QUARTERLY FINANCIAL SERVICES UPDATE
First Quarter 2021

April 7, 2021

Dear Customers and Friends:

In this edition of our quarterly financial services update, we have provided information about all of the financial reporting and accounting issues that we are currently aware of that will impact your quarterly reporting. These include discussion on critical topics, such as:

- LIBOR Transition
- FDICIA Readiness
- CECL Update
- PPP Loans, PPPLF, and Your Capital Ratios
- 1st Quarter 2021 Tax Developments
- SEC Overhauls Guide 3 Disclosure Requirements
- Paycheck Protection Program Deadline is Extended for Two-Months

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

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

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Frequent Topics of Discussion across the Industry

LIBOR Transition

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After many years of deliberation, The London Interbank Offered Rate (LIBOR) is finally going away. LIBOR's regulator, the Finance Conduct Authority (FCA) had previously stated that LIBOR rates would cease to be published after the end of 2021. However, on November 30, 2020, U.S. entities were granted a reprieve when the administrator of U.S. Dollar (USD) LIBOR announced that the publication of overnight and 1, 3, 6, and 12 month USD LIBOR settings will not cease until June 30, 2023. Going forward, the preferred alternative rate is the Secured Overnight Financing Rate (SOFR), which has been published daily by the New York Federal Reserve since April 3, 2018. However, other benchmarks do exist, and a financial institution should determine the most appropriate alternate benchmark for their risk profile.

While the extension of USD LIBOR gives U.S. financial institutions more time to prepare for the transition, the primary banking regulators have continued to stress that no new LIBOR contracts should be entered into after December 31, 2021. However, the extension should allow more time for existing legacy USD LIBOR contracts to expire naturally without the need for fallback provisions or system conversions.

Financial institutions may have LIBOR exposure on the asset and liability side of the balance sheet and a first step in the preparation process is to understand the current level of LIBOR exposure at the financial institution. For example, LIBOR may be used as a rate index in variable rate loan products or as a rate index in debt instruments, like subordinated debt. Additionally, LIBOR can be tied to derivative contracts, such as interest rate swaps used for hedging purposes.

A primary risk in the transition is a lack of appropriate "fallback language" in loan terms or legal documents underlying financial transactions. Fallback language specifies the interest rate to be used or the method for determining a successor rate to LIBOR, which removes the risk of uncertainty. A financial institution should review its affected loan or debt agreements for appropriate fallback language to determine if legal contracts require modification. If loan contracts require modification, consent from the customer must be obtained. Customers, especially consumer customers, may not be aware of the LIBOR transition, so financial institutions should develop a communication strategy to appropriately inform customers of their options for transition. The Alternative Reference Rates Committee (ARRC) has offered guidance on alternative rate language which may be used to update LIBOR based loan contracts. For financial institutions with derivatives exposure to LIBOR, the International Swaps and Derivatives Association (ISDA) has offered a protocol which allows participants to update the fallback language to standardized alternative language in their derivative products. Financial institutions are expected to implement the standardized language into their contracts. Additionally, the FASB has issued ASU 2020-04 and ASU 2021-10 to ease the financial reporting burdens of the contract modifications and hedge accounting related to the LIBOR transition.

Another risk in the transition is ensuring LIBOR references embedded in systems, formulas, and financial models, etc. are appropriately replaced. A financial institution should review its operational infrastructure to determine if changes are needed. As many financial institutions rely on third party services for modeling, valuation, and pricing, among other things, banks will need to confirm the feasibility and timing of updating to alternative reference rates with third party vendors. Additionally, financial institutions will need to ensure that core systems processing transactions are appropriately updated to reference an alternative rate.

The extent of the process needed to prepare for LIBOR transition will vary with the size and complexity of the institution. On February 10, 2021, the OCC published a LIBOR Self- Assessment Tool to assist institutions in identifying and mitigating their LIBOR transition risks. Large or complex financial institutions with significant LIBOR exposure should have a well-developed transition process with management oversight and reporting in place while a less formal transition strategy may be appropriate for small or less complex financial institutions. However, by the end of 2021, all financial institutions with LIBOR exposure should have an appropriate transition plan in place which resolves replacement rate issues through communication with affected customers and third parties, as applicable. Additionally, the appropriateness and sufficiency of a financial institution's plan for LIBOR transition is expected to be a component of regulatory exams beginning in 2021 after the Federal Reserve issued supervisory guidance to examiners on March 9, 2021. The guidance for assessing LIBOR Transition efforts was tailored to institutions with more than $100 billion in assets or less than $100 billion in assets.

