

# FINANCIAL ACCOUNTING FOUNDATION

2023-2024 REVIEW OF THE  
PRIVATE COMPANY COUNCIL

## FINAL REPORT

DECEMBER 2024 | NORWALK, CONNECTICUT

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# Introduction: Letter from the Co-Chairs of the Standard-Setting Process Oversight Committee

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## Dear Stakeholders,

We are pleased to present to you the final report of the [Financial Accounting Foundation's](#) (FAF's) 2023-2024 review of the [Private Company Council](#) (PCC or Council). This report offers a comprehensive examination of the effectiveness of the PCC and reflects the collective insights, research, and analysis of many dedicated individuals over the past two years. We welcome any questions or discussions that its content may inspire.

In early 2023, the FAF Board of Trustees (FAF Board) initiated a review to assess the effectiveness of the PCC to ensure it continues to meet the needs of private company stakeholders. The work to complete this initiative, which was led and overseen by the FAF Board's Standard-Setting Process Oversight Committee (Oversight Committee), spanned the length of the 2023 and 2024 calendar years and included involvement and support from the FAF Trustees, former PCC Chair Candace Wright, current PCC Chair Jere Shawver, FASB Liaison to the PCC Susan Cosper, FAF Executive Director John Auchincloss, and several members of the FAF and FASB staff.

The PCC is the primary advisory body to the FASB on matters concerning private companies. This includes essential guidance on the recommended accounting treatment for private companies for items under active consideration on the FASB's technical agenda and on possible alternatives within U.S. Generally Accepted Accounting Principles (GAAP) to address the needs of users of private company financial statements.

The importance of an effectively operating PCC cannot be overstated. While there are several thousand publicly traded companies in the U.S., there are millions of private companies. Many of these private companies have lenders and other providers of capital who rely on accurate financial information. It's critical to the health and stability of the U.S. private business sector to have a PCC that strives to make financial reporting more relevant, accessible, and cost-effective for private companies and to ensure that the views and concerns of private companies are heard and considered in the FASB's standard-setting process.

We would like to express our gratitude to all stakeholders who engaged with us on this project. We received a wide range of diverse perspectives, all of which were greatly valued, and your input was carefully considered and critical to shaping the recommendations found in this report. We look forward to your continued interest in and engagement with our organization and view this report as just one of the many ways to maintain an ongoing dialogue with you.

Sincerely,



*Manju Ganeriwala*

**Manju S. Ganeriwala**  
Co-Chair, Standard-Setting Process  
Oversight Committee



*Timothy F. Ryan*

**Timothy F. Ryan**  
Co-Chair, Standard-Setting Process  
Oversight Committee

# Executive Summary

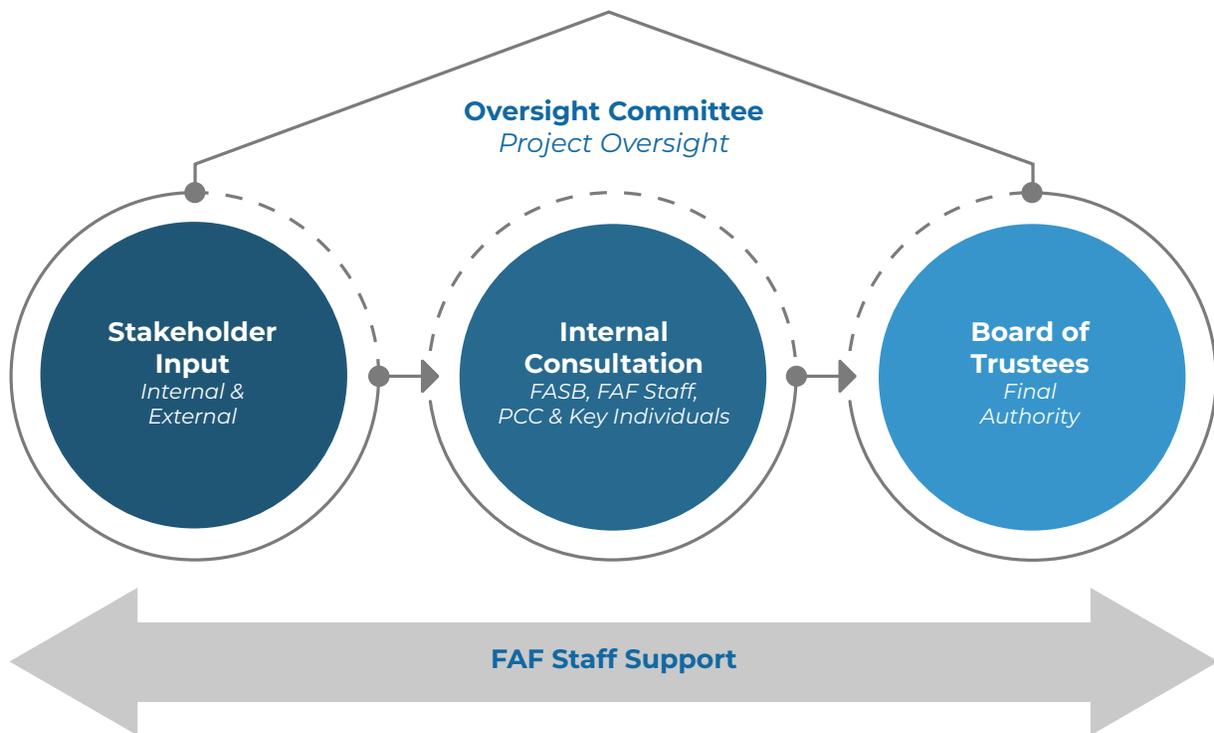
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Beginning in 2023, the FAF conducted a review to assess the effectiveness of the PCC. This initiative, which was led and overseen by the Oversight Committee, aimed to accomplish the following objectives:

- 1** Determine whether the PCC mission is still valid and appropriate.
- 2** Determine whether the PCC is meeting its primary responsibilities and mission.
- 3** Determine whether the PCC's structure, composition, and size are still valid and appropriate.
- 4** Provide an assessment of the PCC's continuing role and effectiveness.
- 5** Enhance the PCC's effectiveness through improvements to the PCC's operating processes.

