Quarterly Accounting and Reporting Update

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Third Quarter 2020

October 1, 2020

In this edition of the quarterly communication, we have provided information about financial reporting and accounting issues – some of which are currently being evaluated by regulatory agencies and not resolved at this time. We have also compiled a list of items for consideration in your financial reporting and disclosures for the third quarter and a summary of recently issued accounting pronouncements (see Appendices for summary of recently issued accounting pronouncements and the related effective dates).

This quarterly update is organized as follows:

Selected Highlights

COVID-19 Update

The COVID-19 pandemic has significantly disrupted communities and businesses globally. This disruption is placing a great deal of strain not only on the healthcare system but also on the day-to-day livelihood of individuals. This situation is changing quickly with widespread impact. We have provided guidance, resources, and other matters to consider in response to the impacts from COVID-19.

Find out more in the *COVID-19 Update* section.

FASB Improves Convertible Instruments and Contracts in an Entity's Own Equity

In August, the FASB issued an ASU that is expected to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity.

Find out more in the *FASB Update* section.

Senator Calls on SEC and Other Regulators to Implement Climate Risk Reforms

Senator Brian Schatz, a Hawaii Democrat, called on the Securities and Exchange Commission (SEC) and other financial regulators to immediately put in place a series of climate-related reforms recommended by a recent Commodity Futures Trading Commission (CFTC) report, including requiring expanded public company disclosure of climate risk.

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

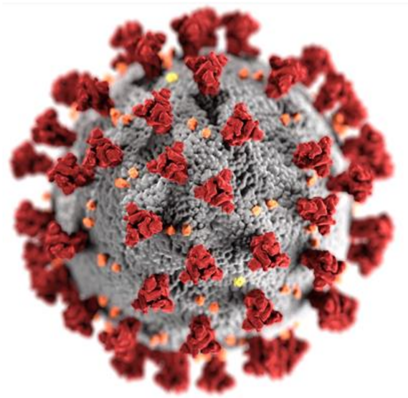
AICPA Guide Explains Lender's Accounting for PPP Loan Forgiveness

The AICPA updated a technical accounting guide to explain how a lender should account for a forgivable loan that a borrower received under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA).

Learn more in the *Regulatory Update* section.

COVID-19 Update

The COVID-19 pandemic has significantly disrupted communities and businesses globally. This disruption is placing a great deal of strain not only on the healthcare system but also on the day-to-day livelihood of individuals. COVID-19 has also had a significant impact on global financial markets, and will likely have operational implications for many entities. Examples of some potential operational impacts include, but are not limited to:



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

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

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

COVID-19 Update, *continued*

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

Goodwill Impairment Analysis

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

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 uncertainty in the 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.*

COVID-19 Update, *continued*

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

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

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

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

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

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

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

Key Disclosures When Impairment is Identified:

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

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 COVID-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 of, 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.

COVID-19 Update, *continued*

Federal Tax Impact of 2020 Families First and CARES Acts

Payroll & Employment Tax Changes:

- **Refundable Tax Credits for Paid Sick and FMLA Leave** – Refundable tax credits against payroll taxes is available for employers with fewer than 500 employees. It applies to qualified sick leave and family leave wages paid from April 1, 2020, to December 31, 2020 if employees are unable to work or telework due to certain circumstances related to the coronavirus (COVID-19). An additional tax credit is available to employers for the cost of maintaining the health insurance coverage for eligible employees during the leave period.
    - Paid sick leave credit – This credit is equal to two-thirds of the employee's regular rate of pay, up to $200 per day and $2,000 in the aggregate, for up to 10 days. Credit increases to $511 per day, or $5,110 total, if the employee is on sick leave because they are subject to a government-mandated quarantine or isolation order, been advised by a health-care provider to self-quarantine, or are experiencing COVID-19 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 satisfies certain conditions is in place.

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

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

    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 (PPP) established by the CARES Act if the loan is later forgiven.
    - The employer Social Security payroll tax deferral should not be confused with the President's executive order allowing employers to defer collecting employee payroll tax for the September to December 2020 period. That employee withholding deferral is not mandatory, but rather at the option of the employer.

- **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 were 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.

COVID-19 Update, *continued*

- **Quick Refunds** – Prior to filing its tax return, companies 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 for corporations 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 $25 million remain exempt.

