PCC PRIVATE COMPANY COUNCIL

Private Company Council
2024 Annual Report

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801 Main Avenue, P.O. Box 5116, Norwalk, CT 06856-5116 | Tel **203-847-0700** | **fasb.org**



Message from Jere Shawver, Chair of the Private Company Council

Dear Stakeholders,

I am proud to present to you the 2024 Annual Report of the Private Company Council (PCC). As PCC chair, I have had the privilege to witness firsthand the outstanding work that has been performed by the PCC over the past year. Our mission has been clear from the beginning: to ensure that private companies have a voice in the process of setting accounting standards and to foster a more inclusive and adaptable financial reporting environment for private companies. During 2024, the PCC engaged more than one thousand private company stakeholders through meetings, conferences, webcasts, comment letters, and other forms of outreach and engagement to execute our mission.

The PCC was established by the Financial Accounting Foundation (FAF) in 2012 to advise the Financial Accounting Standards Board (FASB) on private company financial reporting issues. The PCC is designed to ensure that the FASB has visibility and direct connections into the stakeholders affected by private company financial statements.

The PCC comprises members from each of the following groups—the users of private company financial statements including sureties, banks, lessors, and other creditors; the controllers, chief financial officers, and other accounting-related personnel (preparers) who regularly produce financial statements; and the certified public accountants (practitioners) who play a role in providing audit and other forms of assurance on the financial statements. While PCC members come from different backgrounds, they are aligned in a mission to improve financial accounting and reporting. The PCC is not a standard-setting body in its own right but participates in the FASB process consistently on current topics, advising the FASB on factors under which private companies should be evaluated differently. In addition, the PCC evaluates adopted accounting standards for alternatives that may not have been considered prior to their initial implementation.

Private companies have unique financial reporting needs that are distinct from public companies. In many cases, they have personal relationships with the users of their financial statements and can provide significant insights to those users, generally without regulatory constraint, through regular meetings and interactions so that the annual financial statements are not the singular way users learn about the business operations. Often, the users are knowledgeable about the nature of the underlying business and interact with the owners and financial personnel in those entities regularly, unlike investors in public companies.

As this report will address in greater detail, we have embarked on a focused periodic evaluation of the matters that should be addressed in our agenda. We are considering the elements of financial reporting that have the most pervasive effect on millions of private companies and for which alternatives or expedients can be developed that are cost effective for preparers and meet the needs of users. We also will describe in this report how we plan to connect and engage with you more in the future, through Town Halls, this annual report, and our periodic meeting agenda updates.

This report highlights our initiatives and key milestones and describes the effect we have had on the financial reporting landscape. From the comprehensive outreach efforts to engage with diverse stakeholders to the consideration of accounting standards that better reflect the realities of private companies, we are committed to hearing from and engaging with you to learn about financial reporting that is relevant and fit for purpose.



PCC Chair Jere Shawver
Chief Executive Officer, Baker Tilly US, LLP

Over the past year, we continue to increase the level of engagement we have in meetings with our stakeholders and through public speaking opportunities to many in the private company reporting community. We need your help to continue to grow and learn about your needs. Our goal is to ensure that the voices of private companies are not only heard but are integral to the development of accounting standards that serve the broader economic landscape. We hope you will take every opportunity to be engaged with us.

I extend my heartfelt gratitude to my fellow PCC members, to the FASB staff members and FASB members who support us, and to all our stakeholders who have contributed to the successes so far. Your support and collaboration have been invaluable, and I am excited about the journey that lies ahead.

Please take every opportunity to attend our meetings virtually, which are broadcast live on fasb.org, and visit our webpage at fasb.org/about-us/advisory-groups/pcc to learn about our current activities. Please reach out to Jenifer Wyss, PCC Coordinator, at jjwyss@fasb.org, if you might be interested in volunteering to be a part of the PCC or one of the working groups we periodically establish to advise us on certain issues.

Thank you for your support and I look forward to seeing you at an upcoming event.