Our project plan was focused on engaging with and soliciting feedback from our stakeholders. We spent a significant amount of effort engaging with stakeholders, inviting them to share their perspectives on the effectiveness of the PCC through multiple channels as detailed on the following page.

We consulted with several key individuals, including the FAF Trustee Liaison to the PCC, FASB Liaison to the PCC, and PCC Chair, who were essential to serving as a sounding board for and coordinating the efforts of the FAF staff as well as sharing progress updates with the FAF Trustees and members of the PCC. The thoroughness of this review process would not have been possible without the time, attention, and involvement of these dedicated individuals.



September-December 2023

February-May 2024



### Internal Stakeholder Survey

We surveyed PCC members (current, former, and incoming), FASB members, support staff members, and the FAF Trustee Liaison to the PCC. We asked respondents to indicate their level of agreement with a variety of statements and posed a series of open-ended questions related to the effectiveness of the PCC.

We heard from 24 individuals representing a broad range of private company stakeholders.



### Virtual Meetings

We held virtual meetings with representatives from firms that audit private company financial statements, a banking industry lenders group, and other stakeholder groups with an interest in private company issues. These discussions were focused on gathering input related to the PCC's effectiveness, accomplishments, and future role in setting standards for private companies.

We convened with 13 parties, ensuring that we engaged with a broad spectrum of viewpoints from a variety of industry backgrounds.



### Request for Public Comment

We issued a Request for Public Comment, inviting our stakeholders to submit their feedback on a list of questions related to the PCC's effectiveness in executing its mission, including its role in advising the FASB on standard setting for private companies. The document also included background information on the PCC.

We received [29 comment letters](#): 16 from practitioners, 12 from professional organizations, (including an institutional investors group), and 1 from an academic.

## 66 Sources of Input

The overall conclusion of the FAF Trustees is that the PCC is fulfilling its mission and duties effectively. The majority of stakeholders expressed support for the PCC and agreed that the PCC has been successful in addressing the needs of lenders, capital allocators, and other users of private company financial statements. The FAF Trustees appreciate the many suggestions for improvements and see several opportunities for the PCC to enhance some of its current operations and activities as discussed in the remainder of this report.

Mission, Remit, and Structure

Communication, Outreach, and Engagement

Meeting Operations and Culture

Size, Composition, and Recruitment

Concluding Thoughts and Future Reviews

### We've organized our report into five primary categories as listed to the left.

You'll note that each category will start with an overview to show how we guided the conversation on the PCC's effectiveness with our stakeholders. We think it's important to understand how effectiveness was considered in each area before we provide a summary of the feedback received.

From there, we will discuss how we reflected on the perspectives shared with us, and what conclusions were drawn and recommendations made as a result.

In the last section, we offer some final insights on the 2023-2024 Review of the PCC and explain our recommendation to modify the future review process for the PCC.

# Mission, Remit, and Structure

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We assessed the effectiveness of the PCC's mission, remit, and structure. We solicited feedback in this category by developing targeted and open-ended questions to help guide the conversation on the PCC's effectiveness with our stakeholders.

## Overview

The PCC's mission and remit are focused on two primary responsibilities:

1

**To serve as the primary advisory body to the FASB on the appropriate treatment for private companies for items under active consideration on the FASB's technical agenda.**

2

**To determine whether exceptions or modifications to existing GAAP are required to address the needs of users of private company financial statements.**

The PCC operates under the oversight of the FAF, with the FAF Trustees appointing members to the Council and ensuring the Council's work aligns with the mission of improving financial accounting standards in the U.S. The PCC is structured to work in collaboration with the FASB to identify and evaluate issues that are particularly important to private companies and their stakeholders. The PCC uses the [Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies](#) (Guide) to advise the FASB on the appropriate accounting treatment for private companies for items under active consideration on the FASB's technical agenda and on possible alternatives within GAAP to address the needs of users of private company financial statements.

This structure is intended to allow the PCC to balance private company-specific needs while maintaining alignment with the FASB Accounting Standards Codification for consistency in U.S. financial reporting. It's important to note what the PCC can and cannot do within this current structure:

- ✓ The PCC can set its own technical agenda and does so in consultation with the Technical Agenda Consultation Group, which includes members of the FASB.
- ✓ The PCC can propose modifications to existing or new accounting alternatives to GAAP subject to endorsement by the FASB.
- ✓ The PCC can establish working groups.
- ✓ The PCC can utilize FASB staff resources.
- ✓ The PCC can monitor the activities of the Emerging Issues Task Force.
- ✗ The PCC cannot independently issue or implement new accounting standards (only FASB can do this).

## Summary of Stakeholder Feedback

Based on our analysis of the feedback received, we found that the majority of respondents supported the continued existence of the PCC in its current form and believe that:

- ▶ The PCC's current mission, remit, and structure remains valid and appropriate.
- ▶ The PCC has been successful in fulfilling its two primary responsibilities.
- ▶ The PCC has been responsive to the needs of private company stakeholders.

Many stakeholders agreed that the PCC is effectively fulfilling its advisory role to the FASB, striking the right balance between reducing complexity and ensuring relevant and reliable information to stakeholders. They also expressed views that the PCC has been successful in addressing the needs of the users of private company financial statements, indicating that they have observed wide adoption of private company alternatives and practical expedients. Overall, the sentiments focused on the positive impact the PCC has had on financial reporting for private companies and their stakeholders since its establishment in 2012, with a recognition that the PCC is the optimal vehicle to continue this important work.

