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ASSURANCE SERVICES

Quarterly Update

First Quarter 2020

April 2, 2020

Dear Clients and Friends:

First of all, we hope that each of you and your family are safe and healthy during this pandemic. We continue to be available to you as we have shifted to working remotely throughout our offices. With all of the economic turmoil and the new CARES Act, accounting and financial reporting is heavily impacted.

In this edition of our quarterly communication, we have provided information about all of the financial reporting and accounting issues that we are currently aware of – some of which are currently being evaluated by regulatory agencies and not resolved at this time.

In the Coronaviruses Disease 2019 section, we have included the following resources and articles for your consideration:

- Goodwill Impairment Analysis (Read more)
- Coronavirus Leads to Virtual Annual Meetings (Read more)
- COVID-19 Financial Reporting Considerations (Read more)
- Coronavirus Aid, Relief, and Economic Security Act (Read more)
- Federal Tax Impact of 2020 Families First and CARES Acts (Read more)
- Impact of Various COVID-19 Stimulus Packages on ASC 740 (Read more)

We have also compiled a list of items for your consideration in your financial reporting and disclosures for the first quarter and a summary of recently issued accounting pronouncements (see Appendices for summary of recently issued accounting pronouncements and the related effective dates). Our goal is for you to have up-to-date information available to you prior to finalizing your financial reporting deliverables.

This quarterly update is organized as follows:

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Appendices

Please review and feel free to contact one of your Elliott Davis engagement team members with any questions. We look forward to working with you during the audit and throughout the financial reporting process.

Selected Highlights

Coronavirus Disease 2019

The Coronavirus Disease 2019 (COVID-19) has significantly disrupted our nation's communities and businesses. This disruption is placing a great deal of strain not only on our healthcare system but also on the day-to-day livelihood of individual citizens. This situation is changing quickly with widespread impact. We've provided some guidance, resources and things to think about in response to COVID-19.

Find out more in the *Coronavirus Disease 2019 Update* section.

Coronavirus Leads to Virtual Annual Meetings

With rising concerns around the spread of COVID-19, companies are considering adding a virtual component to their annual shareholder meetings. Most companies have historically held their annual shareholder meetings in-person. However, this approach runs counter to the advice of health authorities. We've included some things various considerations that a company should take into account when determining whether to move from an in-person to a virtual or hybrid annual meeting.

Find out more in the *Coronavirus Leads to Virtual Annual Meetings* section.

Coronavirus Aid, Relief, and Economic Security Act

On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was signed into law. The CARES Act is designed to provide financial relief to the American people and American businesses in response to the economic fallout from COVID-19. We've included key provisions of the CARES Act specifically related financial institutions.

Find out more in the *Coronavirus Aid, Relief, and Economic Security Act* section.

SEC Revises Accelerated Filer Definition

On March 10, the SEC adopted a final rule amending the definitions of accelerated filer and large accelerated filer. Under the rule, an issuer that qualifies as a smaller reporting company (SRC) and has less than $100 million in annual revenues will also qualify as a non-accelerated filer that is not required to obtain an auditor's attestation on internal control over financial reporting (ICFR). It would also not be subject to any accelerated filing requirements.

More information can be found in the *Regulatory Update* section.

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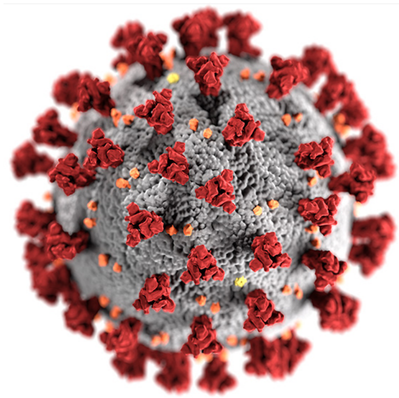
Join us on Wednesday, April 9th, for a one-hour webcast designed to provide insight into recent COVID-19 developments, discussions, actions and pronouncements from the FASB and other accounting regulatory bodies. Find more information and register at: http://www.elliottdavis.com/events

Coronavirus Disease 2019 Update

The Coronavirus Disease 2019 (COVID-19) has significantly disrupted our nation's communities and businesses. This disruption is placing a great deal of strain not only on our healthcare system but also on the day-to-day livelihood of individual citizens. COVID-19 has also had a significant impact on global financial markets, and will likely have operational implications for many entities. Examples of some potential operational impacts include, but are not limited to:



- Reductions in productivity due to extended unavailability of production personnel
- Supply chain disruptions
- Declines in sales and earnings
- Closure of facilities and stores
- Increased volatility in the value of financial instruments
- Reduced tourism from reductions of nonessential travel and leisure activities

Entities should carefully consider their unique circumstances and risk exposures and evaluate the pandemic's impact on their financial reporting as well. Specifically, financial reporting and related financial statement disclosures need to convey all material effects of COVID-19. Some of the accounting and disclosure considerations related to the COVID-19 outbreak include, but are not limited to:

- ***Impairment of goodwill*** – see Goodwill Impairment Analysis discussion below.
- ***Impairment of other long-lived assets*** – long-lived assets are required to be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable under ASC Topic 360. The coronavirus outbreak may result in triggering events, such as changes in the planned use of an asset, that will necessitate more vigorous evaluations of the recoverability of machinery and equipment.
- ***Valuation of inventories*** – the carrying value of inventory needs to be adjusted if disruptions to supply chains and decreased consumer demand results in decreases to the net realizable value of inventories. Additionally, if production is halted could result in excess fixed overhead costs being capitalized into the cost of inventory. However, ASC Topic 330 requires a portion of fixed overhead to be expensed, rather than capitalized into inventory, when production levels are below normal.
- ***Allowance for expected credit losses*** – if COVID-19 has adversely impacted customers' ability to pay its outstanding balance, the adequacy of the allowance for expected credit losses should be reevaluated.
- ***Fair value measurements*** – apply the guidance in ASC Topic 320, ASC Topic 321, and ASC Topic 323 when performing an impairment assessment resulting from declines in the capital markets as a result of COVID-19.
- ***Breach of loan covenants and debt restructuring*** – as a result of the coronavirus outbreak, entities may need to amend the terms of existing debt agreements as a result of loan covenant violations. ASC 470 requires these amendments to be assessed to determine if the amendments represent a debt modification, debt extinguishment, or a troubled debt restructuring.
- ***Going concern*** – evaluation of whether there's substantial doubt about an entity's ability to continue as a going concern is required under ASC 205-40. This evaluation is based on events that are known and reasonably knowable at the date the financial statements are issued. Analysis should include consideration of any adverse factors such as reduced product demand, facility closures, and the ability to meet debt covenants or other key financial ratios resulting from the effects of the pandemic.
- ***Liquidity risk management*** – while not intended to be an all inclusive list of liquidity risk management requirements, an organization should know (1) current and projected cash position, (2) current and projected working capital needs, (3) evaluate cash inflow (i.e., customer payment ability, etc.), (4) aggressively manage cash outflow (i.e., cost controls), and (5) understand external liquidity sources (i.e., communicate frequently with lenders).

Coronavirus Disease 2019 Update, *continued*

- ***Employment termination benefits*** – the accounting ramifications for any employment termination benefits should be evaluated under the requirements of ASC 710.
- ***Share-based compensation performance conditions and modifications*** – stock compensation arrangements with performance conditions based on the achievement of future metrics may no longer be assessed as being probable due to the coronavirus outbreak. Accounting for those contracts and any potential modifications is governed by ASC 718.
- ***Tax considerations*** – if COVID-19 has adversely impacted profitability, the recoverability of any deferred tax assets should be evaluated under the requirements of ASC 740. See additional discussion of tax considerations related to the CARES Act below.
- ***Subsequent events disclosures*** – see COVID-19 Financial Reporting Considerations discussion below.
- ***Commitments and contingencies*** – ASC 440 and ASC 450 outline requirements regarding disclosure of commitments and contingencies. New situations resulting from COVID-19 should be evaluated under this guidance.
- ***Internal controls*** – the impact of COVID-19 on internal control over financial reporting should be evaluated (i.e., controls no longer function or segregation of duties is compromised due to absence caused by workforce sickness, new controls may have been implemented and/or existing controls revised related to IT access changes to enable remote workforces).

Goodwill Impairment Analysis

Most if not all stocks have been impacted by the economic fallout from the COVID-19 pandemic and this may raise questions about whether certain assets are impaired. Impairment tests may need to be performed for goodwill and intangible assets. The FASB issued revised guidance for measuring goodwill, and a company may elect to adopt ASU 2017-04 to apply a simplified quantitative impairment test for goodwill.

<u>Process for Testing Goodwill for Impairment:</u>

The guidance requires that goodwill is tested annually or more frequently if events or changes in circumstances indicate that it is more likely than not that the intangible asset or the reporting unit for goodwill is impaired. Goodwill is tested at the reporting unit level in the company. A reporting unit is generally defined as an operating segment in the company.

With the uncertainty in our economic environment, these are some of the considerations to use in the evaluation:

- The company's stock price and market capitalization suggest that the fair value of a reporting unit is less than carrying amount.
- Recent news articles or analyst reports suggest a decline in the company's market or industry.
- Competitors have recently recognized an impairment loss.
- Market multiples for competitors in the industry have declined.
- The company or its competitors have been impacted by workforce reductions due to the current economic environment.

The company should evaluate these considerations and any others that are relevant to its business to determine if it believes that it is more likely than not that goodwill or a reporting unit is impaired. If so, it must perform a quantitative impairment test.

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Elliott Davis Analysis: *Many companies in today's environment may be questioning whether to perform an interim analysis. A company should consider how much excess of fair value over carrying amount it had in its previous quantitative analysis. It should also consider the impact of negative factors such as decline in stock price and business interruption. The guidance requires a company to consider how the severity and anticipated duration of the current market conditions impact its fair value.*

Coronavirus Disease 2019 Update, *continued*

The steps to perform the quantitative impairment test vary based on whether the company has adopted ASU 2017-04. This guidance in AUS 2017-04 is already effective for calendar year public business entities that are not smaller reporting companies. For all other entities it is effective for annual periods beginning after December 15, 2022. **Early adoption is permitted.**

Steps to review goodwill for impairment: (Prior to adoption of ASU 2017-04)

1. Determine whether the fair value of the intangible asset (or reporting unit) is less than its carrying amount.
2. Determine the amount of the implied fair value of goodwill
3. Measure impairment loss – which is the amount by which the implied goodwill is less than its carrying amount.