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

Impact of Various COVID-19 Stimulus Packages on ASC 740

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

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

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

COVID-19 Update, *continued*

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

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

The loan forgiveness component of the PPP has created some confusion for many Companies in preparing their income tax provisions. In something of a surprise move, the IRS issued a notice stating its position that expenses related to PPP loans which were forgiven would not be deductible for tax purposes. This was contrary to earlier statements that PPP loan forgiveness would not be taxable, since the denial of deductions related to PPP loans effectively results in forgiveness being taxable. An issue that many Companies are wrestling with now is what to do if their loan has not yet been forgiven. In preparing their tax provision, should they assume the "related" expenses are non-deductible? It is not clear when and how non-deductibility of PPP related expenses would be determined for tax purposes. Guidance is expected from the IRS on this issue, which hopefully will allow Companies to better address PPP loan forgiveness in the tax provision calculation.

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

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

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

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

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

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

FASB Update

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

FASB Improves Convertible Instruments and Contracts in an Entity's Own Equity

On August 5, the FASB issued an ASU that is expected to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The ASU simplifies accounting for convertible instruments by removing major separation models required under current U.S. Generally Accepted Accounting Principles (U.S. GAAP). Consequently, more convertible debt instruments will be reported as a single liability instrument and more convertible preferred stock as a single equity instrument with no separate accounting for embedded conversion features. The ASU removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exception, which will permit more equity contracts to qualify for it. The ASU also simplifies the diluted earnings per share calculation in certain areas.

In its original July 2019 Exposure Draft, the FASB also proposed simplifying the accounting for equity contracts by reducing form-over-substance-based accounting conclusions that are driven by remote contingent events in the assessment of the derivatives scope exception. However, based on mixed feedback from stakeholders during the public comment period, the FASB decided not to include those proposed changes in the ASU. Consequently, the FASB plans to continue to explore improvements on this aspect of the guidance in a separate Phase 2 project.

Effective Dates

The ASU is effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the standard will be effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption will be permitted.

FASB Issues Guidance for Gifts-in-Kind Donations

On September 17, the FASB issued an ASU on reporting contributed nonfinancial assets, also known as gifts-in-kind donations. ASU 2020-07, *Not-for-Profit Reporting of Gifts-in-Kind (Contributed Nonfinancial Assets)*, requires not-for-profit organizations to provide more transparent information about how contributed nonfinancial assets are used and how they are valued. The ASU focuses on enhancing presentation and disclosure requirements. The ASU is a step toward shedding more light about the reporting of gifts-in-kind, a term for types of donated nonmonetary assets or services some not-for-profits rely on to fulfill their missions and programs, a board handout explains. The information that nonprofits will need to provide would therefore be useful to donors and other financial statement users in gauging an organization's financial sustainability. Under current financial reporting that information has not been clear.

Effective Dates

The ASU is effective for annual periods after June 15, 2021, and interim periods within fiscal years after June 15, 2022.

Regulatory Update

Senator Calls on SEC and Other Regulators to Implement Climate Risk Reforms

Senator Brian Schatz, a Hawaii Democrat, called on the Securities and Exchange Commission (SEC) and other financial regulators to immediately put in place a series of climate-related reforms recommended by a recent Commodity Futures Trading Commission (CFTC) report, including requiring expanded public company disclosure of climate risk. The CFTC's Climate-Related Market Risk Subcommittee on September 9, 2020, approved the report, titled "Managing Climate Risk in the U.S. Financial System," which contains more than 50 recommendations.

The report concluded that, in general, regulators already have wide-ranging and flexible authorities from Congress to begin addressing climate risk, but are not fully utilizing them. Corporate disclosure of climate risks, the report stated, is an essential building block to ensure climate risks are measured and managed effectively. The existing regime, however, has not yielded disclosures of a scope, breadth, and quality to be sufficiently useful to market participants and regulators.

The CFTC report suggests the SEC's most recent climate guidance from 2010 could be updated to keep up with global advancements, arguing the guidance has not produced high-quality disclosures from public companies. The SEC last issued climate guidance in 2010 in Release No. 33-9106, *Commission Guidance Regarding Disclosure Related to Climate Change*. In the guidance, the commission said companies should inform investors about the risks they face from climate change, including lawsuits, business problems, regulatory supervision, or international treaties. The significant effects of climate change, such as severe weather, rising sea levels, loss of farmland, and the declining availability and quality of water, have the potential to affect a public company's operations and financial results and should be disclosed.

Schatz is also a cosponsor on Senator Elizabeth Warren's *Climate Risk Disclosure Act*, a measure filed in July 2019 that would broaden the information that issuers must disclose about both their contribution to climate change and the risks a warming planet pose to their business. Also under the bill, the SEC would have two years to set out rules that establish, in consultation with the appropriate climate principals, climate-related risk disclosure guidance that is specialized for specific sectors of the economy. Those sectors must include finance, insurance, transportation, electric power, mining, non-renewable energy, and any other sector deemed appropriate by the SEC. The commission would need to issue reporting standards for estimating and disclosing direct and indirect greenhouse gas emissions by an issuer, among other disclosures.

