FINANCIAL SERVICES

Quarterly Update

elliott davis

First Quarter 2020

March 31, 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.

We have participated in several webcasts over the past two weeks and are very respectful of the work that our community banks and the banking regulators are doing to help support borrowers. Community banks are also facing new challenges in operations and an also need to assess certain accounting and financial reporting issues that may be affecting the bank. 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:

- Loan Modifications and Working with Customers Affected by the Coronavirus (Read more)
- Goodwill Impairment Analysis (Read more)
- Qualitative and Environmental Factors within the Allowance for Loan Losses (Read more)
- Coronavirus Aid, Relief, and Economic Security Act (Read more)
- Portfolio Stress Testing as a Pandemic Risk-Management Strategy (Read more)
- Coronavirus Leads to Virtual Annual Meetings (Read more)
- COVID-19 Financial Reporting Considerations (Read more)
- Cybercriminals Take Advantage of Concerned Public During COVID-19 Pandemic (Read more)
- Federal Tax Impact of 2020 Families First and CARES Acts on Financial Institutions (Read more)

We have also have 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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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 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.

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.

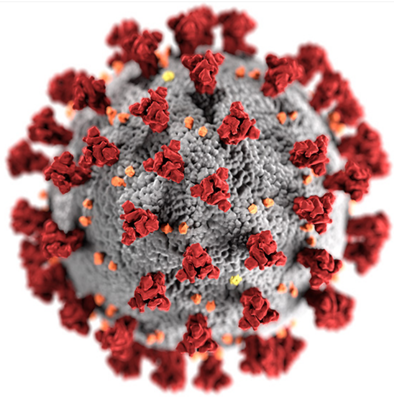
Find out more in the *Coronavirus Leads to Virtual Annual Meetings* section.

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.

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 on the customers of a financial institution 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
- Allowance for loan losses
- Fair value measurements
- Breach of loan covenants
- Troubled debt restructurings
- Interest rate risk management
- Going concern
- Liquidity risk management
- Employment termination benefits
- Share-based compensation performance conditions and modifications
- Tax considerations (in particular, recoverability of deferred tax assets)
- Subsequent events disclosures
- Commitments and contingencies
- Internal controls

Select issues are discussed on the following pages.

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.

Coronavirus Disease 2019 Update, *continued*

Loan Modifications and Working with Customers Affected by the Coronavirus

The first guidance was issued on March 22, 2020, when the FDIC, the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency, the National Credit Union Administration, the state banking regulators, and the Consumer Financial Protection Bureau issued an Interagency Statement to provide additional information regarding loan modifications. Short-term modifications made on a good faith basis in response to COVID-19 to borrowers who were current prior to any relief are not troubled debt restructurings (TDRs). Short-term modifications include payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. The statement defines the period considered to be an insignificant delay as six months. Borrowers considered current are those that are less than 30 days delinquent at the time a modification is implemented.

The CARES Act, signed by the President on March 27, 2020 also includes additional guidance on TDRs and temporary deferral to be provided to borrowers. Specifically, the Act states - Banks may elect to suspend US GAAP requirements with respect to reporting loan modifications related to the COVID-19 pandemic that would otherwise be categorized as a TDR or requiring impairment. The Act requires banking regulators to defer to the determination of the financial institutions making such suspension. Such election may begin on March 1, 2020 and last no later than 60 days after the end of the national emergency.

Financial institutions are not expected to designate loans as past due for deferrals granted due to COVID-19. While we anticipate the FDIC and other regulatory agencies are preparing guidance on the underlying loan accounting for these loan modifications, we thought it would be helpful to include some items for consideration from the accounting perspective and regulatory perspective related to payment deferrals.

From an accounting perspective:
Deferring payments on loans for a customer creates a loan modification that can usually be adjusted in the system fairly easily; however, treatment of the interest piece can be more complicated. From a borrower's perspective, unless otherwise addressed by the banking regulators, in most cases the interest will continue to accrue during the deferment period, so they will eventually have to pay for that interest.

Assuming the institution has determined the loan does not need to go onto nonaccrual status, the options for the institution would be to:

- Postpone the interest income until later in the life of the loans, usually as a balloon payment.
    - Depending on the likelihood of receiving that payment, a reserve on that accrued interest income may be needed. In addition, if a reserve is not recorded, accrued interest income will likely be overstated in the short-term.
    - Some systems might be able to handle this type of situation through the shadow accounting option.
- Capitalize interest and add it to the principal and re-amortize the loan once payments resume.
    - As a note, caution should be used with this method. Generally, capitalization of interest is precluded when the creditworthiness of the borrower is in question.