Steps to review goodwill for impairment: (after adoption of ASU 2017-04)

1. Determine whether the fair value of the intangible asset (or reporting unit) is less than its carrying amount.
2. Measure impairment loss – amount by which fair value of the goodwill (or reporting unit) is less than its carrying amount.

As part of the analysis, the Company must determine fair value. ASC 820 describes three valuation approaches: market approach, cost approach, and the income approach. The Company should determine which of these valuation techniques to use. As part of the analysis, a public company should consider overall market capitalization. With the volatility in the current market, the Company may use recent trends in its stock price, over a short period of time leading up to the impairment testing when considering the overall market capitalization.

A company may also consider whether a control premium should be considered in determining a reporting unit's fair value which may be more relevant in times when markets are more volatile and uncertain. Larger control premiums require more analysis and documentation to support the reasonableness.

Key Disclosures When Impairment is Identified:

- Disclose the facts and circumstances that led to the impairment
- The amount of impairment loss
- The method used to determine the fair value, including specific assumptions used

Coronavirus Leads to Virtual Annual Meetings

In order to mitigate health concerns related to COVID-19, many companies are considering a virtual component to the format of their annual shareholder meetings. Annual meetings can be held in-person, virtually or in a hybrid format. First, the company must determine whether a virtual meeting is permitted by state law and its own bylaws. State laws dictate whether or not a virtual or hybrid meeting is allowed. The majority of states, including Delaware, Maryland, and Virginia, allow for corporations incorporated in those states to hold virtual and hybrid meetings. However, companies incorporated in South Carolina and various other states are required to hold in-person annual shareholder meetings and do not allow companies incorporated in the state to hold virtual or hybrid meetings. North Carolina law permits hybrid meetings but not virtual only meetings. Some states, such as Tennessee, require that all parties can simultaneously hear each other at all times, which would appear to prohibit a solely "streamed" meeting. On March 23, 2020, the Governor of Georgia issued an executive order permitting virtual shareholder meetings (previously Georgia law required in-person annual meetings). Companies also need to examine their bylaws to determine whether they would permit holding a virtual or hybrid meeting. In most cases, management and/or the board of directors will have discretion in determining the format of the annual meeting.

In light of recommendations by the Centers of Disease Control, the SEC released guidance to assist public companies and shareholders with annual shareholder meetings. The guidance provides regulatory flexibility for companies that change the date and location of the

Coronavirus Disease 2019 Update, *continued*

meetings in order to hold virtual shareholder meetings. If a company has already mailed and filed its definitive proxy materials, it may inform shareholders of a change in the date or locations of its annual shareholder meeting without additional soliciting materials or amending its proxy material as long as the company issues a press release announcing the changes, files the release with the SEC as supplemental proxy materials and adds it to posted proxy materials. If a company has not yet filed its proxy statement and is considering the possibility of a virtual or hybrid meeting (but has not yet decided), disclosure specifying the possibility of a change and the reason for such a change should be included in the proxy statement, meeting notice and in the meeting logistical information.

In addition to legal considerations and procedural matters, companies should assess the cost-benefit or moving to a virtual or hybrid meeting. Under normal circumstances, virtual meetings tend to have lower costs and better communication between the company and its shareholders. However, there are costs associated with moving to a virtual meeting as well. Companies should evaluate their technological infrastructure to determine if the company as the capability to hold a virtual or hybrid meeting. Most likely companies will need outside vendors to work through potential issues and set up a virtual or hybrid meeting. Test runs prior to the meeting and a technical support line during the meeting are recommended. Companies should consider how shareholders will be able to ask questions, make comments, and be heard by others during the virtual meeting. Virtual meetings could impact the extent to which management and the board are able to engage meaningfully with shareholders. Companies may wish to increase their shareholder engagement efforts prior to or following the annual meeting to ensure that shareholders have had an opportunity to connect with, and voice questions or concerns.

Some companies may be required to or decide to hold in-person shareholder meetings. Given today's public health concerns, companies may advise directors not to attend annual meetings in person this year. Shareholders should take into account the current health environment, the risks to your personal health and the health of others, and the advice of health authorities to exercise social distancing. Shareholders are encouraged to use alternatives to voting in person such as voting via mail-in proxy, on-line or telephone. Companies can arrange to webcast the annual meeting to shareholders or an audio conference line for directors and shareholders to dial in to the annual meeting. Logging on to the webcast or dialing in to the conference line will not count as being present in person, and you will not be able to vote by means of the webcast / teleconference, but this option does allow shareholders to participate in the meeting remotely.

Companies considering a move from a traditional in-person meeting to a virtual or hybrid meeting should consult their counsel.

COVID-19 Financial Reporting Considerations

The effects of the coronavirus are evolving quickly and are unique for each company's circumstances. In addition to addressing the serious operational impacts of CODI-19, it is important that all entities consider how COVID-19 affects their financial reporting.

The SEC reminded companies to provide investors with information regarding their assessment or, and plans for responding to, risks to their business resulting from COVID-19. Disclosures of these risks and COVID-19 effects may be necessary in management's discussion and analysis, the business section, risk factors, legal proceedings, internal control over financial reporting and the financial statements. While the situation remains fluid, depending on how the outbreak impacts the company or the markets, the SEC will scrutinize company disclosures for compliance, and investors might file lawsuits for lack of disclosures.

Financial statements should reflect all material current and potential effects of COVID-19 that existed at the period end date. The COVID-19 pandemic is considered to have begun in the first quarter of 2020. If a calendar-year-end company has not finalized its 2019 financial statements, the financial statements should include disclosure of the potential COVID-19 impacts. Disclosures may be presented separately or included in notes addressing subsequent events, uncertainties, or contingencies. Included below are two examples of COVID-19 related disclosures:

Coronavirus Disease 2019 Update, *continued*

Example #1:

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. Following the COVID-19 outbreak in December 2019 and January 2020, market interest rates have declined significantly, with the 10-year Treasury bond falling below 1.00% on March 3, 2020 for the first time. Such events also may adversely affect business and consumer confidence, generally, and the Company and its customers, and their respective suppliers, vendors and processors may be adversely affected. On March 3, 2020, the Federal Open Market Committee (FOMC) reduced the target federal funds rate by 50 basis points to 1.00% to 1.25%. Subsequently on March 16, 2020, the FOMC further reduced the target federal funds rate by an additional 100 basis points to 0.00% to 0.25%. These reductions in interest rates and other effects of the COVID-19 outbreak may adversely affect the Company's financial condition and results of operations.

Example #2:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the company, to date, the Company is experiencing [or expecting to experience] [Describe financial statement area effects relevant to the entity, such as declining revenue; labor and supply shortages; discontinued operations; difficulty meeting debt covenants; significant changes in the fair value of assets or liabilities AND QUANTIFY FINANCIAL EFFECTS THAT CAN BE ESTIMATED]. Our concentrations due to [Describe CURRENT CONCENTRATIONS RELEVANT TO THE ENTITY, SUCH AS a high volume of business with a particular customer, supplier, lender, grantor or contributor; concentrated revenue from particular products, services or fund-raising events; limited available supply sources; the market or geographic area in which it conducts operations] make it reasonably possible that we are vulnerable to the risk of a near-term severe impact.

Coronavirus Aid, Relief, and Economic Security Act

On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was signed into law. The CARES Act is designed to provide financial relief to the American people and American businesses in response to the economic fallout from COVID-19.

Selected key provisions impacting businesses and other employers include:

- Over $400 billion in grants for industry sectors include airlines and travel, hospitals, and education
- Nearly $400 billion to support American small businesses for essentials like salaries, occupancy costs, and utilities
  - Provisions that impact small business most
    - Employee Retention Payroll Tax Credit
    - Delay of Employment Tax Payments
    - Net Operating Loss/Excess Business Loss Changes
    - Business Interest Deduction
- Nearly $350 billion in loans and loan guarantees under the Paycheck Protection Program

Coronavirus Disease 2019 Update, *continued*

- The CARES Act includes provisions to the health care system to help provide needed treatment during the pandemic and financial assistance to state, local, tribal and territorial governments, as well as to private nonprofits providing critical and essential services including (among other items):
  - $150 billion for state, local and Native American tribal governments
  - $100 billion for hospitals and other elements of the healthcare system
  - $30 billion for education
- Economic Injury Disaster Loan
  - $4.5 trillion in loans to businesses, states and cities that can't get financing through other means
  - The loans are available to small businesses, small agricultural cooperatives, small aquaculture businesses, and most private nonprofits.
  - The loans offer working capital loans for payroll, accounts payable, and other bills that could have been paid had the disaster not occurred; could be used to pay fixed debts.

Federal Tax Impact of 2020 Families First and CARES Acts

Payroll & Employment Tax Changes:

- **Refundable Tax Credits for Paid Sick and FMLA Leave**– Refundable tax credits against payroll taxes is available for employers with fewer than 500 employees. It applies to qualified sick leave and family leave wages paid from April 1, 2020, to December 31, 2020 if employees are unable to work or telework due to certain circumstances related to the coronavirus (COVID-19). An additional tax credit is available to employers for the cost of maintaining the health insurance coverage for eligible employees during the leave period.
  - Paid sick leave credit – This credit is equal to two-thirds of the employee's regular rate of pay, up to $200 per day and $2,000 in the aggregate, for up to 10 days. Credit increases to $511 per day, or $5,110 total, if the employee is on sick leave because they are subject to a government-mandated quarantine or isolation order, been advised by a health-care provider to self-quarantine, or are experiencing Coronavirus symptoms and seeking a medical diagnosis.
  - Child care leave credit – This credit is equal to two-thirds of the employee's regular pay, capped at $200 per day or $10,000 in the aggregate. Up to 10 weeks of qualifying leave can be counted towards the child care leave credit.
  - **REMINDER:** For large employers with more than 500 employees, IRC Section 45S may provide a tax credit for paid FMLA leave, equal to a percentage of wages they pay to qualifying employees, if a written policy that satisfy certain conditions is in place.

- **Employee Retention Tax Credit**– Employers that are subject to closure or significant economic downturn due to COVID-19 may qualify for a refundable tax credit. The credit is 50% of qualified wages (up to a maximum of $10,000 of wages) paid to each employee for all quarters or maximum credit of $5,000 per employee. The credit is reduced if the employer is claiming WOTC, payroll research credit or employer credit/payroll tax credit for paid family and medical leave for these same wages. The retention credit applies to the employer's share of Social Security tax (6.2% of wages) and any excess may be refunded to the employer.

- **Employer Social Security Payroll Tax Deferral**– The employer portion of Social Security Tax (6.2% of wages up to the wage base of $137,700 in 2020) incurred between March 27, 2020 and December 31, 2020 can be deferred. Amounts will be considered timely paid if 50% of the deferred amount is paid by December 31, 2021, and the remainder is paid by December 31, 2022.

