

FORV/S

Quarterly Perspectives: Financial Reporting & Beyond / Q4 2022

January 12, 2023

Meet the Presenters from the FORVIS A&A Professional Standards Group



Greg Faucette
Partner
National Financial Reporting



John Griffin
Partner
National Financial Reporting



Melissa Frank

Managing Director

Professional Standards Group





WEBINAR





What Has Caught Our Eye

- Current economic environment effects actually being observed in conversations
- SEC's new incentive-based compensation clawback rule
- Increased interest in hedging in rising interest rate environment





WEBINAR





Current ESG Reporting

- What is required now?
 - 2010 Climate Change Interpretive Release
 - "Dear Issuer" Letter September 2021
 - 2022 SEC Comment Letter trends climate change disclosures make the top 10 list!
- Looking forward
 - SEC Proposal Enhancements and Standardization of Climate-Related Disclosures for Investors

Why should private companies care???

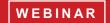




ESG Reporting Alphabet Soup

- Global Reporting Initiative (GRI)
- CDP
- Climate Disclosure Standards Board (CDSB)
- Sustainability Accounting Standards Board (SASB)
- United Nations Sustainable Development Goals
- Task Force on Climate-Related Financial Disclosures (TCFD)
- International Sustainability Standards Board (ISSB)





ASC 326 - CECL

Effective date

- Effective now for all entities beginning January 1, 2023
- An entity shall apply the application of this standard upon adoption as a cumulative-effect adjustment to the opening retained earnings as of the beginning of the first reporting period in which the standard is effective
- If the entity issues interim financial statements, then the disclosures discussed shall be provided in each interim financial statement of the year of change and the annual financial statement of the period of the change





Assets Addressed by CECL

What is in?

- Financing receivables
- Held-to-maturity debt securities
- Receivables that result from revenue transactions
- Reinsurance receivables (ASC 944)
- Net investments in leases by lessor (ASC 842)
- Off-balance-sheet credit exposures not accounted for as insurance





Impact of CECL

- Impact has been mostly felt by financial institutions and other companies with lending portfolios
- Although we have seen some varied results the following trends were present:
 - Most entities had an overall increase in the allowance for credit losses (ACL)
 - Entities with large amounts of acquired loans were more likely to have large increases
 - Many indicators suggesting that the duration of a portfolio has a significant influence on increases or decreases
 - Unfunded commitments ACL increases had a significant effect for many entities
 - Debt securities impact was very minimal thus far





Forecasts Used in CECL

Economic variables being considered vary; however, the following have been most commonly used:

- State/National Unemployment
- State/National GDP
- Real Estate Price Indices (e.g., House Price Index (HPI) and Commercial Property Price Index (CPPI))
- Interest Rates





2022 AICPA & CIMA Conference on Current SEC and PCAOB Developments

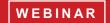
SEC staff high-level themes and topics

- High quality financial reporting
- Focus on information investors need/want transparency
- Ethics in the profession
- Specific topics
 - Macro-economic environment
 - Crypto
 - ESG



Conversations You Should Be Having

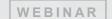




Are We There Yet?

- Most forecasts indicate at least a mild recession for 2023
- With downturns come accounting questions or at least areas to keep an eye on:
 - Consideration of fair value
 - Goodwill valuation and impairment
 - Going concern determinations
 - Collectability of receivables or adequacy of allowances (e.g., how are appraisals holding up?)
 - Inventory valuation and impairment
 - Financial statement disclosures around risk and uncertainties
 - Heightened opportunities for fraud



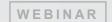


FASB's Agenda (Selected Projects)

Projects in initial deliberations

- Accounting for and Disclosure of Crypto Assets
- Accounting for and Disclosure of Software Costs
- Accounting for Environmental Credit Programs
- Accounting for Credit Losses in Acquired Financial Assets
- Disaggregation of Income Statement Expenses
- Scope Application of Profits Interests Awards (drafting ED)
- Improvements to Income Tax Disclosures (drafting ED)





FASB's Agenda (Selected Projects) (Con't)

- Projects in redeliberation
 - Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method
 - Joint Venture Formations
 - Interim Reporting Narrow-Scope Improvements
 - Segment Reporting
- Projects in exposure
 - Leasing Common Control Arrangements



Selected FORsights

forvis.com/forsights

FORsights - Tax & Advisory Articles, Resources, Podcasts, Webinars, & News

Our award-winning thought leadership program focused on articles, webinars, podcasts, and videos aimed at helping our clients navigate the financial landscape. FORsights spans across key topics in assurance, tax, and advisory that reflects our industry intelligence, technical knowledge, and our forward vision to keep clients informed and on top of issues that affect them.

- 4Q 2022 ESG Regulation & Financial
 Statement Updates
- Changes Coming to Joint Venture Accounting?
- SEC Finalizes Executive Pay Clawback Rules
- FASB Proposal Addresses Related-Party Lease Issue
- Register Now: Quarterly
 Perspectives: Financial Reporting & Beyond / Q1 2023!

Thank you!

Please join us again on Thursdays at 11AM (Eastern) for the 2023 Quarterly Perspective webinar series!

April 20, 2023 July 20, 2023 October 19, 2023 January 11, 2024

forvis.com

The information set forth in this presentation contains the analysis and conclusions of the author(s) based upon his/her/their research and analysis of industry information and legal authorities. Such analysis and conclusions should not be deemed opinions or conclusions by FORVIS or the author(s) as to any individual situation as situations are fact specific. The reader should perform its own analysis and form its own conclusions regarding any specific situation. Further, the author(s) conclusions may be revised without notice with or without changes in industry information and legal authorities. FORVIS has been registered in the U.S. Patent and Trademark Office, which registration is pending.