The best answer on how this is treated may depend on how the modification agreement is written. One way to simplify this is going interest only for a period instead of full payment deferral (if that is an option for the borrower), as this will not interfere with interest income and just defer the principal payment. In either case, it is important to disclose the remaining interest properly from a regulatory perspective as the Institution does have to disclose a "change in terms" agreement to the borrower.

Coronavirus Disease 2019 Update, *continued*

From a regulatory perspective:
It is important to note that under the official interpretation to 12 CFR 1026.20(a), "changes in the terms of an existing obligation, such as the deferral of individual installments, will not constitute a refinancing unless accomplished by the cancellation of that obligation and the substitution of a new obligation.

- A substitution of agreements that meets the refinancing definition will require new disclosures, even if the substitution does not substantially alter the prior credit terms." As a modification or payment deferral does not cancel a previous obligation, completely new sets of disclosures are not necessary. We believe this gives Institutions some flexibility in handling borrowers that are affected by COVID-19.
- Institutions should still remember that modifications or changes in terms for loans secured by improved real estate (as of now) are not exempt from the requirements of the Flood Disaster Protection Act (FDPA). Depending upon the specific terms of the modification the loan it could likely trip the "make, increase, extend, or renew" requirements under FDPA. If any of these four events are triggered, then the Institution must obtain a new flood hazard determination, if the previous determination is greater than seven years old. In addition, if the improved real estate is determined to be within a special flood hazard area, the Institution should mail or deliver a written notice to the borrower and to the servicer in all cases whether or not flood insurance is available under the FDPA for the collateral securing the loan. If the modification increases the loan amount, the Institution should be cognizant to ensure the amount of insurance is equal to the lesser of the outstanding principal balance of the designated loan or the maximum limit of coverage available for the particular type of property under FDPA. Finally, premiums and fees for any flood insurance would be required to be escrowed for any designated loan secured by residential improved real estate.

In addition, institutions that are permitting payment deferrals on mortgage loans and allowing the escrow payment to be deferred as well, need to be sure to include language in their agreements to alert borrowers of the consequences of deferring the escrow payment. Consequences can include a shortage in the escrow fund when the annual analysis is completed. Borrower notices/disclosures/agreements should also clearly describe how the deferral/extension process will work, including ensuring borrowers understand all of the following areas:

- Interest accrual on the loans during the deferral period;
- Effect on principal balance reduction;
- Impact on any balloon payments and/or the maturity date of the loan;
- Change in the amount of interest paid over the life of the loan (which may increase if maturity is extended); and
- Procedures for the borrower to notify the institution of their request to defer payments, including the timeframe to avoid any late payment penalties.

Any payment modification programs should be consistent and well documented to ensure compliance with fair lending requirements, to avoid any future scrutiny.

Goodwill Impairment Analysis

Most if not all stocks in the financial sector 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.

Coronavirus Disease 2019 Update, *continued*

Process for Testing Goodwill for Impairment:

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.*

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.

Coronavirus Disease 2019 Update, *continued*

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

Qualitative and Environmental Factors within the Allowance for Loan Losses

Financial institutions may find it challenging to determine the overall effects of COVID-19 and the impact on collectability of loans to borrowers impacted by COVID-19. Each day the COVID-19 pandemic evolves and changes, so evaluating individual borrowers and repayment capacity may prove difficult for the quarter ending March 31, 2020. It is important to remember that if declining credit quality trends relevant to the types of loans in an institution's portfolio are evident, the allowance for loan losses (ALLL) level as a percentage of the portfolio should generally increase, barring unusual charge-off activity.

There is a short time between the beginning effects of COVID-19 and the required filing date for the first quarter regulatory reports and SEC-related filings. Management should consider all information available about the collectability of the loan portfolio in order to make its best estimate of probable losses. In making adjustments to its qualitative and environmental factors within its ALLL model, management should considering the following:

- The Q&E factor related to changes in international, national, regional, and local economic and business conditions in light of the COVID-19 pandemic. Assistance to borrowers from the government or regulators is also relevant to the determination of adjustments to Q&E factors.
- Certain types of customers or industries may be particularly severely affected by the economic effects of COVID-19. Financial institutions with exposure to these customers or industries will need consider loan concentrations and adjustments to related Q&E factors as credit quality may deteriorate quickly in some sectors that are hit the hardest. Management should perform a detailed review of its loan portfolio and evaluate how COVID-19 has affected and will potentially affect credit quality.
- Adjustments or lack of adjustments to each Q&E factor should be adequately documented and supported.

