Quarterly Perspectives: Financial Reporting & Beyond / Q2 2026

July 16, 2026

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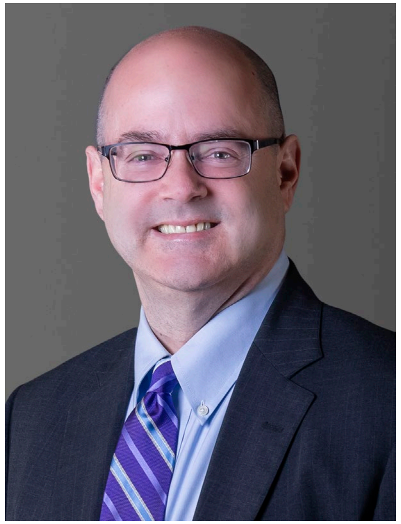
Meet the Presenters From Forvis Mazars Professional Standards Group



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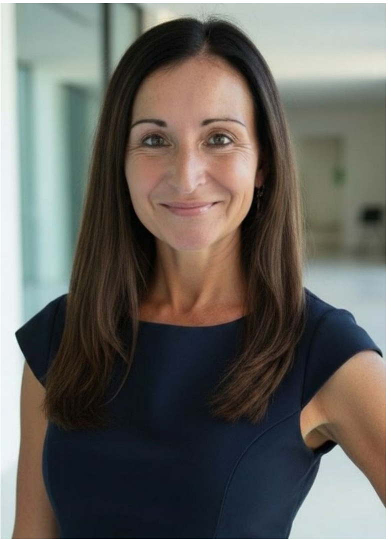

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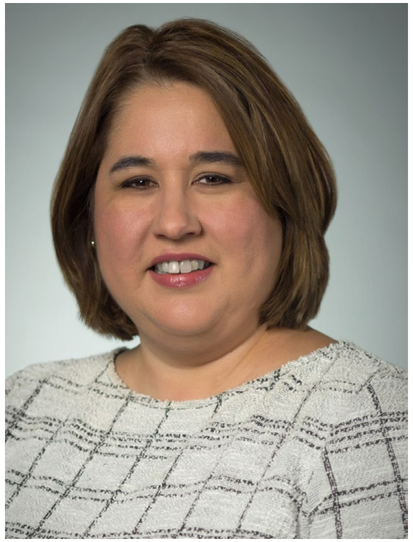

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Looking Back

What Has Caught Our Eye

- PCAOB is actively seeking feedback under new leadership in recent invitations to comment on strategic planning, quality control standards, and its standard setting agenda
- Companies continue to pursue voluntary climate solutions as regulatory focus shifts from federal to state requirements
- Increased focus by the Department of Labor on cybersecurity risk in plan environments

Here & Now

Why Cybercriminals Target Benefit Plans

- Trillions in retirement assets
- U.S. retirement assets exceeded $35 trillion
  - Highly sensitive personal data
  - Online participant access
  - Complex vendor ecosystems

Plans and Cybersecurity

When something goes wrong, regulators will want to know:		
Were the fiduciaries prepared?	Were there reasonable protections in place?	Was oversight of the plan documented?

Cybersecurity is not just an IT issue – it is a fiduciary oversight issue

Cybersecurity Questions Fiduciaries Should Ask

- How are we protecting participant data?
- How are we overseeing service providers?
- How are we documenting our oversight?
- Are we prepared to respond to a cybersecurity incident?