Furthermore, several stakeholders noted that the PCC has successfully educated the FASB on issues where private companies operate differently than how public companies operate. For example, the PCC provided feedback to the FASB on certain aspects of the Leasing Standard, and on areas that resulted in GAAP alternatives for private companies for Goodwill, Intangibles, Hedge Accounting, and Variable Interest Entity Consolidation Standards. These examples, among others, underscore the value of the PCC's work to make GAAP better reflect the unique aspects of private companies while still providing decision-useful information to financial statement users.

It's worth highlighting that there were many positive comments on the creation of the PCC's Technical Agenda Consultation Group, which was established following the last effectiveness review of the PCC in 2015. There was an appreciation of this group's efforts, particularly among our internal stakeholders, to discuss potential projects to be added to the PCC's technical agenda and determine whether it's more efficient and effective for the PCC or the FASB to take the lead on a potential project. While the PCC ultimately retains the authority to decide whether or not to add a project to its technical agenda, the FASB offers valuable input and guidance as part of this process. Stakeholders who offered perspectives on the Technical Agenda Consultation Group shared that it is a useful and effective body that helps the PCC and FASB shape and balance their respective agendas when it comes to addressing issues facing private company stakeholders.



While there was significant positive feedback, there were several areas identified as potentially meriting further examination or improvement.

Many stakeholders commented on the Guide and wondered whether, given the amount of time that has passed since its development, it might be time for a review of its content. The Guide, a collaborative effort between the PCC and the FASB, was issued in December 2013 and is intended to support the PCC by providing a structured approach to evaluating and addressing the unique financial reporting needs of private companies. As a tool for the PCC and the FASB, the Guide functions as a cost-benefit overlay to the FASB's conceptual framework. This Guide outlines specific guidelines for determining when it is appropriate to modify or simplify GAAP for private companies, focusing on factors such as relevance to users, cost-benefit considerations, and the differing needs of private company financial statement users compared with public companies. By using the Guide, the PCC can assess whether proposed changes will reduce complexity for private companies without sacrificing the quality or reliability of financial information. This helps ensure that the PCC fulfills its remit of advising the FASB on standards that improve private company reporting, while maintaining consistency with the broader goals of GAAP.

The area of feedback that received the most substantial amount of input revolved around the PCC's two primary responsibilities: advising the FASB and proposing private company alternatives to GAAP. On this point, some stakeholders expressed differing views on what defines an "effective" PCC in relation to these responsibilities.

For example, some stakeholders believe that the PCC's effectiveness lies in its advisory role. They believe that the PCC should limit instances of proposing different recognition and measurement guidance between private and public companies. The main issue for these stakeholders is the potential proliferation of private company exceptions and their impact on the relevance and usefulness of GAAP. They are concerned that such divergence could diminish the relevance and comparability of GAAP, making it harder for users to analyze financial statements across different types of entities. While they acknowledged that the current PCC and FASB seem mindful of this issue, they expressed concern that future changes in PCC membership could lead to more exceptions, undermining the cohesiveness of GAAP.

Conversely, other stakeholders believe that an effective PCC should allow for more differences in financial statement presentation and recognition requirements. These stakeholders feel that the PCC's responsibility in this area has been somewhat marginalized and that the Council should take a more proactive and substantial role in addressing and proposing possible alternatives that could simplify GAAP and reduce the burden on private companies while continuing to provide decision-useful information to financial statement users. These stakeholders believe that, without these alternatives, an environment will be created in which too many private companies will voluntarily elect to issue financial statements that are not in accordance with GAAP.

## Conclusion

In considering all the diverse stakeholder feedback related to this category, we determined that no changes should be made to the PCC's mission, remit, or structure. The feedback indicates that the PCC is needed, fulfilling its objectives, and positioned appropriately to continue to advise the FASB on financial reporting issues unique to private companies.

We appreciate the comments related to a periodic review of the Guide and refer to them in the final section of this report, where we recommend changes to future reviews of the PCC.

We also appreciate the differing viewpoints on what makes the PCC an "effective" body as it relates to its two primary responsibilities. In our assessment, these opposing stakeholder perspectives underscore the need for the PCC to retain both duties as part of its remit: advising the FASB and proposing alternatives where appropriate. We believe that both are essential to enabling the PCC to adeptly respond to an evolving financial reporting landscape and address the needs of private companies and users of private company financial statements now and in the future.

**Recommendation:** Maintain the PCC's current mission, remit, and structure.

# Communication, Outreach, and Engagement

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We assessed the effectiveness of the PCC as it relates to its communication with stakeholders, outreach activities, and engagement and interaction with the FASB. To solicit feedback in this category, we developed targeted and open-ended questions to help position the conversation on the PCC's effectiveness with our stakeholders.

## Overview

### Communication with Stakeholders

The PCC is responsible for ensuring that private company stakeholders are kept informed in a timely and transparent manner about the key aspects of its work, such as:

- ▶ The progress being made by the PCC on PCC projects.
- ▶ The FASB's consideration of the PCC's advice to the FASB on technical agenda projects and private company accounting alternatives.
- ▶ Forthcoming proposed and final Accounting Standards Updates (ASUs) on PCC projects and for which the PCC provided input.

The PCC currently shares this information through a variety of different channels:

- ▶ PCC town halls, liaison meetings, speeches, and webinars (alongside the FASB).
- ▶ FASB and PCC webpages.
- ▶ Social media announcements (LinkedIn, X, Facebook).
- ▶ Quarterly meeting recap videos from the PCC Chair.
- ▶ Emails targeted toward private company stakeholders.
- ▶ Press releases, articles, and interviews.

### Outreach Activities

The PCC and its members are encouraged to:

- ▶ Participate in outreach performed by the FASB with private company stakeholders.
- ▶ Develop their own informal networks to broaden the input provided to the PCC and FASB.
- ▶ Meet regularly with private company stakeholder organizations.
- ▶ Periodically attend meetings of individual state CPA societies.