Jere Shawver
Chair, Private Company Council

PCC Accomplishments

Since its inception in 2012, the PCC has made significant progress in addressing and advising the FASB on financial accounting and reporting issues that are important to private company stakeholders. Notable 2024 highlights include the PCC undertaking a structured agenda priority process resulting in several new projects, advising the Board, and increasing its engagement with private company stakeholders.

2024 Highlights

PCC Projects

The PCC made progress on four projects that emerged from Town Hall and Liaison meetings and other stakeholder discussions. The PCC evaluated and prioritized that stakeholder feedback in its agenda priority process:

Key Areas of Progress in 2024



Credit losses—short-term trade accounts receivable and contract assets

Issued proposed changes to simplify the credit losses guidance for trade receivables



Debt modifications and extinguishments

Research the costs and complexities of applying the debt modifications and extinguishments guidance



Presentation of contract assets and contract liabilities for construction contractors

Evaluating ways to provide private company financial statement users with information that is more decision useful for their needs



Lease accounting simplifications

Established a working group to explore additional private company simplifications

We listened! These actions were taken based on what we heard from You!

In September 2024, the PCC added a project on credit losses to its agenda and completed initial deliberations to address challenges encountered by private companies when applying the credit losses guidance to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, Revenue from Contracts with Customers. The Board endorsed and expanded certain PCC decisions in October 2024 and the proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities*, was issued in December 2024. The proposed amendments are designed to reduce the time and effort when applying the guidance without reducing the decision usefulness of this information for investors and other financial statement users.

With progress being made on those four projects, the PCC revisited its agenda priorities in December 2024 and preliminarily discussed several additional areas for the PCC to explore in 2025 and beyond.

Advising the FASB

As the primary advisory body to the FASB on private company accounting matters, the PCC advised the Board on many FASB projects during 2024.

For example, the Board excluded private companies from the scope of Accounting Standards Update No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, based on the recommendation from the PCC that it would be beneficial to learn from public company implementation and conduct additional research focused on private companies before embarking on a project on disaggregation of expenses for private companies.

The PCC performed extensive research on profits interests awards and recommended that the FASB add a project to its technical agenda because of the potential effects for both public and nonpublic business entities. The PCC's recommendations led to the issuance of Accounting Standards Update No. 2024-01, *Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*.



PCC Member Katina Curtis
Audit Partner, Grant Thornton LLP

The PCC also provided significant input to the Board during 2024 on many other FASB projects, such as Accounting for Government Grants, Accounting for and Disclosure of Software Costs, Agenda Consultation, and Financial Key Performance Indicators.

As the primary advisory body to the FASB on private company accounting matters, the PCC advised the Board on many FASB projects during 2024.

The complete list of projects for which the PCC advised the Board during 2024 is as follows:

Final Accounting Standards Updates

- Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards
- Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses
- Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments

Projects

- Accounting for and Disclosure of Software Costs
- Accounting for Debt Exchanges
- Accounting for Environmental Credit Programs
- Accounting for Government Grants
- Determining the Acquirer in the Acquisition of a VIE
- Topic 815—Derivatives Scope Refinements
- Topic 815—Hedge Accounting Improvements

Research Projects

- Accounting for and Disclosure of Intangibles
- Agenda Consultation
- Financial Key Performance Indicators for Business Entities

Post-Implementation Projects

- Credit Losses
- Leases



PCC Member David Pesce
Head of Surety, Munich Re Specialty Insurance

PCC Member Adam Roark
Partner, Assurance Methodology and Innovation, Forvis Mazars

Prior Accomplishments

Prior to 2024, the PCC addressed several longstanding financial reporting issues and advised the Board on many projects. As such, we would like to take the opportunity to reflect on some of the PCC's past accomplishments.

The Private Company Decision-Making Framework (Framework), which was developed jointly by the PCC and FASB to assist in determining whether and in what circumstances to provide accounting differences for private companies, provides a roadmap to address private company financial reporting issues. That Framework is used by the PCC in guiding its decisions and in advising the FASB about private company accounting differences within GAAP.

