PCAOB
PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

2024 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, 2024.

In 2002, the Sarbanes-Oxley Act established the PCAOB. For the first time, investors in U.S. markets had an independent audit regulator putting their interests first.

The PCAOB was given three important tools to accomplish our mission of protecting investors: inspecting registered audit firms, setting auditing standards, and taking enforcement actions where appropriate when our standards and rules are violated.

Since the PCAOB was created, we have used those tools to protect investors, and our work has led to improved financial reporting and stronger U.S. capital markets. Multiple academic studies have found that PCAOB inspections improve audit quality – not only in the United States, but in countries around the world where the PCAOB inspects.

In 2024, the Board and the PCAOB continued our laser focus on protecting investors.

Our staff inspected over 230 audit firms in 2024 and reviewed over 900 engagements, including firms and engagements in mainland China and Hong Kong. Our inspectors saw significant improvements in the overall expected Part I.A deficiency rates, including significant improvement in the expected deficiency rates of the largest firms, which audit the vast majority of the U.S. public company market capitalization. This improvement follows concentrated efforts by the PCAOB to reverse the trend of rising deficiency rates coming out of the pandemic and improve audit quality for investors. Additional details will be available when the 2024 inspection reports are published this year.

In 2024, we published 2023's inspection reports for annually inspected firms six months faster than the year prior, and nearly all the reports for triennially inspected firms were published within six months of the completion of those inspections. This extraordinary work from our staff ensured that investors have access to the critical information necessary to confidently participate in the markets, and we will continue to improve on this timeliness in 2025.

The PCAOB also continued our efforts to boost transparency, providing more inspection data and insights than ever, including regular staff Spotlight reports on important audit topics, a new "Audit Focus" publication series aimed at improving audit quality at smaller firms, and new online charts and graphs to make it easier for investors, audit committees, and others to understand and compare inspection data across audit firms.

In 2024, we continued to focus on modernizing PCAOB standards and rules – including four proposals and seven adopting releases – many of which had not been substantially updated in two decades and had fallen out of date. These were actions to enhance the execution and transparency of audits that investors deserve as they make decisions about their investments in the marketplace – actions in areas such as quality control systems at audit firms, general responsibilities of the auditor, and technology-assisted analysis. With the implementation dates for these new rules and standards approaching, in 2024, we began providing firms with resources to help them update their methodologies and train their staff on the upcoming changes, and we are committed to assist firms as the new standards and rules take effect, including smaller firms that may face unique needs and challenges.

The PCAOB continued to protect investors, ensure accountability, and promote deterrence in 2024 with our enforcement efforts on serious cases that put investors at risk. These matters included sanctions against three China-based audit partners and one Chinese firm.

To further improve the PCAOB's effectiveness, our Board and staff actively engaged throughout the year with external stakeholders, including the members of our advisory groups, investors, audit committee chairs, preparers, academics, future auditors, and our regulatory counterparts outside the United States. We also expanded our outreach to – and support for – smaller audit firms by organizing a nationwide series of in-person forums for auditors of smaller businesses and broker-dealers, with each event hosted by a different Board Member. The forums provide the PCAOB with an opportunity to hear from smaller firms about their unique needs and challenges and also to share valuable resources and information to help them improve audit quality.

2024 was a year of many accomplishments for the PCAOB, and the significant improvement in expected overall deficiency rates is an important example where we are beginning to see the work of this Board deliver results for investors. We will continue to execute our mission in 2025 using the tools that Congress gave us to ensure investors are protected.

With these accomplishments, and the many others outlined in this report, I believe the PCAOB lives up to President George W. Bush's charge for the PCAOB to "uphold the integrity of public audits." This is a responsibility the PCAOB takes seriously, and one that we will continue to uphold in 2025 and beyond.

Respectfully,

Erica Y. Williams

Erica Y. Williams
Chair
Public Company Accounting Oversight Board
Washington, DC, March 27, 2025

Chair Erica Y. Williams

Board Member Christina Ho

Board Member Kara M. Stein

Board Member Anthony C. Thompson

Board Member George R. Botic

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.

AT A GLANCE: PROTECTING INVESTORS IN 2024

Enhancing Inspections

- Significant improvements in expected Part I.A deficiency rates following concentrated efforts by the PCAOB
- Faster publication of inspection information
- Additional focus on culture at audit firms
- New website charts and graphs with inspection data
- New resources for smaller audit firms
- Timely information on trends in inspections and audit quality
- More insights on good practices and emerging audit risks

Modernizing Standards and Rules

- Adoption of new or revised standards or rules that address:
  - Quality control systems at audit firms
  - General responsibilities of the auditor
  - Accountability for contributing to audit firm violations
  - Technology-assisted analysis
  - Constructive requests to withdraw from registration
- A proposal that addresses substantive analytical procedures

Safeguarding Investors Through Meaningful Enforcement

- Enforcement and investigation targeting serious issues posing risk to investors
- Imposed penalties reflective of the egregious violations, including altering workpapers and misinforming investigators
- Imposed sanctions to address numerous audit firms' violations related to ineffective quality control
- Continued accountability for individuals who engage in wrongdoing

Prioritizing Organizational Effectiveness, Including Stakeholder Engagement

- Dedicated resources targeted at small firms, including a cross-country series of in-person forums for firms auditing smaller public companies or broker-dealers, each hosted by a Board Member
- Events with stakeholders to discuss capital markets and global cooperation on audit regulation
- New PCAOB resources and educational materials for investors
- Focused engagement with over 250 audit committee chairs
- Most PCAOB Scholars scholarships awarded in PCAOB history, supported by a mentoring program for scholarship recipients

2024 ACCOMPLISHMENTS

Enhancing Inspections

The inspection process is the PCAOB's principal means of evaluating firms' compliance with PCAOB standards and rules to best keep investors protected. After each inspection, the PCAOB issues an inspection report that summarizes inspection results on that individual firm, providing valuable information to investors, audit committees, and others to help inform their decisions. Inspectors' work also provides information that informs PCAOB standard-setting activities and may lead to PCAOB investigations and enforcement actions.