SEC Extends Relief Intended to Expedite Crowdfunding

As startup and smaller companies continue to face significant COVID-19 related challenges, the SEC extended a temporary relief from certain regulatory requirements to expedite the crowdfunding process. Among other things, companies do not have to get an independent accountant's review of the financial statements for certain amounts of offerings under *Regulation Crowdfunding*.

The temporary relief—which is in the form of an interim final rule—applies to securities offerings initiated under *Regulation Crowdfunding*, and it now runs to February 28, 2021, according to Release No. 33-10829, *Temporary Amendments to Regulation Crowdfunding; Extension*, published on August 28, 2020. The amendments are effective through September 1, 2021. When the SEC first provided this expedited process on May 4 in Release No. 33-10781, *Temporary Amendments to Regulation Crowdfunding*, the relief was set to end on August 31.

Regulation Crowdfunding allows private companies to raise as much as $1.07 million from the public each year through registered online portals or broker-dealers. An individual with an income or net worth below $107,000 can invest $2,200 per year in crowdfunding deals, or 5 percent of the lesser of their net worth or income. Someone above that wealth threshold can invest 10 percent of the lesser of their income or net worth. No investor can put more than $107,000 per year into crowdfunded offerings.

Regulatory Update, *continued*

SEC Expands Pool of Accredited Investors

The SEC on August 26, 2020, issued a final rule that revises the definition of an “accredited investor” by adding new categories of individuals who may qualify based on their professional knowledge, experience, or certifications. Previously, the definition was solely based on a person’s wealth. The revised definition in Rule 501 in Regulation D under the Securities Act of 1933 means that hundreds of thousands of more people would potentially be able to invest in private offerings.

Among other things, an individual who holds a Series 7, 65, or 82 license in good standing will qualify. Previously, an individual qualified only if they had at least an income of $200,000, joint income of $300,000, or at least $1 million in net worth, excluding a primary residence. It was designed so that the investors can withstand financial losses. That threshold, set in 1982, has not been changed, and some investor advocates said it should be adjusted to reflect inflation. But the final rule does not adjust that threshold.

In addition to adding certain financial professionals to the definition, the SEC expanded the list of entities that may qualify as accredited investors:

- Individuals who are “knowledgeable employees with respect to investments in a private fund;
- limited liability companies with $5 million in assets and rural business investment companies (RBICs);
- Indian tribes, governmental bodies, funds, and entities organized under the laws of foreign countries, that own investments of more than $5 million;
- “Family offices” with at least $5 million in assets under management and their “family clients”;

The rule also adds the term “spousal equivalent” to the accredited investor definition, so that spousal equivalents may pool their finances for the purpose of qualifying as accredited investors.

Further, the final rule changed the definition of the “qualified institutional buyer” (QIB) in Rule 144A of the Securities Act to expand the list of entities that are eligible to qualify as QIBs, which are companies that own and invest a minimum of $100 million in securities not affiliated with the company on a discretionary basis. Rule 144A will include limited liability companies and RBICs. The revisions also add to the list of any institutional investors that are not otherwise enumerated in QIB as long as they have more than $100 million.

House Bill Would Raise Regulation A Ceiling

A House Republican on July 29, 2020, introduced a bill to increase the ceiling on Regulation A offerings to $75 million, mirroring an SEC proposal from March streamlining the exempt offering framework. The bill passed the House two years ago but stalled in the Senate. The change would represent the first major Regulation A expansion since the exemption was overhauled under a mandate in the *JOBS Act of 2012*.

Today, Regulation A allows an issuer to conduct a public offering of up to $50 million without full-fledged SEC registration. H.R. 7834, the *Regulation A+ Improvement Act*, would raise that limit by $25 million, adjusted for inflation every two years. The measure is sponsored by Representative Trey Hollingsworth, an Indiana Republican.

The SEC overhauled Regulation A in 2015 in Release No. 33-9741, *Amendments to Regulation A*, providing privately-held companies with two paths to raise capital through offerings often likened to “mini-IPOs.” Under “tier one” offerings, companies could raise up to $20 million, while subjecting themselves to so-called “blue sky” state securities regulations. “Tier two offerings” run as high as $50 million and skirt state regulators but are subject to more strenuous federal filing requirements. Prior to the *JOBS Act* revamp, Regulation A offerings were capped at $5 million, and all were subject to blue sky regulations.

Regulatory Update, *continued*

GASB Issues Guidance for Fiduciary Component Units

In June, the Governmental Accounting Standards Board (GASB) issued new guidance designed to reduce costs and increase the consistency and comparability of reporting state and local governments' fiduciary component units. A primary goal in issuing Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, is to mitigate costs associated with reporting certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and other employee benefit plans, such as certain Section 457 plans. Another important goal of the Statement is to improve the reporting of Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans.