Coronavirus Disease 2019 Update, *continued*

NOTE:
- The payroll tax deferral does not apply to federal income tax withholding, the Hospital Insurance (Medicare) tax, or the employee's portion of Social Security tax.
- The payroll tax deferral is not available to a taxpayer that obtains a Small Business Act loan under the Paycheck Protection Program established by the CARES Act if the loan is later forgiven.

- **Student Loan Employer Assistance Programs** – excludes employer-provided student loan payments up to $5,250 made after March 27, 2020 and before January 1, 2021 from income for both the employer and employee.

Tax Return Changes:

- **Tax Return and Payment Due Dates** – 2019 federal income tax returns/payments and 2020 federal estimated income tax payments originally due on April 15, 2020 have been postponed to July 15, 2020. No interest or penalties will be assessed from April 15, 2020 to July 15, 2020.
  NOTE: Many states have also adopted an extended deadline, so please contact your tax advisor for these dates.

- **Quick Refunds** – Prior to filing its tax return, company can obtain a refund of excess tax paid if it exceeds 10% of its expected tax liability.

- **Net Operating Losses**
  - 5 year carryback period for NOLs generated in tax years beginning after December 31, 2017 and before January 1, 2021.
  - No taxable income limitation on NOL carryovers for tax years beginning before January 1, 2021.

- **Acceleration of AMT Credits** – May claim 100% of AMT credit refund in either 2018 (via Form 1139) or 2019 return.

- **Fixed Assets**– Technical correction for 2017 Tax Cuts and Jobs Act by defining qualified leasehold improvement property as 15 year property and eligible for 100% bonus depreciation. This change is effective for property acquired and placed in service after September 27, 2017.

- **Charitable Contributions** – Increases limitation from 10% to 25% of taxable income.

- **Interest Expense Disallowance** –Increases limitation from 30% to 50% of adjusted taxable income for tax years beginning in 2019 or 2020, with the election to use 2019 adjusted taxable income for 2020. Small businesses with gross receipts under $25M remain exempt.

- **IRC §139, Disaster Relief Payments**
  - (b)(1): any amount paid to or for the benefit of an individual to reimburse or pay reasonable and necessary personal, family, living, or funeral expenses as a result of a qualified disaster
  - Not taxable to employee, fully deductible to employer
  - Not treated as wages/compensation: not subject to payroll taxes, not reportable on W-2 or 1099
  - Recommendation for taxpayers to document and substantiate these payments

Coronavirus Disease 2019 Update, *continued*

Impact of Various COVID-19 Stimulus Packages on ASC 740

Over the course of the past month, Congress and the President have enacted various laws that contain beneficial tax provisions aimed at mitigating some of the adverse economic conditions created by COVID-19. In an effort to improve taxpayer cash flows, many of the provisions will allow for refunds of taxes paid in past years, as well as adjustments to the tax law in effect for the current (2019) and future (2020) tax years.

While these provisions may be acted upon with some immediacy for tax compliance purposes, ASC 740 does not allow for the inclusion of such provisions in the calculations of a Company's annual tax provision until the period in which such laws are enacted. This means that for calendar year taxpayers who prepare an annual tax provision, the tax provision calculation must be based on the laws enacted as of December 31, 2019, and not include any direct or indirect income tax effects of the additional provisions contained in the various stimulus packages – even if these provisions were enacted before the financial statement issuance date.

As an example, the CARES Act allows for increased thresholds for interest expense deductibility limitations – increased from 30% of adjusted taxable income to 50% of adjusted taxable income. Annual 2019 tax provisions prepared under ASC 740 must be calculated with the 30% limitation, and any excess, even if less than the increased 50% and therefore known to be deductible on the 2019 tax return based on the CARES Act, must be added back and established as a deferred tax asset as of December 31, 2019, and subject to assessment for realizability.

ASC 740-10-45-15 also further prohibits a Company from considering the implication of laws enacted after year-end for purposes of considering or evaluating the realizability of net deferred tax assets as of the balance sheet date; any changes to the assessment of realization of a deferred tax asset must be recognized during the period in which a legislative change is enacted. This may seem counter-intuitive when ASC 740 requires the consideration of "all available evidence" in assessing realizability of deferred tax assets; however, guidance is clear that the impact of a change in a valuation allowance position should not be reflected in the financial statement until the year of enactment.

As an example, consider a Company with multiple years of losses (2016 - 2019). The Company was taxable in 2015 and prior. The history of cumulative losses serves as very objective negative evidence that a Company may not, more likely than not, realize its net operating losses. Even through the CARES Act will now permit the carryback of 2019 and 2018 NOLs to profitable tax years, which could support at least partial realizability of those NOLs and also typically necessitate the establishment of a tax receivable rather than an deferred tax asset, ASC 740 guidance will require that the NOLs remain established as DTAs, and that unless there is other evidence available to counter the objective history of losses, the full valuation allowance should be maintained as of December 31, 2019 against those net operating losses.

Conversations with clients regarding the CARES Act and the 2019 tax provision should include the expectation that there will likely be return-to-provision differences when the 2019 tax returns and carrybacks are submitted.

Companies should consider whether any disclosures of material changes anticipated as a result of the CARES Act be disclosed in the financial statements – either within the tax footnote or as a subsequent event (Type II).

Coronavirus Disease 2019 Update, *continued*

Fiscal Year Taxpayers:

Fiscal year taxpayers that prepare an annual tax provision which includes the enactment dates of the various stimulus packages should include the associated tax impact in the annual tax provision that includes the date of enactment. The direct and indirect effect of such changes should be recognized as a component of income tax expense within income from continuing operations.

Public Companies/ASC 740-270 ("Interim Tax Provisions"):

Taxpayers who prepare interim tax provisions under ASC 740-270 should be especially diligent when recording the tax impact of the COVID-19 stimulus packages in their calculation of interim tax expense. A detailed discussion on the impact of the COVID-19 impact on interim tax provisions is not included in this Alert; for specific technical assistance, please contact your Elliott Davis Tax Engagement Team.

Application to Income Taxes:

It is important to note that ASC 740 only applies to income taxes. There are numerous provisions contained within the various COVID-19 stimulus packages that are outside of the scope of ASC 740 and should comply with those generally accepted accounting principles that govern such provisions.

Please contact your Elliott Davis Tax Engagement Team with any questions. For a detailed analysis of these Tax Acts and other COVID-19 Resources, please go to www.elliottdavis.com/covid19

Additional COVID-19 Releases Discussed Within This Document

The following information related to the Coronavirus is included within the *Regulatory Update* section (select links below):

- *SEC Grants Extra Time to File Certain Reports Because of Coronavirus*
- *SEC Reminds Public Companies to Provide Robust Disclosures about Impact of Coronavirus*

If you have any questions, please feel free to contact one of your Elliott Davis engagement team members. We will be happy to assist as you navigate through these uncertain circumstances.

FASB Update

The following selected Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB) during the first quarter. A complete list of all ASUs issued or effective in 2020 is included in Appendix A.

FASB Clarifies Interaction of Equity Investment Accounting Rules

On January 16, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*, that clarifies the interaction between accounting standards related to equity securities, equity method investments, and certain derivatives.

In 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which added Accounting Standards Codification (ASC) 321, *Investments—Equity Securities*, and made targeted improvements to address certain aspects of accounting for financial instruments. Among other changes, the ASU provided a company with the ability to measure certain equity securities without a readily determinable fair value at cost, minus impairment, if any, unless an observable transaction for an identical or similar security occurs (the measurement alternative). Stakeholders asked the FASB to clarify how this guidance should interact with equity method investments.

ASU 2020-01 clarifies that a company should consider observable transactions that require a company to either apply or discontinue the equity method of accounting under ASC 323, *Investments—Equity Method and Joint Ventures*, for the purposes of applying the measurement alternative in accordance with ASC 321 immediately before applying or upon discontinuing the equity method.

The changes in ASU 2016-01 also prompted stakeholders to ask whether certain forward contracts and purchased options should be accounted for in accordance with ASC 321, ASC 323, or ASC 815, *Derivatives and Hedging*. The new ASU clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option.

Effective Dates

For public companies, the ASU is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other companies, it is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted including in an interim period.

Narrow-Scope Improvements to Financial Instruments Guidance

On March 9, the FASB issued ASU 2020-03, *Codification Improvements to Financial Instruments*, that makes narrow-scope improvements to various aspects of the financial instruments guidance, including the current expected credit losses (CECL) standard issued in 2016 (ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*).

Companies that have already adopted, or are in the process of adopting, credit loss rules this year should especially take note of two items in the update: 1) an alignment of the interaction of ASC 842, *Leases*, and ASC 326, *Credit Losses*, for determining the contractual term of a net investment in a lease when measuring expected credit losses; and, 2) the clarification of the interaction of ASC 326 and subtopic 860-20, *Transfers and Servicing–Sales and Financial Assets*, to provide reporting consistency.

Specifically, the ASU clarifies that the contractual term of a net investment in a lease, determined in accordance with the leases standard, should be the contractual term used to measure expected credit losses under ASC 326.

It also amends subtopic 860-20 to state that when a company regains control of financial assets sold, an allowance for credit losses should be recorded in accordance with ASC 326.

FASB Update, *continued*

For large public companies that have already adopted ASU 2016-13, that took effect January 1, the rules are immediately effective. Those companies, however, have specific transition requirements for both of the credit loss items clarified under ASU 2020-03. The changes have to be applied on a modified-retrospective basis by means of a cumulative effect adjustment to opening retained earnings in the statement of financial position as of the date that it adopted the rules. Smaller reporting companies as defined by the SEC, private companies, and all other entities can adopt the changes when they adopt ASU 2016-13 in 2023. Early adoption is permitted.

Other noteworthy areas ASU 2020-03 clarifies are the applicability of disclosures for the fair value option to private companies and disclosures for depository and lending institutions. Accountants were confused about whether private companies or other entities that are not considered public business entities would need to provide the fair value option disclosures in paragraphs 825-10-50-24 through 825-10-50-32. The amendments confirm that they do.

Effective Dates

The amendments related to conforming amendments are effective upon issuance for public business entities. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years beginning after December 15, 2020. Early application is permitted.