Highlights from the PCAOB's work to enhance inspections in 2024 include:

- **Observing significant improvements:** In 2024, our inspectors saw significant improvements in the overall expected aggregate Part I.A deficiency rate, including the expected aggregate Part I.A deficiency rate for the largest firms (which audit the vast majority of the U.S. public company market capitalization). Part I.A of the inspection reports discusses deficiencies in certain issuer audits that were of such significance that the PCAOB believes the firm, at the time it issued its audit report(s), had not obtained sufficient appropriate audit evidence to support its opinion(s) on the issuer's financial statements and/or internal control over financial reporting. This improvement follows concentrated efforts by the PCAOB to lead firms to reverse the trend of rising deficiency rates coming out of the pandemic and improve audit quality for investors. Additional details will be available when the 2024 inspection reports are published in 2025.

  The PCAOB provided an overview of staff observations from the 2023 inspections in August of 2024.

- **Continuing to increase the transparency of PCAOB inspection information:** In August 2024, the PCAOB published new charts on its website, illustrating much of the data in the U.S. Global Network Firms and U.S. annual Non-Affiliate Firms inspection reports for the first time as part of ongoing efforts to increase transparency of inspection data and make it easier for stakeholders to understand and compare inspection results both across firms and over time. The charts build on 2023 enhancements that included transparency improvements for inspection reports and the release of new features allowing PCAOB website visitors to easily filter and compare thousands of audit firm inspection reports.

Improving the Timeliness of PCAOB Inspection Information

Since 2022, a top strategic objective for the PCAOB has been to accelerate the issuance of inspection reports to provide more timely information to investors and other stakeholders. In 2024, the PCAOB issued the 2023 **inspection reports** of all annually inspected firms six months earlier than in recent years – and for most 2023 triennially inspected firms, within six months of the inspection completion date – due to ongoing efforts to improve the timeliness of inspection information.

- **Sharing observations on use of generative artificial intelligence:** PCAOB staff conducted 2024 outreach to audit firms and public companies to understand their perspectives on the integration of generative artificial intelligence ("GenAI") in audits and financial reporting. Observations from this outreach were presented in a July 2024 staff Spotlight. Among other findings, the Spotlight discussed how audit firms continue to invest in GenAI-enabled tools, even as they acknowledge the limitations of GenAI and the need for strong supervision of its use to guard against data privacy, security, and other risks.

- **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 Spotlight released in December 2024 outlined key considerations for 2025 inspections, including plans to increase the focus on audit areas with prior execution challenges, critical audit matters, and new auditing standards. In September 2024, the PCAOB staff reported on the 2023 observations of the target team, a group of inspectors who focus on emerging audit risks and how those risks are handled across firms. Observations from the target team encompassed multi-location audits and significant or unusual events or transactions.

- **Sharing inspection observations, good practices, and reminders in key areas:** In addition to providing information on audit deficiencies and emerging risks, the PCAOB provided the staff's observations on good practices, reminders of PCAOB requirements, and other perspectives to help auditors improve audit quality. During the year, the PCAOB published more staff publications than ever before, addressing topics such auditor independence, bank financial reporting audits, commercial real estate, root cause analysis, and others.

- **Focusing on audit firm culture:** Building on an initiative launched in 2023, the PCAOB in December 2024 released a staff Spotlight, "Insights on Culture and Audit Quality." Offering considerations for firms looking to improve audit quality, the Spotlight presented insights based on an in-depth PCAOB staff review of culture at audit firms, including insightful participation from more than 150 interviews with partners at the largest U.S. audit firms. Discussing the impact of centralization, remote work, messaging from audit firm leaders, and other factors, the Spotlight noted that audit firms can improve when it comes to creating cultures of accountability that promote audit quality.

Inspecting Globally To Protect Investors in U.S. Markets

No matter where a company is headquartered, if its securities trade on U.S. capital markets – or if it has a reporting obligation with the SEC – it must follow U.S. laws that protect investors. Under U.S. law, those companies' financial statements generally must be audited by an accounting firm registered with the PCAOB.

PCAOB inspectors travel around the world to ensure that PCAOB-registered firms that audit public companies are following PCAOB standards and rules. During 2024, PCAOB staff inspected over 230 audit firms, reviewing over 900 audit engagements. Seventy-eight firms inspected (responsible for over 200 audits) were international, including firms and audits in mainland China and Hong Kong.

Supporting Smaller Audit Firms

Providing Resources

In 2024, the PCAOB renewed its focus on supporting smaller audit firms, meaning those that issue audit reports or that play a substantial role in the audits of 100 or fewer public companies. As part of this renewed focus, the PCAOB in November 2024 launched Audit Focus, a series of PCAOB staff publications that aims to provide succinct, easy-to-digest information to auditors, especially those who audit smaller public companies. Each edition of Audit Focus reiterates the applicable auditing standards and/or staff guidance and offers reminders and good practices tailored to PCAOB-registered auditors of smaller public companies.

The 2024 edition of the PCAOB's "**Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers**" included descriptions of deficiencies, provided firms with examples of good practices and reminders of PCAOB requirements. The PCAOB also published a January 2024 **staff Spotlight** that provided insights and reminders on potential factors contributing to the high deficiency rates in broker-dealer engagements. The Spotlight covered auditors' insufficient understanding of the broker-dealer industry, lack of professional skepticism, and ineffective engagement quality review, among other topics.

Fostering Dialogue Across the Country With Smaller Firms

Throughout 2024, the PCAOB held a series of in-person forums across the country – each hosted by a Board Member – on auditing in the small business environment and on auditing broker-dealers. Tailored to address PCAOB-registered firms auditing smaller public companies or broker-dealers, the forums provided a unique opportunity for smaller audit firms to engage with representatives from the PCAOB and other regulators in an interactive setting. The events were held in 2024 in **Chicago** (Chair Williams) **Los Angeles** (Board Member Botic), **Denver** (Board Member Stein), and **Jersey City** (Board Member Thompson). The October 2024 event **in Miami**, hosted by Board Member Ho, was disrupted by Hurricane Milton and rescheduled to take place in March 2025.

Modernizing Standards and Rules

Effective standards advance audit quality and are foundational to the PCAOB's execution of its mission to protect investors. PCAOB standards provide requirements for auditors and serve as the basis for driving firms to improve and maintain high audit quality.