Frequent Topics of Discussion across the Industry, *continued*

FDICIA Readiness

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The Federal Deposit Insurance Corporation Improvement Act (FDICIA) raises the regulatory bar for banks at the $500 million and $1 billion asset thresholds. FDICIA was enacted in 1991 to strengthen the banking industry following the savings and loan crisis of the 1980s.

Whether it has been through M&A, organic growth, or a recent surge due to the Paycheck Protection Program (PPP) loans and the excess liquidity within the industry, many banks find themselves growing rapidly and potentially closer to the $500 million and $1 billion asset thresholds than initially expected. This increase in asset size provides additional opportunities, but also presents new risks, challenges, and regulatory requirements. FDICIA requires a more sophisticated risk management structure, so management teams should prepare for compliance well in advance of crossing the size threshold. Preparation should include ensuring the bank has appropriate personnel and resources dedicated to the transition and subsequent maintenance of compliance.

If a bank <u>begins its fiscal year</u> with total assets exceeding $500 million, the bank must then comply with certain requirements under FDICIA which include the following:

- The audit committee must be predominantly comprised of outside directors that are independent of management.
- An independent financial statement audit must be performed in adherence with the SEC/PCAOB independence standards, which place additional prohibitions on the services the independent auditor is able to provide.
- The annual report must be submitted (90 days after year end for public companies or 120 days after year end for nonpublic companies) to the FDIC which should include:
    - Audited, comparative financial statements with the accompanying independent auditor's report on the financial statements and the auditor's report to the audit committee, including all required annual communications.
    - Statement of management's responsibility for preparing the annual financial statements, for establishing and maintaining an adequate internal control structure and procedures, and for complying with laws and regulations relating to safety and soundness.
    - Assessment and conclusion of management's compliance with the above noted rules and regulations during the fiscal year.

To plan ahead for the $500 million threshold, management's consideration should include:

- Reviewing the audit committee structure to ensure a majority of independent directors is achieved. Additional independent directors may need to be recruited and nominated.
- Assessing the auditor independence issues and impact. If the institution's current independent auditor will be prohibited from continuing to provide certain non-attest services, another service provider must be identified and engaged by the audit committee.
- Ensuring that an independent audit has been performed over the period preceding the crossing of the $500 million mark so that comparative, audited financial statements can be presented.

If a bank <u>begins its fiscal year</u> with total assets exceeding $1 billion, the bank must then comply with the requirements noted for $500 million as well as certain additional requirements which include:

- The following additional items regarding internal controls over financial reporting (ICFR) must be submitted with the annual report:
    - Statement identifying the control framework used by management to evaluate the effectiveness of the institution's ICFR.
    - Statement of management's assessment and a statement of management's conclusion on the effectiveness of the bank's ICFR
    - Opinion from the bank's external auditors on the effectiveness of the bank's ICFR
- All audit committee members must be outside directors that are independent of management.

Frequent Topics of Discussion across the Industry, *continued*

During 2020, the economic impact and overall disruption of COVID-19 caused the FDIC to issue an interim final rule that ultimately allowed institutions to defer the implementation of FDICIA from January 1, 2021 to January 1, 2022. There is no additional delay expected for fiscal periods beginning January 1, 2022. Note, a financial institution may be required to comply with one or more requirements of Part 363 if the FDIC determines that asset growth was related to a merger or acquisition.

Crossing the $1 billion threshold is a significant milestone for a financial institution and preparing to meet the additional FDICIA ICFR requirements at this level is no small task. The management attestation and external audit requirements over ICFR will require coordination between bank management teams and external auditors. As a result, advance preparation is critical due to the significant time and effort required to ensure the bank's control environment is FDICIA compliant. This preparation, which often begins at least a year in advance of crossing the $1 billion threshold, is recommended to include:

- Designating an implementation team.
    - FDICIA implementation should be a collaboration between the audit committee, executive management, key business process control owners, external, and internal auditors. Consider whether additional personnel or external resources will be required for implementation.
- Updating the enterprise risk assessment to identify the in-scope business areas. Similar to your external auditor, management should evaluate based on quantitative and qualitative measurements what financial statement line items are most significant to the institution.
- Identifying key business processes and key controls.
    - Review each key business process paying close attention to critical controls, which ensure information is recorded and reported accurately.
    - Assess controls against the Committee for Sponsoring Organization's 2013 control framework.
    - Identify any control gaps and implement new controls, as needed. Ultimately, institutions should have controls in place that prevent or detect material misstatement within your financial statements and regulatory reporting.
    - Document everything and take credit for control activities performed. It is imperative that key control owners understand the importance of key controls and leaving an audit trail to provide evidence of control activities performed and that review has occurred.
- Documenting key controls in a Risk Control Matrix.
- Using the Risk Assessment and Risk Control Matrix, develop control testing plans and perform testing of controls for operating effectiveness.
    - Remediate any deficiencies identified in the design or operation of controls.
- Communicating and collaborating with the implementation team throughout the process
    - Key control owners should confirm the accuracy of how controls are documented.
    - As external auditors are tasked with opining on the effectiveness of ICFR, controls identified and testing strategies should be discussed with external auditors throughout the process to ensure they agree with controls documented and the approach and scope of control testing.
    - Control identification, testing status, and results should be formally documented and reported to the Audit Committee.

In addition to the FDICIA requirements, additional complexities arise once a bank crosses the $1 billion threshold, primarily due to regulator expectations. These include, but are not limited to:

- Enterprise Risk Management: Regulators may expect a formalized process to exist shortly after crossing the $1 billion threshold.
- Organizational Structure: There may be heightened expectations and scrutiny regarding how a bank operates, including the bank's reporting structures and staffing. If at $1 billion, a bank is operating the same way it did at $500 million, there may be an increased focus from regulators on certain areas of the bank.
- Information Technology (IT) and Systems: A bank should consider whether its current IT infrastructure will allow for continued growth, provide the capacity to assist in improved reporting and decision making, and help the bank operate more efficiently.
- Management teams will need to pay close attention to all Financial Institution Letters (FILs), as generally an institution with assets exceeding $1 billion will be subject to the new guidance being released in the FIL.

Frequent Topics of Discussion across the Industry, *continued*

CECL Update

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Banks, credit unions, and other financial institutions have been steadily preparing for the adoption of Accounting Standards Codification (ASC) 326 – Financial Instruments – Credit Losses (CECL) by evaluating various aspects of the new standard (including subsequent amendments and interpretations), assessing the accounting and disclosure impact of preceding adopters, and gauging the effects the conformity will have on internal processes and controls, amongst other considerations. CECL will bring significant change to the industry practice for estimating the allowance for loan and lease losses/allowance for credit losses (ALL). The methodology for loss estimation will shift from the current "incurred loss model," which seeks to recognize losses when it becomes probable the loss will be incurred, to a "current expected credit loss model," which seeks to recognize at loan inception, the total estimated losses expected over the life of the loan. There has been much speculation within the industry about how much the ALL will be required to increase with the change from the incurred loss model to CECL, particularly with the economic impact of COVID-19. The increase to ALL may require corresponding increases to regulatory capital.

In November 2019, the FASB issued ASU 2019-10, which delayed the effective date for CECL until January 2023 for all non-SEC filers not classified as public business entities and SEC filers which qualify as "smaller reporting companies" (SRCs) per the Securities and Exchange Commission. Public business entities and all other SEC filers excluding SRCs were still expected to adopt CECL in January 2020. Then in March 2020, provisions in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) delayed the effective date of CECL until the termination of the national emergency related to COVID-19 or December 31, 2020 for public business entities that are depository institutions, bank holding companies and affiliates, and credit unions. Again, in December 2020, the Consolidated Appropriations Act (CAA) extended various elements of the CARES Act, which included a further delay on the required adoption of CECL by public business entities. Entities that were required to adopt CECL at January 1, 2020, but have yet to implement CECL due to the CARES Act and the CAA now have until the earlier of a) the first day of the financial institution's fiscal year that begins after the date on which the national COVID-19 emergency terminates, or b) January 1, 2022 to adopt ASC 326. All other entities are expected to adopt CECL as of January 1, 2023.

