PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

2023 Annual Report

CONTENTS

MESSAGE FROM THE CHAIR

I am pleased to present this report, which summarizes the PCAOB's operations and financial results for the fiscal year ended December 31, 2023.

Just over two years ago, the PCAOB renewed our commitment to protecting investors, and that mission continues to drive everything we do. During 2022, we developed a new strategic plan which outlined four key goals: modernizing our standards, enhancing our inspections, strengthening our enforcement, and improving our organizational effectiveness. Our hardworking PCAOB staff continued to make significant progress on these goals throughout 2023.

To continue modernizing PCAOB standards and rules, the Board in 2023 took more formal actions on standard setting and rulemaking than any year since 2013. We adopted a new standard and issued standard-setting proposals in three key areas where our standards had not been significantly updated in at least a decade. We created a new rulemaking agenda with projects focused on enhancing transparency and enforcement of PCAOB rules and standards – and issued a proposal for one of those projects.

To continue enhancing our inspections, we made it clear to auditors that the trend of rising audit deficiencies observed by our inspectors was completely unacceptable. To help auditors improve, we provided a wealth of insights on good auditing practices, PCAOB priorities, and reminders for auditors in staff publications issued throughout the year. We also revamped our inspection reports to provide more transparency – including a new section on auditor independence – and unveiled a set of online tools to help investors, audit committee members, and others better access and understand data from PCAOB inspection reports.

To continue strengthening our enforcement, we imposed – for the second year running – the largest one-year total of civil monetary penalties levied by the PCAOB in its history. We notched several enforcement firsts, including requiring the first-ever changes to a firm's supervisory structure, imposing the PCAOB's largest fine ever on an audit firm that is not a member of a global network, and imposing the PCAOB's first-ever sanctions related to a firm's membership in an accounting alliance. We also imposed sanctions on mainland Chinese and Hong Kong firms for the first time since the PCAOB in 2022 secured historic access to inspect and investigate firms headquartered in mainland China and Hong Kong.

To continue improving our organizational effectiveness, we enhanced our stakeholder engagement with new initiatives, including the launch of the PCAOB's Office of the Investor Advocate. We also kept our focus on making the PCAOB a place where our talented, diverse staff feels appreciated, inspired, and empowered to do their jobs to the best of their abilities.

We continue building on these accomplishments in 2024. Our agenda is ambitious, and it is also narrowly focused on our core mandate: to protect investors in U.S. markets and further the public interest in the preparation of informative, accurate, and independent audit reports.

I look forward to working with my fellow Board Members and our talented staff as we work to protect investors and drive audit quality forward in service of our mission.

Respectfully,

Erica Y. Williams
Chair
Public Company Accounting Oversight Board
Washington, DC, March 28, 2024

Left to right: Board Member Christina Ho; Board Member George R. Botic; Chair Erica Y. Williams; Board Member Anthony C. Thompson; Board Member Kara M. Stein

ABOUT THE PCAOB

The Public Company Accounting Oversight Board (PCAOB or "the Board") is a nonprofit corporation established by Congress to oversee the audits of public companies. The PCAOB also oversees the audits of certain brokers and dealers registered with the U.S. Securities and Exchange Commission (SEC).

The five members of the Board are appointed to staggered five-year terms by the SEC, after consultation with the Chair of the Board of Governors of the Federal Reserve System and the Secretary of the Treasury. The SEC has oversight authority over the PCAOB, including the approval of the Board's rules, standards, and budget.

Mission

The PCAOB oversees the audits of public companies and SEC-registered brokers and dealers in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

Strategic Goals

The PCAOB's 2022-2026 strategic plan sets out four strategic goals that guide the organization's efforts to achieve its mission of protecting investors.

Goal 1
Modernize Standards

Goal 2
Enhance Inspections

Goal 3
Strengthen Enforcement

Goal 4
Improve Organizational Effectiveness

2023 AT A GLANCE

Putting Investors First in Everything We Do

Our Standards and Rules

To protect investors, the Board in 2023 took **more formal actions on standard setting and rulemaking than any year since 2013**, including adopting one new standard and issuing three standard-setting proposals and one rulemaking proposal. All but two of the standards addressed by these projects were **standards that had not been significantly updated in 20 years**. The other two had not been significantly updated in more than 10 years.

Our Inspections

We inspected 227 audit firms, reviewing nearly 900 audit engagements in 37 jurisdictions around the world to keep investors protected. In addition to **enhancing our inspection reports with a new section on auditor independence** and a range of other improvements to make the reports more transparent, we gave investors and others **new tools to analyze and compare more than 3,800 inspection reports** on the PCAOB website. We released **the first-ever inspection report for a firm headquartered in mainland China**, as well as the first inspection report for a firm headquartered in Hong Kong since gaining full access to audit workpapers in mainland China and Hong Kong in 2022.

Our Enforcement

To protect investors and drive deterrence, we imposed over **$20 million in civil monetary penalties in 2023, the largest amount of penalties in one year** that the PCAOB has ever imposed. Sanctions in 2023 included **historic enforcement actions against China-based firms**.

Our Engagement

We created **the Office of the Investor Advocate** to help incorporate investors' perspectives in the PCAOB regulatory agenda and enhance the PCAOB's engagement with investors and investor advocates. We hosted **21 events to engage with key stakeholders**, including conferences, webinars, and meetings of our advisory and working groups. We also held **conversations with more than 200 audit committee chairs**.

Our People

Our over **900 employees work to protect investors every day**. In an internal 2023 survey, **84% of staff said they would recommend the PCAOB "as a great place to work"** – up from 55% a year prior.

STRATEGIC GOALS AND 2023 ACCOMPLISHMENTS

Goal One: Modernize Standards

Effective standards advance audit quality and are foundational to the PCAOB's execution of its mission to protect investors. Our standards provide requirements for auditors and serve as the basis for our inspection and enforcement activities.

In 2022, the Board set one of the most ambitious standard-setting agendas in PCAOB history, aiming to modernize dozens of PCAOB standards that had not changed significantly since their adoption on what was intended to be an interim basis in 2003.

In 2023, the PCAOB continued this modernization drive and launched a new rulemaking agenda, taking more formal actions on standard setting and rulemaking than any year since 2013.

This section presents key results of the PCAOB's standard-setting and rulemaking activities in 2023.

- **Adopting a new standard modernizing requirements for auditors' use of confirmation:** In September 2023, the PCAOB adopted a new standard to strengthen and modernize the requirements for the auditor's use of confirmation – the process that involves verifying information about one or more financial statement assertions with a third party. The new standard reflects changes in technology, communications, and business practices since the interim standard was first adopted by the PCAOB in 2003 after being issued by the American Institute of Certified Public Accountants' (AICPA) Auditing Standards Board in 1991. The updated standard will better protect investors by strengthening procedures that enhance an auditor's ability to identify fraud in certain circumstances and improving overall audit quality.

- **Proposing modernization of standards addressing core auditing principles and responsibilities:** The PCAOB in March 2023 proposed a new standard, AS 1000, *General Responsibilities of the Auditor in Conducting an Audit*. If adopted, AS 1000 would reorganize and consolidate a group of standards that were adopted on an interim basis by the PCAOB in 2003 and that address the core principles and responsibilities of the auditor, such as reasonable assurance, professional judgment, due professional care, and professional skepticism. The proposal would also amend certain other standards that address responsibilities fundamental to the conduct of an audit.

- **Proposing amendments related to the auditor's responsibility for considering a company's noncompliance with laws and regulations:** In June 2023, the PCAOB issued a proposal that would amend PCAOB auditing standards related to the auditor's responsibility for considering a company's noncompliance with laws and regulations, including fraud. If adopted, the proposal would strengthen auditor requirements to identify, evaluate, and communicate information regarding possible or actual noncompliance with laws and regulations. The current standard on illegal acts was adopted by the PCAOB in 2003 based on a standard issued by the AIPCA's Auditing Standards Board in 1988.

- **Proposing to bring greater clarity to certain auditor responsibilities when using technology-assisted analysis:** Also in June 2023, the PCAOB issued a proposal designed to improve audit quality and enhance investor protection by addressing aspects of designing and performing audit procedures that involve technology-assisted analysis of information in electronic form. The proposal includes changes to update aspects of standards that have not been substantially changed since 2010.

- **Proposing to strengthen accountability for contributing to firm violations:** In September 2023, the PCAOB issued a rulemaking proposal to amend PCAOB Rule 3502, *Responsibility Not to Knowingly or Recklessly Contribute to Violations*. The rule, originally adopted in 2005, governs the liability of associated persons who contribute to registered public accounting firms' violations of the laws, rules, and standards that the PCAOB enforces. To better protect investors, the proposal included two key changes: (1) strengthening accountability for those who put investors at risk by updating the threshold for liability and (2) clarifying the relationship between the contributory actor and the primary violator.

Modernizing PCAOB Standards and Rules

When the PCAOB was getting off the ground in 2003, it adopted existing standards that had been set by the auditing profession on what was intended to be an interim basis. Two decades later, many of these standards had not been significantly updated.