Using that Framework, the FASB previously issued several ASUs, all of which resulted from projects developed by and voted on by the PCC, as follows:

- **Goodwill:** Allows an accounting alternative and provides simplified guidance for the subsequent measurement of goodwill for private companies.
- **Intangibles**: Allows an accounting alternative to exempt private companies from separately recognizing and measuring certain identifiable intangible assets in a business combination.
- **Consolidation**: Allows a private company accounting alternative associated with the application of variable interest entity guidance to certain common control leasing arrangements.
- **Hedge accounting:** Allows private companies to use a simplified hedge accounting approach when accounting for certain interest rate swaps.
- **Transition guidance:** Provides private companies with the ability to forgo a preferability assessment the first time they elect certain accounting alternatives.

The PCC has been influential in identifying opportunities to reduce unnecessary complexity in GAAP for all entities. For example, the FASB extended the private company accounting alternatives on goodwill and certain identifiable intangible assets to not-for-profit entities and improved the impairment test for the subsequent measurement of goodwill for public business entities and other entities based on the private company alternative.

The PCC has also influenced a number of private company practical expedients and accounting and disclosure differences in major standards, such as:

- **Leases—Common Control Arrangements:** Provides a practical expedient for private companies and certain not-for-profit entities to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification and accounting for that lease.
- **Leases—Discount Rate for Lessees That Are Not Public Business Entities:** Allows lessees that are not public business entities to make a risk-free rate election by underlying class of asset.
- **Revenue—**Provides certain disclosure exemptions for nonpublic business entities.

Forward-Looking Strategy

In 2025, the PCC will continue its structured process that started in early 2024 for evaluating and refining its agenda priorities. That approach is designed to enhance the efficiency and effectiveness of the PCC by regularly assessing the most pressing financial reporting issues affecting private companies.



PCC Member Michael Cheng
National Professional Practice Partner, Frazier & Deeter LLC

The PCC will review and prioritize private company financial reporting issues on an annual basis, ensuring that its efforts are aligned with the evolving needs of private company stakeholders and focused on identifying solutions to and alternatives for the most pervasive and impactful financial reporting challenges.

By maintaining this structured process, the PCC can focus on executing its responsibility to propose alternatives within GAAP that specifically address the unique needs of private company financial statement users and ultimately result in better financial reporting outcomes for private companies.

In connection with its annual reassessment of its agenda priorities, in late 2024 and continuing in early 2025, the PCC discussed a variety of potential issues. These include issues previously assessed but not prioritized as well as emerging financial reporting issues raised by stakeholders. The PCC is considering several debt-related issues to research in the future, including troubled debt restructurings, debt modifications and extinguishments, debt disclosures, subjective acceleration clauses, and the effective interest rate method. At future meetings, the PCC will consider whether there is an opportunity to make improvements in those and other areas.

How Potential Agenda Issues Are Evaluated

- Is the issue pervasive and does it apply to all entities or only private companies?
- Do technically feasible solutions exist or could they be developed?
- Is there an identifiable scope?
- Does the FASB already have a related research or technical agenda project?
- Is the issue and potential solution supported by the Private Company Decision-Making Framework?
- To what degree has the issue been raised, by whom, and with what frequency?
- What is the likely timeline to resolve the issue?
- What is the relative priority of the issue (near-term vs. longer-term)?

Engaging Private Company Stakeholders

Engaging all types of private company stakeholders—private company preparers, users, and practitioners—is a critical element of carrying out the PCC's responsibilities. The PCC places significant emphasis on engaging private company stakeholders by soliciting feedback on financial reporting issues affecting private companies and ensuring that those stakeholders are kept up to date on standard-setting activities affecting private companies.

In 2024, the PCC increased its engagement with private company stakeholders through a variety of activities including Town Hall and Liaison meetings, conferences, webcasts, outreach meetings on PCC projects, videos, interviews, articles, and social media posts.