For additional information on qualitative and environment factors, please see the 2006 Interagency Policy Statement on the Allowance for Loan and Lease Losses at *https://www.federalreserve.gov/boarddocs/srletters/2006/SR0617a1.pdf*.

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.

The CARES Act includes a number of provisions that impact community banks, including the following:

1. Debt Guarantee Authority (Section 4008) - Authorizes the FDIC to re-implement transaction account guarantee program, subject to cap on amounts insured. In the 2008 financial crisis, the FDIC provided unlimited insurance for amounts held in noninterest-bearing transaction accounts (i.e. checking accounts that don't pay interest). Dodd-Frank prohibited the FDIC from ever doing that again. The CARES Act authorizes the FDIC to provide the program again through December 31, 2020.

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2. Temporary Lending Limit Waiver (Section 4011) – Authorizes the OCC to permit national banks to exceed their legal lending limit to any particular borrower with respect to loans to nonbank financial companies or any other borrower to the extent the OCC finds such exception to be in the public interest. OCC approval of individual loans appears to be required. This waiver lasts until the earlier of the termination date of the national emergency or December 31, 2020.
3. Temporary Reduction in the Community Bank Leverage Ratio (CBLR) (Section 4012) – Federal banking agencies are required to temporarily reduce the CBLR for qualifying community banks from 9 percent to 8 percent until the earlier of the end of the national emergency or December 31, 2020. The CLBR is a provision that gives banks under $10 billion the ability to eliminate risk-based capital compliance if they meet a simple leverage ratio of between 8-10%.
4. Temporary Relief from Troubled Debt Restructurings (Section 4013) – Banks may elect to suspend US GAAP requirements with respect to reporting loan modifications related to the COVID-19 pandemic that would otherwise be categorized as a TDR or requiring impairment. Requires banking regulators to defer to the determination of the financial institutions making such suspension. Such election may begin on March 1, 2020 and last no later than 60 days after the end of the national emergency.
5. Optional Delay of Current Expected Credit Losses (CECL) (Section 4014) – Financial institutions have the option to temporarily delay adoption of the CECL methodology. This delay expires at the earlier of December 31, 2020 or the date on which the national emergency declaration related to COVID-19 is terminated.
6. Special Inspector General for Pandemic Recovery (Section 4018) – The CARES Act established within the Department of Treasury the Office of the Special Inspector General of Pandemic recovery. The Special Inspector General will be charged with conducting, supervising and coordinated audits and investigations of making, purchasing, management and sale of loans made under the CARES Act.
7. Credit Protection During COVID-19 (Section 4021) – Furnishers to credit reporting agencies who agree to defer payments, forbear on any delinquent credit, or provide relief to consumers impacted by COVID-19 are required to report the account as "current". This applies only to accounts that have performed under the forbearance of modified payment agreement. This credit protection is available beginning January 31, 2020 and ends the later of 120 days after enactment or 120 days after the date of the end of the national emergency.
8. Foreclosure Moratorium and Consumer Right to Request Forbearance (Section 4022) - The Act prohibits foreclosures on all federally-backed mortgage loans for a 60-day period beginning on March 18, 2020 and provides up to 180 days of forbearance for borrowers who have experienced a financial hardship related to the COVID-19 emergency. Applicable mortgages include those purchased by Fannie Mae and Freddie Mac, insured by HUD, VA, or USDA, or directly made by USDA.

Another key part of the CARES Act is the provision for $349 billion for small businesses through federally backed loans under a modified and expanded Small Business Administration (SBA) loan guaranty program called the Paycheck Protection Program. Included below are some important things to know about this program:

- This program applies to businesses with less than 500 employees or those that meet SBA's current size standards for 7(a) loans. The program also applies to self-employed, individual contractors and certain 501(c)(3) organizations.
- The maximum loan amounts is capped at the lesser of: (1) $10 million; or (2) 250% of average total monthly payrolls during the 1-year period before the loan is made.
- Principal, interest and fee payments can be deferred from 6 months to 1 year.
- Borrowers would be eligible for loan forgiveness equal to the amount spent on certain expenses, including payroll, during an eight-week period after the origination date of the loan. The amount forgiven would be reduced in proportion to any reduction in employees retained compared to the prior year and to the reduction in pay or any employee beyond 25% of prior year comparison.
- The SBA will purchase the forgiven portion of the loan once reported by the bank.