Department of Labor Cybersecurity Guidance – Key Themes

- Documentation matters
- Demonstrate vendor oversight
- Maintain an incident response plan
- Use multi-factor authentication and encryption
- Treat cybersecurity as tied to fiduciary duties

What Good Cybersecurity Looks Like

- Governance and accountability
- Risk assessment and validation
- Access controls and data protection
- Third-party and cloud risk
- Incident response and business resiliency

Employee Benefits Security Administration (EBSA) Enforcement Focus

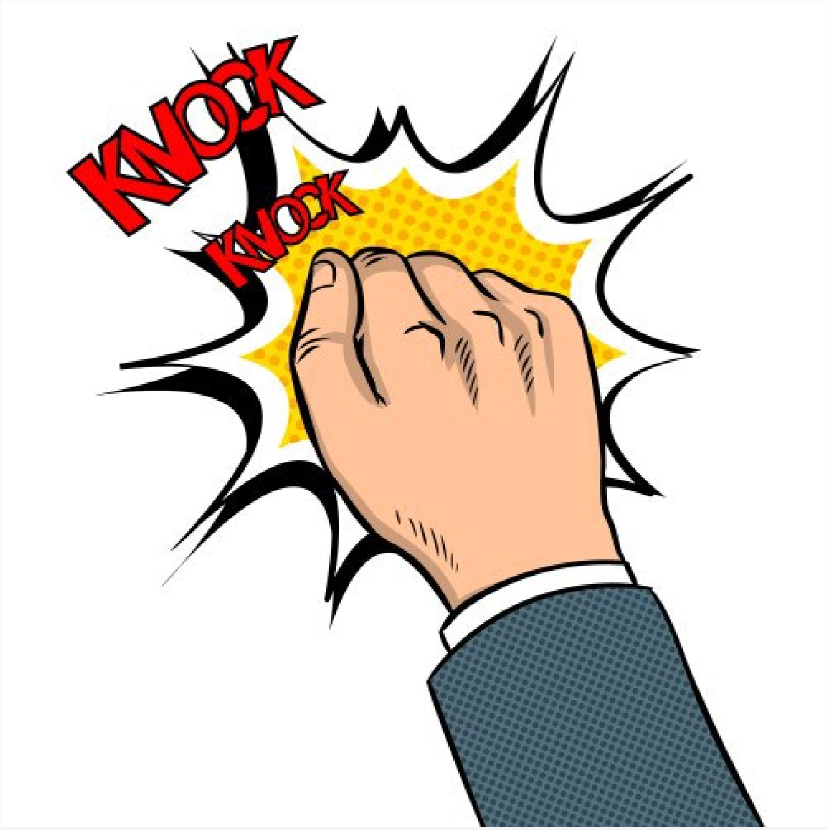
Investigations may focus on:

- Participant account protection
- Security controls
- Vendor cybersecurity practices
- Fiduciary oversight documentation

For 2026, EBSA has added cybersecurity as a national enforcement project

If EBSA Comes Knocking
Documents EBSA May Request

- Cybersecurity policies
- Risk assessments
- Vendor contracts
- Incident response plans
- Committee oversight records/minutes

