

Charter of the Small Business Advisory Committee of the Financial Accounting Standards Board

Purpose and Responsibilities, Membership, and Operating Procedures

Introduction

The Financial Accounting Standards Board (FASB) established the Small Business Advisory Committee (SBAC or Committee) pursuant to the FASB's *Rules of Procedure*. This Charter sets forth the purpose and responsibilities, membership, and operating procedures of the Committee. The procedures followed by the Committee shall be consistent with the *Rules of Procedure*.

Purpose and Responsibilities

The SBAC is a standing committee that is expected to work closely with the FASB and its staff in an advisory capacity to ensure that perspectives from small businesses are effectively communicated to the FASB on a timely basis in connection with the development of financial accounting and reporting standards. The Committee is expected to continue until such time as the FASB Chairman, in consultation with the other members of the FASB, staff Directors, and the Trustees of the Financial Accounting Foundation (Foundation), determines that the Committee should be discharged.

The principal responsibilities of the Committee are to:

- a. Provide focused input and feedback from a small public company perspective, considering whether there are differences in that input for small public versus private company perspectives, relating to:
 1. The anticipated costs, complexities, and benefits of potential solutions on FASB projects
 2. The operability of potential solutions on FASB projects
 3. Emerging issues with financial reporting implications
 4. Identification of opportunities for the simplification of generally accepted accounting principles (GAAP) or practical expedients in applying existing GAAP in which a similar outcome is achieved, without a reduction in the benefits of the information provided to users of the financial statements.
- b. Assist the FASB and its staff in its consideration of whether private company accommodations should be extended to others in the small business sector (for example, banks and other small public companies).
- c. Advise on other matters for which the FASB may seek guidance.

Membership

The Committee shall comprise between 15 to 20 members. Members will be individuals who demonstrate (a) a keen interest in and knowledge of financial accounting and reporting matters, (b) experience working within the small business sector, (c) a commitment to improving financial reporting for users of financial statements, and (d) the ability to provide input on a wide variety of financial reporting matters.

The FASB Chairman will appoint members of the SBAC after consulting with the other members of the FASB and staff Directors, as appropriate. To ensure that the SBAC helps provide the Board and Private Company Council (PCC) with information about small public company perspectives, and does not have members with backgrounds that significantly overlap those within the membership of the PCC, SBAC membership shall focus on:

- d. Small public companies
- e. Private businesses that supplement the PCC's current membership (such as private companies considering accessing public markets, cooperatives, or banks).

To ensure that the SBAC provides the Board with a diversity of viewpoints, the SBAC collectively shall have backgrounds in and experience with:

- a. Preparing and auditing (including compilation and review) financial statements of small businesses
- b. Using company's financial statements for various types of capital decisions (investors, creditors, and others)
- c. Various subsectors (technology and pharma, etc.).

The SBAC also may include one or more members with background or experience in academe or law.

Members (and potential members) shall promptly notify the FASB Chairman of any legal or regulatory proceedings or other matters that potentially could affect the member's professional reputation or standing.

The FASB Chairman may designate an FASB member to serve as a liaison to the SBAC. The FASB Chairman also may appoint one or more official observers to the SBAC. FASB liaisons and official observers are not members of the SBAC.

Membership on the SBAC is personal to appointed members, and members may not delegate their functions or their attendance at meetings to others. It is understood that the views expressed by members are their own and do not represent the views of their employers or others. Members are encouraged, however, to solicit and share with the FASB the views of others (which may include their employers or members of associations in which they participate).

Members of the SBAC generally shall be appointed for a one-year term, and may be reappointed for three additional one-year terms. The FASB Chairman may stagger membership tenure to establish an orderly rotation and maintain appropriate continuity on the SBAC. A member whose term has expired is eligible to serve again as a member after a hiatus of no less than two years. In making those reappointments, the FASB Chairman will balance the benefits of reappointment of past members with the expected contributions or potential for fresh perspectives provided by new members.