As of December 31, 2023, these were the PCAOB's active standard-setting, research, and rulemaking projects. Track and learn more about these projects **on the PCAOB website**. See page 15 for more on the PCAOB's advisory groups, which in 2023 provided perspective on our standard-setting, research, and rulemaking agendas.

Short-Term Standard-Setting Projects

- Quality Control
- Noncompliance with Laws and Regulations
- General Responsibilities of the Auditor in Conducting an Audit
- Amendments Related to Aspects of Designing and Performing Audit Procedures That Involve Technology-Assisted Analysis of Information in Electronic Form
- Attestation Standards Update
- Going Concern
- Firm and Engagement Performance Metrics
- Substantive Analytical Procedures

Mid-Term Standard-Setting Projects

- Fraud
- Interim Ethics and Independence Standards
- Use of a Service Organization
- Interim Financial Information Reviews
- Inventory
- Interim Standards

Research Projects

- Data and Technology
- Communication of Critical Audit Matters

Rulemaking Projects

- Contributory Liability
- Follow-on Disciplinary Proceedings
- Firm Reporting & Transparency
- Registration

Goal Two: Enhance Inspections

Inspecting registered public accounting firms is one of the most important tools the PCAOB uses to protect investors. Each year, our Division of Registration and Inspections inspects hundreds of audits in more than 30 jurisdictions around the world.

PCAOB inspections determine whether firms are complying with PCAOB standards meant to protect investors. The inspection process is the PCAOB's principal means of evaluating the state of audit quality to best keep investors protected. Inspectors' work can also provide information that may lead to PCAOB investigations and enforcement actions, as well as standard setting. The PCAOB's inspection reports provide valuable information to investors, audit committees, and others to help inform their decisions.

In 2023, the PCAOB stayed responsive and proactive to advance its strategic goal of enhancing its inspections. This section presents inspection-related highlights for the year.

- **Calling for audit firms to reverse an unacceptable rise in audit deficiencies:** In July 2023, the PCAOB released a staff report presenting aggregate observations from the PCAOB's inspections of certain public company audits conducted by 157 audit firms in 2022. The report discussed the staff's estimate that approximately 40% of the audits reviewed in 2022 would have one or more deficiencies that will be included in Part I.A of the individual audit firm's inspection report, up from 34% in 2021 and 29% in 2020. "These findings are absolutely unacceptable, and audit firms must make changes to turn things around and live up to their responsibility to investors," said Chair Williams.

- **Staying up to date with evolving audit risks:** Given the importance of addressing recent trends in audit deficiencies, PCAOB inspectors continued to adjust their efforts based on new and emerging risks. A staff report released in April 2023 outlined priorities for 2023 inspections, including plans to increase the focus on fraud-related audit procedures, to continue prioritizing risks related to material digital assets, and to continue selecting audits in the financial

Sharing More Inspection Information Than Ever

The PCAOB took several steps in 2023 to make publicly available more inspection information that is relevant, reliable, and useful for investors and other stakeholders.

Enhanced Inspection Reports With Information on Independence and More

In May 2023, the PCAOB **announced it had enhanced its inspection reports** with a new section on auditor independence and a range of other improvements, including more information related to fraud procedures and the identification and assessment of the risks of material misstatements, additional commentary in Part I.A for certain situations, and new charts for annually inspected firms to clearly show firm and engagement partner tenure.

Enhanced Tools To Find and Compare Inspection Information

The PCAOB in July 2023 **unveiled an array of website transparency enhancements** that allow stakeholders to better access and understand data from PCAOB inspection reports. Six new search filters, including Part I.A deficiency rate, went live on the PCAOB's **Firm Inspection Reports page**, helping users to analyze and compare thousands of inspection reports.

services sector for inspection. The PCAOB also reported out in December 2023 on the observations of its target team, a group of inspectors who focus on emerging audit risks and how those risks are handled across firms. Finally, in December 2023, the PCAOB highlighted staff's inspection priorities for 2024, including key risks and considerations auditors should focus on, along with questions for audit committees.

- **Sharing inspection observations, good practices, and reminders in key areas:** While flagging trends in audit deficiencies and emerging risks, the PCAOB provided the staff's observations on good practices, reminders, and other perspectives to help auditors improve audit quality. Staff publications in 2023 addressed public company audits involving crypto assets, audits of special purpose acquisition companies (SPACs) and de-SPAC transactions, and engagement quality reviews.

- **Issuing the first-ever inspection reports for mainland China and Hong Kong audit firms:** Thanks to the leadership of the U.S. Congress in passing the Holding Foreign Companies Accountable Act in 2020, in 2022 the PCAOB secured complete access to inspect registered public accounting firms headquartered in mainland China and Hong Kong for the first time in history. In May 2023, the PCAOB released the first-ever inspection report for a firm headquartered in mainland China, as well as the first inspection report for a firm headquartered in Hong Kong since gaining full access to audit workpapers in mainland China and Hong Kong in 2022. The reports were "a powerful first step toward accountability," in the words of Chair Williams.

- **Providing information and perspective for firms auditing broker-dealers:** In August 2023, the PCAOB released its "Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers." The 2023 edition of the report found that deficiency rates observed in 2022 inspections of broker-dealer engagements generally increased or remained elevated across engagement types and areas. In addition to inspection observations related to deficiencies, the report provided (1) good practices, including brief scenarios and possible procedures that may be effective to address those scenarios, and (2) recommended actions for firms that may be effective to address deficiencies.

- **Offering insights on the remediation process:** As part of its drive to enhance inspections, the PCAOB is focused on audit firms' quality control defects and the steps that firms take to remediate them. Under the Sarbanes-Oxley Act and PCAOB rules, the Board does not disclose its criticisms of a firm's quality control systems for a period of 12 months after the Board's issuance of an inspection report. During that period, the firm is expected to address identified quality control deficiencies. If the firm fails to address quality control deficiencies to the Board's satisfaction, the Board discloses those criticisms to the public. A February 2023 staff report provided additional insights into the factors that the staff considers in the remediation process, particularly those related to design, implementation, and effectiveness of a firm's actions to remediate quality control deficiencies.

- **Highlighting the importance of professionalism and skepticism:** An April 2023 staff publication – "Professional Competence and Skepticism Are Essential to Quality Audits" – reminded auditors of the importance of critically assessing the firm's capabilities, obtaining proper understanding of the company they are auditing, and performing work with due professional care and professional skepticism. "These matters are particularly important in circumstances where changes to economic conditions or other factors affect the company," the publication stated.

Goal Three: Strengthen Enforcement

The PCAOB's enforcement program protects investors by holding accountable those who put investors at risk by violating PCAOB rules and standards and other related laws and rules. Strong enforcement and meaningful sanctions also deter wrongdoing.

Since 2022, the PCAOB has reinvigorated its enforcement efforts by increasing average penalties, pursuing actions for the first time involving certain types of violations, and taking steps to identify wrongdoing proactively by expanding the use of sweeps of firms to determine whether violations of PCAOB standards or rules have occurred.

Protecting Investors Through Strong Enforcement

The PCAOB issued 46 public **disciplinary orders** in 2023, up from 42 in 2022.

Civil monetary penalties imposed by the PCAOB exceeded $20 million in 2023, increasing 80% from 2022 and marking the second straight year that the PCAOB has imposed its highest-ever total annual penalties.

The following are highlights from the PCAOB's 2023 enforcement activity.

- **Imposing the largest-ever penalty on a non-affiliate firm and the first-ever order to change supervisory structure:** In June 2023, the PCAOB announced a settled disciplinary order sanctioning a firm for violations of PCAOB rules and quality control standards. The order imposed a $3 million civil money penalty on the firm, which was in addition to a $10 million penalty imposed separately by the SEC against the firm in the SEC proceeding concerning related conduct. The PCAOB's penalty was the largest it has imposed on a "non-affiliate firm," meaning an audit firm that is not a member of a global network, and the first time that a PCAOB settled disciplinary order required functional changes to the quality control supervisory structure of a registered firm.
- **Imposing the PCAOB's first-ever sanctions related to membership in an accounting alliance:** In another enforcement first, the PCAOB sanctioned a firm in August 2023 for auditor independence violations during its 2019 and 2020 audits of an issuer. The PCAOB found that the firm violated independence requirements during the two audits because the firm audited valuations performed for the issuer by another accounting firm that sponsored an alliance of which the sanctioned firm was a member. The order marked the PCAOB's first-ever sanctions related to a firm's membership in an accounting alliance.

Imposing Historic Sanctions on China-Based Audit Firms

Mandated by federal law, the PCAOB's responsibilities apply equally to all registered firms – irrespective of a firm's location.

In November 2023, the PCAOB **announced three settled disciplinary orders sanctioning three China-based firms and four individuals** for violations of the U.S. securities laws and PCAOB rules and standards. These were the first enforcement settlements involving mainland Chinese and Hong Kong firms enabled by the historic access the PCAOB secured in 2022 to inspect and investigate firms headquartered in mainland China and Hong Kong.