The PCAOB maintains its Standard-Setting, Research, and Rulemaking Projects agendas on its website. Key results of the PCAOB's standard-setting and rulemaking activities in 2024 include:

- **Modernizing audit firms' quality control:** In May 2024, the PCAOB adopted a new quality control (QC) standard with a risk-based approach designed to drive continuous improvement in audit quality. The standard, approved by the SEC in September 2024, replaces QC standards that were developed by the accounting profession before the PCAOB was established.
- **Solidifying the foundation of every audit:** In May 2024, the PCAOB took further steps to solidify the foundation of every audit with the adoption of a new standard on general responsibilities of the auditor. The new standard, approved by the SEC in August 2024, replaces and improves a foundational set of standards that had not been updated significantly since their adoption on an interim basis more than 20 years ago.
- **Clarifying auditor responsibilities when using technology-assisted analysis:** In June 2024, the PCAOB adopted amendments to two PCAOB auditing standards, AS 1105, *Audit Evidence*, and AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*, addressing aspects of audit procedures that involve technology-assisted analysis of information in electronic form. The detail and clarity provided by these amendments, approved by the SEC in August 2024, will help to reduce the risk that auditors who use technology-assisted analysis in the audit may issue an opinion without obtaining sufficient appropriate audit evidence.
- **Proposing to replace outdated standard on substantive analytical procedures:** In June 2024, the PCAOB issued for public comment a proposal to replace its existing auditing standard related to an auditor's use of substantive analytical procedures with a new standard: AS 2305, *Designing and Performing Substantive Analytical Procedures*. If adopted by the PCAOB and approved by the SEC, the new standard would strengthen and clarify the auditor's responsibilities when designing and performing substantive analytical procedures, increasing the likelihood that the auditor will obtain relevant and reliable audit evidence.
- **Strengthening auditor accountability for contributing to firm violations:** In June 2024, the PCAOB adopted an amendment to PCAOB Rule 3502, which governs the liability of an associated person of a registered public accounting firm who contributes to that firm's violations of a law, rule, or standard that the PCAOB enforces. The amendment, which was approved by the SEC in August 2024, changes Rule 3502's liability standard from recklessness to negligence, aligning it with the same standard of reasonable care auditors are already required to exercise anytime they are executing their professional duties.
- **Enhancing the usefulness of audit firm registration information:** In November 2024, the PCAOB adopted a rule amendment to enhance the Board's registration program. The amendment, which was approved by the SEC in January 2025, enables the Board to address situations in which a registered firm either has ceased to exist, is nonoperational, or has lost interest in maintaining its registration, as demonstrated by its consecutive failures to file annual reports (via PCAOB Form 2) and pay annual fees for at least two consecutive reporting years.

- **Ongoing work to increase transparency:** The PCAOB advanced two additional projects designed to increase transparency: one that included new requirements to standardize disclosure of firm and engagement metrics that can further PCAOB oversight activities and be used by investors, audit committees, and other stakeholders; and a second to modernize the PCAOB's annual and special reporting requirements, which had not been substantively updated since 2008. The Board subsequently withdrew both Firm Reporting and Firm and Engagement Metrics projects from consideration by the SEC in order to continue working toward versions of both projects that can earn the support to be approved by the Commission. Both projects remain on the PCAOB's agenda and the PCAOB looks forward to continuing to work with the Commission and all stakeholders to protect investors and increase transparency.

Safeguarding Investors Through Meaningful Enforcement

The PCAOB's enforcement program protects investors by holding accountable those who put investors at risk by violating PCAOB standards and rules and other related laws and rules. Meaningful and consistent enforcement also deters wrongdoing.

Highlights from the PCAOB's 2024 enforcement activity include:

- **Sanctioning serious violations that put investors at risk:** With 51 public disciplinary orders in 2024, the PCAOB held audit firms and individuals, both domestically and internationally, accountable for significant audit violations such as failing to obtain sufficient audit evidence and not complying with auditor independence requirements. The PCAOB also focused on cases involving serious matters that create risks for investors, such as failing to perform appropriate procedures in cases involving financial fraud, taking on client engagements that firms cannot competently complete, inappropriately altering workpapers after documentation completion dates, and not performing sufficient audit work in accordance with PCAOB rules and standards before signing audit opinions.

- **Bringing new levels of accountability for misconduct related to cheating:** In April 2024, after finding widespread improper answer sharing (including at the highest levels of the firm) regarding internal training tests at a firm over a five-year period and that the firm made multiple misrepresentations to the PCAOB about its knowledge of the misconduct, the PCAOB imposed a $25 million fine on the firm – the largest single fine in PCAOB history. Separately, the PCAOB announced $2 million in fines against two other firms for violations of quality control standards that likewise resulted in widespread answer sharing.

- **Imposing sanctions for ineffective quality control:** Several disciplinary orders issued in 2024 underscored that effective QC systems are critical to high-quality audits. In one such matter, the PCAOB imposed a $2.75 million fine on a firm for QC violations relating to independence, with sanctions also including remedial undertakings requiring a review of the firm's independence-related quality control policies and procedures and further training on auditor independence for both the firm's audit and non-audit professionals. In another matter, the PCAOB fined a firm $400,000 for failing to make effective changes to improve its QC system after being notified by PCAOB staff of significant audit deficiencies during three separate inspections conducted from 2018 to 2021.

- **Making it clear that firms must have capabilities to handle audits they undertake:** As detailed in a February 2024 disciplinary order, a firm accepted a substantial number of special purpose acquisition company audit clients from January 2020 through December 2021, resulting in a dramatic increase in its issuer audit practice and putting a significant strain on its quality control system. In imposing a $2 million fine, the PCAOB found the firm's quality control system failed to provide reasonable assurance that its personnel complied with applicable professional standards and regulatory requirements, including those related to appropriately staffing issuer audits.

- **Using various forms of non-monetary sanctions to protect investors:** The PCAOB revoked the registration of a China-based firm for repeated violations of PCAOB rules and for failing to cooperate with an investigation into those violations. Separately, the PCAOB barred two partners of a China-based firm from practicing and imposed practice limitations on another partner of the same firm for violating PCAOB standards. The PCAOB also required some firms to retain an independent monitor to drive improvements.

- **Efficiently executing enforcement procedures to protect investors and support PCAOB oversight:** In 2024, using efficient enforcement procedures to identify common violations across various firms, the PCAOB held firms accountable for failing to disclose audit participants, failing to make required audit committee communications, failing to compile complete sets of audit documentation, and failing to file information that is pertinent and necessary for PCAOB inspections.