SBAC members serve without remuneration and also shall pay all expenses associated with their participation as members; however, the FASB Chairman may, based on hardship considerations, authorize the payment of a member's expenses that are reimbursable under the Foundation's travel and expense policy.

Chairman of the Committee

The FASB Chairman shall appoint the Chairman of the SBAC, who shall serve at the pleasure of the FASB Chairman. The FASB Chairman may designate an FASB Board or staff member or a SBAC member to serve as the Chairman. At the discretion of the FASB Chairman, two people may be designated to serve as Co-Chairs.

Operating Procedures

Meetings

The SBAC shall meet regularly, generally one or two times per year, not to exceed two times per year, at the FASB's offices in Norwalk, Connecticut, at such time as the Chairman of the SBAC shall determine. SBAC meetings may be held jointly with the PCC to discuss matters of mutual interest. Meetings may be held in other locations if approved by the FASB Chairman. Notice of each SBAC meeting will be provided to members at least 30 days before the meeting.

All meetings will be open to public observation and webcast to the extent practicable. The SBAC may meet in closed session to discuss matters that are educational or administrative in nature. At least one meeting per calendar year will include a session with all FASB members. FASB members are invited to participate in other SBAC meeting sessions as their schedules permit.

The FASB Chairman, or his delegate, shall identify topics of interest for the SBAC meetings based on the FASB's agenda (or other research initiatives). A draft SBAC meeting agenda that includes the content and length of the meeting topics will be circulated to SBAC members; SBAC members will have an opportunity to suggest additions to the agenda.

At his or her discretion, the SBAC Chairman may invite one or more nonmembers to participate in a meeting (or portion thereof) to provide input or expertise relevant to the discussion of particular issues.

An FASB staff person shall serve as secretary of each meeting and shall prepare minutes of the meeting, subject to review and approval by the SBAC members. Minutes of public sessions will be made available on the FASB's website.

Annual Self-Review and Triennial Assessment

Annually, in collaboration with the FASB, the SBAC shall complete a self-review of its performance relative to its purpose and responsibilities. The review will, among other things, (a) consider the attendance and participation of each SBAC member and (b) request each member (other than those whose terms have expired) to reaffirm his or her commitment to serving as a SBAC member.

Once every three years, or more often as determined by the FASB Chairman, the FASB will undertake an in-depth assessment of the Committee, conducted cooperatively with the Committee members. The assessment will consider:

- a. The on-going need for the SBAC and the appropriateness of its Charter in light of the current environment, the needs of the FASB, and any other factors
- b. The effectiveness of the SBAC relative to its purpose and responsibilities
- c. The appropriateness of the membership size, composition, and experience, relative to the SBAC's purpose and responsibilities.

The FASB Chairman shall evaluate the results of the assessment on a timely basis and amend this Charter, as necessary, to reflect changes to the SBAC's purpose, responsibilities, membership, or operations.

Public Announcements and Public File

The following matters will be publicly announced through a posting to the FASB's website and any other appropriate means:

- a. At least one week before a meeting, the time, date, location, and meeting agenda. Any changes to the date, time, location, or agenda will be publicly announced as soon as is practicable.
- b. All changes in Committee membership and any changes in the Committee Chairmanship.
- c. Any other matters about the operations and activities of the SBAC that the FASB Chairman deems of importance to the public (for example, a decision to discharge the SBAC or a significant change to its Charter).

All meetings, both public and closed, will be reported in the FASB Chairman's quarterly report to the Foundation.

Documents constituting the public files of the SBAC, made available on the FASB's website, include:

- a. This Charter
- b. A list of active SBAC members (including an identification of the Chairman)
- c. The agenda and minutes for each public meeting
- d. Reports, written comments, and position papers submitted to the FASB by the SBAC, if any, subject to the confidentiality limitations contained in Section IV(K) of the FASB's *Rules of Procedure*.