The amendment related to the guidance in ASU 2019-04 (which relates to ASU 2016-01) is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

The effective date of the amendments related to the guidance in ASU 2016-13 varies depending on the type of entity. Public business entities that meet the definition of an SEC filer, excluding eligible smaller reporting companies (SRCs) as defined by the SEC, should adopt the amendments during 2020. All other entities should adopt the amendments during 2023. Early adoption will continue to be permitted. For entities that have not yet adopted the guidance in ASU 2016-13, the effective dates and the transition requirements for these amendments are the same as the effective date and transition requirements in ASU 2016-13. For entities that have adopted the guidance in ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For those entities, the amendments should be applied on a modified-retrospective basis by means of a cumulative-effect adjustment to opening retained earnings in the statement of financial position as of the date that an entity adopted the amendments in ASU 2016-13.

Accounting Relief for Transition Away from LIBOR

On March 12, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, that provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The London Interbank Overnight Rate (LIBOR) and other interbank offered rates are widely used benchmark or reference rates in the United States and globally. Trillions of dollars in loans, derivatives, and other financial contracts reference LIBOR, the benchmark interest rate banks use to make short-term loans to each other. With global capital markets expected to move away from LIBOR and other interbank offered rates toward rates that are more observable or transaction based and less susceptible to manipulation, the FASB launched a broad project in late 2018 to address potential accounting challenges expected to arise from the transition.

ASU 2020-04 provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. The ASU is intended to help stakeholders during the global market-wide reference rate transition period. Therefore, it will be in effect for a limited time through December 31, 2022.

Effective Dates

The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022.

Regulatory Update

SEC Staff Legal Bulletin Explains Anti-Fraud Provisions for Municipalities

The Security and Exchange Commission's (SEC) Office of Municipal Securities issued staff interpretive guidance about the application of the anti-fraud provisions to statements made by municipalities, including annual and continuing disclosures, in the Electronic Municipal Market Access (EMMA) system operated by the Municipal Securities Rulemaking Board (MSRB). Staff Legal Bulletin (SLB) 21 addresses, among other issues, what a "material" fact is in deciding what information to disclose so municipalities do not provide misleading information in violation of anti-fraud provisions.

Rule 15c2-12 of the Securities Exchange Act of 1934 requires an underwriter in a primary offering of more than $1 million to determine that a local or state government issuing the securities is providing 16 enumerated disclosures to EMMA. The information is expected to reflect the government's financial condition as it changes over time or when there is a specific event that can affect a key feature of the bonds. The issuers must provide a notice within 10 days of an event.

SLB 21 states that the SEC provided principles-based interpretive guidance in 1994 regarding the application of the anti-fraud provisions. Specifically, when a municipal issuer releases information to the public that is reasonably expected to reach investors and the trading markets, those disclosures are subject to the antifraud provisions because such statements are a principal source of significant, current information about the municipal issuer.

Further, the SLB points out that Section 10(b) of the Exchange Act prohibits manipulative or deceptive practices. Rule 10b-5 prohibits issuers from making materially untrue or misleading claims or omitting material fact. SLB 21 states that a fact is material "if there is a substantial likelihood that the information would have been viewed by the reasonable investor as having significantly altered the total mix of information available."

In addition, SLB 21 provides examples of statements covered by the anti-fraud provisions: information on municipal issuer websites, public reports delivered to other governmental or institutional bodies, and statements made by municipal issuer officials. The SLB also recommends municipal issuers to establish policies and procedures to reduce the risk of misleading investors.

Financial Services Committee Registers Its CECL Grievances

The House Financial Services Committee on February 27, 2020, agreed to add criticisms of the FASB's credit loss rules to a budget document, underscoring the bipartisan grievances among lawmakers surrounding the Current Expected Credit Losses (CECL) standard. During a markup session, Representative Blaine Luetkemeyer, a Missouri Republican and one of Congress' most vocal CECL opponents, successfully added the language to the committee's "views and estimates" for the fiscal 2021 budget.

The move is a largely symbolic one, but shows the extent to which CECL worries have reached the key House committee. It follows a January subcommittee hearing in which lawmakers in both parties sparred with FASB Chairman Russell Golden over the effects of the new standard.

House Financial Services Committee Chair Maxine Waters, a California Democrat, initially opposed Luetkemeyer's amendment, arguing they should wait for the results of a Treasury Department study on CECL later this year. She dropped her opposition when Luetkemeyer agreed to soften the amendment, including by removing language signaling that the committee would take legislative action on CECL this year.

Regulatory Update, *continued*

SEC Grants Extra Time to File Certain Reports Because of Coronavirus

The SEC is granting public companies extra time to file certain reports with the commission because of the impact of the coronavirus, COVID-19. The move comes as companies may find it difficult to provide information to the market because of the novel virus that is spreading across the globe and is affecting operations of many companies.

Subject to certain conditions, companies now get 45 additional days to file certain disclosure reports that would otherwise have been due between March 1 and April 30, 2020, according to Release No. 34-88318, *Order Under Section 36 of the Securities Exchange Act of 1934 Granting Exemptions from Specified Provisions of the Exchange Act and Certain Rules Thereunder*, published on March 4.

To be able to take advantage of the relief, companies—among other conditions—must write a summary in a current report about the relief needed for their particular situation. The SEC said it may extend the time period for the relief with any necessary additional conditions and encouraged companies to contact its staff with questions.

SEC Reminds Public Companies to Provide Robust Disclosures About Impact of Coronavirus

With Coronavirus spreading across the globe and starting to adversely impact businesses that have operations in China, public companies are being advised to look more closely at the disclosures they provide to investors. While the situation remains fluid, depending on how the outbreak impacts the company or the markets, the SEC will scrutinize company disclosures for compliance, and investors might file lawsuits for lack of disclosures.

SEC Issues Guidance on Disclosure of Key Performance Indicators

The SEC on January 30, 2020, issued commission interpretive guidance on disclosure of key performance indicators and metrics in management's discussion and analysis (MD&A). The commission-level guidance was issued in conjunction with a proposal to simplify MD&A and selected financial data. The guidance is in Release No. 33-10751, *Commission Guidance on Management's Discussion and Analysis of Financial Condition and Results of Operations*, and becomes effective upon publication in the Federal Register, which normally occurs a few days after a rulemaking document is posted on the SEC's website.

The commission guidance states that the SEC generally expects them to provide a clear definition of the metrics and how they are calculated. Companies should also include a statement about the reasons why the metrics provide useful information to investors. In addition, companies should provide information about how management uses the metrics to manage or monitor business performance. The guidance also says companies should consider whether there are estimates or assumptions underlying the metric or its calculations and whether disclosure of such items is necessary for the metric to not be misleading.

Release No. 33-10751 states that if a company changes the method by which it calculates or presents the metric from one period to another, then the company should consider disclosing the differences in the way the metric is calculated, the reasons for such changes, the effects of the changes, and other differences in methodology that would be reasonably relevant in understanding the company's performance or prospects in the future.

The commission's guidance in part comes as companies have increasingly been using non-GAAP metrics, which are disclosed outside the financial statements such as quarterly earnings releases. Many companies have been using the metrics that are misleading or difficult to understand, and the SEC has sought to crack down on some of the more egregious practices.

Regulatory Update, *continued*

SEC Revises Accelerated Filer Definition

On March 10, 2020, the SEC adopted a final rule amending the definitions of accelerated filer and large accelerated filer. Under the rule, an issuer that qualifies as a smaller reporting company (SRC) and has less than $100 million in annual revenues will also qualify as a non-accelerated filer that is not required to obtain an auditor's attestation on internal control over financial reporting (ICFR). It would also not be subject to any accelerated filing requirements.

The following table summarizes the new public float and revenue classification thresholds for each potential category of issuer, as well as the related requirement to obtain auditor attestation on ICFR under Section 404(b) of the Sarbanes-Oxley Act (SOX). Public float is measured on the last day of an issuer's second fiscal quarter, and revenue is that for an issuer's most recently completed year for which audited financial statements are available.

Status	Public float	Annual revenues	Required to obtain auditor attestation over ICFR?
SRC and non-accelerated filer	Less than $75 million	No limit	No
	$75 million to less than $700 million	Less than $100 million	No
SRC and accelerated filer	$75 million to less than $250 million	$100 million or more	Yes
Accelerated filer (not an SRC)	$250 million to less than $700 million	$100 million or more	Yes
Large accelerated filer	$700 million and greater	Not applicable	Yes

Under the new rule, business development companies with less than $100 million in investment income also qualify as non-accelerated filers if their public float is less than $700 million.

The SEC estimates that 527 issuers will benefit from the amendments. This includes 154 issuers that will ultimately benefit but currently are exempted from SOX 404(b) auditor attestation requirements because they are emerging growth companies.

The amendments also increase the public float transition threshold for an accelerated filer or large accelerated filer to become a non-accelerated filer to $60 million from $50 million, and for a large accelerated filer to become an accelerated filer to $560 million from $500 million.

The amendments are effective 30 days after publication in the Federal Register. They will apply to the determination of an issuer's filer status for purposes of annual reports due on or after the effective date.

Other Developments

FASB Roundtable Could Benefit Private Companies

The FASB plans to hold a roundtable in May, to discuss the implementation experiences of public companies in adopting the new lease accounting standard, which will take effect next year for private companies. The panel discussion will focus on broad technical issues, such as embedded leases and discount rates, topics companies found challenging when implementing the standard and will include financial statement users, preparers, auditors, and certain industry representatives.

The board's private company advisory council has said small businesses find it challenging to identify embedded leases. Issues related to determining a discount rate are also significant because accurately estimating lease discount rates can have a significant impact on a company's lease liabilities and right-of-use (ROU) assets. The FASB has stated that it would consider amending the leases standard this year for private companies if research with public companies reveals areas of more cost-effective reporting.

Group Says Critical Audit Matters Have Provided Significant Benefits to Investors

The Council of Institutional Investors (CII), an influential group representing institutional investors, said the PCAOB's requirement for critical audit matters (CAMs) has been beneficial and urges regulators to not scrap it or water it down. The PCAOB issued a standard in 2017 that requires auditors to communicate critical audit matters in the audit report beginning in 2019 for large accelerated filers and 2020 for all other filers. The CII notes two significant benefits to investors and other market participations: improved internal controls and improved disclosures. When the standard was written, investors said including more auditor insight about a client's financial condition would the auditor's report more relevant for decisions about investments.

Accounting for Profits Interest May be Simplified

Private companies could be getting more clarity about reporting profits interest, a type of equity compensation used by partnerships or Limited Liability Companies (LLCs) to incentivize exceptional performance. The FASB's Private Company Council (PCC) plans to discuss in April how to simplify the accounting for profits interest, a subject accountants that work with small to mid-sized companies say they struggle with.