Prioritizing Organizational Effectiveness, Including Stakeholder Engagement

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 they are external stakeholders, whose input makes PCAOB oversight more effective, or the PCAOB's talented and dedicated staff, whose work drives the organization forward.

Highlights from the PCAOB's 2024 work to improve its organizational effectiveness, including stakeholder engagement, include:

- **Fostering academic engagement in the PCAOB's mission:** The PCAOB hosted academic conferences to reinvigorate and continue to foster rigorous economic research and academic interest in topics that are relevant to the PCAOB's mission. In addition to hosting its annual Conference on Auditing and Capital Markets, the PCAOB hosted a Conference on Current Issues in Auditing focused on registered report proposals with *The Accounting Review*.

Gathering Advice and Insight From Advisory Groups

As mandated by the Sarbanes-Oxley Act, the PCAOB convenes advisory groups 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 PCAOB standard setting and other oversight. More information related to the PCAOB's **advisory groups** is available on the PCAOB website.

Investor Advisory Group (IAG)

At two public meetings during the year, IAG members received regular briefings from PCAOB staff on standard-setting and rulemaking activities, as well as enforcement. The IAG discussed and provided input on topics including audit committees' audit-related engagement with investors, emerging issues in audit firm ownership structures and funding arrangements, cyber risk on external audits, the IAG's request for critical audit matters, and artificial intelligence.

Standards and Emerging Issues Advisory Group (SEIAG)

The SEIAG's two public meetings during the year included updates on standard-setting and rulemaking activities, as well as discussions of the internal audit function and companies' information technology risks and control environment. Leveraging its Emerging Issues in Auditing subcommittee, the SEIAG addressed topics such as artificial intelligence and the ways the PCAOB might enhance fraud detection by the auditor.

- **Maintaining the PCAOB's strong commitment to international cooperation:** In 2024, the PCAOB continued its longstanding work to facilitate meaningful cross-border cooperation with international counterparts. For example, PCAOB Board Members and staff continued to play active roles at the International Forum of Independent Audit Regulators. Additionally, the PCAOB's October 2024 annual International Institute on Audit Regulation was attended by nearly 90 officials from audit regulators in 40 non-U.S. jurisdictions, as well as officials from several international organizations. In a new initiative for 2024, the PCAOB, as a leader among international regulators, developed and shared training videos with non-U.S. regulators that provide helpful information about the PCAOB's structure and operations. The PCAOB also worked directly with counterparts across the globe to provide additional training about the functions of the PCAOB and to develop and implement bilateral information-sharing agreements that facilitate the PCAOB's ability to oversee non-U.S. firms to protect U.S. investors.

- **Equipping investors with resources and education:** During 2024, the PCAOB's Office of the Investor Advocate issued seven investor advisories or bulletins on topics important to investors, including the importance of audit committee dialogue with auditors, examples of critical or key audit matters, and briefs on PCAOB standard-setting and rulemaking proposals. Complementing this work, the PCAOB posted a six-part investor education video series – PCAOB Protects – aimed at helping investors and other stakeholders better understand the critical role that the PCAOB plays in the financial reporting system.

- **Connecting with audit committees:** Each year, staff from the PCAOB's Division of Registration and Inspections engage with audit committee chairs of U.S. public companies whose audits the PCAOB inspects, to discuss a range of topics related to oversight of external auditors. In 2024, over 250 audit committee chairs participated in these conversations. Additionally, the PCAOB held an April 2024 webinar on the PCAOB's 2024 inspection priorities and considerations for audit committees.

Impacting the Next Generation of Accountants and Auditors

Largest Group of PCAOB Scholars in Program's 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 August 2024, the PCAOB **announced** that a record 676 students from U.S. colleges and universities had been selected to receive scholarships for the 2024-2025 academic year, up from 369 scholarship awards in 2023 and 250 in 2022. In addition, for the first time ever, each PCAOB Scholar received a $15,000 award this year, up from $10,000 previously. The Board has made it a priority to expand the PCAOB's support for students choosing to pursue careers in accounting and investor protection, including expansion of the PCAOB Scholars program.

Student Outreach

In 2024, the PCAOB expanded its outreach to accounting programs across the country – PCAOB Board Members and staff engaged with students at nearly 50 colleges and universities during the year.

PCAOB Scholars Mentor Program

In 2024, over 90 students participated in the PCAOB Scholars Mentor Program. Launched in 2023, the program connects PCAOB Scholars to PCAOB staff volunteer mentors who share advice, personal perspectives, and guidance on topics such as academics, applying to graduate schools, and careers.

Attorney Honors Program

In 2024, five people participated in the Attorney Honors Program, which was launched in 2023 and serves an opportunity for highly skilled recent 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.

FINANCIAL REVIEW

This financial review, together with the 2024 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 2024 audited financial statements and the accompanying notes are rounded in millions.

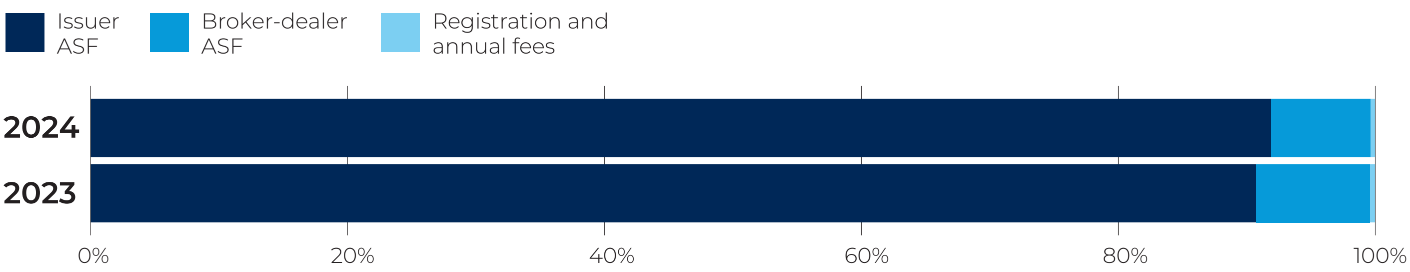
Financial Highlights

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 allocated among issuers and broker-dealers based on the estimated headcount for issuer-audit related activities and broker-dealer-audit related activities for a given year. The ASF is subject to review and approval by the SEC concurrent with each annual budget.