The sanctions included the highest civil money penalty the Board has imposed against a China-based firm and one of the highest penalties the Board has imposed against any firm. The sanctions also included a requirement – for the first time ever in a Board disciplinary order – that a China-based firm retain an independent monitor.

Goal Four: Improve Organizational Effectiveness

The people who invest in America's capital markets are at the heart of the PCAOB's mission. People are also instrumental to the PCAOB's success as an effective organization, whether it is the external stakeholders whose input makes our oversight more effective or the PCAOB's talented and dedicated staff whose work drives our organization forward.

In 2023, the PCAOB continued its efforts to engage with key stakeholders and to invest in our staff.

- **Engaging at events:** To share insights and gather input, the PCAOB engaged with stakeholders in person and online at events such as the October 2023 PCAOB Conference on Auditing and Capital Markets, which had over 350 participants, and the virtual Forum on Auditing in the Small Business Environment and on Auditing Broker-Dealers. The latter event, also held in October 2023, was streamed live to more than 1,000 attendees. In the global context, the PCAOB's November 2023 International Institute on Audit Regulation was attended this year by nearly 90 officials from audit regulators in 35 non-U.S. jurisdictions, as well as officials from several international organizations.

- **Connecting with audit committees:** Each year, the PCAOB reaches out to audit committee chairs of U.S. public companies whose audits we inspect, inviting them to connect with staff from our Division of Registration and Inspections to discuss a range of topics related to oversight of external auditors. Following on the conversations with audit committee chairs that the PCAOB had in 2022, over 200 audit committee chairs participated in these conversations in 2023. To facilitate conversations between audit committees and auditors, the PCAOB in June 2023 issued a resource for audit committees providing sets of questions to consider in key areas such as risk of fraud, digital assets, auditor independence, and others.

- **Putting our people first:** The PCAOB continued its efforts aimed at retaining current staff and attracting future employees — and saw signs that the organization's efforts to improve organizational effectiveness have resonated with staff. In an internal spring 2023 survey, 84% of staff said they would recommend the PCAOB "as a great place to work," up from 55% a year earlier.

Creating an Office of the Investor Advocate

In 2023, the Board for the first time created an independent Office of the Investor Advocate (OIAD) for the PCAOB. The PCAOB Investor Advocate reports directly to the Chair to ensure that investors' voices are heard at the highest level of the organization.

During its first year, OIAD issued five investor advisories or bulletins on topics important to investors. For example, OIAD issued a March 2023 **Investor Advisory** cautioning investors about relying on "proof of reserve" reports issued by some service providers, including PCAOB-registered accounting firms, working for certain crypto entities. "Investors should note that [proof of reserve] engagements are not audits and, consequently, the related reports do not provide any meaningful assurance to investors or the public," said the Investor Advisory.

Gathering Advice and Insight From Experts

As mandated by the Sarbanes-Oxley Act, the PCAOB convenes advisory groups, working groups, and task forces to provide advice and insight to the Board on matters related to the PCAOB's work. These bodies are a critical means for the PCAOB to maintain dialogue with investors and other stakeholders and to enhance our standard setting and other oversight.

More information related to the PCAOB's **advisory groups**, as well as **working groups and task forces**, is available on the PCAOB website.

Investor Advisory Group (IAG)

At three public meetings throughout the year, IAG members received regular briefings from PCAOB staff on standard-setting and rulemaking activities, as well as enforcement. Leveraging the work of its subcommittees, the IAG discussed and provided input on topics including firm and engagement performance metrics, critical audit matters (CAMs), fraud, inspections and data transparency, the opportunities and challenges of auditing digital assets, and the format and content of PCAOB information for investors.

Standards and Emerging Issues Advisory Group (SEIAG)

The SEIAG's three public meetings during the year included updates on standard setting and rulemaking. Leveraging its Emerging Issues in Auditing subcommittee, the SEIAG addressed topics such as auditing inventories, use of a service organization, post-implementation review for PCAOB standard setting (other auditors, CAMs, and estimates and specialists), interim reviews, going concern, and substantive analytical procedures.

Technology Innovation Alliance (TIA) Working Group

The TIA Working Group held monthly meetings to explore the use of various technologies by preparers and auditors.

- **Promoting a culture of inclusion:** An inclusive work environment positions the talented and diverse PCAOB staff to succeed. In 2023, the PCAOB built on the successful 2022 launch of its affinity groups and continued to celebrate the diversity of the PCAOB's people with organization-wide events to mark national observances such as Asian Pacific American Heritage Month, Black History Month, Global Diversity Awareness Month, Hispanic Heritage Month, Juneteenth, LBGTQI+ Pride Month, National Disability Employment Awareness Month, Native American Heritage Month, Women's History Month, and Veterans Day.

Impacting the Next Generation of Accountants and Auditors

In 2023, the PCAOB continued and expanded its efforts to support students choosing to pursue careers in accounting and investor protection.

Largest Group of PCAOB Scholars in PCAOB History

The Sarbanes-Oxley Act provides that funds from the collection of PCAOB civil monetary penalties must be used to fund a merit **scholarship program** for students in accredited accounting degree programs. Recipients are nominated by their respective institution. Institutions participate in the scholarship program based on their accreditation and the number of students they graduate with accounting degrees each year. In July 2023, the PCAOB **announced that 369 students from U.S. colleges and universities had been selected** to receive a $10,000 scholarship for the 2023-2024 academic year, the largest number of recipients in the program's history. The PCAOB also made permanent and expanded its initiative to provide scholarship funds for community college transfer students.

New PCAOB Scholars Mentor Program

In July 2023, the PCAOB launched the PCAOB Scholars Mentor Program, connecting PCAOB Scholars to volunteer mentors from the PCAOB staff for the first time. Under the program, mentors share advice, personal perspectives, and guidance on topics such as academic advice, applying to graduate schools, and careers.

New Attorney Honors Program

The PCAOB in 2023 began its **Attorney Honors Program**, an opportunity for highly skilled law school graduates and attorneys concluding clerkships to provide public service and learn more about the PCAOB's work to protect investors. Under the program, participants join the PCAOB in a full-time role, primarily in the Division of Enforcement and Investigations.

Expanded HBCU Outreach

In 2023, the PCAOB increased its outreach to accounting programs across the country, including at historically Black colleges and universities (HBCUs). During the year, PCAOB Board Members and staff engaged with students at, among other schools, North Carolina Agricultural and Technical State University and Morgan State University. Board Member Anthony C. Thompson also participated in the Annual National HBCU Week Conference in Washington, DC.

FINANCIAL REVIEW

This financial review, together with the 2023 audited financial statements and the accompanying notes, provides financial information related to our programs and activities. Our financial statements are presented in accordance with accounting principles generally accepted in the United States of America and reflect the specific reporting requirements of not-for-profit organizations. The following discusses the highlights of our activities and financial position as presented in the accompanying audited financial statements. Unless noted otherwise, dollar amounts in this financial review and the 2023 audited financial statements and the accompanying notes are rounded in millions.

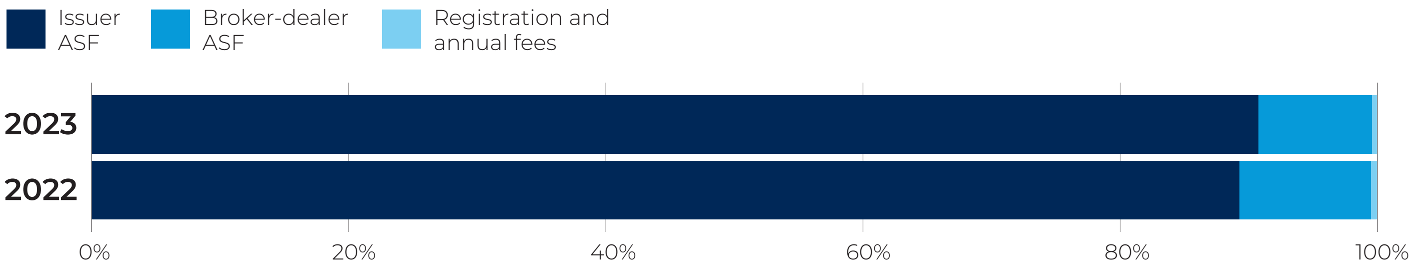
Financial Highlights

Results of Operations

Net Operating Revenue

Most of our revenue is generated from the accounting support fee (ASF), which is assessed annually on issuers and U.S. Securities and Exchange Commission (SEC)-registered broker-dealers. The ASF is calculated during the annual budget process based on an estimate of annual expenses for the budget year and an estimate of expenses for the first five months of the subsequent year, and certain other adjustments. The ASF is subject to review and approval by the SEC concurrent with each annual budget.