The PCC revisits its outreach strategy annually at its spring meeting, and with a holistic view of its objectives and responsibilities, confirms which town hall and liaison meetings to conduct that year. The purpose of this overall outreach strategy is to:

- ▶ Create and maintain visibility for the work of the PCC.
- ▶ Solicit feedback from stakeholders on emerging issues that private companies are facing.
- ▶ Understand the needs of private company financial statement users.
- ▶ Keep private company stakeholders up to date on standard setting affecting private companies.
- ▶ Establish a mechanism for private company stakeholders to participate in the standard-setting process.

## Engagement and Interaction with the FASB

The PCC and FASB members (and staff) engage in regular communication on FASB projects for which the PCC is advising, with the purpose of:

- ▶ Keeping the PCC apprised of the FASB's progress on these projects in a timely manner.
- ▶ Keeping the FASB apprised of PCC views and supporting rationale on these projects.

There are several mechanisms in place to facilitate communications and collaboration between the PCC and FASB and ultimately foster an optimal level of engagement and interaction:

- ▶ FAF Board-appointed FASB Liaison to the PCC who regularly connects with the PCC Chair.
- ▶ Expected attendance and participation of FASB members at quarterly PCC meetings.
- ▶ Regular monthly updates between assigned FASB staff and PCC members.
- ▶ Cross-functional Technical Agenda Consultation Group to invite FASB input into a PCC-led process.



## Summary of Stakeholder Feedback

Based on our analysis of the feedback received, we identified the following themes and points:

- ▶ The PCC has sufficient access to and support from the FASB staff.
- ▶ The FASB Liaison to the PCC role is operating effectively.
- ▶ FASB members are actively engaged in and committed to private company reporting activities.
- ▶ The FASB has been appropriately responsive to the needs of private companies and recommendations from the PCC.
- ▶ The PCC could do more to increase stakeholder awareness and education around its role, interactions with the FASB and subsequent outcomes, and the value of its contributions and efforts.

Many respondents shared the view that the PCC should enhance its efforts to elevate its visibility as a resource to private company stakeholders and be more proactive in soliciting feedback on the key issues facing them. There is a perspective that the PCC could do more to disseminate information relevant to private company stakeholders as it relates to the progress and impact being made by the PCC and the FASB's consideration of private company alternatives.

In our research, we reviewed many comments and questions that extended from outreach activities (how and where input is collected from private companies) to the standard-setting process (how the PCC and FASB consider this input and how cost-benefit analysis informs those considerations) to the communication of outcomes to stakeholders (how the FASB responded to PCC recommendations and its rationale). On the last point, however, there were also some stakeholders who recognized and appreciated that the Basis for Conclusions section of proposed and final ASUs issued by the FASB do contain information on how the FASB considered both private company needs and any recommendations from the PCC.

The above perspective was correlated to some remarks challenging whether the level of engagement between the PCC and FASB is appropriate. There were some who felt that the PCC could be more proactive with the FASB in addressing possible alternatives that could reduce the burden on private companies and that the FASB could be more responsive to the reporting needs of private companies. These individuals believe that the PCC and FASB's level of engagement on the Leasing Standard served as a primary example of insufficient interaction and collaboration during its development that led to an unfavorable outcome for private company stakeholders notwithstanding the expedients and other improvements that were made directly from the input of private company stakeholders.

Conversely, there were some stakeholders who expressed positive sentiments on the FASB's interaction with the PCC, highlighting the FASB's thoughtful and deliberate consideration of the needs of private companies and recommendations communicated by the PCC as exemplified by the FASB granting private companies an implementation delay in adopting new standards. There were additional remarks acknowledging the PCC's strong leadership, engaged membership, committed FASB Liaison to the PCC, and dedicated staff and resources to support its mission and objectives. Lastly, there were favorable impressions shared on the Technical Agenda Consultation Group, mainly that it serves as an effective way to increase the connection between the PCC and FASB at the start of a potential project.

## Conclusion

In considering all the stakeholder feedback related to this category, we examined the diverse perspectives shared with us and determined that recommended enhancements were warranted to raise the visibility of the PCC's work. The apparent information gap between the PCC and its stakeholders naturally leads to questions around its communications strategy, outreach activities, and engagement with the FASB. Fortunately, and as we have learned as part of this review, the PCC and FASB have an established, close, and effective working relationship attuned to the needs of private company stakeholders and were already focused on the desirability of improved communications. Under the PCC Chair's leadership, the PCC has made progress on two major improvements that align with the feedback provided in this area. We agree with these initiatives and offer another targeted recommendation of our own.

**Recommendation:** Support the PCC’s new agenda prioritization process.

We support the PCC’s new agenda prioritization process initiated in early 2024 to enhance the methods by which the PCC considers feedback from private company stakeholders on the most pressing issues. We recommend that the PCC consider its communications strategy around this process as well as the optimal cadence to ensure that this work is occurring at regular and appropriate intervals going forward.

The purpose of the PCC’s agenda prioritization process is to ensure that the most pressing and relevant financial reporting issues are addressed efficiently and effectively. This process helps the PCC allocate FASB support resources to projects that will have the most significant impact on improving and simplifying GAAP for private company stakeholders, with a focus on enhancing the quality, clarity, and usefulness of the financial information provided. By carefully evaluating and prioritizing potential projects, the PCC ensures that it addresses emerging issues, stakeholder concerns, and changes in the economic landscape, while balancing the need to reduce unnecessary complexity in financial reporting. Ultimately, the agenda prioritization process ensures that the PCC remains responsive to the evolving needs of the financial reporting community, focusing on issues that enhance the decision-usefulness of financial statements.

At its April 18, 2024 meeting, for instance, PCC members discussed their agenda priorities and the factors that should be considered in their determination, and ultimately supported conducting preliminary research in the following areas: debt modifications and extinguishments, credit losses—short-term trade accounts receivable and contract assets, lease accounting simplifications such as practical expedients or accounting alternatives for private companies, and the presentation of conditional retainage and overbillings as contract assets and liabilities.