Coronavirus Disease 2019 Update, *continued*

- Any loan amount not forgiven at the end of one year is carried forward as an ongoing loan with a maximum term of 10 years and the maximum interest rate is 4%.
- The remaining balance after forgiveness is maintained at the 100% guarantee for the duration of the loan.
- Loans made under this program are 0% risk weighted for capital purposes.
- Banks will receive processing fees for servicing the loans, which will create a servicing asset.
- The CARES Act allows the Department of Treasury to establish a process by which lending institutions that are not currently authorized to offer SBA loans will be able to participate during the declared national emergency.
- The SBA will pay the principal, interest, and associated fees that are owed on existing 7(a) (including Community Advantage), 504, or microloan products for a six month period starting on the next payment due. Loans made up until six months after enactment will also receive a full 6 months of loan payments by the SBA. This does not apply to Payroll Protection loans or Emergency Economic Injury Disaster Loans which have separate subsidy and repayment requirements.

Portfolio Stress Testing as a Pandemic Risk-Management Strategy

As lenders, managers, advisors, and chief executives at financial institutions we still have the opportunity to respond proactively during a period of crisis and help our borrowers through this period of time. One of the best ways to identify which borrowers are in need is through loan portfolio stress testing. We will walk through how to efficiently identify potential marginal borrowers, what to do after the stress test is complete, and offer reminders of how lenders can have high impact, value added conversations with borrowers.

No matter how big or small your financial institution is, effectively and efficiently identifying potential marginal borrowers is no easy task. You could perform a stress test on the entire commercial portfolio, but the idea here is to utilize a rifle approach verses a shotgun approach and focus on where we know the risk is and could be.

Let's start with industry analysis (the lists below are not intended to be all inclusive). What sectors have been impacted by COVID-19?

- Travel
- Hospitality
- Manufacturing
- Oil and gas
- Restaurants
- Commercial real estate
- Retail
- Dental practices

What other sectors can we anticipate will be impacted by COVID-19?

- Non-profits
- Churches
- Office space

Once the at-risk industries and specific borrowers within those at-risk industries are identified, the stress test approach and stress test factors need to be determined, the stress test should be performed by applying the stress test factors and discounts to the borrowers selected in the industry analysis described above in order to identify the potential marginal borrowers. Typically, a bottom-up loan portfolio stress test is most applicable due to the information needed about specific borrowers. Factors to be considered/stressed include

- Interest rates
- Occupancy rates
- Net operating income
- Collateral
- Specific segments of revenue
- Other variables that could impact the financial performance of the borrower

The results should be utilized to assess the impact on those borrowers and assign a risk grade/ranking ultimately resulting in a list of potential marginal borrowers. Strong borrowers can likely weather the economic challenges of COVID-19 and weak borrowers were likely already on management's radar. Therefore, potential marginal borrowers (borrowers that failed the mild stress test scenario,

Coronavirus Disease 2019 Update, *continued*

not just the most sever scenario) is the population that likely warrants the most focused attention from a strategic risk-mitigation viewpoint.

Stress test results are typically based on mathematical models and those yield results that are very black and white. The actual facts beyond the mathematics (i.e., guarantor support, liquid assets, and other pending information like current contracts on real estate which will pay off the loan, etc.) should be considered. As management works through current COVID-19 issues and those potential marginal borrower issues, it is important loan files are appropriately documented allowing executive management, credit administration, loan review and regulators to evaluate and support decisions made related to the borrower. This information should be utilized to estimate the overall impact to the financial institution's capital, ALLL, leverage ratios, and income under mild and severe scenarios.

During this crisis, we have the opportunity to provide high impact to your borrowers. You should be reaching out to your borrowers and work with them to identify government relief programs that can be beneficial to their business during this time. This should be a high priority focus.

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 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

Coronavirus Disease 2019 Update, *continued*

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:

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.*

Coronavirus Disease 2019 Update, *continued*

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.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including [Describe WHAT IS RELEVANT TO THE ENTITY, SUCH AS expected credit losses on receivables and investments; losses on inventory; impairment losses related to goodwill and other long-lived assets; valuation allowances on deferred tax assets; contingent obligations].