Town Hall and Liaison Meetings

During 2024, the PCC held the following Town Hall and Liaison meetings:

2024 Town Hall and Liaison Meetings	Type of Private Company Stakeholder in Attendance
PCC Forum at the AICPA ENGAGE Conference	Practitioners and Preparers
Risk Management Association (RMA) Accounting Working Group	Financial Statement Users (Lenders and Creditors)
Institute of Management Accountants (IMA) Small Business Shared Interest Group	Preparers from Small Private Companies and Practitioners
AICPA Private Company Practice Section Technical Issues Committee (TIC)	Practitioners
Construction Financial Management Association (CFMA) Emerging Issues Committee	Preparers, Practitioners, and Users
Auditing Standards Board Audit Issues Task Force	Practitioners



PCC Member David Hoagland
Executive Credit Officer—Commercial Real Estate, Community Development Corporation, and Housing Capital Corporation, U.S. Bank

Private company stakeholders provided feedback on a wide array of topics during those Town Hall and Liaison meetings, including:

- PCC agenda priorities
- Credit losses
- Debt modifications and extinguishments
- Presentation of contract assets and contract liabilities for construction contractors
- Leases
- Accounting for government grants
- Statement of cash flows
- Debt disclosures
- Emerging private company financial reporting issues.

Feedback received from each of the Town Hall and Liaison meetings was discussed and considered by the PCC at its quarterly meetings. For example, many private company stakeholders who participated in Town Hall and Liaison meetings informed the PCC that the credit losses guidance was costly and complex to apply to current trade accounts receivable and contract assets, yet applying the guidance generally did not have a material effect on the financial statements. As a result of private company stakeholder feedback, and as discussed, the PCC (and the Board) considered that feedback in making its decision to add a technical agenda project and in making its decisions to propose amendments to the guidance.



Presentations at State CPA Society Conferences

PCC members, FASB members, and FASB staff participated in many state CPA society conferences during 2024. After numerous events, attendees also participated in subsequent outreach meetings with the PCC and FASB staff.



Webcasts

In 2024, the FASB held two webcasts focusing on private companies. During each webcast, a PCC member highlighted ongoing PCC activities and private company efforts. FASB members and staff highlighted FASB projects affecting private companies. Each of those webcasts had nearly 1,000 attendees.



Articles and Interviews

The *Journal of Accountancy* published an article by the PCC chair highlighting the four issues identified as agenda priorities through the PCC's prioritization process.

Kaplan Financial Education and the New York State Society of CPAs interviewed the PCC chair about key issues the PCC addressed in 2024 and other issues. The 40-minute interview was shared in December with those organizations' members.



Working Groups

The PCC formed a Leases Working Group in 2024 consisting of members of the TIC and the PCC, with the objective of identifying specific issues in Topic 842, Leases, for the PCC to conduct further research on and to determine whether any simplification to the leases guidance should be considered for private companies. The Leases Working Group and the FASB staff are working together to conduct outreach with private company stakeholders.



Digital Media

Periodically, the PCC chair is featured in a short video that recaps the PCC meeting that just concluded. The videos are available on the PCC's webpage and posted to social media. Other examples of social media posts include announcing upcoming PCC meetings, calls for nominations of PCC members, and issuances of proposed or final accounting standards.

How to Contact the PCC

We would like to extend a special thank you to all of the private company stakeholders who have participated in our outreach and shared their perspectives during 2024. We look forward to your continued input and involvement on key private company issues.

To reach the PCC, please send an email to privatecompany@f-a-f.org.

Current PCC Members

Practitioners

Jere Shawver, PCC Chair | Chief Executive Officer, Baker Tilly US, LLP

Michael Cheng | National Professional Practice Partner, Frazier & Deeter LLC

Katina Curtis | Audit Partner, Grant Thornton LLP

David Finkelstein | Director, SingerLewak LLP

Adam Roark | Partner, Assurance Methodology and Innovation, Forvis Mazars

Preparers

Autumn Hindman | Chief Financial Officer, KNS International

Holly Nelson | Chief Executive Officer, Key Advisory Services

Doug Uhl | Director, Corporate Accounting Policy, Chick-fil-A, Inc. Corporate

Users

David Hoagland | Executive Credit Officer—Commercial Real Estate, Community Development Corporation, and Housing Capital Corporation, U.S. Bank

Robert Messer | Senior Executive Vice President, Chief Financial Officer-Chief Risk Officer, American National Bank of Texas

David Pesce | Head of Surety, Munich Re Specialty Insurance

Academic

Bradley Hendricks | Associate Professor, University of North Carolina at Chapel Hill, Kenan-Flagler Business School