Overall, we believe that this initiative effectively responds to the feedback received on calls for the PCC to be more proactive with the FASB to address the concerns of private companies and users of private company financial statements, and we are pleased to endorse the ongoing work in this area.

**Recommendation:** Support the PCC’s creation of a PCC Annual Report.

We support the initiative to develop a PCC Annual Report to more effectively consolidate and disseminate information relevant to private company stakeholders regarding the progress, effort, and impact being made by the PCC.

This report will serve as a key communication tool for PCC stakeholders, offering transparency into how the PCC operated in the past year. It will present a comprehensive overview of the PCC’s progress on key projects and initiatives. The report will also highlight the PCC’s outreach activities, collaboration with stakeholders, and its role in improving the quality and relevance of private company financial reporting.

Overall, we believe that this report will successfully respond to the desire expressed by many respondents for more information on and connection to the PCC, particularly calls for the PCC to increase its visibility with stakeholders. The PCC Annual Report will specifically address the feedback we heard related to requests for more clarity around the following topics:

- ▶ The PCC’s outreach activities, such as town halls and liaison meetings, and a summarization and consideration of the feedback collected.
- ▶ The PCC’s agenda prioritization process and recommended areas of focus.
- ▶ The PCC’s engagement with the FASB, particularly how the PCC collaborated with the FASB on private company issues, what recommendations were made to the FASB, and what were the outcomes of those recommendations (whether they were accepted or not and the underlying rationale).

The PCC Annual Report will offer an optimal platform for the PCC to share information with its private company stakeholders in an easily accessible and publicly available format, which will enhance transparency and accountability around the PCC’s activities and achievements from one year to the next.

**Recommendation:** Enhance the PCC's communications strategy and webpages.

While extensive information concerning the PCC, its agenda, and its actions and recommendations is currently available to the public, many stakeholders may not be aware of how best to access that information. We recommend that the PCC continue to explore internally, with assistance from the FAF and FASB, how to synthesize information and disseminate it in ways and channels that are more readily accessible to stakeholders in the private company arena.

We specifically recommend that the PCC review its communications strategy and web content to identify opportunities to enhance engagement and information sharing with private company stakeholders. While we know that the PCC is already making valuable contributions and engaging effectively with the FASB, we believe that more can be done to package and highlight this work for public consumption.

On the first point, we recommend that the PCC continue to work with members of the FAF and FASB staff to review its current communications strategy and look for ways to more broadly and effectively connect with private company stakeholders. We acknowledge that the PCC appears to be pursuing a comprehensive approach to its communications strategy, leveraging a variety of different channels to promote its messaging, but encourage the Council to stay current and informed in this area.



On the second point, we recommend that the PCC continue to review its webpages to ensure that stakeholders can easily navigate to and access timely and transparent information on the PCC and its activities. The PCC, with internal support, should consider what content is expected by private company stakeholders from these webpages and how it could be enhanced or better organized to promote educational initiatives more prominently and address some of the questions we heard from stakeholders on how private company matters interact with the FASB's processes.

Overall, we believe that these recommendations—which are intentionally flexible in nature so as to permit the PCC and its support staff to adapt communications to current needs—align with the feedback we heard on raising the profile of the PCC and address the information gap driving much of this feedback. From the FAF's standpoint, the Council appears to be diligently working to address the needs of private company stakeholders. However, this review has shown that more needs to be done to keep the public engaged, educated, and informed when it comes to the PCC.

# Meeting Operations and Culture

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We assessed the effectiveness of the PCC as it relates to the PCC's meeting operations and culture.

## Overview

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### Operations

#### Meeting Frequency

The PCC is expected to meet four times a year, with additional meetings conducted as deemed necessary by the PCC Chair.

#### Meeting Format

Generally, meetings take place in person at the FASB's offices in Norwalk, Connecticut, with the option for members to participate virtually, subject to the determination of the PCC Chair.

#### Meeting Agenda

The agenda consultation process considers potential topics and helps develop an effective meeting agenda of an appropriate scope and length.

#### Meeting Quorum

Two-thirds of the sitting members of the PCC constitutes a quorum for the purposes of conducting deliberative meetings of the PCC.

#### Meeting Materials

The advance meeting materials are expected to be of high quality and provided to PCC members in a timely manner.

#### Meeting Observers

The PCC Chair, at his or her discretion, may invite nonvoting observers to participate in meetings of the PCC to provide relevant input or expertise to the discussion of particular issues.

#### Meeting Announcements

The time, date, and location of each PCC meeting, the agenda for the meeting, and the extent (if any) to which the meeting is to be closed to public observation, are publicly announced on the PCC section of the FASB website.

#### Closed Meetings

Meetings of an educational (non-deliberative) or administrative nature may be held in closed session and may exclude FASB members if deemed appropriate by the PCC Chair.

#### Working Groups

Members are expected to participate in working groups as requested by the PCC Chair.

#### Public Meetings

All deliberative meetings of the PCC are open to the public.

### Culture

#### Chair Leadership

The PCC Chair is expected to effectively plan and lead PCC meetings to a timely conclusion and to promote a culture of inclusivity and respect, adeptly guiding discussions to ensure all viewpoints are expressed and considered.

#### Active Participation

Meeting participants are expected to commit the time to review related background material prior to meetings and actively participate in discussions.

#### Collegial Environment

Meeting participants are expected to demonstrate the ability to work collegially, with the capacity to clearly articulate their own individual views and to understand, analyze, and respect conflicting positions.