Percentage of operating revenues by type 2023 vs. 2022



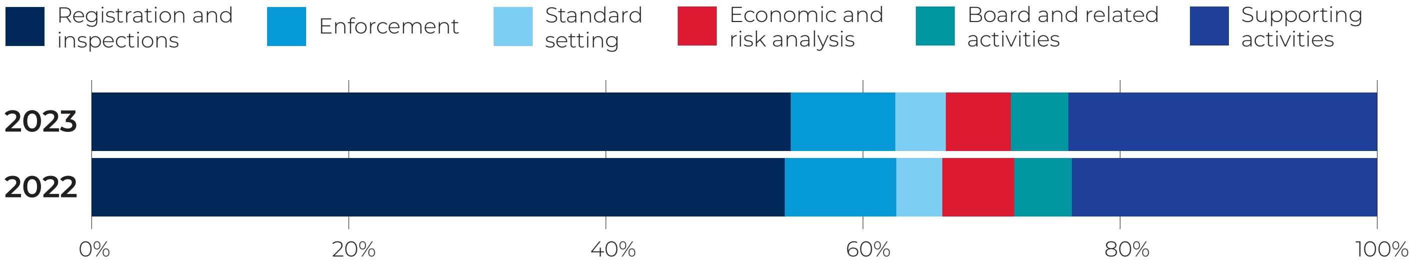
Our net operating revenue increased by $31.5 million, or 11%, from the prior year, primarily due to the increase in the ASF in 2023. The ASF increase was primarily related to salary rate increases and additional budgeted headcount, increased consulting costs for modernizing our technology, and higher estimated costs for the first five months of 2024.

The table below presents our net operating revenue by line item for each of the years ended December 31, 2023 and 2022:

($ in millions)	2023	2022
Issuer accounting support fee	$300.2	$267.1
Broker-dealer accounting support fee	29.2	30.7
Registration fees and annual fees from PCAOB-registered public accounting firms	1.3	1.4
Total net operating revenue	**$330.7**	**$299.2**

Operating Expenses

Percentage of operating expenses by functional classification 2023 vs. 2022



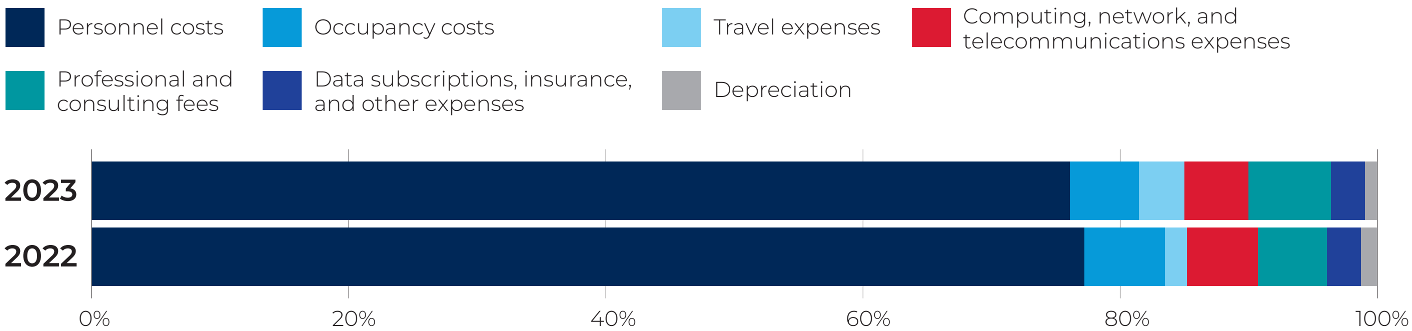
Our people are our most important asset, and our investments in attracting, developing, and retaining a diverse and talented workforce enable us to fulfill our statutory mission. Personnel costs represented approximately 76% of our operating expenses, with more than half of these costs related to our registration and inspections program.

Overall, operating expenses increased compared to the prior year by $52.6 million, or 19%. Costs for program services increased by $39.2 million compared to the prior year because of higher overall personnel costs related to salary rate increases and increased headcount, primarily for our registration and inspections program. Inspections-related costs for travel and translation services and costs for in-person events also increased as a result of a full year of activity following the COVID-19 pandemic where travel and in-person events were suspended. For supporting activities, the increase of $13.4 million in costs was primarily attributed to salary rate increases; increased recruiting costs to attract highly skilled professional staff in support of the strategic plan; increased consulting costs for improving operational efficiencies and modernizing our technology; and increased legal fees.

The table below presents operating expenses (by program services and supporting activities) for each of the years ended December 31, 2023 and 2022:

($ in millions)	2023	2022
Program services:		
Registration and inspections	$180.6	$150.8
Enforcement	27.1	24.1
Standard setting	13.0	10.1
Economic and risk analysis	16.8	15.7
Board and related activities	14.8	12.4
Total program services	**252.3**	**213.1**
Supporting activities:		
Administration and general	60.1	48.1
Information technology	19.8	18.4
Total supporting activities	**79.9**	**66.5**
Total operating expenses	**$332.2**	**$279.6**

Percentage of operating expenses by natural classification 2023 vs. 2022



The table below presents operating expenses (by natural classification) for each of the years ended December 31, 2023 and 2022:

($ in millions)	2023	2022
Personnel costs	$252.7	$215.9
Occupancy costs	17.9	17.5
Travel expenses	11.7	4.7
Computing, network, and telecommunications expenses	16.6	15.6
Professional and consulting fees	21.4	15.0
Data subscriptions, insurance, and other expenses	8.7	7.4
Depreciation	3.2	3.5
Total operating expenses	**$332.2**	**$279.6**

Personnel costs increased by $36.8 million, or 17% compared to the prior year, primarily due to an increase in salary rates, headcount, benefits, and recruiting costs.

Travel expenses increased by $7.0 million compared to the prior year primarily due to increased travel for inspections, training, and in-person events in 2023 reflecting a full year of activity following the COVID-19 pandemic where travel and in-person events were suspended.

Computing, network, and telecommunication expenses increased by $1.0 million compared to the prior year, primarily due to continued efforts to enhance security and networking.

Professional and consulting fees increased by $6.4 million compared to the prior year, primarily due to technology and other operational consulting fees, an increase in translation costs associated with international inspections, and legal expenses.

Data subscriptions, insurance, and other expenses increased by $1.3 million compared to the prior year, primarily due to an adjustment for the allowance for credit losses, increased subscription costs related to higher headcount, and additional in-person event expenses.

Occupancy costs and depreciation remained generally consistent compared to the prior year.

See Note 8 to the financial statements for additional details of expenses by program services and supporting activities.

Other Revenue (Expense)

The table below presents components of other revenue (expense) for each of the years ended December 31, 2023 and 2022:

($ in millions)	2023	2022
Interest income and other	$10.7	$3.0
Monetary penalties, net	20.9	11.1
Scholarship payments, net	(3.6)	(2.4)
Total other revenue	**$28.0**	**$11.7**

Interest income and other increased by $7.7 million compared to the prior year, primarily due to higher interest rates on cash and cash equivalents and the short-term investment, and higher average cash balances invested throughout the year compared to 2022.

Monetary penalties, net, increased by $9.8 million compared to the prior year, due to our enhanced enforcement efforts in 2023. Revenue from monetary penalties depends on the amount of monetary penalties imposed by disciplinary orders in a given year.

Scholarship payments, net of amounts unused or deferred, increased by $1.2 million compared to the prior year, as the PCAOB expanded its initiative to provide scholarship funds for community college transfer students. The PCAOB awarded 369 merit-based scholarships of $10,000 each in 2023, as compared to 250 awarded in 2022.

Statements of Financial Position

Assets

The table below presents our total assets by type as of December 31, 2023 and 2022, respectively:

($ in millions)	2023	2022
Cash and cash equivalents	$181.6	$170.4
Restricted cash and cash equivalents	37.8	20.3
Short-term investment	21.9	19.9
Accounts and other receivables, net of allowance for credit losses of $1.9 and $2.0, respectively	1.8	1.7
Prepaid expenses and other assets	18.7	17.0
Furniture and equipment, leasehold improvements, and technology, net	9.1	11.4
Operating lease right-of-use assets	58.6	73.2
Total assets	**$329.5**	**$313.9**

Cash and cash equivalents increased by $11.2 million from the prior year primarily due to the increase in the ASF assessed in 2023, the timing of ASF collections, and an increase in interest income. These changes were partially offset by higher spending compared to 2022.

Restricted cash and cash equivalents increased by $17.5 million compared to the prior year, primarily due to the increase in monetary penalties assessed in 2023. See Note 7 to the financial statements for additional discussion.

Short-term investment increased by $2.0 million due to the net increase of $2.0 million in the required sequestration amount for PCAOB's 2024 budget. See Note 7 to the financial statements for additional discussion.

Prepaid expenses and other assets increased by $1.7 million from the prior year primarily due to the timing of our prepayments offset by amortization of deferred cloud implementation costs.