Statement 97 requires that, for purposes of determining whether a primary government is financially accountable for a potential component unit (except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or other employee benefit plan), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically performs. Appointment of a voting majority is a criterion in existing standards used to determine whether a legally separate entity should be incorporated into the government's financial statements.

Under certain circumstances, a financial burden on a government also is a criterion in existing standards used to determine whether a legally separate entity should be incorporated into the government's financial statements. After further considering the perceived costs associated with applying existing standards (specifically, paragraph 7 of Statement 84, *Fiduciary Activities*), the Board, in Statement 97, decided to limit the application of the financial burden criterion regarding contributions to postemployment benefit plans to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts.

Prior standards presumed that all Section 457 plans were not pension plans and, therefore, were not subject to pension plan reporting requirements; similarly, benefits provided through Section 457 plans were not reported as pension benefits. Under Statement 97, however, Section 457 plans should be classified as either a pension plan or other employee benefit plan, depending on whether the plan meets the definition of a pension plan. It also clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

The requirements of Statement 97 are effective as follows:

- The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.
- The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021.
- All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by specific requirement as follows:

- Paragraph 4 of this Statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans
- Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement).

Questions 4.3 and 4.5 of Implementation Guide 2019-2, as amended, are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged if Statement 84, as amended, has been implemented.

Regulatory Update, *continued*

AICPA Guide Addresses Questions on Government Aid for Health Care Providers

The AICPA on September 2, 2020, issued a technical guide to help doctors, hospitals, and other health care businesses to account for payments received from a government COVID-19 stimulus program. The new 10-page guide, developed by the AICPA Health Care Expert Panel, is included in the AICPA's non-authoritative Technical Questions and Answers (TQAs) document, under TQA 6400, *Health Care Entities*.

In order to alleviate the financial strain caused by efforts to contain the novel coronavirus, Congress in late March passed the $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, which included policies that temporarily increased Medicare and Medicaid payments, provided additional flexibility in treatment modalities, and expanded the availability of advance or accelerated payments from Medicare. The CARES Act also set up the Provider Relief Fund to be used for financial support for expenses or lost revenues attributed to COVID-19 and treatment of uninsured COVID-19 patients.

Initially, $50 billion of the Provider Relief Fund was allocated for general distribution to a wide range of healthcare providers. Subsequently, additional amounts were allocated for distributions to healthcare providers with specific characteristics, and an unspecified amount was allocated to pay for treatments of uninsured COVID-19 patients.

The guide notes that the AICPA staff has observed that the IASB's International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*, ASC 958-605, *Not-for-Profit Entities—Revenue Recognition*, or ASC 450-30, *Contingencies—Gain Contingencies*, might be considered for application by analogy.

AICPA Guide Explains Lender's Accounting for PPP Loan Forgiveness

The AICPA on August 28, 2020, updated a technical accounting guide to explain how a lender should account for a forgivable loan that a borrower received under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). The guide is included in the AICPA's non-authoritative Technical Questions and Answers (TQAs) document, under TQA 2130, *Paycheck Protection Program*.

In particular, TQA 2130.45, *Accounting for Loan Repayment or Forgiveness by the SBA*, addresses how a bank should account for the portion of the loan that is eligible for forgiveness during the settlement process. The loan should continue to be accounted for as an interest-bearing loan (including amortization of loan origination fees) through receipt of payment from the borrower or the SBA. Payments received from the borrower or the SBA prior to maturity of the loan (other than required payments of principal and interest) are considered prepayments of the loan and unamortized loan origination fees should be accounted for under ASC 310-20, *Receivables—Nonrefundable Fees and Other Costs.*

The guide explains that the SBA is one of the counterparties to the agreement that will repay the principal and interest on the loan if the borrower met the conditions for forgiveness. As a result, AICPA staff believe that payments received from the SBA should be treated similar to payments received from the borrower.

On the Horizon

The following selected FASB exposure drafts and projects are outstanding as of September 30, 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.

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 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,

On the Horizon, *continued*

focusing on scenarios in which an entity has a redeemable instrument that is subject to a remarketing agreement and is also secured by a long-term letter of credit.