## Summary of Stakeholder Feedback

Based on our analysis of the feedback received, we identified the following themes and points:

- ▶ The frequency, format, and length of PCC meetings are appropriate.
- ▶ The PCC agenda is developed through an effective process.
- ▶ The advance materials for PCC meetings are of a high quality and circulated in a timely manner.
- ▶ The PCC Chair excels in facilitating PCC meetings and establishing a collegial atmosphere.
- ▶ Working groups are useful and have been leveraged effectively.
- ▶ The PCC and FASB members regularly attend and are actively engaged during PCC meetings.
- ▶ The PCC and its meeting participants foster a positive and effective meeting culture.

Overall, many respondents expressed confidence that the PCC operates with a well-structured and highly effective approach in carrying out its responsibilities. The frequency, format, and length of PCC meetings are appropriate, allowing for full and focused discussions without placing an undue burden on members' time.



The development of the PCC agenda is also seen as a strength, as it is formulated through a collaborative and efficient process. This ensures that all key topics relevant to private company financial reporting are addressed, with no issues overlooked. Additionally, the advance materials provided ahead of meetings are high quality and circulated in a timely manner. This enables members to thoroughly review the information beforehand and come to meetings fully prepared, which significantly enhance the depth and quality of the discussions that take place.

The PCC Chair role is widely regarded as highly effective, empowering the individual serving as Chair to guide the flow of meetings and maintain a collegial and productive atmosphere. By fostering an environment of open and candid dialogue, the PCC Chair ensures that all members feel comfortable expressing their views, facilitating an inclusive decision-making process. Furthermore, the use of working groups has proven to be an important mechanism in the PCC's operations. These groups help to reduce the burden on the PCC by tackling specific issues in more detail and reporting back to the Council, ensuring that the meetings are more efficient, well-informed, and focused on critical matters.

Another key strength of the PCC is the active engagement of both PCC members and FASB members. Their regular attendance and involvement in the PCC meetings contribute significantly to the strength and value of the discussions, as their input is crucial in addressing the diversity and complexity of private company financial reporting issues. The commitment of these members ensures that the deliberations are well-rounded and comprehensive.

Notably, the PCC is praised for creating an inclusive environment where all members' views are heard and actively considered. This open approach allows for diverse perspectives to be shared, fostering a culture where members feel empowered to articulate their own individual views while also being receptive to differing opinions. This balance of dialogue and respect enhances the decision-making process and ensures that the PCC considers all viewpoints before reaching any conclusions.

Lastly, respondents noted a strong sense of accountability and ownership exhibited by PCC members. This dedication to their roles ensures that each member is fully committed to the success of the PCC's efforts, actively contributing to discussions and taking responsibility for the outcomes. This level of personal accountability strengthens the overall effectiveness and impact of the PCC, allowing it to fulfill its remit of addressing private company financial reporting issues in a way that is both thoughtful and practical.

## Conclusion

While we did not hear any major concerns expressed in this category, we considered these elements to be critical to the effectiveness of the PCC and probed into them thoroughly.

In considering all the stakeholder feedback related to this category, we determined that no changes should be made to the PCC's meeting operations and culture. The perspectives provided indicate that meetings are operating effectively, starting with a thoughtful agenda consultation process all the way through to the level of attendance and participation of its meeting participants, and embody the right culture to facilitate meaningful discussions.

**Recommendation:** Maintain the PCC's current meeting operations and culture.



# Size, Composition, and Recruitment

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We assessed the effectiveness of the PCC as it relates to its size and composition and its ability to recruit quality candidates, all of whom are ultimately appointed by the FAF Board.

## Overview



### Size

The PCC comprises 9 to 12 members, including the Chair.



### Composition

The PCC seeks an appropriate balance of skillsets and backgrounds, appointing individuals with experience in using, preparing, and auditing (including compiling and reviewing) private company financial statements.



### Member Term

A PCC member can serve a maximum of two three-year terms.



### Chair Term

The PCC Chair can serve a maximum of eight years in aggregate, with the length of each term determined by the FAF Trustees in consideration of the objectives and needs of the PCC at the time.



### Onboarding

The new member orientation aims to be organized and delivered in a way that effectively onboards new PCC members.



### Qualities

The PCC seeks members who demonstrate the following competencies and traits:

- ▶ A keen interest in and knowledge of financial accounting and reporting matters.
- ▶ Experience working with private companies.
- ▶ A commitment to improving financial reporting for users of private company financial statements.



### Recruitment

The PCC strives to promote a recruitment process that takes into account the following aspects of the PCC role:

- ▶ Volunteer capacity (reimbursed for expenses related to PCC activities).
- ▶ Perceived prestige.
- ▶ Reasonable time commitment.

## Summary of Stakeholder Feedback

Based on our analysis of the feedback received, we identified the following themes and points:

- ▶ The PCC size of 9 to 12 members is appropriate.
- ▶ Term lengths for the PCC Chair and members are appropriate.
- ▶ The onboarding program for new PCC members is effective.
- ▶ More information on the PCC recruitment process should be easily accessible.
- ▶ PCC composition is a complex topic with a wide range of perspectives.

Many stakeholders agreed that the current size of the PCC is appropriate and gives the Council sufficient flexibility to have the right balance of skillsets and backgrounds. There were some suggestions to expand the Council by two to four members to allow for the inclusion of more diverse perspectives from smaller companies and different industries. These individuals felt that expanding the size of the PCC could offer a broader range of viewpoints to facilitate more effective decision making and potentially enhance the PCC's outreach capabilities.

Many stakeholders also agreed that the term lengths for both the PCC Chair and members are appropriate and are staggered in such a way to allow for a balance between continuity (i.e., institutional knowledge) and fresh perspectives and to encourage members to remain engaged and motivated. There were a few suggestions related to shortening the term of the PCC Chair to six years to align it with the term length of members and a suggestion to introduce a mandatory break in service before reappointments, both with the aim of bringing in new perspectives.