The delays allow for additional time to gather and validate the necessary data for the calculation. Institutions should continue to work with core service providers to ensure data is properly stored and easily accessible. Institutions without access to sufficient historical loss data may choose to rely on peer data, but the peer group must be evaluated for appropriateness. This time should also be used to consider different methods and potential vendors. An institution should seek to understand how the various CECL methodologies work in order to evaluate the advantages and challenges of each method. Institutions should also evaluate the feasibility of developing a method internally or determine if investing in a third-party software solution is preferred. If a third-party software solution is desired, the potential vendor and the model should be adequately vetted. Parallel model runs with the existing incurred loss model may be a useful evaluation tool to determine the suitability of the proposed CECL model. Using this additional time to better understand the implications of CECL implementation on your institution will better prepare your institution for eventual adoption. This process should be implemented in stages, with model validations and parallel runs occurring at least one year prior to adoption.

PPP Loans, PPPLF, and Your Capital Ratios

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With the second round of PPP funding in full swing during Q1 2021, it may be helpful for institutions to review the impact of Paycheck Protection Program (PPP) loans and borrowings from the Federal Reserve's Paycheck Protection Program Liquidity Facility (PPPLF) on financial institution capital ratios.

Frequent Topics of Discussion across the Industry, *continued*

How Do I Treat PPP Loans for Capital Purposes?

Based on section 1102 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, PPP loans carry a 0% risk weighting for capital purposes. However, unless the loan is pledged as collateral under the PPPLF, the loan will be included in a bank's average total consolidated assets for purposes of calculating the leverage ratio requirement. This leverage ratio requirement includes the Community Bank Leverage Ratio (CBLR).

How Do I Treat PPPLF Borrowings for Capital Purposes?

The PPPLF was established by the Federal Reserve to provide lenders with non-resource loans from the Federal Reserve to fund PPP lending. On April 7, 2020, the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve and the Office of the Comptroller of the Currency (OCC) issued an interim final rule to neutralize the impact of PPPLF participation by allowing the exclusion of loans pledged as collateral to the PPPLF from the bank's leverage exposure, average total consolidated assets, advanced approaches total risk-weighted assets, and standardized total risk-weighted assets. This exclusion also applies to banks that have opted to use the CBLR.

1st Quarter 2021 Tax Developments

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As companies begin to prepare for their 2021 taxes, below are some reminders as well as recent legislative developments that may impact your company and customers.

Reminders for 1st Quarter 2021

- **Employee retention credits** – If your company's gross receipts decline by 50% or more in any quarter during 2021 from the same quarter in 2019, it may be eligible for the employee retention payroll tax credit. Details on the credit and how we may assist to determine if your company or your customers are eligible is at https://www.elliottdavis.com/make-employee-retention-credit/

- **Federal tax rate** – For 2021, the federal tax rate currently remains at 21%. However, a priority of the Biden Administration is to increase corporate tax rates from 21% up to 28%. At this point, we do not know when or if this will occur, but it will be prudent for companies to review their tax planning opportunities to accelerate income into its 2020 or 2021 tax year (if it remains at 21%). As a reminder, any tax rate changes will require a C Corporation to revalue its deferred tax assets in the quarter of enactment, with an offset to income tax expense/(benefit).

- **Business meal expenses** - Corporation are now allowed a 100% deduction for certain business meal expenses paid or incurred in 2021 and 2022. This may decrease your effective tax rate for 2021.

- **Charitable Contributions** - Under the CARES Act, a corporation may elect to deduct certain qualified cash contributions made in 2020 and 2021 without regard to the 10% taxable income limit. The total amount of the contribution claimed cannot exceed 25% of the excess of the corporation's taxable income over all other allowable charitable contributions.

- **Net operating losses** - Net operating losses (NOLs) generated in 2021 and future years are no longer able to be carried back to prior tax years. Instead, the NOLs will be carried forward indefinitely but are limited to 80% of taxable income.

American Rescue Plan Act of 2021

On March 11, 2021, President Biden signed into law the American Rescue Plan Act (ARPA). The $1.9 trillion law is intended to provide far-reaching relief from the economic and other repercussions of the ongoing COVID-19 pandemic. In addition to funding for testing, contact tracing, vaccinations, education, and state and local governments, the ARPA includes extensive relief that could directly impact your personal finances as well as your business.