- Grace Periods—the Board clarified how to apply the debt classification principle when a debt covenant violation exists and the creditor provides a grace period. Specifically, the Board decided that when a borrower violates a provision of a long-term debt agreement and the creditor provides a specified grace period for the borrower to cure the violation, which makes the debt no longer callable at the balance sheet date, the borrower should classify the debt as a noncurrent liability. The Board decided to require an entity to disclose information when a borrower violates a provision of a long-term debt agreement and the creditor provides a specified grace period. That disclosure would be required when (1) the violation has not been cured before the financial statements are issued (or are available to be issued) and (2) the violation would make the long-term obligation callable.
- Effective Date—the Board decided that the effective date should be as follows:
  - For public business entities, for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years
  - For all other entities, for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022

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

Expanded Inventory Disclosures Proposed

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

The proposed ASU would require businesses to disclose their inventory by component, such as by raw materials, finished goods, supplies, and works-in-process. Businesses also would have to break down how their inventory is measured. Businesses use a variety of measurement techniques for inventory, including last-in, first-out (LIFO), first-in, first-out (FIFO), LIFO retail inventory method, or weighted average. Significant shrinkage, spoilage, damage or other unusual transactions or circumstances affecting inventory balances also would have to be disclosed. Additionally, businesses would have to describe the types of costs capitalized into inventory, the effect of LIFO liquidations on income, and the replacement cost of LIFO inventory.

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

Disclosure Framework

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

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.

Determining Current Price of an Underlying Share for Equity-Classified Share-Option Awards

In August, the FASB issued a proposed ASU intended to reduce cost and complexity for private companies when determining the fair value of the shares underlying a share-option award on its grant date or modification date. Members of the Private Company Council (PCC) conveyed concerns that current guidance on determining fair value for these shares creates unnecessary cost and complexity for some stakeholders. This is primarily because the private company equity shares underlying the share option often are not actively traded and, thus, observable market prices for those shares or similar shares do not exist.

The proposed ASU would allow a nonpublic entity to determine the current price of a share underlying an equity-classified share-option award using a valuation method performed in accordance with specific regulations of the U.S. Department of the Treasury that provide acceptable methodologies to comply with the “presumption of reasonableness” requirements of Section 409A of the U.S. Internal Revenue Code.

Stakeholders are encouraged to review and provide comment on the document by October 1, 2020.

GASB Plans to Revise Accrued Vacation and Sick Leave Rules

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

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

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

On the Horizon, *continued*

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

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

GASB Requests Input on Proposals to Improve Key Components of Government Financial Reports

In July, the GASB issued for public feedback a proposed Statement that is designed to improve key components of the blueprint for state and local government annual financial reports. The Exposure Draft, *Financial Reporting Model Improvements*, proposes improvements that are designed to enhance the effectiveness of financial reports in providing information essential for making decisions and assessing a government's accountability, and address certain application issues.

The Exposure Draft includes proposals that would establish or modify existing accounting and financial reporting requirements related to:

- Application of the short-term financial resources measurement focus and accrual basis of accounting in governmental funds (replacing the existing current financial resources measurement focus and modified accrual basis of accounting)
- Management's discussion and analysis
- Presentation of governmental fund financial statements
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- Unusual or infrequent items
- Budgetary comparison information.

Stakeholders are asked to review the proposals and provide input on the document by February 26, 2021. A series of public hearings and user forums on the Exposure Draft tentatively have been scheduled for March and April 2021 to further enable stakeholders to share their views with the Board.

EITF Agenda Items

The Emerging Issues Task Force met on September 3, 2020, and deliberated the following topic:

- Issue No. 19-C, "Warrant Modifications: Issuers' Accounting for Modifications of Equity Classified Freestanding Call Options That Are Not within the Scope of Topic 718, Compensation—Stock Compensation, or Topic 815, Derivatives and Hedging": The Task Force reached a consensus to expand the scope of this Issue to include modifications of all freestanding equity-classified derivative instruments that remain equity classified after modification. The Task Force reached a consensus that:
  1. An entity should treat a modification of the terms or conditions of an equity-classified derivative instrument as an exchange of the original instrument for a new instrument.
  2. An entity should measure the effect of a modification of an equity-classified derivative instrument as the excess, if any, of the fair value of the modified instrument over the fair value of the original instrument immediately before its terms are modified.
  3. An entity should recognize the effect of a modification of an equity-classified derivative instrument based on the substance of the transaction as follows:
     a. Scenario A: Financing Transaction To Raise Equity. Equity issuance cost in accordance with the guidance in paragraph 340-10-S99-1.
     b. Scenario B: Financing Transaction To Raise or Modify Debt. Expense in accordance with the guidance in Topic 470, Debt, and Topic 835, Interest.
     c. Scenario C: Transaction To Compensate for Goods or Services. Compensation cost in accordance with the guidance in Topic 718.

On the Horizon, *continued*

d. Scenario D: Other Modifications That Are Not Executed To Raise Financing or as Compensation for Goods or Services. Deemed dividend.