Furniture and equipment, leasehold improvements, and technology, net, decreased by $2.3 million from the prior year, primarily related to depreciation and amortization expenses and additional asset retirements.

Operating lease right-of-use (ROU) assets decreased by $14.6 million from the prior year, due to the lease amortization for our space in our Washington, DC headquarters, regional offices, and data center.

Liabilities

Our total liabilities decreased by $10.9 million from the prior year, driven by a $17.2 million decrease related to the amortization of our operating lease liabilities. This was partially offset by increases for accrued payroll and related benefits (due to higher compensation costs) and accounts payable (due to higher expenses). The table below presents total liabilities by type as of December 31, 2023 and 2022, respectively:

($ in millions)	**2023**	**2022**
Accrued payroll and related benefits	$33.0	$28.1
Accounts payable and accrued expenses	3.6	2.2
Operating lease liabilities	72.5	89.7
Total liabilities	**$109.1**	**$120.0**

Liquidity

We are primarily funded by the ASF assessed on issuers and SEC-registered broker-dealers, with certain assets being subject to statutory restrictions for scholarships and sequestration or contractual restrictions under an agency agreement. The primary goal of our liquidity management policy is to structure our financial assets to maintain liquidity to meet our general expenditures, liabilities, and other obligations as they become due. Due to the timing required to complete the billings and collections of the ASF, we maintain a working capital reserve to cover our estimated expenditures for the first five months of the following fiscal year.

REPORT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

To the Board of the
Public Company Accounting Oversight Board

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying statement of financial position of the Public Company Accounting Oversight Board (PCAOB) as of December 31, 2023 and 2022, the related statements of activities and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes (collectively referred to as the financial statements). We also have audited the PCAOB's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control—Integrated Framework (2013)*, as issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly—in all material respects—the financial position of the PCAOB as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the PCAOB maintained—in all material respects—effective internal control over financial reporting as of December 31, 2023, based on the criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The PCAOB's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Financial Reporting Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the PCAOB's financial statements and an opinion on the PCAOB's internal control over financial reporting based on our audits. We are required to be independent with respect to the PCAOB in accordance with the relevant ethical requirements relating to our audits.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement—whether due to error or fraud—and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements—whether due to error or fraud—and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that:

1) pertain to the maintenance of records that—in reasonable detail—accurately and fairly reflect the transactions and dispositions of the assets of the company;

2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that both the receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the PCAOB Board and that:

1) relate to accounts or disclosures that are material to the financial statements; and

2) involved our especially challenging, subjective, or complex judgments.

We determined that there are no critical audit matters.

We have served as the PCAOB's auditor since 2021.

Sikich CPA LLC

Alexandria, Virginia
March 28, 2024

FINANCIAL STATEMENTS

Statements of Financial Position

As of December 31, 2023 and 2022

($ in millions)	2023	2022
Assets		
Cash and cash equivalents	$181.6	$170.4
Restricted cash and cash equivalents	37.8	20.3
Short-term investment	21.9	19.9
Accounts and other receivables, net of allowance for credit losses of $1.9 and $2.0, respectively	1.8	1.7
Prepaid expenses and other assets	18.7	17.0
Furniture and equipment, leasehold improvements, and technology, net	9.1	11.4
Operating lease right-of-use assets	58.6	73.2
Total assets	$329.5	$313.9
Liabilities and net assets without donor restrictions		
Liabilities		
Accrued payroll and related benefits	$33.0	$28.1
Accounts payable and accrued expenses	3.6	2.2
Operating lease liabilities	72.5	89.7
Total liabilities	109.1	120.0
Net assets without donor restrictions		
Undesignated	162.8	155.8
Statutorily designated for scholarships in Section 109(c)(2) of the Sarbanes-Oxley Act	37.7	20.4
Statutorily designated for sequestration	19.9	17.7
Total net assets without donor restrictions	220.4	193.9
Total liabilities and net assets without donor restrictions	$329.5	$313.9

The accompanying notes are an integral part of the financial statements.

Statements of Activities

For the years ended December 31, 2023 and 2022

($ in millions)	**2023**	**2022**
Changes in net assets without donor restrictions		
Net operating revenue		
Issuer accounting support fee	$300.2	$267.1
Broker-dealer accounting support fee	29.2	30.7
Registration fees and annual fees from PCAOB-registered public accounting firms	1.3	1.4
Total net operating revenue	330.7	299.2
Operating expenses		
Program services		
Registration and inspections	180.6	150.8
Enforcement	27.1	24.1
Standard setting	13.0	10.1
Economic and risk analysis	16.8	15.7
Board and related activities	14.8	12.4
Supporting activities		
Administration and general	60.1	48.1
Information technology	19.8	18.4
Total operating expenses	332.2	279.6
Operating (loss) income	(1.5)	19.6
Other revenue (expense)		
Interest income and other	10.7	3.0
Monetary penalties, net	20.9	11.1
Scholarship payments, net	(3.6)	(2.4)
Total other revenue	28.0	11.7
Increase in net assets without donor restrictions	26.5	31.3
Net assets without donor restrictions — Beginning of year	193.9	162.6
Net assets without donor restrictions — End of year	$220.4	$193.9

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

($ in millions)	2023	2022
Cash flows from operating activities		
Cash received from issuers	$300.4	$267.8
Cash received from broker-dealers	28.5	33.4
Cash received from PCAOB-registered public accounting firms	1.3	1.3
Interest income and other	10.4	2.6
Cash received from monetary penalties, net	20.9	11.0
Cash paid to fund scholarships, net	(3.7)	(2.4)
Cash paid for operating expenses	(326.2)	(276.6)
Net cash provided by operating activities	31.6	37.1
Cash flows from investing activities		
Purchases of furniture and equipment, leasehold improvements, and technology	(0.9)	(2.0)
Purchase of short-term investment	(21.9)	(19.9)
Proceeds from maturity of short-term investment	19.9	17.7
Net cash used in investing activities	(2.9)	(4.2)
Increase in cash and cash equivalents, and restricted cash and cash equivalents	28.7	32.9
Cash and cash equivalents, and restricted cash and cash equivalents — Beginning of year	190.7	157.8
Cash and cash equivalents, and restricted cash and cash equivalents — End of year	$219.4	$190.7

Supplemental disclosures:		
Fixed asset purchases acquired but not paid for as of year-end	$-	$0.1

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1—Organization

The Public Company Accounting Oversight Board (PCAOB or "Board") is a District of Columbia nonprofit corporation established by the Sarbanes-Oxley Act to oversee the audits of public companies and U.S. Securities and Exchange Commission (SEC)-registered broker-dealers in order to protect investors and further the public interest in the preparation of informative, accurate, and independent audit reports.

We are overseen by the SEC, which has the authority to appoint Board Members and to approve our rules, standards, and budget. The Sarbanes-Oxley Act established funding for our activities primarily through an accounting support fee (ASF) assessed on issuers based on their relative average monthly market capitalization and on SEC-registered broker-dealers based on their relative average quarterly tentative net capital. The annual ASF is approved by the SEC.

Our operations consist of program services and supporting activities. Our program services for financial reporting purposes are: registration and inspections; enforcement; standard setting; economic and risk analysis; and Board and related activities. Our supporting activities are: administration and general activities and information technology activities. Refer to Note 8 for additional details related to our program services and supporting activities.

Note 2—Summary of Significant Accounting Policies

Presentation—The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and are presented pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities* (ASC 958).

Recently Adopted Accounting Standards—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. ASU 2016-13 replaces the existing incurred loss impairment model with a forward-looking expected credit loss model, which will result in earlier recognition of credit losses. It requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

We adopted ASC 326, *Financial Instruments – Credit Losses*, as of January 1, 2023, under the modified retrospective transition method. An allowance for credit losses under the current expected credit losses (CECL) methodology is determined using the loss rate approach and measured on a collective (pool) basis when similar risk characteristics, such as financial asset type and the historical or expected credit loss pattern, exist. Where financial instruments do not have risk characteristics, they are evaluated on an individual basis. The allowance for credit losses is based on relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. The change in the allowance for credit losses on the date of adoption was not material to the financial statements. The allowance for credit losses as of December 31, 2023 was $1.9 million, of which $1.7 million related to specifically identifiable issuers, broker-dealers, registered public accounting firms, and their associated persons, and $0.2 million related to receivables with similar risk characteristics.

Prior to the adoption of ASC 326, we maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of December 31, 2022 was $2.0 million.

Cash and Cash Equivalents—The term cash and cash equivalents, as used in the accompanying financial statements, includes demand deposits in non-interest-bearing accounts with a domestic high-credit-quality financial institution, money market funds, and investments in securities made pursuant to an overnight automated investment sweep agreement. All non-restricted highly liquid instruments purchased with an original maturity of three months or less are cash equivalents.