Frequent Topics of Discussion across the Industry, *continued*

The ARPA contains numerous provisions affecting businesses. It provides an additional $7.25 billion in funding for the Paycheck Protection Program (PPP). The new law didn't extend the current March 31 deadline for PPP loans, but President Biden signed legislation on March 30 to extend the PPP program through May 31 for lenders to submit applications and to June 30 for SBA to complete processing.

The ARPA also provides another $15 billion for Economic Injury Disaster Loan (EIDL) Advance Grants. Small businesses in low-income communities are eligible for EIDL grants of up to $10,000; $5 billion is reserved for $5,000 grants to businesses that experienced a revenue loss of more than 50% and have no more than 10 employees.

The law also includes targeted relief for some of the industries hit hardest by the COVID-19 pandemic. It establishes a $28.6 billion fund for businesses that primarily serve food or drinks, with $5 billion earmarked for restaurants with 2019 gross receipts under $500,000. In addition, the ARPA directs an additional $1.25 billion to the "shuttered venue operators" grant program that was created by the CAA and expands eligibility to include operators that received a PPP loan after December 27, 2020. These operators include live performing arts organizations and movie theaters.

Links to recent Elliott Davis articles on the American Rescue Plan Act of 2021: https://www.elliottdavis.com/american-rescue-plan-act-relief-eligible-families-businesses/

For a detailed analysis of recent articles, please go to https://www.elliottdavis.com/resources/?category=article

SEC Overhauls Guide 3 Disclosure Requirements

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On September 11, 2020, the SEC issued a final rule overhauling the types of statistics and figures banks disclose. The rule replaces Industry Guide 3, *Statistical Disclosure by Bank Holding Companies*, which was issued in 1976 and has not been revised in the past three-decades. The change to Industry Guide 3 is driven by the financial industry's growth, diversification and increased complexity in the recent decades.

Under the new rules (Release No. 33-10835, *Update of Statistical Disclosures for Bank and Savings and Loan Registrants*), disclosure is required for:

- Distribution of assets, liabilities, and stockholders' equity, the related interest income and expense, and interest rates and interest differential.
- Weighted average yield of investments in debt securities by maturity.
- Maturity analysis of the loan portfolio, including the amounts that have predetermined interest rates and floating or adjustable interest rates.
- Certain credit ratios and the factors that explain material changes in the ratios, or the related components during the periods presented.
- The allowance for credit losses by loan category.
- Bank deposits, including average monthly amounts and rate paid and amounts that are uninsured.

These rules become effective 30 days after publication in the Federal Register. While the existing Guide 3 rescission date is not until January 1, 2023, SEC registrants will be required to apply the new rules for fiscal years ending on or after December 31, 2021, unless such registrants voluntarily choose to early adopt the new rules.

FASB Update

The following selected Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB) during the first quarter. A complete list of all ASUs issued or effective in 2021 is included in Appendix A.

FASB Clarifies the Scope of Recent Guidance on Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*, which created a new topic in the Accounting Standards Codification (ASC) 848. ASC 848 provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from the London Interbank Offered Rate (LIBOR) and other reference rates that are expected to be discontinued. The FASB also committed to monitoring developments in the marketplace, which led it to issue ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. ASU 2021-01 expands the scope of ASC 848 to include derivative instruments impacted by discounting transition.

Discounting transition refers to the changing of interest rates used for margining, discounting, or contract price alignment of derivative instruments to transition to alternative rates. Some central clearing parties made these modifications for certain derivatives during 2020. ASU 2021-01 extends some of Topic 848's optional expedients to derivative contracts impacted by the discounting transition, including for derivatives that do not reference LIBOR or other reference rates that are expected to be discontinued.

Key provisions of optional relief:

- Account for a derivative modified as a result of discounting transition as a continuation of the existing contract.
- Continue hedge accounting when certain critical terms of a derivative instrument used as a hedging instrument change due to modifications related to discounting transition.
- Perform some effectiveness assessments in ways that disregard certain potential sources of ineffectiveness.
- For cash flow hedging relationships, adjust accumulated other comprehensive income (AOCI) for the amount of cash compensation (or equivalent) exchanged.