The Task Force also reached a consensus on other items, including transition (option for full retrospective or prospective transition), transition disclosures, and recurring disclosures.

The FASB will consider for ratification the consensus-for-exposure on Issue 19-C on September 16, 2020. The next EITF meeting is tentatively scheduled for November 5, 2020.

PCC Activities

The Private Company Council (PCC) met on June 25, 2020. Below is a brief summary of issues addressed by the PCC at the meeting:

- PCC Issue No. 2018-01, "Practical Expedient to Measure Grant-Date Fair Value of Equity-Classified Share-Based Awards": PCC and Board members discussed the potential practical expedient that would allow a nonpublic entity to determine the current price input of equity-classified share-option awards using a valuation method performed in accordance with the presumption of reasonableness requirements of Section 409A of the U.S. Internal Revenue Code. PCC members decided that the Exposure Draft should be issued for public comment in August 2020. The issuance was previously delayed because of resource constraints faced by many private company stakeholders, which might have affected their ability to provide feedback.
- FASB Accounting Standards Update 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*: FASB staff updated the PCC on the recent release of ASU 2020-05 which amends the effective date of ASC 606, *Revenue from Contracts with Customers*, and ASC 842, *Leases*, for certain entities, and provided details about the new effective dates. PCC members expressed broad support for the recent ASU and the relief it provides to private companies.
- Distinguishing Liabilities from Equity: FASB staff provided the PCC with an overview and update on this FASB project. The final Update is expected to be issued in the third quarter of 2020. PCC and Board members discussed how to create awareness among private companies of the Update's issuance and how the FASB can assist private companies with the implementation process.
- Current Issues in Financial Reporting: PCC and Board members discussed practice issues arising from the current business environment under the COVID-19 pandemic. Topics discussed included borrowers' accounting for debt modifications and troubled debt restructurings, interim impairment testing of nonfinancial assets, government assistance disclosures, and going concern assessments. FASB resources related to the COVID-19 pandemic can be found here. Furthermore, the Board emphasized that it continues to monitor conditions and stands ready to support private companies encountering technical accounting issues. Board members encouraged PCC members and other stakeholders to continue providing feedback.
- Profits Interests and Their Interrelationship with Partnership Accounting: PCC and Board members engaged in preliminary discussions on private company issues in accounting for awards of profits interests and their interrelationship with partnership accounting. PCC members discussed specific areas such as scope, definition, measurement, and recognition of awards of profits interests. PCC members requested the FASB staff to conduct further research and outreach on those areas for discussion at a future PCC meeting.

Appendix A

Important Implementation Dates

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

Selected Implementation Dates (FASB/EITF/PCC)

Pronouncement	Affects	Effective Date and Transition
ASU 2020-07, Not-for-Profit Reporting of Gifts-in-Kind (Contributed Nonfinancial Assets),	Not-for-profit entities	Effective for annual periods after June 15, 2021 and interim periods within fiscal years after June 15, 2022. Early adoption is permitted.
ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Entities that issue convertible instruments and/or contracts in an entity's own equity.	Effective for public business entities that meet the definition of a SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years.
ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities	Entities other than public business entities	The amendments in this ASU delay the effective dates of ASU 2014-09 and ASU 2016-02.
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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2020-02, Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842)—Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842) (SEC Update)	All entities that are SEC filers	Effective upon issuance.
ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)	All entities	For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted, including early adoption in an interim period, (1) for public business entities for periods for which financial statements have not yet been issued and (2) for all other entities for periods for which financial statements have not yet been made available for issuance.
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	Entities within the scope of ASC 740	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted.
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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2019-09, Financial Services—Insurance (Topic 944): Effective Date	Insurance entities	The amendments in this ASU defer the effective date of the amendments in ASU 2018-12 for all entities.
ASU 2019-08, Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer	All entities that issue share-based payments to customers	For entities that have not yet adopted the amendments in ASU 2018-07, the amendments in this ASU are effective for (1) public business entities in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and (2) other than public business entities in fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. For entities that have adopted the amendments in ASU 2018-07, the amendments in this ASU are effective in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.
ASU 2019-05, Targeted Transition Relief	All entities	For entities that have not yet adopted ASU 2016-13, the effective date and transition methodology for the amendments in this ASU are the same as in ASU 2016-13. For entities that have adopted ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after the issuance of this ASU as long as an entity has adopted ASU 2016-13.
ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments	Entities that hold financial instruments	The effective date of each of the amendments depends on the effective date and adoption of ASU 2016-01, ASU 2016-13, and ASU 2017-12.
ASU 2019-03, Updating the Definition of Collections	Entities that hold collections	The amendments are effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application of the amendments is permitted. The amendments should be applied on a prospective basis.
ASU 2019-02, Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20) and Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350) : Improvements to Accounting for Costs of Films and License Agreements for Program Materials	Broadcasters and entities that produce and distribute films and episodic television series	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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.
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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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 2018-14, Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans	All employers that sponsor defined benefit pension or other postretirement plans	Effective for fiscal years ending after December 15, 2020, for public business entities and for fiscal years ending after December 15, 2021, for all other entities. Early adoption is permitted for all entities.
ASU 2018-13, Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement	All entities	Effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted.
ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts	Insurance entities	For public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early application of the amendments is permitted.