Under a profits interest plan, participants are granted an equity interest in a company's future profits, but not any current capital. Its use has spiked among private companies because it does not result in taxable income to the recipient. Profits interest are very tax efficient for employees because it can vest without triggering tax and then ideally can be sold at capital gains. But accountants that work with small to mid-sized companies struggle with the topic because the arrangements can be tricky to work with.

For example, if a company is worth $5 million and an employee joins while it is worth that amount and is granted a profits interest, the employee is only entitled to the appreciation above $5 million. If another employee joins the firm six months later, and the company is worth $5.5 million, that employee (if granted a profits interest) is entitled to appreciation above $5.5 million and so forth.

Another big issue that impacts the accounting is whether an employee gets a K-1 or W-2 allocation. K-1 is a partnership tax return, and therefore if an employee gets a profits interest in a company, the person gets a K-1 (partnership return). A regular employee without a profits interest would get a W-2. If, however, an employee also has a profits interest in the company the person is ineligible for a W-2. Instead, their salary is a guarantee payment on a K-1.

Companies have told the FASB, in comment letters, that there is current diversity in practice among companies in accounting for profits interest. Some companies, for example, apply ASC 710, *Compensation-General*, and others ASC 718, *Compensation-Stock Compensation*.

Other Developments, *continued*

State and Local Governments Get Fix to New Lease Accounting Standard

The Governmental Accounting Standards Board (GASB) on February 5, 2020, issued a new omnibus standard that includes an amendment to the effective date of new lease accounting rules, provisions that guide how state and local governments report items such as vehicles, heavy equipment, and buildings. GASB Statement 92, *Omnibus 202*0, was issued to fix the leases issue and a variety of other accounting topics governmental entities identified. Statement 92 modifies the effective date of GASB Statement 87, *Leases*, as well as associated implementation guidance, to address concerns regarding interim financial reports.

Statement 92 revises the leases standard so that it is effective for fiscal years beginning after December 15, 2019, and all reporting periods thereafter. Statement 87, issued in 2017, were mistakenly written to take effect for reporting periods beginning after December 15, 2019. This seemingly minor way of phrasing the effective date would have caused a major burden for some governmental entities because they would have had to apply the new accounting changes earlier than others, according to prior board discussions. A government issuing quarterly financial statements, for example, would have had to apply Statement 87 to a reporting period ending nine months earlier than comparable governments issuing annual financial statements, if the date change was not made. The changes in Statement 92 related to the lease accounting standard are effective immediately.

In addition to the leases issue, Statement 92 was issued to fix a variety of accounting issues identified during the implementation and application of certain GASB pronouncements. Specifically, it also clarifies:

- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* and Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, to reporting assets accumulated for pensions and OPEB
- The applicability of certain requirements of Statement 84, *Fiduciary Activities*, to pension and OPEB arrangements
- Measurement of liabilities and assets, if any, related to asset retirement obligations in a government acquisition

The clarifying guidance related to applying Statement 84 is effective for periods beginning after June 15, 2020. Provisions related to intra-entity transfers of assets and applicability of Statement 73 and Statement 74 are effective for fiscal years beginning after June 15, 2020. The remaining requirements related to asset retirement obligations are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020. Earlier application is encouraged and is permitted by topic.

On the Horizon

The following selected FASB exposure drafts and projects are outstanding as of March 31, 2020.

FASB Proposal Issued to Address Business Combination Accounting for an Assumed Liability in a Revenue Contract

When accounting for a business combination, in applying the acquisition method, the acquirer recognizes identifiable assets acquired and liabilities assumed in the business combination and measures those assets and liabilities at fair value. For business combinations that occur before the adoption of the new revenue recognition standard, entities often use a legal obligation definition for recognition of a liability under Topic 805 for deferred revenue. However, Topic 606 has introduced the performance obligation definition for revenue contracts with customers which has created diversity of opinion regarding which definition should be used for recognition for business combinations after Topic 606 has been adopted.

On February 14, 2019, the FASB issued proposed ASU, *Business Combinations (Topic 805): Revenue from Contracts with Customers—Recognizing an Assumed Liability (a consensus of the FASB Emerging Issues Task Force)*. The EITF reaffirms that the performance obligation definition in Topic 606, *Revenue from Contracts with Customers*, would be used to determine whether a liability assumed for a contract liability from a revenue contract with a customer is recognized by the acquirer in a business combination.

Convertible Instruments and Contracts in an Entity's Own Equity

In July, the FASB issued Proposed ASU No. 2019-730, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)*, to make targeted improvements intended to reduce cost and complexity in the financial reporting for convertible instruments and contracts in an entity's own equity. For convertible instruments, the proposed ASU would reduce the number of accounting models for convertible debt instruments and convertible preferred stock. For derivatives, the proposed ASU would amend guidance for derivatives scope exceptions to:

- allow an entity to qualitatively screen out any contingent events that are considered to have a remote likelihood of occurring and disregard these events in the assessment of the derivatives scope exception
- remove three conditions required to qualify for the settlement guidance related to settlement in unregistered shares, collateral requirements and shareholder rights

The proposed ASU would also amend the related disclosure and EPS guidance.

The comment period on the proposed ASU closed on October 14, 2019. At its December meeting, the Board directed the staff to continue developing a remote likelihood threshold for purposes of determining the classification of a contract in an entity's own equity when applying the derivatives scope exception. Redeliberations will continue in 2020.

Balance Sheet Classification of Debt

The purpose of this project is to reduce cost and complexity by replacing the fact-pattern specific guidance in U.S. GAAP with a principle to classify debt as current or noncurrent based on the contractual terms of a debt arrangement and an entity's current compliance with debt covenants.

On January 10, 2017, the FASB issued a proposed ASU on determining whether debt should be classified as current or noncurrent in a classified balance sheet. In place of the current, fact-specific guidance in ASC 470-10, the proposed ASU would introduce a classification principle under which a debt arrangement would be classified as noncurrent if either (1) the "liability is contractually due to be settled more than one year (or operating cycle, if longer) after the balance sheet date" or (2) the "entity has a contractual right to defer settlement of the liability for at least one year (or operating cycle, if longer) after the balance sheet date." Under an exception to the classification principle, an entity would not classify debt as current solely because of the occurrence of a debt covenant violation that

On the Horizon, *continued*

gives the lender the right to demand repayment of the debt, as long as the lender waives its right before the financial statements are issued (or are available to be issued).

Many businesses, professional groups, and some auditors criticized the proposal in their comment letters. But others, including a majority of the FASB's Private Company Council, stated the FASB's proposal made sense and would simplify U.S. GAAP's myriad, fact-specific rules about debt classification. Proponents of the changes also said that by the time the updated guidance became effective, the public would have a better idea about the principles behind the changes. Regulators also potentially could adapt their rules so companies that reported higher short-term debt solely because of the accounting change would not be disqualified from projects.

On September 13, 2017, the FASB approved the update 6-1 and through the March 2019 meeting, the FASB redeliberated its proposed ASU and made the following decisions:

- Classification Principle—Unused Long-Term Financing Arrangements—the Board reversed its previous decision that if a long-term financing arrangement is in place as of the balance sheet date (for example, an unused line of credit), the amount of current maturities for any other debt arrangements would be reduced by the unused amount of the long-term financing arrangement up to the amount of the current maturities and classified as a noncurrent liability. Therefore, an unused long-term financing arrangement in place at the balance sheet date should be disregarded in determining the classification of debt unless it is explicitly available to refinance an existing debt. The Board directed the staff to conduct additional outreach, focusing on scenarios in which an entity has a redeemable instrument that is subject to a remarketing agreement and is also secured by a long-term letter of credit.
- Grace Periods—the Board clarified how to apply the debt classification principle when a debt covenant violation exists and the creditor provides a grace period. Specifically, the Board decided that when a borrower violates a provision of a long-term debt agreement and the creditor provides a specified grace period for the borrower to cure the violation, which makes the debt no longer callable at the balance sheet date, the borrower should classify the debt as a noncurrent liability. The Board decided to require an entity to disclose information when a borrower violates a provision of a long-term debt agreement and the creditor provides a specified grace period. That disclosure would be required when (1) the violation has not been cured before the financial statements are issued (or are available to be issued) and (2) the violation would make the long-term obligation callable.
- Effective Date—the Board decided that the effective date should be as follows:
  - For public business entities, for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years
  - For all other entities, for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022

In September 2019, the FASB issued Proposed ASU (REVISED) No. 2019-780, *Debt (Topic 470): Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)*, to solicit feedback on the revised proposed ASU. The comment period closed on October 28, 2019 and the FASB's next steps are to consider comment letter feedback on the revised proposed ASU.

Expanded Inventory Disclosures Proposed

On January 10, 2017, the FASB issued a proposed ASU, *Disclosure Framework—Changes to the Disclosure Requirements for Inventory*, which calls on businesses to provide more detailed disclosures about their raw materials and finished goods.

The proposed ASU would require businesses to disclose their inventory by component, such as by raw materials, finished goods, supplies, and works-in-process. Businesses also would have to break down how their inventory is measured. Businesses use a variety

On the Horizon, *continued*

of measurement techniques for inventory, including last-in, first-out (LIFO), first-in, first-out (FIFO), LIFO retail inventory method, or weighted average. Significant shrinkage, spoilage, damage or other unusual transactions or circumstances affecting inventory balances also would have to be disclosed. Additionally, businesses would have to describe the types of costs capitalized into inventory, the effect of LIFO liquidations on income, and the replacement cost of LIFO inventory.

The FASB is has directed the staff to conduct additional outreach and research on the proposed disclosure requirements for changes to the inventory balance. The Board also asked the staff to consider the application of those proposed disclosures to companies within manufacturing and wholesale businesses and the needs of financial statement users in those industries.

Disclosure Framework

The disclosure framework project consists of two phases: (1) the FASB's decision process and (2) the entity's decision process. The overall objective of the project is to improve the effectiveness of disclosures in notes to financial statements by clearly communicating the information that is most important to users of each entity's financial statements. Although reducing the volume of the notes to financial statements is not the primary focus, the FASB hopes that a sharper focus on important information will result in reduced volume in most cases.

Consolidation Reorganization

On November 2, 2016, the Board added this project to its technical agenda. Further, it tentatively decided to (1) clarify the consolidation guidance in ASC 810, *Consolidation*, by dividing it into separate Codification subtopics for voting interest entities and variable interest entities (VIEs); (2) develop a new Codification topic that would include those reorganized subtopics and would completely supersede ASC 810; (3) rescind the subsections on consolidation of entities controlled by contract in ASC 810-10-15 and in ASC 810-30 on research and development arrangements; (4) further clarify that power over a VIE is obtained through a variable interest; and (5) provide further clarification of the application of the concept of "expected," which is used throughout the VIE consolidation guidance.