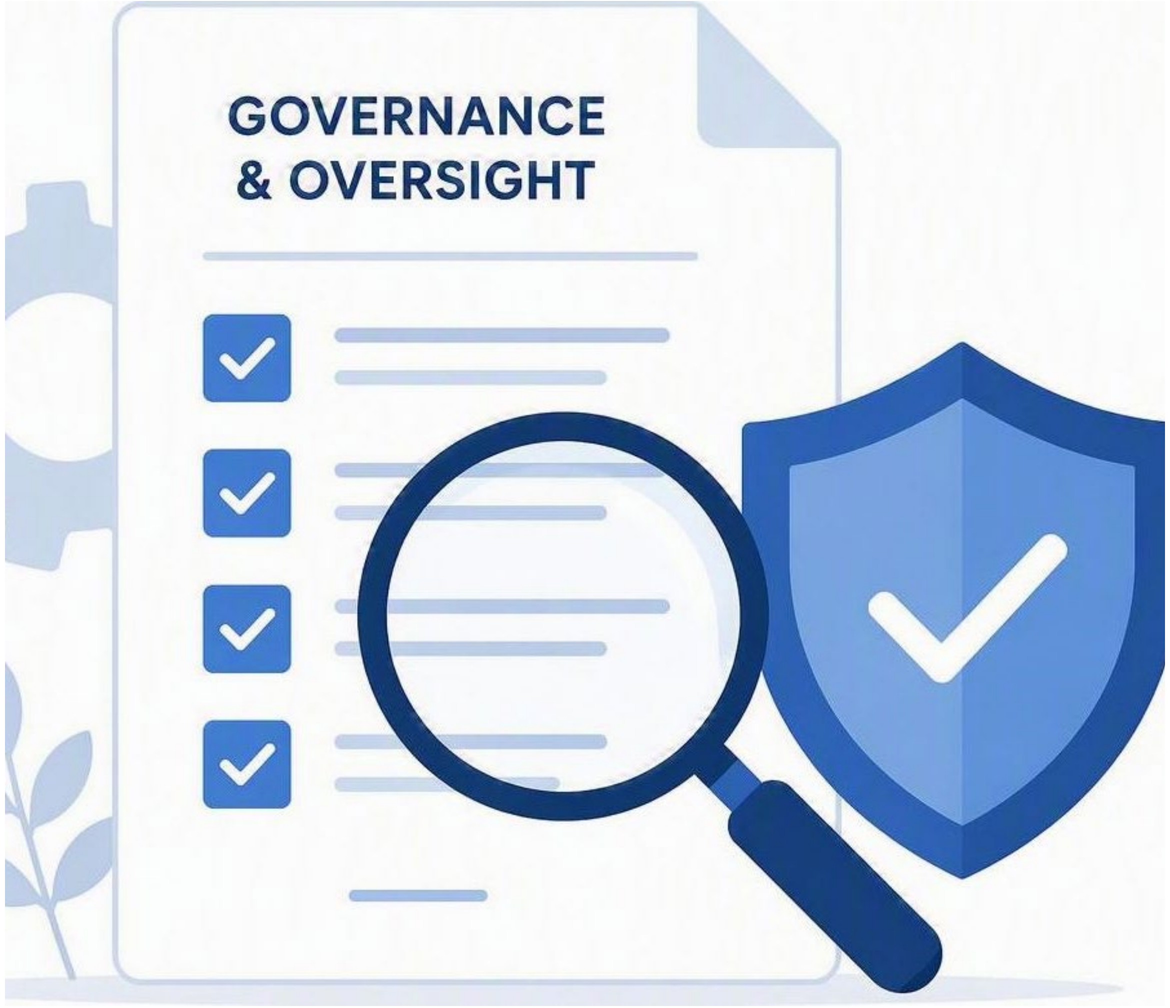


What Should I Document as a Fiduciary?

- CYBERSECURITY DISCUSSIONS
- VENDOR OVERSIGHT ACTIVITIES
- RISK ASSESSMENT REVIEWS
- RESPONSES TO RISK ASSESSMENTS
- TRAINING PROVIDED

You Can Outsource Services – Not Fiduciary Responsibility

Plan operations may be outsourced, but fiduciary responsibility for oversight remains with the plan sponsor and named fiduciaries



Five Actions Fiduciaries Can Take Now

- Strengthen governance and maintain a documented cybersecurity program
- Evaluate vendor cybersecurity practices
- Review participant account protections, including multi-factor authentication
- Document cybersecurity oversight in minutes
- Conduct periodic cybersecurity risk assessments

ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Why a New Standard?

Lack of authoritative guidance resulted in diversity in practice

No specific authoritative guidance. Entities generally accounted for environmental credits or the related obligations by analogy through:

- Inventory (ASC 330)
- Intangibles (ASC 350-30)
- Contingencies (ASC 450)

ASU 2026-02 provides authoritative guidance for all entities that

- Buy, receive, or generate environmental credits
- Have enforceable regulatory compliance obligations that may be settled with environmental credits

ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Scope: Environmental Credits

Enforceable right that is either:

- Acquired
- Internally generated
- Granted by a regulatory agency or its designee(s), or
- Received in a nonreciprocal transfer that is not a grant from a regulator or its designee(s)

Meets all the following criteria:

- Lacks physical substance
- Not a financial asset
- Represented to prevent, control, reduce, or remove emissions or other pollution
- Separately transferable in an exchange transaction
- Not an income tax credit

ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Scope: Environmental Credit Obligations

Enforceable obligations resulting from regulatory compliance programs represented to prevent, control, reduce, or remove emissions or other pollution that may be settled with environmental credits

Examples

In scope

Regulatory compliance programs

- Emissions allowances originating from domestic and global cap-and-trade programs
- Renewable identification numbers originating from the U.S. Renewable Fuel Standard
- Renewable energy certificates originating from U.S. State Renewable Portfolio Standards
- Carbon offsets used by entities to meet voluntary initiatives to reduce net emissions

Out of scope

- Environmental remediation liabilities (ASC 410-30)
- Income tax credits (ASC 740 applies)
- Voluntary pledges with no enforceable obligation
- Nonfinancial statement reporting:
  - Voluntary net zero emissions initiatives
  - Greenhouse gas emissions

ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Accounting for Environmental Credits

At the date the credit is obtained

Is it probable the EC will be used either to settle an ECO or transferred in an exchange transaction?

Yes

No

Recognize the cost of the EC as an expense as incurred

Recognize an asset

Internally generated or received through a grant:
Measured at transaction costs incurred to obtain, if any

Obtained in a transaction:
Initially measured at cost (ASC 805-50), or
Initially measured in accordance with other GAAP

Is it probable the EC will be used to settle an ECO?

Yes

Compliance Environmental Credit

No

Noncompliance Environmental Credit

EC = environmental credit • ECO = environmental credit obligation

ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Accounting for Environmental Credits

At each reporting date

For ECs recognized as assets, is it still probable the EC will be transferred in either an exchange transaction or used to settle an ECO?

Yes → **EC remains an asset** → **Is it probable the EC will be used to settle an ECO?**

- **Yes** → **Compliance Environmental Credit**
  Not subsequently remeasured
  No impairment testing
- **No** → **Noncompliance environmental credit**
  Subsequently measured (cost less impairment)
  Tested for impairment annually

No → Derecognize the carrying amount of the EC through earnings

EC = environmental credit • ECO = environmental credit obligation

ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Accounting for Environmental Credit Obligations

Recognition

Liability recognized when events (for example, emissions) occurring on or before the reporting date result in an environmental credit obligation.

Initial and Subsequent Measurement

Funded Portion

- Measured at the carrying amount of compliance environmental credits that the entity holds and expects to use to settle an obligation at the reporting date
- Does not consider noncompliance environmental credits

Unfunded Portion

- Measured at the fair value of environmental credits necessary to settle the unfunded portion at the reporting date
  - If remitting cash, measure using the cash settlement specified by the regulatory compliance program
- Do not consider expected future activities

ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Derecognition

Environmental Credits

- Generally follow ASC 610-20
  - If sold to a customer, follow ASC 606
- If no longer probable the EC will be used to settle an ECO, sold to a third party, or used in a nonreciprocal transfer, EC should be derecognized
  - Assets derecognized in this manner are prohibited from subsequent recognition as an asset.

Environmental Credit Obligations

- Follow ASC 405-20, *Liabilities – Extinguishments of Liabilities*
- Generally derecognized when the obligation is satisfied through transfer of credits, cash, or both
- Presented in the same income statement line as initial and subsequent measurement of the ECO

ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Financial Statement Presentation

Environmental Credits

Classification

- Compliance credits separately presented from noncompliance credits

Current vs. Noncurrent

- Based on expected timing of remittance to satisfy ECO
- Current if expected to be sold or traded within one year