Appendix A

Important Implementation Dates, *continued*

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

Appendix A

Important Implementation Dates, *continued*

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

Appendix A

Important Implementation Dates, *continued*

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

Appendix A

Important Implementation Dates, *continued*

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

Appendix A

Important Implementation Dates, *continued*

Selected Implementation Dates (GASB)

Pronouncement	Affects	Effective Date and Transition
Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32	Governmental entities	The requirements of this Statement are effective as follows: • The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. • The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. • All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by specific requirement as follows: • Paragraph 4 of this Statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans • Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement). Questions 4.3 and 4.5 of Implementation Guide 2019-2, as amended, are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged if Statement 84, as amended, has been implemented.
Statement 96, Subscription-Based Information Technology Arrangements	Governmental entities	Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
Statement 95, Postponement of the Effective Dates of Certain Authoritative Guidance	Governmental entities	Effective immediately.
Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements	Governmental entities	Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
Statement 93, Replacement of Interbank Offered Rates	Governmental entities	The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Earlier application is encouraged.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
Statement 92, Omnibus 2020	Governmental entities	The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020. The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020
Statement 91, Conduit Debt Obligations	Governmental entities	Effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.
Statement 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)	Governmental entities	Effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period	Governmental entities	Effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	Governmental entities	Effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
Statement 87, Leases	Governmental entities	Effective for reporting periods beginning after December 15, 2019.
Statement 86, Certain Debt Extinguishment Issues	Governmental entities	Effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.
Statement 85, Omnibus 2017	Governmental entities	Effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.
Statement 84, Fiduciary Activities	Governmental entities	Effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
Statement 83, Certain Asset Retirement Obligations	Governmental entities	Effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Important Implementation Dates, *continued*

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

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements

For the Quarter Ended September 30, 2020

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

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

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

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

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

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

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

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

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

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2020

ASU 2017-04 — Applicable to all:

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

ASU 2017-08 — Applicable to entities that hold investments in callable debt securities held at a premium:

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

ASU 2017-11 — Applicable to entities that issue financial instruments that include down round features:

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

ASU 2017-12 — Applicable to entities that elect to apply hedge accounting:

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

ASU 2018-01 — Applicable to entities with land easements:

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

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2020

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

ASU 2018-07 — Applicable to all entities that enter into share-based payment transactions for acquiring goods and services from nonemployees:

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

ASU 2018-08 — Applicable to Not-for-Profit entities and all other entities, including business entities, that receive or make contributions of cash and other assets, including promises to give within the scope of Subtopic 958-605 and contributions made within the scope of Subtopic 720-25, Other Expenses—Contributions Made:

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

ASU 2018-10 — Applicable to lessee and lessor entities:

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

ASU 2018-11 — Applicable to lessee and lessor entities:

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

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2020

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

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

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

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

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

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

ASU 2018-15 — Applicable to all:

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

ASU 2018-16 — Applicable to all:

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

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2020

ASU 2018-17 — Applicable to all:

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

ASU 2018-18 — Applicable to all:

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

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

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

ASU 2018-20 — Applicable to all:

In December 2018, the FASB issued guidance that providing narrow-scope improvements for lessors, that provides relief in the accounting for sales, use and similar taxes, the accounting for other costs paid by a lessee that may benefit a lessor, and variable payments when contracts have lease and non-lease components. The amendments will be effective for the Company for *[reporting periods beginning after December 15, 2018, including interim periods within those fiscal years.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2020

ASU 2019-01 — Applicable to all:
In March 2019, the FASB issued guidance to address concerns companies had raised about an accounting exception they would lose when assessing the fair value of underlying assets under the leases standard and clarify that lessees and lessors are exempt from a certain interim disclosure requirement associated with adopting the new standard. The amendments will be effective for the Company for *[reporting periods beginning after December 15, 2019.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-02 — Applicable to broadcasters and entities that produce and distribute films and episodic television series:
In March 2019, the FASB issued guidance that helps align the accounting for production costs for films and episodic content produced for television and streaming services. The amendments will be effective for the Company for [reporting periods beginning after December 15, 2019, including interim periods within those fiscal years.-public business entities] [reporting periods beginning after December 15, 2020, including interim periods within those fiscal years.-all other entities]. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-03 — Applicable to entities that hold collections:
In March 2019, the FASB issued guidance to clarify the definition of collection in the Master Glossary in order to eliminate the diversity in practice between the application of the Master Glossary's definition compared with the definition that many entities use for accreditation purposes. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020 and should be applied on a prospective basis. Early adoption is permitted. The Organization does not expect these amendments to have a material effect on its financial statements.