Percentage of operating revenues by type 2024 vs. 2023



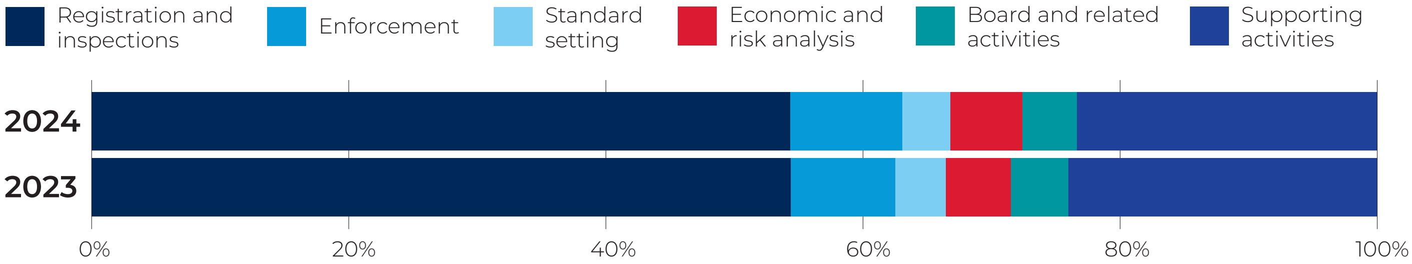
Our net operating revenue increased by $29.4 million, or 9%, from the prior year, primarily due to the increase in the issuer ASF in 2024. The ASF increase was largely related to estimated salary rate increases and additional budgeted headcount – and increased estimated consulting costs primarily to replace our registration and inspections systems and legal matters.

The table below presents our net operating revenue by line item for each of the years ended December 31, 2024 and 2023:

($ in millions)	2024	2023
Issuer accounting support fee	$331.0	$300.2
Broker-dealer accounting support fee	27.8	29.2
Registration fees and annual fees from PCAOB-registered public accounting firms	1.3	1.3
Total net operating revenue	**$360.1**	**$330.7**

Operating Expenses

Percentage of operating expenses by functional classification 2024 vs. 2023



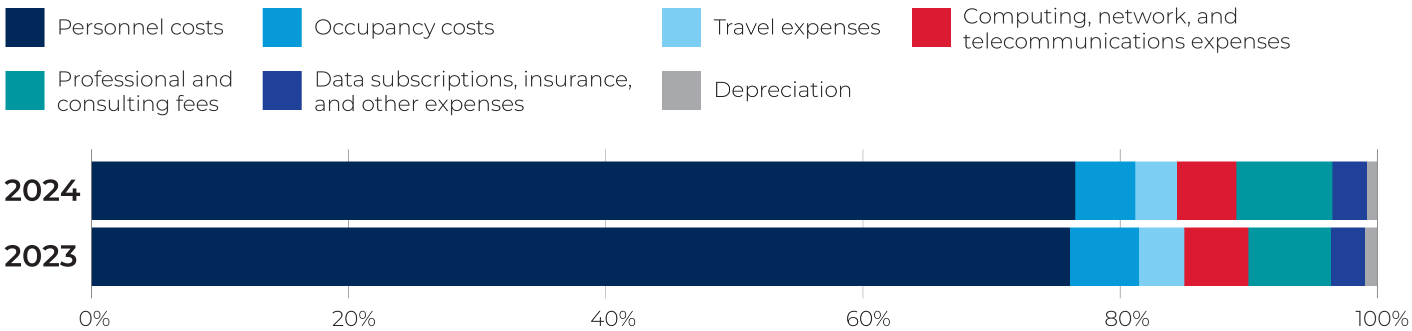
Our people are our most important asset, and our investments in attracting, developing, and retaining our talented workforce enable us to fulfill our statutory mission. Personnel costs represented 77% of our operating expenses, with more than half of these costs related to our registration and inspections program.

Overall, operating expenses increased by $38.3 million, or 12%, from the prior year. Costs for program services increased by $31.7 million compared to the prior year primarily due to increased personnel costs related to increased salary rates and headcount, largely for our registration and inspections program. For supporting activities, the increase of $6.6 million in costs was attributed to increased personnel costs, primarily related to increased salary rates.

The table below presents operating expenses (by program services and supporting activities) for each of the years ended December 31, 2024 and 2023:

($ in millions)	2024	2023
Program services:		
Registration and inspections	$201.3	$180.6
Enforcement	32.4	27.1
Standard setting	13.8	13.0
Economic and risk analysis	20.8	16.8
Board and related activities	15.7	14.8
Total program services	**284.0**	**252.3**
Supporting activities:		
Administration and general	66.7	60.1
Information technology	19.8	19.8
Total supporting activities	**86.5**	**79.9**
Total operating expenses	**$370.5**	**$332.2**

Percentage of operating expenses by natural classification 2024 vs. 2023



The table below presents operating expenses (by natural classification) for each of the years ended December 31, 2024 and 2023:

($ in millions)	2024	2023
Personnel costs	$283.5	$252.7
Occupancy costs	17.3	17.9
Travel expenses	12.0	11.7
Computing, network, and telecommunications expenses	17.1	16.6
Professional and consulting fees	27.7	21.4
Data subscriptions, insurance, and other expenses	10.0	8.7
Depreciation	2.9	3.2
Total operating expenses	**$370.5**	**$332.2**

Personnel costs increased by $30.8 million, or 12%, compared to the prior year, primarily due to an increase in salary rates, headcount, and benefits. This increase was partially offset by lower recruiting costs.

Professional and consulting fees increased by $6.3 million compared to the prior year, primarily due to consulting fees related to the development of a new registration and inspections system. This increase was partially offset by a decrease in translation costs associated with international inspections.

Data subscriptions, insurance, and other expenses increased by $1.3 million compared to the prior year, primarily due to exit and relocation costs associated with certain expired office leases in 2024, increased subscription and library costs to support economic analysis, and additional in-person event expenses, including small business and broker-dealer forums.

Occupancy costs; travel expenses; computing, network, and telecommunication expenses; 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.

Operating Loss

The excess of the 2023 PCAOB budgeted expenses compared to actual expenses resulted in a higher cash reserve at the beginning of 2024. Pursuant to PCAOB Rule 7106, excess funds of the Board in one fiscal year shall reduce the total ASF in the next fiscal year. Accordingly, the ASF calculated and assessed in 2024, the operating revenue, was less than the actual expenses required to support PCAOB's operations in 2024, resulting in an operating loss.