> *Money market funds* – Our money market funds are available on-demand and valued using quoted prices in active markets and consist primarily of high-quality investments in U.S. Treasury securities and/or repurchase agreements secured by U.S. government obligations. We consider these money market funds to be Level 1 financial instruments. (See fair value measurements table below.)
>
> *Automated Investment Sweep* – Pursuant to the sweep agreement, we invest excess cash at the end of each business day in a money market fund that invests in high-quality money market instruments (primarily U.S. Treasury securities and repurchase agreements). Purchased money market fund shares are held by the financial institution, as an agent, on an overnight basis and are liquidated by the financial institution on the next business day at an agreed-upon price. In the event of the financial institution's failure or default, we could experience a delay in disposing of such securities.

Restricted Cash and Cash Equivalents—The term restricted cash and cash equivalents, as used in the accompanying financial statements, consists of cash or money market funds to be used to fund our Scholarship Program, established pursuant to Section 109(c)(2) of the Sarbanes-Oxley Act, as well as funds held for the FASB under an agency agreement.

Short-term Investment—The term investment, as used in the accompanying financial statements, consists of a U.S. Treasury Bill that matures within one year of purchase. See Note 7 for additional discussion of funds statutorily designated for sequestration. Our investments are recorded at fair value. We estimate fair value based on pricing from observable trading activity for similar securities or from a third-party pricing service; accordingly, we have classified these instruments as Level 2 fair value measurements (see fair value measurements table below). The purchase and sale of a security is recorded on a trade date basis. Interest income and net gains and losses are recorded on an accrual basis and are included in interest income and other on the accompanying statements of activities.

Fair Value of Financial Instruments—The fair values of cash and cash equivalents, restricted cash and cash equivalents, accounts and other receivables, and accounts payable approximate their carrying values due to the short-term nature of these items.

The following table presents our assets measured at fair value as of December 31, 2023 and 2022:

($ in millions)	Fair Value Measurements		
	Level 1	Level 2	Total
2023			
Money market funds			
Cash and cash equivalents	$169.1	-	$169.1
Restricted cash and cash equivalents	$37.5	-	$37.5
U.S. Treasury Bill			
Short-term investment	-	$21.9	$21.9
2022			
Money market funds			
Cash and cash equivalents	$170.5	-	$170.5
Restricted cash and cash equivalents	$20.2	-	$20.2
U.S. Treasury Bill			
Short-term investment	-	$19.9	$19.9

Concentration of Credit Risk—Financial instruments that potentially subject us to concentration of credit risk consist primarily of cash and cash equivalents. We mitigate this risk in two ways. We invest the majority of cash in money market funds that consist primarily of high-quality investments in U.S. Treasury securities and/or repurchase agreements secured by U.S. government obligations. We also maintain certain cash deposits that exceed the amount of insurance provided on such deposits. These cash deposits are subject to daily overnight investment sweep agreements and maintained in a domestic high-credit-quality financial institution.

Accounts and Other Receivables, Net of Allowance for Credit Losses—Accounts and other receivables are carried at the amount billed or accrued, net of an allowance for credit losses. The allowance for credit losses is estimated based on management's consideration of credit risk and analysis of receivables aging, specific identification of certain receivables that are at risk of not being paid, past collection experience, current conditions, and reasonable and supportable forecasts.

Cloud Computing Arrangements—We incur costs to implement cloud computing arrangements that are hosted by a third-party vendor as we move certain on-premises systems and services to the cloud. Implementation costs incurred during the application development stage are generally capitalized and amortized over the term of the hosting arrangement on a straight-line basis.

We capitalized $4.3 million and $4.1 million of costs incurred to implement cloud computing arrangements as of December 31, 2023 and 2022, respectively. These costs are generally related to the development of significant enhancements for certain cloud applications supporting the PCAOB's mission. The net deferred cloud implementation costs of $2.7 million and $3.2 million as of December 31, 2023 and 2022, respectively, which included $1.6 million and $0.9 million of accumulated amortization, respectively, are included within prepaid expenses and other assets on the statements of financial position and will be expensed over the term of the related cloud computing arrangements. Amortization expense of capitalized implementation costs for cloud computing arrangements totaled $0.9 million and $0.7 million for the years ended December 31, 2023 and 2022, respectively, and is included in computing, network, and telecommunications expenses as presented in Note 8.

Furniture and Equipment, Leasehold Improvements, and Technology, Net—Furniture and equipment, leasehold improvements, and technology, net, are stated at cost, less accumulated depreciation and amortization, computed using the straight-line method utilizing a half-year convention. Furniture and equipment and technology are depreciated over their estimated useful lives of three to five years. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the asset. Costs incurred during the application development stage for internally developed software are capitalized and amortized using the straight-line amortization method over the estimated useful life of the applicable software. Repairs and maintenance are charged to expense when incurred.

Leases—We lease space for our 10 office locations and data center. We determine if a contractual arrangement contains a lease at the inception of the arrangement. As part of the lease determination process under ASC 842, we assess several factors, including, but not limited to, whether we have the right to control and direct the use of the asset and whether the other party has a substantive substitution right. After a lease is identified, if there are multiple components, we identify separate lease components based on whether the right to use the underlying assets is distinct and neither highly dependent nor highly interrelated with other rights in the contract. We also evaluate whether there are any nonlease components in the arrangement. For our office leases (see Note 5 to the financial statements for additional details), if separate lease and nonlease components are identified, we allocate the consideration in the contract to the lease and nonlease components using the relative stand-alone price method at lease inception. For all other classes of underlying assets, we have elected the available practical expedient to not separate nonlease components from lease components.

Many of our leases include options to renew at our sole discretion. Renewal and termination options, as applicable, are considered in the determination of the lease term at the commencement date when we are reasonably certain the options will be exercised, subject to reassessment in certain circumstances. When assessing the likelihood of electing these options, we consider the length of the renewal period, market conditions, plans for our facilities, the existence of a termination penalty, as well as other factors. Our lease agreements do not contain any material residual value guarantees, restrictive covenants, or variable lease payments that would be included in the operating lease liability.

ROU assets represent our right to use an underlying asset for the term of the lease, and lease liabilities represent our obligation to make lease payments throughout the term of the lease. ROU assets and lease liabilities are recognized as of the commencement date of the lease based on the present value of contractual lease payments due over the term of the lease. We elected to use the risk-free rate for all classes of underlying assets to determine the present value of the lease payments as the rate implicit in the respective leases was not readily determinable. ROU assets also include, if applicable, prepaid lease payments and initial direct costs, less lease incentives received.

ROU assets and lease liabilities resulting from operating leases are recorded on our statement of financial position. We did not have any finance leases or subleases as of December 31, 2023 and 2022.

Operating lease expense is recognized on a straight-line basis over the term of the lease. Some of our leases include tenant improvement allowances, which are recorded when we are reasonably certain to utilize the allowance and are amortized on a straight-line basis over the shorter of the lease terms or the asset lives. Leases with an initial lease term of twelve months or less are considered short-term leases. Short-term leases are not recorded on our statements of financial position. Expenses associated with short-term leases are recognized on a straight-line basis over the term of the lease. Short-term lease costs were immaterial for each of the years ended December 31, 2023 and December 31, 2022.

Revenue Recognition—The Sarbanes-Oxley Act established funding for our activities primarily through the ASF assessed on issuers and SEC-registered broker-dealers. The annual ASF is approved by the SEC. We also assess and collect registration fees and annual fees and may impose monetary penalties as prescribed by the Sarbanes-Oxley Act.

Annual ASF – The annual ASF is assessed on issuers, as defined in the Sarbanes-Oxley Act, and on broker-dealers registered with the SEC. The purpose of the fees is to fund our mission to oversee the audits of public companies and SEC-registered broker-dealers to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports. The ASF is established annually by the Board based on our approved operating budget for each calendar year and adjusted to reflect amounts estimated to fund our operations for the first five months of the subsequent year, as well as other adjustments. The ASF is recognized as operating revenue in the year in which it is assessed.

Registration Fees – Each public accounting firm must pay a registration fee when it applies for registration with us. Registration fees are recognized as operating revenue in the year the application is submitted.

Annual Fees – All registered public accounting firms are required to file annual reports with us and pay annual fees to us. Annual fees are recognized as operating revenue in the year they are assessed.

Monetary Penalties, Net – Our sanctions may include monetary penalties imposed pursuant to Section 105 of the Sarbanes-Oxley Act. Monetary penalties are recognized as other revenue generally in the year (1) disciplinary orders are settled or (2) adjudicated final Board actions imposing sanctions in disciplinary proceedings are effective.

Monetary Penalties, Net and Scholarship Payments, Net—Amounts collected from monetary penalties are required to be used to fund merit scholarships awarded to students of accredited accounting degree programs, after congressional appropriation for such use of the monetary penalties. Amounts not paid out as of year-end are included in restricted cash and cash equivalents in the statements of financial position. In the statements of financial position, the net change in penalties assessed and paid out as merit scholarships is reported as an increase or decrease in net assets without donor restrictions statutorily designated for scholarships in accordance with Section 109(c)(2) of the Sarbanes-Oxley Act.