ASU 2019-04 — Applicable to entities that hold financial instruments:
In April 2019, the FASB issued guidance that clarifies and improves areas of guidance related to the recently issued standards on credit losses, hedging, and recognition and measurement of financial instruments. The amendments related to credit losses will be effective for the Company for *[reporting periods beginning after December 15, 2019.-SEC filers] [reporting periods beginning after December 15, 2020.-public business entities that are not SEC filers] [fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.-all other entities]*. The amendments related to hedging will be effective for the Company for *[interim and annual periods beginning after December 15, 2018.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020.-all other entities]*. The amendments related to recognition and measurement of financial instruments will be effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-05 — Applicable to entities that hold financial instruments:
In May 2019, the FASB issued guidance to provide entities with an option to irrevocably elect the fair value option, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2019, including interim 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*

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Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2020

business entities that are not SEC filers] [fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.-all other entities]}. The Company does not expect these amendments to have a material effect on its financial statements.

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

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

ASU 2019-07 — Applicable to SEC filers:

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

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

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

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

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

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*

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Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2020

entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC] [fiscal years beginning after December 15, 2022 including interim periods within those fiscal years.-all other entities]; *Hedging: [fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021.-entities other than public business entities]*; *Leases: [fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.-all entities other than public business entities; not-for-profit entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market; and employee benefit plans that file or furnish financial statements with or to the SEC]* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-11 — Applicable to all entities:
In November 2019, the FASB issued guidance that addresses issues raised by stakeholders during the implementation of ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments affect a variety of Topics in the Accounting Standards Codification. *[For entities that have adopted the amendments in ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years] [For entities that have not yet adopted the amendments in ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC] [fiscal years beginning after December 15, 2022 including interim periods within those fiscal years-all other entities]*. Early adoption is permitted in any interim period as long as an entity has adopted the amendments in ASU 2016-13. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-12 — Applicable to entities within the scope of Topic 740, Income Taxes:
In December 2019, the FASB issued guidance to simplify accounting for income taxes by removing specific technical exceptions that often produce information investors have a hard time understanding. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments are effective for *[fiscal years beginning after December 15, 2020, including interim periods within those fiscal years.-public business entities] [fiscal years beginning after December 15, 2021, and interim periods within annual reporting periods beginning after December 15, 2022-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-01 — All entities:
In January 2020, the FASB issued guidance to address accounting for the transition into and out of the equity method and measuring certain purchased options and forward contracts to acquire investments. The amendments are effective for *[fiscal years beginning after December 15, 2020, and interim periods within those fiscal years.-public business entities] [for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years-all other entities]*. Early adoption is permitted, including early adoption in an interim period. The Company does not expect these amendments to have a material effect on its financial statements.

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.

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Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2020

ASU 2020-03 — Applicable to all entities:

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

ASU 2020-04 — Applicable to all entities:

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

ASU 2020-05 — Applicable to all entities:

In June 2020, the FASB issued guidance to defer the effective dates for certain companies and organizations which have not yet applied the revenue recognition and leases guidance by one year. The new effective dates will be: *Revenue Recognition: annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020; Leases: fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-06 — Applicable to all entities:

In August 2020, the FASB issued guidance to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The amendments are effective for *[fiscal years beginning after December 15, 2021, including interim periods within those fiscal years – public business entities that meet the definition of a SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC] [fiscal years beginning after December 15, 2023, including interim periods within those fiscal years – all other entities]*. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. 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 September 30, 2020

ASU 2020-07 — Applicable to not-for-profit entities:

In September 2020, the FASB issued guidance to improve financial reporting on contributed nonfinancial assets, also known as gifts-in-kind donations. The amendments will be effective for annual periods after June 15, 2021 and interim periods within fiscal years after June 15, 2022. Early adoption is permitted. The Organization 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 September 30, 2020, the FASB had issued the following Accounting Standard Updates during the year.**

- **ASU 2020-07,** Not-for-Profit Reporting of Gifts-in-Kind (Contributed Nonfinancial Assets)
- **ASU 2020-06,** *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*
- **ASU 2020-05,** *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*
- **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)*