedes guidance set forth in Statement 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,” which generally required capitalization of interest cost incurred before the end of a construction period. Statement 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus and not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.	**Dec. 15, 2020**	**Permitted**
The Annual Comprehensive Financial Report (GASB Statement 98) Establishes the term “annual comprehensive financial report” and its acronym ACFR, which replace instances of “comprehensive annual financial report” and its acronym in generally accepted accounting principles for state and local governments.	**Dec. 15, 2020**	**Permitted**
Leases (GASB Statement 87) Revises recognition and measurement for lease contracts by lessors and lessees by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.	**June. 15, 2021**	**Permitted**

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Omnibus 2020 (GASB Statement 92) Addresses a variety of topics including the effective date of Statement 87 and Implementation Guide No. 2019-3 for interim financial reports; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; the applicability of Statements 73 and 74 to reporting assets accumulated for postemployment benefits (PEBs); the applicability of certain requirements of Statement 84 to postemployment benefit arrangements; measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; and terminology used to refer to derivative instruments.	**Varies by issue (see pages 5 and 6 of the statement and page 2 of statement 95)** **Upon issuance, Feb. 5, 2020** **June 15, 2021**	**Permitted by topic**
Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (GASB Statement 97) Clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and modifies the applicability of certain component unit criteria as they relate to defined contribution pension and OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). Establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans.	**Varies by issue (see pages 4 and 5 of the statement)** **Upon issuance, June 23, 2020** **June 15, 2021**	**Permitted by topic**
Conduit Debt Obligations (GASB Statement 91) Clarifies the definition of a conduit obligation and stipulates that a conduit debt obligation is a liability of the third-party obligor, not the issuer, thus eliminating the option for government issuers to recognize a conduit debt obligation as a liability. Establishes standards for accounting and financial reporting of additional commitments extended by issuers and arrangements associated with conduit debt obligations and improves required note disclosures.	**Dec. 15, 2021**	**Permitted**

GASB statement	Effective dates – reporting periods beginning after	Early adoption
Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB Statement 94) Provides guidance for public-private and public-public partnership arrangements (PPPs), including those that are outside of the scope of the GASB's existing guidance for those transactions – namely Statement 60, "Accounting and Financial Reporting for Service Concession Arrangements," and Statement 87, "Leases." The statement also makes certain improvements to the guidance previously included in Statement 60 and provides accounting and financial reporting guidance for availability payment arrangements (APAs).	**June 15, 2022**	**Permitted**
Subscription-Based Information Technology Arrangements (GASB Statement 96) Provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. Defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.	**June 15, 2022**	**Permitted**
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**

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