Environmental Credit Obligations

Classification

- Presented separately from Environmental Credits
  - Not presented net

Current vs. Noncurrent

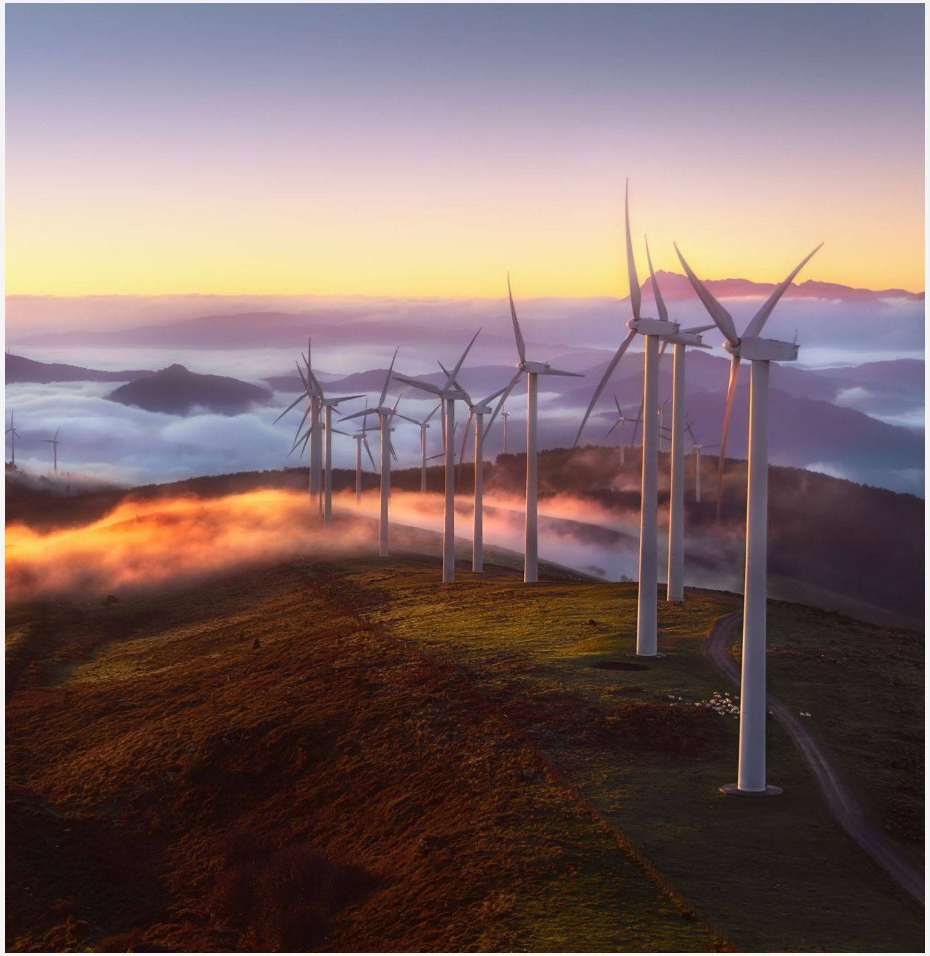
- Based on expected timing of settlement

ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Disclosure

Environmental Credits

- How the ECs were obtained
- The intended use of the credits
- The accounting policies used to account for ECs, including the entity's method for subsequently measuring ECs recognized as assets (first-in, first-out, average cost, or specific identification method)
- Significant estimates and judgments used in accounting for ECs
- The current and noncurrent portions of compliance ECs and noncompliance ECs, along with the line item or items on the balance sheet that include those amounts (if not separately presented on classified balance sheet)
- Total expense recognized for ECs not initially recognized as an asset during the period or subsequently derecognized during the period and the line item in the income statement that includes that amount
- Total impairment expense recognized during the period and a description of the facts and circumstances giving rise to the impairment and the line item in the income statement that includes that amount
- Changes to the use, or intended use, of ECs, including the nature of the change as of the date that it occurs and the related effect on earnings on that date, if any
- Applicable fair value disclosures required by ASC 820, *Fair Value Measurement*, as applicable