Cybercriminals Take Advantage of Concerned Public During COVID-19 Pandemic

With the increase in COVID-19 related news stories and articles flooding our newsfeeds, so too is the rise of malware and phishing attempts from hackers. Cybercriminals are using this time to take advantage of the public's need for information. We do not yet know the impact that the coronavirus pandemic will have on businesses, communities or our families, but one thing is certain, cybercriminals do not care. A quick look at the headlines over the last month highlights the staggering trend of coronavirus themed attacks:

- Over 10% of all organizations in Italy were hit with a targeted coronavirus themed phishing campaign
- There have been over 4,000 coronavirus-themed web domains registered since January. Out of those, 3% were flagged as malicious, and another 5% as suspicious
- UK's National Fraud Intelligence Bureau has identified multiple reports of fraud involving coronavirus links to date, with losses to victims totaling close to £1m in the month of February.

Each day, an alarming number of malicious emails and coronavirus-related sites, appearing to be from the Centers for Disease Control and Prevention or for online maps to track COVID-19 cases, have people opening and clicking the links only to have their usernames, passwords, and credit card numbers that are stored in the user's browser stolen. Cybercriminals are exploiting the fact that people are vulnerable and busy adjusting to remote work and believe many will be more likely to not only fall for their schemes but also to pay their ransom. While most of the world is focused on understanding and preparing for this public health crisis, hackers are focused on profiting off the same.

Coronavirus Disease 2019 Update, *continued*

Just as we are told to practice proper hand-washing and respiratory hygiene, we should also practice checking sources and refrain from downloading email attachments from unknown senders. Below are some items to keep in mind before opening or sharing any COVID-19 related information you might receive:

- The credibility of the source
  - Email: if on a computer, hover over the sender's display name to see what email address pops up – does the name match or is it spoofed?
  - Website: start with the About Us section of the website to see if the source has initial credibility like the CDC or WHO
- The date of publication
  - With a topic as fluid and dynamic as COVID-19, ensure you are accessing or sharing the latest up to date information

Being cyber prepared should be included in your personal emergency preparedness plan. So, be alert and aware of phishing emails and malicious websites, educate those around you, and practice information literacy. With more employees adjusting to working remotely, it is more important than ever to emphasize the importance of your organization's cybersecurity awareness to your employees. If you haven't recently conducted cybersecurity training for your employees, now would be a great time for virtual education.

Federal Tax Impact of 2020 Families First and CARES Acts on Financial Institutions

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.

Coronavirus Disease 2019 Update, *continued*

- **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.

  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.

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

Coronavirus Disease 2019 Update, *continued*

Additional Regulatory COVID-19 Releases

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
- Regulators Issue Statement on Pandemic Planning
- Joint Statement on Community Reinvestment Act Considerations in Response to the Coronavirus
- Regulatory Capital Rule: Clarification on the Use of Buffers
- Regulators Grant 30-Day Grace Period for the Regulatory Reports for the First Quarter of 2020
- Agencies Encourage Responsible Small-Dollar Lending to Consumers and Small Business

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 requires stakeholders to determine 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 Topic 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

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.

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 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.

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.

Regulators Issue Statement on Pandemic Planning

The regulators issued an interagency statement reminding financial institutions that pandemic preparedness is an important part of their business continuity planning. Institutions should periodically review related risk management plans, including continuity plans, to ensure their capability to continue to provide their products and services in a wider range of scenarios and with minimal disruption.

Regulatory Update, *continued*

Reviewing business continuity plans should include the following:

- Communicating the risks of a pandemic outbreak to employees to promote awareness and discussing steps employees can take to reduce the likelihood of contracting an illness;
- Identifying and prioritizing essential functions, employees, and resources within the institution and across other business sectors for operational continuity purposes; and
- Testing roles and responsibilities of management, employees, key suppliers, and customers; key pandemic planning assumptions; increased reliance on online banking, telephone banking, and call center services; and remote access and telecommuting capabilities

Joint Statement on Community Reinvestment Act Considerations in Response to the Coronavirus

The Federal Reserve Board, the FDIC, and the Office of the Comptroller of the Currency (the agencies) recognize the potential for the coronavirus to adversely affect the customers and operations of financial institutions. The agencies have encouraged financial institutions to work with customers and communities, particularly those that are low- and moderate-income, that have been affected by the coronavirus. Pursuant to the Community Reinvestment Act (CRA), the agencies will provide favorable consideration of certain retail banking services, retail lending activities, and community development activities related to this national emergency. These activities may include, but are not limited to: waiving certain fees (ATM, overdraft, etc.), easing restrictions on cashing out-of-state and non-customer checks, expanding availability of short-term, unsecured credit products for creditworthy borrowers, increasing credit card limits, and offering payment accommodations, such as allowing borrowers to defer or skip payments. Such efforts, when consistent with safe and sound banking practices, serve the long-term interest of communities and the financial system.