Other Revenue (Expense)

The table below presents components of other revenue (expense) for each of the years ended December 31, 2024 and 2023:

($ in millions)	2024	2023
Interest income and other	$11.6	$10.7
Monetary penalties, net	38.6	20.9
Scholarship payments, net	(10.0)	(3.6)
Total other revenue	**$40.2**	**$28.0**

Monetary penalties, net, increased by $17.7 million compared to the prior year, due to a continued focus on imposing appropriate penalties for egregious violations in 2024 that put investors at risk, including noncooperation with PCAOB inspections and investigations. 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 $6.4 million as the PCAOB awarded 676 scholarships in 2024 compared to 369 in 2023. In addition, each PCAOB Scholar received a $15,000 award this year, compared to $10,000 in 2023. The Board has made it a priority to expand the PCAOB's support for students choosing to pursue careers in accounting, including expansion of the PCAOB Scholars program.

Statements of Financial Position

Assets

The table below presents our total assets by type as of December 31, 2024 and 2023, respectively:

($ in millions)	2024	2023
Cash and cash equivalents	$183.3	$181.6
Restricted cash and cash equivalents	66.3	37.8
Short-term investment	22.8	21.9
Accounts and other receivables, net of allowance for credit losses of $1.8 and $1.9, respectively	1.0	1.8
Prepaid expenses and other assets	23.7	18.7
Furniture and equipment, leasehold improvements, and technology, net	7.0	9.1
Operating lease right-of-use assets	49.6	58.6
Total assets	**$353.7**	**$329.5**

Cash and cash equivalents increased by $1.7 million from the prior year, primarily due to the increase in the ASF assessed in 2024 and the timing of ASF collections along with additional interest earned on cash and cash equivalents. These changes were partially offset by higher spending compared to 2023.

Restricted cash and cash equivalents increased by $28.5 million compared to the prior year, due to the increase in monetary penalties assessed in 2024 offset by scholarships paid. See Note 7 to the financial statements for additional discussion.

Prepaid expenses and other assets increased by $5.0 million from the prior year, due to additional deferred cloud implementation costs in 2024 related primarily to the development of a new registration and inspections system and additional costs for certain prepaid technology subscriptions to provide additional capacity and services.

Furniture and equipment, leasehold improvements, and technology, net, decreased by $2.1 million from the prior year, primarily related to depreciation and amortization.

Operating lease right-of-use (ROU) assets decreased by $9.0 million from the prior year, due to the lease amortization for our office space in our Washington, DC headquarters, regional offices, and data center. This was partially offset by an increase in ROU assets due to the Irvine, California office lease amendment that commenced in July 2024, and four new office space leases that replaced our existing office space leases at the end of each respective lease term for our offices in San Francisco, California;[1] Denver, Colorado; Atlanta, Georgia; and Dallas, Texas. We also extended the lease for our data center space in Ashburn, Virginia, in October 2024 by exercising the option to renew the lease for 12 months upon the expiration of the initial term in early 2025. See Note 5 to the financial statements for additional discussion.

Liabilities

Our total liabilities decreased by $5.6 million from the prior year, driven by a $11.5 million decrease related to the amortization of our operating lease liabilities. This was partially offset by increases for accrued payroll and related benefits due primarily to increased compensation costs and headcount compared to the prior year. In addition, accrued payroll and related benefits include accrued costs related to early separation incentives offered to eligible employees in 2024. The table below presents total liabilities by type as of December 31, 2024, and 2023, respectively:

($ in millions)	2024	2023
Accrued payroll and related benefits	$38.4	$33.0
Accounts payable and accrued expenses	4.1	3.6
Operating lease liabilities	61.0	72.5
Total liabilities	**$103.5**	**$109.1**

Liquidity

We are primarily funded by the ASF assessed on issuers and SEC-registered broker-dealers. Certain of our assets are 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 annual ASF billing and collections cycle, we maintain a working capital reserve to cover our estimated expenditures for the first five months of the following fiscal year.

[1] The San Francisco lease was referred to as the San Mateo lease in the 2023 Annual Report.

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, 2024 and 2023, the related statements of activities and cash flows for each of the years in the two-year period ended December 31, 2024, 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, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, 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, 2024, 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 27, 2025

FINANCIAL STATEMENTS

Statements of Financial Position

As of December 31, 2024 and 2023

($ in millions)	2024	2023
Assets		
Cash and cash equivalents	$183.3	$181.6
Restricted cash and cash equivalents	66.3	37.8
Short-term investment	22.8	21.9
Accounts and other receivables, net of allowance for credit losses of $1.8 and $1.9, respectively	1.0	1.8
Prepaid expenses and other assets	23.7	18.7
Furniture and equipment, leasehold improvements, and technology, net	7.0	9.1
Operating lease right-of-use assets	49.6	58.6
Total assets	$353.7	$329.5
Liabilities and net assets without donor restrictions		
Liabilities		
Accrued payroll and related benefits	$38.4	$33.0
Accounts payable and accrued expenses	4.1	3.6
Operating lease liabilities	61.0	72.5
Total liabilities	103.5	109.1
Net assets without donor restrictions		
Undesignated	162.0	162.8
Statutorily designated for scholarships in Section 109(c)(2) of the Sarbanes-Oxley Act	66.3	37.7
Statutorily designated for sequestration	21.9	19.9
Total net assets without donor restrictions	250.2	220.4
Total liabilities and net assets without donor restrictions	$353.7	$329.5

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

Statements of Activities

For the years ended December 31, 2024 and 2023

($ in millions)	2024	2023
Changes in net assets without donor restrictions		
Net operating revenue		
Issuer accounting support fee	$331.0	$300.2
Broker-dealer accounting support fee	27.8	29.2
Registration fees and annual fees from PCAOB-registered public accounting firms	1.3	1.3
Total net operating revenue	360.1	330.7
Operating expenses		
Program services		
Registration and inspections	201.3	180.6
Enforcement	32.4	27.1
Standard setting	13.8	13.0
Economic and risk analysis	20.8	16.8
Board and related activities	15.7	14.8
Supporting activities		
Administration and general	66.7	60.1
Information technology	19.8	19.8
Total operating expenses	370.5	332.2
Operating loss	(10.4)	(1.5)
Other revenue (expense)		
Interest income and other	11.6	10.7
Monetary penalties, net	38.6	20.9
Scholarship payments, net	(10.0)	(3.6)
Total other revenue	40.2	28.0
Increase in net assets without donor restrictions	29.8	26.5
Net assets without donor restrictions — Beginning of year	220.4	193.9
Net assets without donor restrictions — End of year	$250.2	$220.4