Interest Income and Other—Interest income and net gains and losses are recorded on an accrual basis. Interest income consists of interest income earned on our cash and cash equivalents and restricted cash and cash equivalents, investment income on our short-term investment, interest fee income from issuers and broker dealers who were assessed accounting support fees, and collection fees for invoicing and collecting the FASB ASF.

Cash Held for Others under Agency Agreement—We serve as the collection agent for invoicing and collecting the FASB ASF and are paid a collection fee by FASB for serving as its collection agent. As FASB's collection agent, we received a collection fee of $0.2 million in each of 2023 and 2022. Pursuant to the collection agent agreement, we collected $45.2 million on behalf of FASB and remitted $45.0 million to FASB in 2023, and collected $41.1 million and remitted $40.9 million in 2022. Funds received and not remitted to the FASB by year-end are included in restricted cash and cash equivalents, with a corresponding amount included in accounts payable and accrued expenses. The collection fees are included in interest income and other in the accompanying statements of activities and statements of cash flows.

Taxes—We are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (IRC).

Use of Estimates—The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements and accompanying notes. These estimates and assumptions are based on management's best knowledge of current and future events. Estimates and assumptions are used in accounting for, among other items, the allowance for credit losses, useful lives of property and equipment, and allocation of expenses to program services and supporting activities. Actual results could differ from these estimates.

Statements of Cash Flows—We use the direct method of reporting net cash provided by or used in operating activities in the statements of cash flows.

The total of cash and cash equivalents and restricted cash and cash equivalents in the statements of financial position is shown in the statements of cash flows as follows:

($ in millions)	2023	2022
Cash and cash equivalents	$181.6	$170.4
Restricted cash and cash equivalents	37.8	20.3
Total cash and cash equivalents and restricted cash and cash equivalents shown in the statements of cash flows	$219.4	$190.7

Note 3—Accounts and Other Receivables, Net

Accounts and other receivables, net consist of the following as of December 31, 2023 and 2022:

($ in millions)	2023	2022
Accounts receivable—issuer and broker-dealer accounting support fees and annual fees	$2.5	$2.8
Accounts receivable—other	0.4	0.3
Other receivables—monetary penalties	0.8	0.6
Accounts and other receivables, gross	3.7	3.7
Less: Allowance for credit losses	(1.9)	(2.0)
Accounts and other receivables, net of allowance for credit losses	$1.8	$1.7

The changes in our allowance for credit losses for accounts and other receivables are as follows:

($ in millions)	**Year ended December 31, 2023**		
	Issuer and broker-dealer accounting support fees and annual fees	Accounts receivables – other	Other receivables – monetary penalties
Beginning of period balance	$(1.5)	-	$(0.5)
(Provision for) / recovery of expected credit losses	(0.7)	$(0.1)	(0.2)
Write-offs	1.1	-	-
End of period balance	$(1.1)	$(0.1)	$(0.7)

Note 4—Furniture and Equipment, Leasehold Improvements, and Technology, Net

Furniture and equipment, leasehold improvements, and technology, net consist of the following as of December 31, 2023 and 2022:

($ in millions)	**2023**	**2022**
Technology		
Hardware	$10.0	$10.5
Purchased and developed software	12.1	12.1
Leasehold improvements	22.3	22.2
Furniture and equipment	8.3	8.3
Technology development and construction in process	0.4	1.2
Furniture and equipment, leasehold improvements, and technology, gross	53.1	54.3
Less: Accumulated depreciation and amortization	(44.0)	(42.9)
Furniture and equipment, leasehold improvements, and technology, net	$9.1	$11.4

Depreciation and amortization expense was $3.2 million and $3.5 million for the years ended December 31, 2023 and 2022, respectively.

Note 5—Leases

As of December 31, 2023, we leased space for our 10 office locations and data center with various expiration dates ranging from 2024 through 2028. Most of these leases contain escalation clauses and an option to renew at prevailing market rental values. In December 2023, we modified the lease for our Irvine office to grant us the right to use new office space as the existing lease and office space is set to expire in early 2024. The lease for the new space is expected to commence during 2024, with the lease term ending in 2029, and includes a three-year renewal option.

Supplemental information related to leases is presented in the table below (in millions, except weighted-average remaining lease term and discount rate):

Years ended December 31	2023	2022
Operating lease cost	$15.8	$15.4
Cash paid for amounts included in the measurement of operating lease liabilities	18.5	18.0
As of December 31	**2023**	**2022**
Weighted-average remaining lease term — operating leases	4.5 years	5.4 years
Weighted-average discount rate — operating leases	1.5%	1.5%

Maturities of operating lease liabilities are as follows:

($ in millions)	
Year ending December 31,	**Operating Leases**
2024	$17.6
2025	15.7
2026	15.7
2027	15.7
2028	10.4
Total lease payments	75.1
Less: imputed interest[1]	(2.6)
Present value of lease liabilities	$72.5

[1] Imputed interest was calculated using the risk-free rate applicable for each lease arrangement.

Note 6—Retirement Benefit Plan

We have a defined contribution retirement plan that covers all eligible employees. For each of the years ended December 31, 2023 and 2022, we matched 100% of employee contributions up to 7% of eligible compensation. Our contributions vest immediately. We recognized personnel costs of $12.3 million and $10.6 million, for the years ended December 31, 2023 and 2022, respectively, related to our matching contributions.

Note 7—Net Assets Without Donor Restrictions

Our net assets are not subject to any donor-imposed restrictions. Our net assets include a working capital reserve that we maintain to fund our operations during the five-month period subsequent to December 31, 2023, prior to the collection of the issuer ASF for 2024. Our net assets also include funds designated for specific uses, as described below.

Designated for the PCAOB Scholarship Program—The statements of financial position include funds statutorily designated for the PCAOB Scholarship Program, established by Section 109(c)(2) of the Sarbanes-Oxley Act. The Sarbanes-Oxley Act authorizes us to impose monetary penalties and requires us to use those penalties to award merit scholarships to students of accredited accounting degree programs, after congressional appropriation for such use. Accordingly, we awarded 369 and 250 merit-based scholarships of $10,000 each to eligible students for the 2023-2024 and 2022-2023 academic years, respectively.

Statutorily designated funds for scholarships are included in restricted cash and cash equivalents. The activity of the statutorily designated funds for the years ended December 31, 2023 and 2022, was as follows:

($ in millions)	
Statutorily designated funds, as of December 31, 2021	$11.7
Monetary penalties assessed in 2022, net	11.1
Less scholarship payments for the 2022–2023 academic year, net of amounts unused or deferred	(2.4)
Statutorily designated funds, as of December 31, 2022	$20.4
Monetary penalties assessed in 2023, net	20.9
Less scholarship payments for the 2023–2024 academic year, net of amounts unused or deferred	(3.6)
Statutorily designated funds, as of December 31, 2023	$37.7

Of the $37.7 million in statutorily designated funds for scholarships as of December 31, 2023, $30.0 million (of which $29.8 million is included in restricted cash and cash equivalents and $0.2 million is included in accounts and other receivables, net) has already been appropriated by Congress and may be used for awarding scholarships in 2024 or subsequent years. Prior to 2018, Congress had appropriated each year the full amount of monetary penalties collected in the previous year and made them available for scholarships. In 2018, Congress limited the appropriation it provided for scholarships to $1 million of the total monetary penalties collected in 2017. As of December 31, 2023, Congress has not appropriated $7.7 million of the remaining monetary penalties collected in 2017, including investment earnings. As a result, as of December 31, 2023, $7.7 million of the $37.7 million in statutorily designated funds was not available to distribute for scholarships. As of December 31, 2022, $7.3 million of the $20.4 million in statutorily designated funds was not available to distribute for scholarships.

Designated for Sequestration—The statements of financial position include funds statutorily designated for sequestration. In March 2013, the Office of Management and Budget (OMB) determined that we are subject to sequestration pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, 2 U.S.C. § 901a. In November 2013, OMB determined that our sequestered funds represent temporary reductions, such that funds that are sequestered in one year become available in subsequent years.

On March 28, 2022, OMB issued a report, "OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2023," specifying that our sequestration percentage in 2023 was 5.7% of our approved 2023 budget, or $19.9 million. These sequestered funds remained unspent as of December 31, 2023, and are included in short-term investment in the accompanying statements of financial position. In a separate report issued on March 13, 2023, "OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2024," OMB specified that our sequestration percentage in 2024 was 5.7% of our approved 2024 budget, or $21.9 million. We used the $19.9 million sequestered in 2023 to offset the $21.9 million sequestered for 2024. The net increase of $2.0 million in the required sequestration amount for 2024 has been implemented by the PCAOB through the adoption of a revised spending plan for 2024 that reduces the PCAOB's approved 2024 budget by $2.0 million. The scholarship funds were not subject to sequestration in 2023 or 2022.