At its March 8, 2017, meeting, the FASB discussed the feedback received at its December 16, 2016, public roundtable and voted to move forward with a proposed ASU that reorganizes the consolidation guidance. On September 20, 2017, the FASB issued Proposed ASU, *Consolidation (Topic 812): Reorganization*, and the comment period has closed. The proposed ASU is now in the redeliberation phase related to comment responses received.

On June 27, 2018, the FASB decided to continue its existing project to reorganize ASC 810 and instructed the staff to develop nonauthoritative educational material to address the more difficult parts of consolidation guidance with the goal of supporting and supplementing the reorganized authoritative consolidation guidance.

GASB to Issue Rules in April Addressing Accounting Effects of LIBOR Phaseout

The GASB plans to issue final guidance in early April on accounting changes that were proposed in September to facilitate the shift away from LIBOR to other rates. GASB Exposure Draft No. 26-8, *Replacement of Interbank Offered Rates*, to amend GASB Statement (GASBS) No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and GASBS No. 87, *Leases*. LIBOR, which will be phased out by the end of 2021, is tied to at least $200 trillion worth of financial products. It is expected that universities, housing authorities, any large government that use swaps will be most significantly impacted.

The most significant proposal in the exposure draft for a government entity is the proposed exception to the termination of hedge accounting provisions. Under current guidance, a change to a critical term in hedging derivative instruments, such as the reference rate, would be considered a termination event for hedge accounting purposes. The proposed guidance allows continued application

On the Horizon, *continued*

of hedge accounting if changing the reference rate from an interbank offered rate to a new reference rate, and if the changes meet the criteria in the proposal, as long as the hedge continues to be effective.

GASB Issues Proposed Implementation Guidance Update

On December 4, the GASB issued Exposure Draft No. 24-16e, *Implementation Guidance Update—2020*, to provide implementation guidance that clarifies, explains, or elaborates on issues entities raised when applying various accounting standards. Specifically, the Exposure Draft proposes new questions and answers that address application of GASBS No. 14, *The Financial Reporting Entity*; GASBS No. 84, *Fiduciary Activities*; GASBS No. 87, *Leases*; GASBS No. 83, *Certain Asset Retirement Obligations*; and GASBS No. 91, *Conduit Debt Obligations*.

The GASB developed the guidance based on application issues, questions it received throughout the year, and concerns identified by members of the Governmental Accounting Standards Advisory Council among others with the intent of assisting state and local governments in applying GAAP to specific facts and circumstances that they encounter. The leases standard had the most questions addressed in the guide. The proposal also includes answers to questions posed related to earlier implementation guides on issues surrounding post-employment benefits other than pensions, pensions, plan and employer accounting and reporting, external investment pools and other investments.

GASB Plans to Revise Accrued Vacation and Sick Leave Rules

According to a February 4, 2020, report, the GASB is planning to revise the accounting rules for accumulated vacation and sick leave of government employees. The GASB has indicated that the topic is being addressed because current accounting rules are either incomplete, inconsistently applied, or outdated.

Standard-setting work will be focused on revising GASB Statement (GASBS) No. 16, *Accounting for Compensated Absences*, related to:

- accrued leave benefits that are not covered, such as paid time off (where for example, vacation and sick leave are not distinguished)
- the existing options for measuring sick leave liabilities
- the usefulness of required notes to financial statements for decision-making and assessing accountability

Board discussions will examine the definition of compensated absences for accounting and financial reporting purposes and consider whether a revised definition should be adopted that could incorporate the accounting for certain types of leave other than vacation leave and sick leave.

An exposure document on the topic, however, is not expected any earlier than the first quarter of 2021.

EITF Agenda Items

The Emerging Issues Task Force did not meet during the first quarter because both meetings were canceled. The next meetings are scheduled to occur during the second quarter.

PCC Activities

The Private Company Council (PCC) did not meet during the first quarter. The next PCC meeting will be held on Thursday, April 16, 2020, and Friday, April 17, 2020, in Norwalk, Connecticut.

Appendix A

Important Implementation Dates

The following table contains significant implementation dates and deadlines for standards issued by the FASB and others.

Selected Implementation Dates (FASB/EITF/PCC)

Pronouncement	Affects	Effective Date and Transition
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	All entities	Effective for all entities as of March 12, 2020 through December 31, 2022.
ASU 2020-03, Codification Improvements to Financial Instruments	All entities	The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments in this ASU do not require transition guidance and will be effective upon issuance. However, many of the amendments do have transition guidance with effective dates for fiscal years beginning after December 15, 2019, for public business entities.
ASU 2020-02, Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842)—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842) (SEC Update)	All entities that are SEC filers	Effective upon issuance.
ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)	All entities	For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted, including early adoption in an interim period, (1) for public business entities for periods for which financial statements have not yet been issued and (2) for all other entities for periods for which financial statements have not yet been made available for issuance.
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	Entities within the scope of ASC 740	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses	All entities	For entities that have not yet adopted the amendments in ASU 2016-13 as of the issuance date of this ASU, the effective dates and transition requirements for the amendments are the same as the effective dates and transition requirements in ASU 2016-13. For entities that have adopted the amendments in ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this ASU as long as an entity has adopted the amendments in ASU 2016-13.
ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates	All entities	The amendments in this ASU delay the effective dates of ASU 2016-13, ASU 2017-12, and ASU 2016-02, and ASU 2017-04.
ASU 2019-09, Financial Services—Insurance (Topic 944): Effective Date	Insurance entities	The amendments in this ASU defer the effective date of the amendments in ASU 2018-12 for all entities.
ASU 2019-08, Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer	All entities that issue share-based payments to customers	For entities that have not yet adopted the amendments in ASU 2018-07, the amendments in this ASU are effective for (1) public business entities in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and (2) other than public business entities in fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. For entities that have adopted the amendments in ASU 2018-07, the amendments in this ASU are effective in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.
ASU 2019-05, Targeted Transition Relief	All entities	For entities that have not yet adopted ASU 2016-13, the effective date and transition methodology for the amendments in this ASU are the same as in ASU 2016-13. For entities that have adopted ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after the issuance of this ASU as long as an entity has adopted ASU 2016-13.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments	Entities that hold financial instruments	The effective date of each of the amendments depends on the effective date and adoption of ASU 2016-01, ASU 2016-13, and ASU 2017-12.
ASU 2019-03, Updating the Definition of Collections	Entities that hold collections	The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments is permitted. The amendments should be applied on a prospective basis.
ASU 2019-02, Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20) and Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350) : Improvements to Accounting for Costs of Films and License Agreements for Program Materials	Broadcasters and entities that produce and distribute films and episodic television series	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted.
ASU 2019-01, Leases (Topic 842): Codification Improvements	All lessee and lessor entities	For public business entities, NFPs that have issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an OTC market, or an employee benefit plan that files financial statements with the SEC, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-20, Narrow-Scope Improvements for Lessors	Lessor entities	For entities that have not adopted ASC 842 before the issuance of this ASU, the effective date and transition requirements for the amendments in this ASU are the same as the effective date and transition requirements in ASU 2016-02. For entities that have adopted ASC 842, the effective date and transition of the amendments related to the amendments in this ASU are as follows: 1. The amendments should be applied at the original effective date of Topic 842 for the entity or in either the first reporting period ending after the issuance of this ASU (for example, December 31, 2018) or in the first reporting period beginning after the issuance of this ASU (for example, January 1, 2019). 2. The amendments may be applied either retrospectively or prospectively. All entities, including early adopters, must apply the amendments in this ASU to all new and existing leases.
ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses	All entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income	The effective date and transition requirements are the same as the effective dates and transition requirements in ASU 2016-13, as amended by this ASU.
ASU 2018-18, Clarifying the Interaction between Topic 808 and Topic 606	All entities	Effective for public companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other organizations, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.
ASU 2018-17, Targeted Improvements to Related Party Guidance for Variable Interest Entities	All entities	Effective for organizations other than private companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this ASU are effective for a private company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-16, Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes	All entities	For entities that have not already adopted ASU 2017-12, the amendments in this ASU are required to be adopted concurrently with the amendments in ASU 2017-12. For public business entities that already have adopted the amendments in ASU 2017-12, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities that already have adopted the amendments in ASU 2017-12, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted in any interim period upon issuance of this Update if an entity already has adopted ASU 2017-12.
ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)	All entities	Effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted, including adoption in any interim period, for all entities.
ASU 2018-14, Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans	All employers that sponsor defined benefit pension or other postretirement plans	Effective for fiscal years ending after December 15, 2020, for public business entities and for fiscal years ending after December 15, 2021, for all other entities. Early adoption is permitted for all entities.
ASU 2018-13, Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement	All entities	Effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted.
ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts	Insurance entities	For public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early application of the amendments is permitted.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-11, Leases (Topic 842)—Targeted Improvements	All entities	The amendments related to separating components of a contract affect the amendments in ASU 2016-02, which are not yet effective but can be early-adopted. For entities that have not adopted ASC 842 before the issuance of this ASU, the effective date and transition requirements for the amendments in this ASU related to separating components of a contract are the same as the effective date and transition requirements in ASU 2016-02. For entities that have adopted ASC 842, the effective date and transition of the amendments related to separating components of a contract are as follows: • The practical expedient may be elected either in the first reporting period following the issuance of this ASU or at the original effective date of ASC 842 for that entity. • The practical expedient may be applied either retrospectively or prospectively. All entities, including early adopters, that elect the practical expedient related to separating components of a contract in this ASU must apply the expedient, by class of underlying asset, to all existing lease transactions that qualify for the expedient at the date elected.
ASU 2018-10, Codification Improvements to Topic 842, Leases	All entities	For entities that early-adopted ASC 842, the amendments are effective upon issuance, and the transition requirements are the same as those in ASC 842. For entities that have not adopted ASC 842, the effective date and transition requirements will be the same as the effective date and transition requirements in ASC 842.
ASU 2018-09, Codification Improvements	All entities	The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments in this ASU do not require transition guidance and will be effective upon issuance. However, many of the amendments do have transition guidance with effective dates for annual periods beginning after December 15, 2018, for public business entities.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made	All entities, including business entities, that receive or make contributions of cash and other assets, including promises to give within the scope of Subtopic 958-605 and contributions made within the scope of Subtopic 720-25, *Other Expenses—Contributions Made*.	***Contributions Received:*** For an entity that is either a public business entity or an NFP that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market and serves as a resource recipient, the entity should apply the amendments to annual periods beginning after June 15, 2018, including interim periods within those annual periods. All other entities should apply the amendments to annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. ***Contributions Made:*** For an entity that is either a public business entity or an NFP that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market and serves as a resource provider, the entity should apply the amendments to annual periods beginning after December 15, 2018, including interim periods within those annual periods. All other entities should apply the amendments to annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early adoption of the amendments is permitted.
ASU 2018-07, Improvements to Nonemployee Share-Based Payment Accounting	All entities that enter into share-based payment transactions for acquiring goods and services from nonemployees.	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606.
ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842	All entities	The effective date and transition requirements for ASU 2018-01 are the same as the effective date and transition requirements in ASU 2016-02. An entity that early adopted ASC 842 should apply the amendments in this ASU upon issuance.
ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities	Entities that elect to apply hedge accounting	Effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods therein. Effective for all other entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities are permitted to early adopt the new guidance in any interim or annual period after issuance of the ASU.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2017-11, (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception	Entities that issue financial instruments that include down round features	Effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Effective for all other entities for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted.
ASU 2017-08, Premium Amortization on Purchased Callable Debt Securities	Entities that hold investments in callable debt securities held at a premium	Effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, including adoption in an interim period.
ASU 2017-04, Simplifying the Test for Goodwill Impairment	All entities.	Effective for public business entities that are SEC filers for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019. For public business entities that are not SEC filers, the amendments are effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2020. For all other entities, including not-for-profit entities, the amendments are effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2021. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	All entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income.	For public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC, the new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other organizations, the new standard is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2016-02, Leases	All lessee and lessor entities.	For public business entities, NFPs that have issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an OTC market, or an employee benefit plan that files financial statements with the SEC, the amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application of the amendments is permitted for all entities.