In addition, the statement clarifies that financial institutions will receive CRA consideration for community development (CD) activities. Qualifying activities include those that help to revitalize or stabilize low- or moderate-income geographies as well as distressed or underserved non metropolitan middle-income geographies, and that support community services targeted to low- or moderate-income individuals.

Regulatory Capital Rule: Clarification on the Use of Buffers

The Federal Reserve Board, the FDIC, and the Office of the Comptroller of the Currency (the agencies) issued questions and answers (Q&A) in response to the agencies' Statement Regarding the Use of Capital and Liquidity Buffers, which was issued on March 17, 2010. The agencies are encouraging financial institutions to use their capital and liquidity buffers as they respond to the challenges presented by the effects of the coronavirus. The capital and liquidity buffers were intended to provide financial institutions with the means to support the economy in adverse situations and allow financial institutions to continue to assist households and businesses.

FDIC Advises Prudent Management of Agricultural Lending During Economic Cycle (FIL-5-2020)

In recent years, the agricultural industry has been experiencing low commodity prices, trade and tariff uncertainties, impacts from adverse weather conditions, and global supply and demand issues. The FDIC advises financial institutions that lend within the agricultural industry to maintain sound underwriting standards, strong credit administration practices, effective risk management strategies, and appropriate allowances for losses and capital levels through the credit cycle. In addition, financial institutions should work with agricultural borrowers experiencing financial difficulties, including reasonable debt restructurings based on long-term viable business plans.

Regulatory Update, *continued*

Regulators Grant 30-Day Grace Period for the Regulatory Reports for the First Quarter of 2020

On March 25, 2020, the Federal Financial Institutions Examination Institutions Council members issued a release acknowledging that financial institutions may need additional time to submit certain regulatory reports in light of the adverse effects of COVID-19. The federal banking agencies will not take action against any institutions for submitting its March 31, 2020 Call Report after the respective filing deadline., as long as the report is submitted within 30 days of the official filing date. The agencies have encouraged institutions to contact their primary federal regulator in advance if they anticipate a delay in the submission of their Call Report.

Agencies Encourage Responsible Small-Dollar Lending to Consumers and Small Business (FIL-26-2020)

The FDIC, Consumer Financial Protection Bureau, the Federal Reserve Board, the National Credit Union Administration and the Office of the Comptroller of the Currency recognize the potential negative impact of COVID-19 to financial institution customers. Small-dollar loans can play an important role in helping customers meet credit needs due to temporary cash-flow shortages, unanticipated expenses, or income short-falls during the COVID-19 pandemic. The agencies encourage financial institutions to meet needs of customers through small-dollar loans in a manner that is consistent with safe-and-sound banking practices, provides fair treatment of consumers and complies with applicable laws and regulations. The agencies expect to issue future guidance and lending principles to facilitate the ability of financial institutions to offer responsible small-dollar loans.

Other Items

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.

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:

- <u>Classification Principle—Unused Long-Term Financing Arrangements</u>—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.
- <u>Grace Periods</u>—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.
- <u>Effective Date</u>—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.

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.

On the Horizon, *continued*

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.

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

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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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.
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 2019-08, 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 2019-01, 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.
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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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.
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 2018-13, 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.

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 2018-07, 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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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.
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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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.
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 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 2016-13 — 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.

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

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

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 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*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

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.

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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

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.-<u>public business entities</u>] [fiscal years ending after December 15, 2021-<u>all other entities</u>]*. 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.-<u>public business entities</u>] [fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021-<u>all other entities</u>]*. 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.-<u>public business entities</u>] [fiscal years beginning after December 15, 2019-<u>all other entities</u>]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

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.-<u>public business entities</u>] [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*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

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 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,*

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Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

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 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.

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Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

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.

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.

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Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

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.

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.

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Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2020

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)*