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

Statements of Cash Flows

For the years ended December 31, 2024 and 2023

($ in millions)	2024	2023
Cash flows from operating activities		
Cash received from issuers	$331.6	$300.4
Cash received from broker-dealers	28.5	28.5
Cash received from PCAOB-registered public accounting firms	1.2	1.3
Interest income and other	11.5	10.4
Cash received from monetary penalties, net	38.7	20.9
Cash paid to fund scholarships, net	(10.0)	(3.7)
Cash paid for operating expenses	(369.6)	(326.2)
Net cash provided by operating activities	31.9	31.6
Cash flows from investing activities		
Purchases of furniture and equipment, leasehold improvements, and technology	(0.8)	(0.9)
Purchase of short-term investment	(22.8)	(21.9)
Proceeds from maturity of short-term investment	21.9	19.9
Net cash used in investing activities	(1.7)	(2.9)
Increase in cash and cash equivalents, and restricted cash and cash equivalents	30.2	28.7
Cash and cash equivalents, and restricted cash and cash equivalents — Beginning of year	219.4	190.7
Cash and cash equivalents, and restricted cash and cash equivalents — End of year	$249.6	$219.4

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*.

Cash and Cash Equivalents—The term cash and cash equivalents, as used in the accompanying financial statements, includes demand deposits with domestic high-credit-quality financial institutions, 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 a 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, 2024 and 2023:

($ in millions)	**Fair Value Measurements**		
	Level 1	**Level 2**	**Total**
2024			
Money market funds			
Cash and cash equivalents	$183.1	-	$183.1
Restricted cash and cash equivalents	$66.2	-	$66.2
U.S. Treasury Bill			
Short-term investment	-	$22.8	$22.8
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

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.

The 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 allowance for credit losses as of December 31, 2024 was $1.8 million, which mostly related to specifically identifiable issuers, broker-dealers, registered public accounting firms, and their associated persons. Less than $0.1 million related to receivables with similar risk characteristics.

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.

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 $8.3 million and $4.3 million of costs incurred to implement cloud computing arrangements as of December 31, 2024 and 2023, respectively. These costs are generally related to the development of, or significant enhancements to, certain cloud applications supporting the PCAOB's mission. The net deferred cloud implementation costs of $5.8 million and $2.7 million as of December 31, 2024 and 2023, respectively, which included $2.5 million and $1.6 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 for each of the years ended December 31, 2024 and 2023, 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 Topic 842, Leases, 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 statements of financial position. We did not have any finance leases or subleases as of December 31, 2024 and 2023.

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, 2024 and December 31, 2023.

Revenue Recognition—The Sarbanes-Oxley Act established funding for our activities primarily through the annual ASF assessed on issuers and SEC-registered broker-dealers. The annual ASF is approved by the SEC. We also assess registration fees and annual fees on registered public accounting firms 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 2024 and 2023. Pursuant to the collection agent agreement, we collected $43.1 million on behalf of FASB and remitted $42.9 million to FASB in 2024 – and collected $45.2 million and remitted $45.0 million in 2023. 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 furniture and equipment, certain accrued benefits, 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)	**2024**	**2023**
Cash and cash equivalents	$183.3	$181.6
Restricted cash and cash equivalents	66.3	37.8
Total cash and cash equivalents and restricted cash and cash equivalents shown in the statements of cash flows	$249.6	$219.4

Note 3—Accounts and Other Receivables, Net

Accounts and other receivables, net consist of the following as of December 31, 2024 and 2023:

($ in millions)	2024	2023
Accounts receivable—issuer and broker-dealer accounting support fees and annual fees	$0.9	$2.5
Accounts receivable—other	1.0	0.4
Other receivables—monetary penalties	0.9	0.8
Accounts and other receivables, gross	2.8	3.7
Less: Allowance for credit losses	(1.8)	(1.9)
Accounts and other receivables, net of allowance for credit losses	$1.0	$1.8

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

($ in millions)	Year ended December 31, 2024				Year ended December 31, 2023			
	Issuer and broker-dealer accounting support fees and annual fees	Accounts receivables – other	Other receivables – monetary penalties	Total	Issuer and broker-dealer accounting support fees and annual fees	Accounts receivables – other	Other receivables – monetary penalties	Total
Beginning of period balance	$(1.1)	$(0.1)	$(0.7)	$(1.9)	$(1.5)	-	$(0.5)	$(2.0)
(Provision for) / recovery of expected credit losses	(0.1)	(0.2)	(0.1)	(0.4)	(0.7)	$(0.1)	(0.2)	(1.0)
Write-offs	0.5	-	-	0.5	1.1	-	-	1.1
End of period balance	$(0.7)	($0.3)	$(0.8)	$(1.8)	$(1.1)	$(0.1)	$(0.7)	$(1.9)

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, 2024 and 2023:

($ in millions)	2024	2023
Technology		
Hardware	$9.1	$10.0
Purchased and developed software	11.9	12.1
Leasehold improvements	18.0	22.3
Furniture and equipment	6.5	8.3
Technology development and construction in process	0.4	0.4
Furniture and equipment, leasehold improvements, and technology, gross	45.9	53.1
Less: Accumulated depreciation and amortization	(38.9)	(44.0)
Furniture and equipment, leasehold improvements, and technology, net	$7.0	$9.1

Depreciation and amortization expense was $2.9 million and $3.2 million for the years ended December 31, 2024 and 2023, respectively.

Note 5—Leases

As of December 31, 2024, operating leases consisted of space for 10 office locations and a data center with various expiration dates ranging from 2025 through 2030. Most of the leases contain escalation clauses and option(s) to renew. These renewal terms can extend the lease term from 1 year to 10 years at prevailing market rental values. These renewals are included in the lease term when it is reasonably certain that the PCAOB will exercise the option.