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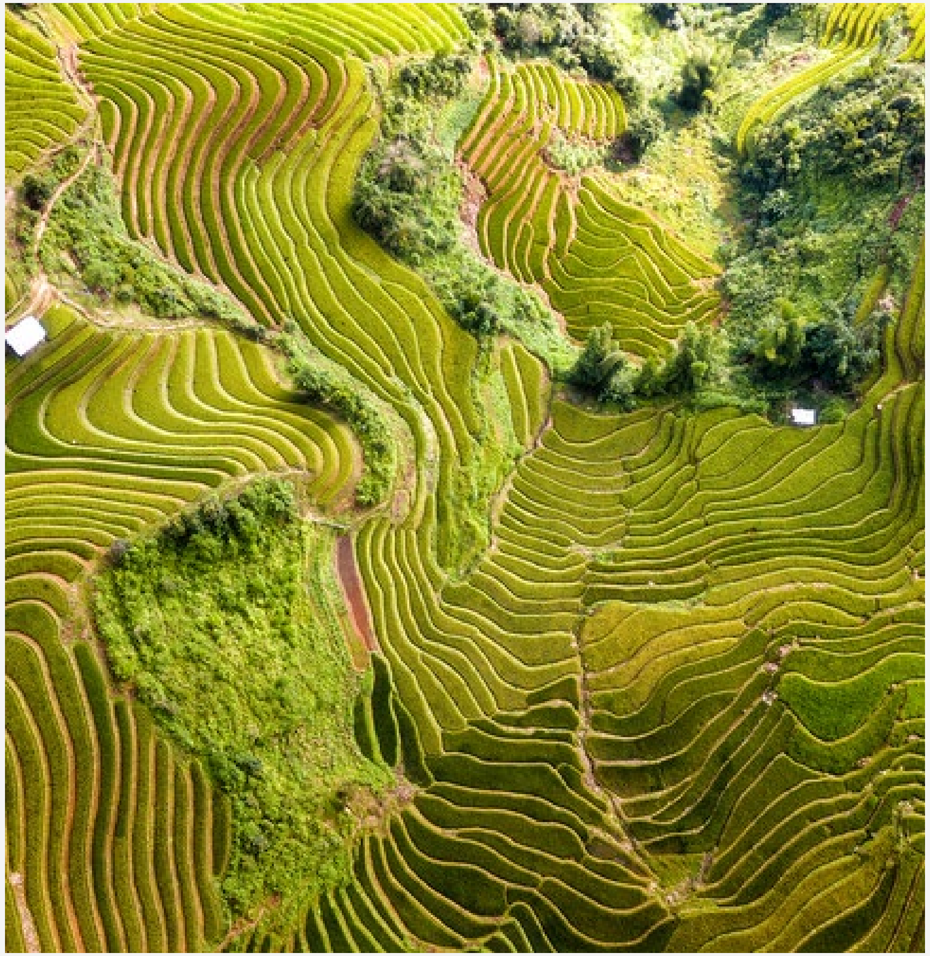
Disclosure

Environmental Credit Obligations

- Activities or events that result in environmental credit obligation liabilities
- The nature and timing of settlement provisions
- The accounting policies used to account for environmental credit obligations
- How the unfunded portion of an ECO liability is measured
- Significant estimates and judgments used in accounting for ECOs
- The current and noncurrent amounts of funded and unfunded portions of ECOs (if not separately presented on classified balance sheet)
- Total expense recognized for ECOs during the period and the line item in the income statement that includes that amount
- Total costs associated with ECO liabilities that are capitalized in the carrying amount of another asset during the reporting period in accordance with another Topic, as well as a description of the other asset
- Applicable fair value disclosures required by ASC 820, *Fair Value Measurement*, as applicable



ASU 2026-02, *Environmental Credits & Environmental Credit Obligations (Topic 818)*