Note 8—Expenses by Program Services and Supporting Activities

The statements of activities reflect program services related to registration and inspections, enforcement, standard setting, economic and risk analysis, and Board and related activities. Program services consist of the following:

- Registration and Inspections executes the Board's registration and inspections authority under the Sarbanes-Oxley Act. Registration and Inspections processes and makes recommendations to the Board on applications from public accounting firms to register with the PCAOB. Registration and Inspections also inspects registered public accounting firms to assess compliance with the Sarbanes-Oxley Act, the rules of the Board and the SEC, and professional standards, in connection with the performance of audits, issuance of audit reports, and related matters involving issuers and broker-dealers audited by the registered firms.

- Enforcement conducts investigations and recommends instituting disciplinary proceedings concerning registered public accounting firms and their associated persons related to possible violations of the Sarbanes-Oxley Act, the rules of the Board and the SEC, the provisions of the securities laws relating to the preparation and issuance of audit reports and the obligations of accountants with respect to audit reports, or professional standards.

- Standard setting advises the Board on establishing or amending auditing, quality control, ethics, independence, and attestation standards applicable to registered public accounting firms in the preparation and issuance of audit reports as required by the Sarbanes-Oxley Act or the SEC, or as may be necessary for the protection of investors and the public interest.

- Economic and risk analysis conducts economic analysis and research, risk assessment, and data analysis to inform our other program services.

- Board and related activities primarily consists of the programmatic activities of the Board and the Office of International Affairs (OIA). Supported by the other program services, the Board issues inspection reports on registered public accounting firms; approves registration applications of public accounting firms; initiates formal investigations and enforcement actions; and establishes or amends auditing, quality control, ethics, independence, and attestation standards for registered public accounting firms. Under the direction and supervision of the Board, OIA promotes our mission internationally by developing and fostering bilateral relationships and negotiating bilateral cooperative arrangements with non-U.S. regulators to facilitate our international inspections and investigations.

Program expenses include salaries, benefits, occupancy, program-specific technology costs, and other direct and indirect operating expenses. The statements of activities also reflect costs associated with supporting activities such as accounting and finance, legal, human resources, enterprise risk, communication and engagement, and information technology. Indirect costs, including certain occupancy and depreciation costs, are allocated to program services and supporting activities proportionately based on headcount.

The statements of activities report certain categories of expenses that are attributable to more than one program service or supporting activity. These expenses are allocated on a reasonable basis that is consistently applied. In particular, these expenses have been allocated to program services and supporting activities based on direct usage or benefit, where identifiable, with the remainder allocated on a pro rata basis of headcount or other measures such as time and effort. The expenses that are allocated in this manner include: personnel costs, including fringe benefits and payroll taxes; occupancy costs; computing, network, and telecommunications expenses; and depreciation.

For the year ended December 31, 2023
($ in millions)

	Program services						Supporting activities			
	Registration and inspections	Enforcement	Standard setting	Economic and risk analysis	Board and related activities	Programs subtotal	Administration and general	Information technology	Supporting subtotal	Total
Personnel costs	$140.7	$21.4	$10.9	$13.0	$11.8	$197.8	$42.2	$12.7	$54.9	$252.7
Occupancy costs	8.2	2.0	0.9	1.2	0.9	13.2	3.7	1.0	4.7	17.9
Travel expenses	10.7	0.1	-	0.1	0.7	11.6	0.1	-	0.1	11.7
Computing, network, and telecommunications expenses	7.5	1.8	0.4	1.0	0.5	11.2	3.6	1.8	5.4	16.6
Professional and consulting fees	9.6	0.9	0.6	0.5	0.3	11.9	6.0	3.5	9.5	21.4
Data subscriptions, insurance, and other expenses	2.2	0.6	0.1	0.8	0.5	4.2	3.8	0.7	4.5	8.7
Depreciation	1.7	0.3	0.1	0.2	0.1	2.4	0.7	0.1	0.8	3.2
Total operating expenses	$180.6	$27.1	$13.0	$16.8	$14.8	$252.3	$60.1	$19.8	$79.9	$332.2

For the year ended December 31, 2022
($ in millions)

	Program services						Supporting activities			
	Registration and inspections	Enforcement	Standard setting	Economic and risk analysis	Board and related activities	Programs subtotal	Administration and general	Information technology	Supporting subtotal	Total
Personnel costs	$120.7	$18.6	$8.6	$11.5	$9.7	$169.1	$34.7	$12.1	$46.8	$215.9
Occupancy costs	8.4	1.8	0.8	1.2	0.9	13.1	3.4	1.0	4.4	17.5
Travel expenses	4.2	0.2	-	-	0.3	4.7	-	-	-	4.7
Computing, network, and telecommunications expenses	7.6	1.9	0.3	1.0	0.4	11.2	3.0	1.4	4.4	15.6
Professional and consulting fees	6.3	0.8	0.2	0.3	0.7	8.3	3.5	3.2	6.7	15.0
Data subscriptions, insurance, and other expenses	1.8	0.5	0.1	1.4	0.3	4.1	2.9	0.4	3.3	7.4
Depreciation	1.8	0.3	0.1	0.3	0.1	2.6	0.6	0.3	0.9	3.5
Total operating expenses	$150.8	$24.1	$10.1	$15.7	$12.4	$213.1	$48.1	$18.4	$66.5	$279.6

Note 9—Liquidity

We are primarily funded by the ASF, with certain assets being subject to statutory restrictions or contractual restrictions under an agency agreement. The primary goal of our liquidity management policy is to structure our financial assets to be available as our general expenditures, liabilities, and other obligations come due.

As of December 31, 2023, we held cash and cash equivalents of $181.6 million, which were available on demand to pay general expenditures. As of December 31, 2023, we held a short-term investment of $21.9 million, which is designated for sequestration in 2024. As of December 31, 2023, $29.8 million of restricted cash and cash equivalents were available to pay for future scholarship awards, with an additional $7.7 million that is required to be appropriated by Congress prior to their use to fund scholarships (as discussed in Note 7).

Note 10—Contingencies

The PCAOB is not currently a party to any legal proceeding that it believes would have a material adverse impact on its financial statements.

Note 11—Subsequent Events

We have evaluated subsequent events through March 28, 2024, which represents the date the audited financial statements were available to be issued.

On January 30, 2024, the PCAOB entered into a lease agreement in San Mateo, California, for approximately 5,000 square feet of office space. The lease expires in November 2029, with a five-year renewal option. The PCAOB anticipates taking possession of the leased premises in July 2024 and intends to relocate from its existing San Mateo location to this space later this year.

On February 6, 2024, the PCAOB entered into a lease agreement in Denver, Colorado, for approximately 5,000 square feet of office space. The lease expires in September 2029, with a five-year renewal option. The PCAOB anticipates taking possession of the leased premises in May 2024 and intends to relocate from its existing Denver location to this space later this year.

On March 5, 2024, a respondent in a PCAOB disciplinary proceeding filed a civil action in the U.S. District Court for the Middle District of Tennessee against the PCAOB (Case No. 3:24-cv-00254). The action alleges that certain aspects of the Board's structure and operations violate various provisions of the U.S. Constitution and are inflicting "substantial ongoing harm" against the plaintiff. The plaintiff is seeking declaratory and injunctive relief. The claims asserted are similar to those asserted in an earlier civil action filed by a separate respondent in a PCAOB disciplinary proceeding in the U.S. District Court for the Northern District of Texas against the PCAOB (Case No. 3:23-cv-00149) on January 19, 2023. The case was transferred to the U.S. District Court for the District of Columbia on March 13, 2024. Neither action makes a claim for financial loss or damage, other than a claim for attorneys' fees and costs. The PCAOB intends to defend both actions vigorously.

On March 27, 2024, a registered firm to which the PCAOB issued an accounting board demand (ABD) filed a civil action in the U.S. District Court for the Southern District of Texas against the PCAOB (Case No. 4:24-cv-1103). Among other things, the complaint challenges the constitutionality of the PCAOB's investigative authority, including the issuance of ABDs. The plaintiff is seeking declaratory and injunctive relief. The action does not make a claim for financial loss or damage, other than a claim for attorneys' fees and costs. The PCAOB intends to defend this action vigorously.

FINANCIAL REPORTING MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The PCAOB's financial reporting management, including the Chief Operating Officer and the Chief Financial Officer, under the direction of the Chair (collectively, "financial reporting management"), is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

The PCAOB's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the PCAOB; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the PCAOB are being made only in accordance with authorizations of management of the PCAOB; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the PCAOB's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The PCAOB's financial reporting management assessed the effectiveness of the PCAOB's internal control over financial reporting as of December 31, 2023. In making this assessment, financial reporting management used the criteria established in *Internal Control—Integrated Framework* (2013 version), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, the PCAOB's financial reporting management concluded that the organization's internal control over financial reporting was effective as of December 31, 2023.

March 28, 2024

Erica Y. Williams

Erica Y. Williams
Chair

James P. McNamara

James P. McNamara
Chief Operating Officer

Holly Greaves

Holly W. Greaves
Chief Financial Officer