During 2024, the leases for five of our offices expired. We relocated and entered into new leases for our offices in San Francisco, California;[2] Denver, Colorado; Atlanta, Georgia; and Dallas, Texas. The Irvine, California office lease was amended in 2023 and commenced in July 2024. We also extended the lease for our data center space in Ashburn, Virginia in October 2024 by exercising the option to renew the lease for 12 months upon the expiration of the initial term in early 2025. The Irvine, California office lease amendment and data center lease extension were accounted for as lease modifications. In addition, we entered into an agreement at the end of 2024 that is expected to commence in 2025 for additional data center space for 12 months in Ashburn. See Note 11 for additional details about the new Ashburn office space lease that was executed in 2025.

[2] The San Francisco lease was referred to as the San Mateo lease in the 2023 Annual Report.

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	2024	2023
Operating lease cost	$15.2	$15.8
Cash paid for amounts included in the measurement of operating lease liabilities	17.4	18.5
As of December 31	**2024**	**2023**
Weighted-average remaining lease term — operating leases	3.7 years	4.5 years
Weighted-average discount rate — operating leases	1.8%	1.5%

Maturities of operating lease liabilities are as follows:

($ in millions)	
Year ending December 31,	**Operating Leases**
2025	$16.8
2026	16.8
2027	16.8
2028	11.5
2029	1.1
2030	0.2
Total lease payments	63.2
Less: imputed interest[1]	(2.2)
Present value of lease liabilities	$61.0

[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, 2024 and 2023, we matched 100% of employee contributions up to 7% of eligible compensation. Our contributions vest immediately. We recognized personnel costs of $13.6 million and $12.3 million, for the years ended December 31, 2024 and 2023, 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, 2024, prior to the collection of the issuer ASF for 2025. 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. In 2024, we awarded 676 merit-based scholarships of $15,000 each to eligible students for the 2024-2025 academic year. In 2023, we awarded 369 merit-based scholarships of $10,000 each to eligible students for the 2023-2024 academic year.

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, 2024 and 2023, was as follows:

($ in millions)	
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
Monetary penalties assessed in 2024, net	38.6
Less scholarship payments for the 2024–2025 academic year, net of amounts unused or deferred	(10.0)
Statutorily designated funds, as of December 31, 2024	$66.3

Of the $66.3 million in statutorily designated funds for scholarships as of December 31, 2024, $58.2 million (of which $58.1 million is included in restricted cash and cash equivalents and $0.1 million is included in accounts and other receivables, net) has already been appropriated by Congress and may be used for awarding scholarships in 2025 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. All penalties collected in 2018 and 2019 were appropriated by Congress. In 2019, Congress appropriated in advance all penalties collected in 2020 and future years for disbursement. As of December 31, 2024, Congress has not appropriated $8.1 million of the remaining monetary penalties collected in 2017, including subsequent investment earnings. As a result, as of December 31, 2024, $8.1 million of the $66.3 million in statutorily designated funds was not available to distribute for scholarships. As of December 31, 2023, $7.7 million of the $37.7 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 13, 2023, OMB issued a report, “OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2024,” specifying that our sequestration percentage in 2023 was 5.7% of our approved 2024 budget, or $21.9 million. These sequestered funds remained unspent as of December 31, 2024, and are included in short-term investment in the accompanying statements of financial position. In a separate report issued on March 11, 2024, “OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2025,” OMB specified that our sequestration percentage in 2025 was 5.7% of our approved 2025 budget, or $22.8 million. We used the $21.9 million sequestered in 2024 to offset the $22.8 million sequestered for 2025. The net increase of $0.9 million in the required sequestration amount for 2025 has been implemented by the PCAOB through the adoption of a revised spending plan for 2025 that reduces the PCAOB’s approved 2025 budget by $0.9 million. The scholarship funds were not subject to sequestration in 2024 or 2023.

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, and 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, 2024
($ 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	$156.7	$24.8	$11.4	$16.0	$13.0	$221.9	$47.5	$14.1	$61.6	$283.5
Occupancy costs	7.1	2.3	0.9	1.2	0.9	12.4	3.8	1.1	4.9	17.3
Travel expenses	10.6	0.2	-	0.1	0.6	11.5	0.4	0.1	0.5	12.0
Computing, network, and telecommunications expenses	8.1	2.1	0.4	1.2	0.4	12.2	3.3	1.6	4.9	17.1
Professional and consulting fees	14.4	1.9	0.8	0.9	0.3	18.3	7.3	2.1	9.4	27.7
Data subscriptions, insurance, and other expenses	3.0	0.8	0.2	1.2	0.4	5.6	3.8	0.6	4.4	10.0
Depreciation	1.4	0.3	0.1	0.2	0.1	2.1	0.6	0.2	0.8	2.9
Total operating expenses	$201.3	$32.4	$13.8	$20.8	$15.7	$284.0	$66.7	$19.8	$86.5	$370.5

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

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, 2024, we held cash and cash equivalents of $183.3 million, which were available on demand to pay general expenditures. As of December 31, 2024, we held a short-term investment of $22.8 million, which is designated for sequestration in 2025. As of December 31, 2024, $58.1 million of restricted cash and cash equivalents were available to pay for future scholarship awards, with an additional $8.1 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 27, 2025, which represents the date the audited financial statements were available to be issued.

On January 30, 2025, the PCAOB entered into a lease agreement in Ashburn, Virginia for a new office location as our existing office space lease in Ashburn expires in March 2025. The lease has an approximate five-year term, with a five-year renewal option. The PCAOB anticipates taking possession of the leased premises in 2025 and intends to relocate from our existing Ashburn location to this space later this year.

On January 10, 2025, a respondent in a PCAOB disciplinary proceeding filed a civil action in the U.S. District Court for the District of Columbia (D.D.C.) against the PCAOB. Among other things, the complaint challenges the constitutionality of the PCAOB's disciplinary proceedings, including the appointment and use of a hearing officer. The plaintiff is seeking declaratory and injunctive relief. The claims asserted are similar to those asserted in three civil actions filed by separate respondents in 2023 and 2024. One of the earlier actions was dismissed without prejudice in January 2025. On February 19, 2025, the D.D.C. granted the PCAOB's motion to consolidate the three pending civil actions. None of these actions makes a claim for financial loss or damage, other than a claim for attorneys' fees and costs. The PCAOB intends to defend all of these actions 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, 2024. 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, 2024.

March 27, 2025

Erica Y. Williams
Chair

James P. McNamara
Chief Operating Officer

Holly W. Greaves
Chief Financial Officer