Many stakeholders commented that the PCC appears to successfully attract new members but felt there might be ways to further expand the candidate pool and better promote awareness of the current recruitment process. There was also a shared perspective that being a PCC member is a prestigious and sought-after role with a reasonable time commitment and that it should remain a volunteer position. There were a few suggestions to potentially compensate the PCC Chair and/or members, but some stakeholders indicated that this would not enhance recruitment efforts and may lead to adverse incentives for serving on the PCC.



On a related point, many stakeholders expressed support for the current program to onboard new PCC members, stating that it is well-designed to quickly integrate new members into the PCC's culture, mission, and responsibilities while equipping them with the knowledge and tools needed to contribute effectively as soon as possible. The feedback also indicated that the FASB staff support in this area is sufficient.

The area of feedback that received the most input and interest revolved around the PCC's composition, revealing that stakeholders deem this a critical aspect of the PCC's effectiveness. From firm size to industry backgrounds, there were a wide range of viewpoints and recommendations provided. Most stakeholders took the opportunity to express perspectives on what they believe to be the optimal balance of experience and qualities to ensure that the PCC achieves its mission of ensuring that the financial reporting needs of private companies and their stakeholders are adequately addressed.

While there was a great diversity of thought on composition, many respondents agreed that since private companies vary widely in terms of size, industry, and ownership structure, it is essential that the PCC's composition reflects this diversity to enable the Council to consider a broad range of perspectives and challenges unique to private companies and their stakeholders. In general, the feedback indicated support for regularly reassessing the PCC's composition to align with the evolving needs of private companies and their stakeholders.

## Conclusion

In considering all the stakeholder feedback related to this category, we agree with the majority of stakeholders that the PCC should continue to evaluate and discuss its composition. We recognize that the PCC's composition is vital to maintaining credibility in the standard-setting process. A council that is perceived as representative and balanced is more likely to garner trust from the private company community and financial statement users.

In 2024, alongside this review, the PCC, FASB, and FAF staff, in collaboration with the Appointments Committee of the FAF Board, established a working group to conduct an assessment of the PCC's recruitment process and identified ways to enhance its effectiveness in attracting new members and communicating its composition needs to stakeholders. The working group focused on addressing the challenges of PCC recruitment and prioritized opportunities to reach a broader pool of candidates and streamline the overall process. We believe that the outcome of this evaluation—which includes the creation of an informal PCC recruiting subcommittee to source, identify, and recommend candidates for open PCC member positions—will improve efficiency for both the organization and candidates, ensure that stakeholder input is integrated throughout, and guarantee that all candidates are thoroughly vetted.

We support the outcomes of this working group and commend the PCC, FASB, and FAF staff members' efforts to expand the candidate pool, streamline internal recruitment processes, and embed a culture and practice of continuous improvement through this new subcommittee.

In addition to the working group's changes and in light of the substantial amount of feedback we received on composition, we offer an additional recommendation to further enhance the PCC's ability to engage in a transparent and ongoing dialogue with private company stakeholders on this point.

**Recommendation:** Establish an evergreen call for PCC nominations on the PCC website.

With the understanding that there will likely always be a diversity of opinion when it comes to the composition of the PCC, we recommend establishing an evergreen call for PCC nominations on the PCC website, allowing for year-round candidate submissions. We believe that this mechanism will serve as a key communications tool with private company stakeholders, especially as part of the PCC's ongoing outreach activities and initiatives.

These webpages, at a high level, should provide stakeholders with information on the PCC recruitment strategy, explaining that the objective is to ensure that the PCC composition accurately reflects the private company landscape and offering insight into what a potential PCC member might look like in terms of industry background, years of experience, and desirable soft skills among other characteristics. Additionally, the webpages should outline key details, such as term length, anticipated time commitment, the volunteer nature of the role (with related expenses covered), and the interview and approval process and general timing to set clear expectations at the outset. Finally, these webpages should host a nomination form or some other method by which stakeholders can easily feed names into the PCC talent pipeline for future consideration.

We greatly value the significant feedback received on the composition of the PCC and believe that an evergreen call for nominations will serve as an ongoing and effective mechanism for capturing the diverse viewpoints of our stakeholders. Starting in 2025, we look forward to continuing this dialogue with you and inviting you to submit your candidate recommendations via the PCC website.

## Concluding Thoughts and Future Reviews

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In conclusion, we want to once again express our gratitude to all the stakeholders who offered their perspectives as part of the 2023-2024 Review of the PCC. We commend all who provided feedback for taking the time to share their thoughts on the effectiveness of the PCC with the aim of ensuring that the unique financial reporting needs of private companies and their stakeholders are addressed while maintaining the integrity and comparability of financial statements within the U.S. accounting framework.

Overall, the internal stakeholder survey, virtual meetings, and public comment letters have provided many positive perspectives on the PCC, with some areas identified for improvement—namely around the themes of increasing the visibility of the PCC and of further engaging with stakeholders on the composition of the PCC. Here is a high-level overview of our recommendations:

- ▶ Maintain the PCC's current mission, remit, and structure.
- ▶ Support the PCC's new agenda prioritization process.
- ▶ Support the PCC's creation of a PCC Annual Report.
- ▶ Enhance the PCC's communications.
- ▶ Maintain the PCC's current meeting operations and culture.
- ▶ Establish an evergreen call for PCC nominations on the PCC website.

We also wanted to underscore the effective collaboration between the PCC and the FASB as well as their respective dedication to continuous learning and improvement and their level of responsiveness to private company stakeholders. As previously stated, the PCC and FASB members were already attuned to much of the stakeholder feedback found in this report and proactively engaging in identifying and implementing enhancements alongside this review.

Furthermore, in consideration of all the input received and in light of the FAF Board's continued oversight of the PCC, we would like to close this report with one final recommendation: to mark this report as the last review led by the FAF Board and to have the FASB lead all future reviews assessing the effectiveness of the PCC, following its well-established process for all other entities supporting its standard-setting work.