Effective Dates and Transition

ASU 2026-02

Early adoption permitted

Public Business Entities

Annual periods beginning after December 15, 2027, including interim periods

All other entities

Annual periods beginning after December 15, 2028, including interim periods

Transition

- **Retrospective approach**: A cumulative-effect adjustment is recorded to the opening balance of retained earnings as of the beginning of the earliest period presented. Upon initial application, an entity should:
  - Recognize EC assets
    - Derecognize ECs unless capitalized as part of another asset (e.g., inventory) before the date of initial application
    - Derecognize assets recognized for a nonrefundable deposit made to obtain voluntary ECs
  - Measure environmental credits recognized as assets:
    - Compliance ECs, using the entity’s carrying amount existing at the date of initial application
    - Noncompliance ECs, at the lower of the entity’s carrying amount or fair value of the ECs existing at the date of initial application
  - Recognize and measure ECO liabilities at the date of initial application

Recent Securities and Exchange Commission Rule Proposals

Part of Commission Chair Paul Atkins' priorities to A-C-T (Advance-Clarify-Transform) and to "Make IPOs Great Again"

- May 5
  - Semiannual Reporting (comments were due July 6)
- May 19
  - Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies (comments due July 20)
  - Registered Offering Reform (comments due July 27)

Proposed Rule Summary - Semiannual Reporting

Optional semiannual reporting proposed for those with reporting obligations under Exchange Act Sections 13(a) and 15(d)

- Registrants (excluding foreign private issuers, investment companies, and asset-backed issuers) could check a box annually on the front of their Form 10-K to elect into semiannual reporting (irrevocably for the next fiscal year) using a new Form 10-S
  - Essentially mirrors current Form 10-Q
  - Same filing deadlines (40 or 45 days) and same auditor interim review requirements
  - Quarterly reporting remains the default absent such an election
- Regulation S-X would be amended to accommodate semiannual reporting in periodic reports, registration statements, and proxy statements
  - Requirements for age of financial statements would be amended so semiannual filers would not “go stale” in registration statements given the elected cadence of reporting
  - Rules governing the age of financial statements would be simplified and consolidated into a single rule
- Check boxes added to Forms S-1, S-3, S-4, and S-11 for new registrants to make their initial election
- Conforming changes would be made to transition report rules and other technical amendments

Proposed Rule Summary - Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies

Objective is to incentivize companies to become and remain registrants

- Raise the thresholds and criteria to become a large accelerated filer (LAF)
  - Public float threshold for becoming a LAF increased from $700 million to $2 billion (and based on the average stock price over the last 10 trading days of the second fiscal quarter)
  - Public float threshold to be met two years consecutively before becoming a LAF
  - At least 60 consecutive calendar months of reporting before a company can become a LAF
- Eliminate the categories of accelerated filer (AF) and smaller reporting company filer (SRC)
- All companies not a LAF would be a nonaccelerated filer (NAF) by default
  - As is currently the rule, SOX 404(b) auditor attestation on ICFR not required for a NAF
- Extend to all NAFs the same disclosure scaling and other accommodations currently available to SRCs and emerging growth companies (EGCs)
  - For example, no say-on-pay or say-when-on-pay shareholder advisory votes, scaled executive compensation disclosure (including no pay versus performance disclosure), and fewer years of financial statements (with reduced presentation requirements)
- New sub-category of small NAF (sNAF) for companies with total assets of $35 million or less for the two most recent years
  - Would have an additional 30 days to file Form 10-K and an additional five days to file Form 10-Q

Conversations You Should Be Having

What Is on the Horizon

- Plan Sponsors need to evaluate their readiness to respond to any potential cyber incidents with respect to their Plan ... and not assume your outsourced provider has this taken care of for you!
- Adoption for environmental credits and related obligations coincides with the next election cycle … consider the potential for early adoption of ASU 2026-02
- FASB's recent ASUs on government grants and environmental credits have filled GAAP gaps so make sure you are considering these if applicable to you

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- GASB 103 Implementation & Financial Reporting Insights
- Quarterly Financial Reporting Update – Q1 2026
- Quarterly Insights: Financial Services Q1 2026
- Forvis Mazars’ 2026 Quality Report

Thank you!

Please join us again on October 15, 2026 for the next installment of the 2026 Quarterly Perspective webinar series, as well as the following remaining dates for the 2026 series:

- January 7, 2027

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