Appendix A

Important Implementation Dates, *continued*

Selected Implementation Dates (GASB)

Pronouncement	Affects	Effective Date and Transition
Statement 92, Omnibus 2020	Governmental entities	The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020. The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020
Statement 91, Conduit Debt Obligations	Governmental entities	Effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.
Statement 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)	Governmental entities	Effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period	Governmental entities	Effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	Governmental entities	Effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
Statement 87, Leases	Governmental entities	Effective for reporting periods beginning after December 15, 2019.
Statement 86, Certain Debt Extinguishment Issues	Governmental entities	Effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.
Statement 85, Omnibus 2017	Governmental entities	Effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
Statement 84, Fiduciary Activities	Governmental entities	Effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
Statement 83, Certain Asset Retirement Obligations	Governmental entities	Effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
Statement 82, Pension Issues	Governmental entities	Effective for reporting periods beginning after June 15, 2016, except for the requirements for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
Statement 81, Irrevocable Split-Interest Agreements	Governmental entities	Effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.
Statement 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14	Governmental entities	Effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.
Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	Governmental entities	Effective for fiscal years beginning after June 15, 2017. Early adoption is encouraged.
Statement 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	Governmental entities	Effective for financial statements for periods beginning after June 15, 2016. Early adoption is encouraged.
Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68	Governmental entities	Effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. Early adoption is encouraged.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements

For the Quarter Ended March 31, 2020

The illustrative disclosures below are presented in plain English. Please review each disclosure for its applicability to your organization and the need for disclosure in your organization's financial statements.

{Please give careful consideration to appropriateness of highlighted text.}

ASU 2016-02 — Applicable to lessee and lessor entities:

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for *[fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.-public business entities] [fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.-all other entities]*. Early adoption is permitted.

We expect to adopt the guidance using the modified retrospective method and practical expedients for transition. The practical expedients allow us to largely account for our existing leases consistent with current guidance except for the incremental balance sheet recognition for lessees. We have started an initial evaluation of our leasing contracts and activities. We have also started developing our methodology to estimate the right-of use assets and lease liabilities, which is based on the present value of lease payments (the December 31, 2019 future minimum lease payments were $____ million). We do not expect a material change to the timing of expense recognition, but we are early in the implementation process and will continue to evaluate the impact. We are evaluating our existing disclosures and may need to provide additional information as a result of adoption of the ASU.

ASU 2016-04 — Applicable to entities that offer certain prepaid stored-value products:

In March 2016, the FASB amended the Liabilities topic of the Accounting Standards Codification to address the current and potential future diversity in practice related to the derecognition of a prepaid stored-value product liability. The amendments will be effective for *[financial statements issued for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years.-public business entities] [financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019.-all other entities]*. Early adoption is permitted. The Company will apply the guidance *[using a modified retrospective transition method by means of a cumulative-effect adjustment to retained earnings as of the beginning of the fiscal year in which the guidance is effective] [retrospectively]* to each period presented. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2016-13 — Applicable to entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income:

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The guidance requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC] [fiscal years beginning after December 15, 2022 including interim periods within those fiscal years.-all other entities]* Early adoption is permitted for all organizations for periods beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*
For the Quarter Ended March 31, 2020

ASU 2017-04 — Applicable to all:
In January 2017, the FASB amended the Goodwill and Other Topic of the Accounting Standards Codification to simplify the accounting for goodwill impairment for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. The amendment removes Step 2 of the goodwill impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The effective date and transition requirements for the technical corrections will be effective for the Company for *[reporting periods beginning after December 15, 2019.-public business entities that are SEC filers] [reporting periods beginning after December 15, 2020.-public business entities that are not SEC filers] [reporting periods beginning after December 15, 2021.-all other entities]* Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2017-08 — Applicable to entities that hold investments in callable debt securities held at a premium:
In March 2017, the FASB amended the requirements in the Receivables—Nonrefundable Fees and Other Costs Topic of the Accounting Standards Codification related to the amortization period for certain purchased callable debt securities held at a premium. The amendments shorten the amortization period for the premium to the earliest call date. The amendments will be effective for the Company for *[interim and annual periods beginning after December 15, 2018.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020.-all other entities]* Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2017-11 — Applicable to entities that issue financial instruments that include down round features:
In July 2017, the FASB amended the requirements in the Earnings per Share, Distinguishing Liabilities from Equity, and Derivatives and Hedging Topics of the Accounting Standards Codification to address the complexity of accounting for certain financial instruments with down round features. The amendments will be effective for the Company for *[interim and annual periods beginning after December 15, 2018.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020.-all other entities]* Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2017-12 — Applicable to entities that elect to apply hedge accounting:
In August 2017, the FASB amended the requirements of the Derivatives and Hedging Topic of the Accounting Standards Codification to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The amendments will be effective for the Company for *[interim and annual periods beginning after December 15, 2018.-public business entities] [fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021.-entities other than public business entities]* Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-01 — Applicable to entities with land easements:
In January 2018, the FASB amended the requirements of the Leases Topic of the Accounting Standards Codification. The amendments permit an entity to elect an optional transition practical expedient to not evaluate under the new lease accounting guidance land easements that exist or expired before the entity's adoption of the new lease accounting guidance and that were not previously accounted for as leases under previous lease accounting guidance. The effective date and transition requirements for the amendments

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

are the same as the effective date and transition requirements in ASU 2016-02. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-07 — Applicable to all entities that enter into share-based payment transactions for acquiring goods and services from nonemployees:
In June 2018, the FASB amended the Compensation—Stock Compensation Topic of the Accounting Standards Codification. The amendments expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments are effective for *[fiscal years beginning after December 15, 2018, including interim periods within that fiscal year-public business entities] [fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020-all other entities]*. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-08 — Applicable to Not-for-Profit entities and all other entities, including business entities, that receive or make contributions of cash and other assets, including promises to give within the scope of Subtopic 958-605 and contributions made within the scope of Subtopic 720-25, Other Expenses—Contributions Made:
In June 2018, the FASB updated the Not-for-Profit Entities Topic of the Accounting Standards Codification. The amendments clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. For contributions received, the amendments are effective for *[annual periods beginning after June 15, 2018, including interim periods within those annual periods-public business entities or an NFP that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market and serves as a resource recipient] [annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019-all other entities]*. For contributions made, the amendments are effective for *[annual periods beginning after December 15, 2018, including interim periods within those annual periods-public business entities or an NFP that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market and serves as a resource provider] [annual periods beginning after December 15, 2019, and interim periods within those annual periods beginning after December 15, 2020-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-10 — Applicable to lessee and lessor entities:
In July 2018, the FASB amended the Leases Topic of the Accounting Standards Codification to make narrow amendments to clarify how to apply certain aspects of the new leases standard. The amendments are effective for *[reporting periods beginning after December 15, 2018.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020-all other entities]*. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-11 — Applicable to lessee and lessor entities:
In July 2018, the FASB amended the Leases Topic of the Accounting Standards Codification to give entities another option for transition and to provide lessors with a practical expedient. The amendments will be effective for the Company for *[reporting periods beginning after December 15, 2018.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020-all other entities]*. The Company does not expect these amendments to have a material effect on its financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

ASU 2018-12 — Applicable to insurance entities that issue long-duration contracts:

In August 2018, the FASB amended the Financial Services—Insurance Topic of the Accounting Standards Codification to make targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2021, and interim periods within those fiscal years.-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SED] [for fiscal years beginning after December 15, 2023, and interim periods within fiscal year beginning after December 15, 2024.-all other entities]* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-13 — Applicable to all entities that are required to make disclosures about recurring or nonrecurring fair value measurements:

In August 2018, the FASB amended the Fair Value Measurement Topic of the Accounting Standards Codification. The amendments remove, modify, and add certain fair value disclosure requirements based on the concepts in the FASB Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-14 — Applicable to all employers that sponsor defined benefit pension or other postretirement plans:

In August 2018, the FASB amended the Compensation—Retirement Benefits—Defined Benefit Plans Topic of the Accounting Standards Codification. The amendments remove, modify, and add certain disclosure requirements for employers that sponsor defined benefit pension plans or other postretirement plans. The amendments are effective *[fiscal years ending after December 15, 2020.-public business entities] [fiscal years ending after December 15, 2021-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-15 — Applicable to all:

In August 2018, the FASB amended the Intangibles—Goodwill and Other Topic of the Accounting Standards Codification to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2019.-public business entities] [fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-16 — Applicable to all:

In October 2018, the FASB amended the Derivatives and Hedging Topic of the Accounting Standards Codification to expand the list of U.S. benchmark interest rates permitted in the application of hedge accounting. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2018.-public business entities] [fiscal years beginning after December 15, 2019-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

ASU 2018-17 — Applicable to all:

In October 2018, the FASB amended the Consolidation topic of the Accounting Standards Codification for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety. *[The amendments will be effective for the Company for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.-public business entities]* *[The amendments also provide a nonpublic entity with the option to exempt itself from applying the variable interest entity consolidation model to qualifying common control arrangements. The amendments will be effective for the Company for annual periods beginning after December 15, 2020, and interim periods within annual reporting periods beginning after December 15, 2021.-all other entities]* Early adoption is permitted. The Company will apply a full retrospective approach in which financial statements for each individual prior period presented and the opening balances of the earliest period presented are adjusted to reflect the period-specific effects of applying the amendments. *[The Company does not expect these amendments to have a material effect on its financial statements.]* *[The Company is currently evaluating the effect that implementation of the new standard will have on its financial statements.]*

ASU 2018-18 — Applicable to all:

In November 2018, the FASB amended the Collaborative Arrangements Topic of the Accounting Standards Codification to clarify the interaction between the guidance for certain collaborative arrangements and the new revenue recognition financial accounting and reporting standard. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.-public business entities]* *[fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.-all other entities]* Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-19 — Applicable to entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income:

In November 2018, the FASB issued guidance to amend the Financial Instruments—Credit Losses topic of the Accounting Standards Codification. The guidance aligns the implementation date of the topic for annual financial statements of nonpublic companies with the implementation date for their interim financial statements. The guidance also clarifies that receivables arising from operating leases are not within the scope of the topic, but rather, should be accounted for in accordance with the leases topic. The amendments will be effective for the Company for *[reporting periods beginning after December 15, 2019, including interim periods within those fiscal years.-SEC filers]* *[reporting periods beginning after December 15, 2020, including interim periods within those fiscal years.-public business entities that are not SEC filers]* *[fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.-all other entities]* Early adoption is permitted for all organizations for periods beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

ASU 2018-20 — Applicable to all:

In December 2018, the FASB issued guidance that providing narrow-scope improvements for lessors, that provides relief in the accounting for sales, use and similar taxes, the accounting for other costs paid by a lessee that may benefit a lessor, and variable payments when contracts have lease and non-lease components. The amendments will be effective for the Company for *[reporting periods beginning after December 15, 2018, including interim periods within those fiscal years.-public business entities]* *[annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020-all other*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

entities]. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-01 — Applicable to all:

In March 2019, the FASB issued guidance to address concerns companies had raised about an accounting exception they would lose when assessing the fair value of underlying assets under the leases standard and clarify that lessees and lessors are exempt from a certain interim disclosure requirement associated with adopting the new standard. The amendments will be effective for the Company for *[reporting periods beginning after December 15, 2019.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-02 — Applicable to broadcasters and entities that produce and distribute films and episodic television series:

In March 2019, the FASB issued guidance that helps align the accounting for production costs for films and episodic content produced for television and streaming services. The amendments will be effective for the Company for [reporting periods beginning after December 15, 2019, including interim periods within those fiscal years.-public business entities] [reporting periods beginning after December 15, 2020, including interim periods within those fiscal years.-all other entities]. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-03 — Applicable to entities that hold collections:

In March 2019, the FASB issued guidance to clarify the definition of collection in the Master Glossary in order to eliminate the diversity in practice between the application of the Master Glossary's definition compared with the definition that many entities use for accreditation purposes. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020 and should be applied on a prospective basis. Early adoption is permitted. The Organization does not expect these amendments to have a material effect on its financial statements.

ASU 2019-04 — Applicable to entities that hold financial instruments:

In April 2019, the FASB issued guidance that clarifies and improves areas of guidance related to the recently issued standards on credit losses, hedging, and recognition and measurement of financial instruments. The amendments related to credit losses will be effective for the Company for *[reporting periods beginning after December 15, 2019.-SEC filers] [reporting periods beginning after December 15, 2020.-public business entities that are not SEC filers] [fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.-all other entities]*. The amendments related to hedging will be effective for the Company for *[interim and annual periods beginning after December 15, 2018.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020.-all other entities]*. The amendments related to recognition and measurement of financial instruments will be effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-05 — Applicable to entities that hold financial instruments:

In May 2019, the FASB issued guidance to provide entities with an option to irrevocably elect the fair value option, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2019, including interim*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

periods within those fiscal years.-entities that have adopted ASU 2016-13] {For entities that have not yet adopted ASU 2016-13: [reporting periods beginning after December 15, 2019.-SEC filers] [reporting periods beginning after December 15, 2020.-public business entities that are not SEC filers] [fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.-all other entities]}. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-06 — Applicable to all not-for-profit entities:

In May 2019, the FASB issued guidance to extend the private company accounting alternatives related to goodwill and business combinations to not-for-profit entities. Under the goodwill accounting alternative, a not-for-profit entity may elect to amortize goodwill on a straight-line basis over a period of ten years or over a shorter period if the entity demonstrates that another useful life is more appropriate. Goodwill would be subject to impairment testing only upon the occurrence of a triggering event. Under the business combination accounting alternative, a not-for-profit entity may elect to not recognize separately from goodwill (1) customer-related intangible assets that are not capable of being sold or licensed independently from the other assets of the business and (2) noncompetition agreements. This alternative generally will result in recognizing fewer intangible assets in a business combination and, correspondingly, more goodwill. The alternative is applied on a prospective basis. In addition, when this alternative is elected, the entity also is required to adopt the alternative accounting related to goodwill. The amendments are effective upon issuance. The Organization does not expect these amendments to have a material effect on its financial statements.

ASU 2019-07 — Applicable to SEC filers:

In July 2019, the FASB updated various Topics of the Accounting Standards Codification to align the guidance in various SEC sections of the Codification with the requirements of certain SEC final rules. The amendments were effective upon issuance and did not have a material effect on the financial statements.

ASU 2019-08 — Applicable to entities that make share-based payments to customers:

In November 2019, the FASB issued guidance to simplify and increase comparability of accounting for nonemployee share-based payments, specifically those made to customers. As a result, the amount recorded as a reduction in revenue will be measured based on the grant-date fair value of the share-based payment. The amendments are effective for *[fiscal years beginning after December 15, 2019, and interim periods within those fiscal years-public business entities that have not yet adopted ASU 2018-07] [fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020-entities other than public business entities that have not yet adopted ASU 2018-07] [fiscal years beginning after December 15, 2019, and interim periods within those fiscal years-all entities that have adopted ASU 2018-07]*. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-09 — Applicable to insurance entities that issue long-duration contracts:

In November 2019, the FASB issued guidance to defer the effective date of ASU 2018-12, Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts. The new effective date will be [*for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years.-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC] [for fiscal years beginning after December 15, 2023, and interim periods within fiscal year beginning after December 15, 2024.-all other entities]* The Company does not expect these amendments to have a material effect on its financial statements.

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Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

ASU 2019-10 — Applicable to all entities:

In November 2019, the FASB issued guidance to defer the effective dates for private companies, not-for-profit organizations, and certain smaller reporting companies applying standards on current expected credit losses (CECL), leases, hedging. The new effective dates will be *CECL: [fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC] [fiscal years beginning after December 15, 2022 including interim periods within those fiscal years.-all other entities]*; *Hedging: [fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021.-entities other than public business entities]*; *Leases: [fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.-all entities other than public business entities; not-for-profit entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market; and employee benefit plans that file or furnish financial statements with or to the SEC]* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-11 — Applicable to all entities:

In November 2019, the FASB issued guidance that addresses issues raised by stakeholders during the implementation of ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments affect a variety of Topics in the Accounting Standards Codification. *[For entities that have adopted the amendments in ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years] [For entities that have not yet adopted the amendments in ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC] [fiscal years beginning after December 15, 2022 including interim periods within those fiscal years-all other entities]*. Early adoption is permitted in any interim period as long as an entity has adopted the amendments in ASU 2016-13. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-12 — Applicable to entities within the scope of Topic 740, Income Taxes:

In December 2019, the FASB issued guidance to simplify accounting for income taxes by removing specific technical exceptions that often produce information investors have a hard time understanding. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments are effective for *[fiscal years beginning after December 15, 2020, including interim periods within those fiscal years.-public business entities] [fiscal years beginning after December 15, 2021, and interim periods within annual reporting periods beginning after December 15, 2022-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-01 — All entities:

In January 2020, the FASB issued guidance to address accounting for the transition into and out of the equity method and measuring certain purchased options and forward contracts to acquire investments. The amendments are effective for *[fiscal years beginning after December 15, 2020, and interim periods within those fiscal years.-public business entities] [for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years-all other entities]*. Early adoption is permitted, including early adoption in an interim period. The Company does not expect these amendments to have a material effect on its financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

ASU 2020-02 — Applicable to SEC filers:

In February 2020, the FASB issued guidance to add and amend SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Staff Accounting Bulletin No. 119 related to the new credit losses standard and comments by the SEC staff related to the revised effective date of the new leases standard. The amendments were effective upon issuance. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-03 — Applicable to all entities:

In March 2020, the FASB issued guidance that makes narrow-scope improvements to various aspects of the financial instrument guidance, including the current expected credit losses (CECL) guidance issued in 2016. *The amendments related to conforming amendments: For public business entities, the amendments are effective upon issuance of this final ASU. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years beginning after December 15, 2020. Early application is permitted. The effective date of the amendments to ASU 2016-01 is for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For the amendments related to ASU 2016-13, public business entities that meet the definition of an SEC filer, excluding eligible smaller reporting companies (SRCs) as defined by the SEC, should adopt the amendments in ASU 2016-13 during 2020. All other entities should adopt the amendments in ASU 2016-13 during 2023. Early adoption will continue to be permitted. For entities that have not yet adopted the guidance in ASU 2016-13, the effective dates and the transition requirements for these amendments are the same as the effective date and transition requirements in ASU 2016-13. For entities that have adopted the guidance in ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For those entities, the amendments should be applied on a modified-retrospective basis by means of a cumulative-effect adjustment to opening retained earnings in the statement of financial position as of the date that an entity adopted the amendments in ASU 2016-13.* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-04 — Applicable to all entities:

In March 2020, the FASB issued guidance to provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The amendments are effective as of March 12, 2020 through December 31, 2022. The Company does not expect these amendments to have a material effect on its financial statements.

Applicable to all:

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Appendix C

Recently Issued Accounting Pronouncements

NOTE*: *The disclosures in the previous appendix are not intended to be all inclusive. All pronouncements issued during the period should be evaluated to determine whether they are applicable to your Company. Through March 31, 2020, the FASB had issued the following Accounting Standard Updates during the year.

- **ASU 2020-04,** *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*
- **ASU 2020-03,** *Codification Improvements to Financial Instruments*
- **ASU 2020-02,** *Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842)—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842) (SEC Update)*
- **ASU 2020-01,** *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)*