**Recommendation:** Subject to the continued oversight by the FAF Board of Trustees, the FASB, in conjunction with the PCC Chair, should lead all future reviews assessing the effectiveness of the PCC.

The FAF Trustees agree that the PCC has proven itself over the past 12 years to be an established and effective body and believe that it can transition the review of assessing the effectiveness of the PCC from being led by the FAF to being led by the FASB, the results of which will be subject to FAF Trustee oversight. The FASB-led review of the PCC will align with how the FASB currently evaluates its other advisory groups.

We understand the ongoing significance of these assessments of the PCC to ensure effectiveness and accountability, to identify areas for improvement, to maintain transparency and trust, to adapt to changing needs, to improve governance and decision making, and to maintain a balanced and diverse membership. We have therefore incorporated the following elements around future reviews of the PCC into the PCC Operating Procedures to codify them as a standing practice.

- ▶ The FASB Chair or the PCC Chair can conduct assessments of the PCC as often as deemed appropriate.
- ▶ The assessment of the PCC shall be conducted in collaboration with the FASB Chair or PCC Chair, FASB Liaison to the PCC, and FAF Trustee Liaison to the PCC, consistent with the frequency and process previously established for evaluating its other advisory groups or more often as deemed appropriate.
- ▶ The results of an assessment of the PCC, whether conducted by the PCC Chair or FASB Chair, will be shared with the FAF Standard-Setting Process Oversight Committee.

These assessments will continue to evaluate the PCC's roles and responsibilities, governing structure and documents, including any necessary changes to the PCC Operating Procedures and/or the Guide, PCC and FASB member engagement, composition, recruitment, communications strategy, and outreach activities among other matters related to the PCC's effectiveness.

For complete clarity, we highlight below the existing and new governance practices in place to support the FAF Board's oversight of the PCC, ensuring that it remains accountable to its mission and responsibilities.

### **FAF Board Meetings**

- ▶ Annual report from the PCC Chair.

### **FAF Appointment Committee Meetings**

- ▶ PCC recruiting subcommittee composed of the FAF Trustee Liaison to the PCC, FASB Liaison to the PCC, and PCC Chair to identify, interview, and recommend finalists.

### **FAF Oversight Committee Meetings**

- ▶ Quarterly report from the FAF Trustee Liaison to the PCC.
- ▶ Quarterly report from the FASB Liaison to the PCC.
- ▶ Quarterly meeting observations from any other FAF Trustees who attended a PCC meeting.
- ▶ Annual report from the PCC Chair (will include the results of any periodic reviews of the PCC).
- ▶ Periodic reporting from the FASB and PCC Chairs on the results of the review assessing the effectiveness of the PCC.

In closing, we want to express our ongoing commitment to and support for an effectively operating PCC and its continued success. The PCC is vital for addressing the unique financial reporting needs of private companies, ensuring that GAAP is both relevant and practical for these entities while still providing decision-useful information to financial statement users.

Thank you for reading the 2023-2024 review of PCC, and we encourage all stakeholders to remain engaged with the important mission and objectives of the PCC going forward.



## Appendix: A Brief History

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We wanted to provide our readers with some helpful context related to the history of the PCC and the last review of the PCC conducted in 2015. For a more detailed overview of the PCC's history leading up to its establishment in 2012, you can [click here](#) and navigate to page 6 of this report.

### 2006

FASB creates the Private Company Financial Reporting Committee (PCFRC) to further improve its ability to incorporate the views of private company constituents in its standard-setting process.

### 2009

FAF Board undertakes a nationwide “listening tour” and learns that many constituents continue to express concerns about the cost and complexity of standards for nonpublic entities and with the results of the collaboration between the FASB and the PCFRC.

### 2011

In response to the panel's recommendations, the FAF forms a working group, composed of some Trustees and senior FAF staff members, to solicit and examine extensive feedback from a broad array of stakeholders and to review the FASB's current process for considering the concerns of private companies and not-for-profit organizations.

### 2011

As a result of the working group's outreach efforts and the panel's report, the FAF issues its [Plan to Establish the Private Company Standards Improvement Council](#) (PCSIC), which outlines the role of this new entity (to improve the standard-setting process for private companies) as well as the process for obtaining stakeholder feedback on this proposal before it's finalized.

### 2012

In consideration of all the feedback, the FAF Board approves the establishment of the PCC, a new body to replace the PCFRC, to be overseen by the Trustees, and to serve with the purpose of improving the process of setting accounting standards for private companies.

### 2008

FAF creates the Standard-Setting Process Oversight Committee to conduct ongoing oversight and evaluation of the adequacy, transparency, independence, and efficiency of the standard-setting processes employed by the FASB and GASB in establishing and improving financial accounting and reporting standards.

### 2009

In response to the “listening tour” feedback, the Trustees collaborate with the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA) to form the Blue-Ribbon Panel (the “panel”) on Standard Setting for Private Companies to address how accounting standards can best meet the needs of users of U.S. private company financial statements.

### 2011

The panel's efforts culminate in a [final report](#) issued in January 2011 with some recommendations, mainly that the FAF Board create a new, separate, and authoritative standard-setting board that will be under the oversight of the Trustees and establish exceptions or modifications to U.S. GAAP for private companies. During this time, the FASB also takes independent steps to improve the standard-setting process for private companies.

### 2012

FAF reviews the feedback on its plan to create the PCSIC as contained in the 7,367 comment letters received and from the 4 public roundtables conducted.

### 2015

As outlined in the 2012 report establishing the PCC, the FAF Board conducts an overall assessment of the PCC to determine whether its mission is being met and whether further changes to the standard-setting process for private companies are warranted. The resulting [final report](#) finds that a majority of stakeholders agree that the PCC has been successful in addressing the needs of users of private company financial statements. In response to stakeholder input, the FAF Board makes targeted improvements to enhance the PCC's effectiveness without significantly changing the PCC's roles and responsibilities.