Effective Dates

ASU 2021-01 was effective for all entities immediately upon issuance. The ASU may be elected retrospectively to eligible modifications as of any date from the beginning of the interim period that includes March 12, 2020, or prospectively to new modifications made on or after any date within the interim period that includes January 7, 2021. Further, ASC 848 includes sunset provisions, whereby its optional expedients are generally not available to contract modifications made after December 31, 2022, and hedging relationships entered into or evaluated after December 31, 2022.

FASB Issues ASU to Provide Alternative to Goodwill Triggering Event Assessment for Private Companies and Nonprofits

On March 30, 2021, the FASB issued ASU 2021-03, *Intangibles — Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*, which provides private companies and not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period.

Effective Dates

ASU 2021-03 is effected for non-public business entities on a prospective basis for fiscal years beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021. An entity should not retroactively adopt the amendments in this ASU for interim financial statements already issued in the year of adoption.

Regulatory Update

Senate Banking Committee Hearing on Climate Risk

On March 18, the Senate Banking Committee held a hearing on the systemic financial risks posed by climate change. The hearing comes as Democratic lawmakers and others push to bring tougher rules and greater scrutiny to corporate disclosures on environmental, social, and governance (ESG) matters. 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 SEC 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.

Acting SEC Chair, Allison Herren Lee, in a February statement, said SEC staff will begin work on updating the 2010 guidance in Release No. 33-9106, and will more closely scrutinize climate disclosures companies are already making. The SEC under Lee also launched the Climate and ESG Task Force in the Division of Enforcement.

SEC Staff Updates Guidance on Request for Confidential Treatment in Filings

The SEC's Division of Corporation Finance (CorpFin) on March 9, 2021, revised a part of staff interpretive guidance related to public companies' applications to exclude sensitive information in public filings. CF Disclosure Guidance: Topic No. 7, *Confidential Treatment Applications Submitted Pursuant to Rules 406 and 24b-2*, first published in December 2019, addresses what companies need to do when filing an application for confidential treatment of certain information that is otherwise required to be filed under the Securities Act of 1933. It replaced and superseded the guidance in Staff Legal Bulletins (SLBs) No. 1 and 1A. The staff then updated Topic No. 7 in September 2020 to describe options companies have when an order granting confidential treatment is about to expire. The most recent update revises this section about the three options about what companies can do when the order is about to expire.

Before March 2019, companies primarily used Rule 406 of the Securities Act and Rule 24b-2 of the Securities Exchange Act of 1934 to object to the public release of confidential information. Subsequently, the SEC changed several of its exhibit filing requirements to allow companies to omit immaterial, competitively harmful information without having to provide the information to the commission and request staff approval in Release No. 33-10618, *FAST Act Modernization and Simplification of Regulation S-K*.

Topic No. 7 states that while most companies now rely on the new provisions, the process in this staff guidance can be used as an alternative for companies that wish to use the traditional method. To apply for confidential treatment, the staff guidance indicates that companies should file the exhibit without the confidential information on the Electronic Data Gathering and Retrieval (EDGAR) system. The filing must indicate that the confidential information has been filed separately with the commission. Companies should then send a paper application for confidential treatment, including an explanation of why the disclosure of the information is not necessary to protect investors. CorpFin staff reviews all applications to determine whether all information necessary has been provided. If more information is needed, the staff will call to request a written response. After companies resolve any staff comments, the staff will grant the application or allow them to withdraw.

The first option when an order is about to expire is to refile the unredacted exhibit. The staff stated that if the contract is still material, the company should refile it in complete and unredacted form if none of the information needs to be protected from public disclosure. The second option is to put in a request to extend the confidential period under 406 or 24b-2. This is for situations when the contract continues to be material, and the redacted information continues to be confidential. Topic No. 7 states that if the order is about to expire and was initially issued after October 15, 2017, companies can use a short form application, which has a streamlined process to get an extension. If the order—issued on or before October 15, 2017—is about to expire, companies can file new applications. The short form cannot be used. New applications should be submitted to the Office of the Secretary before an order will expire and should give sufficient time for staff review. The third option is transition to the rules governing the filing of redacted exhibits under Item 601(b)(10)(iv) of Reg S-K. If the initial confidential treatment order was issued on or before October 15, 2017, and if the contract continues to be material, Topic No. 7 indicates that companies can choose to comply with Item 601(b)(10) and other parallel rules. Under these rules, companies can file redacted exhibits without submitting an explanation or substantiation to the SEC. Companies also do not have to provide an unredacted copy of the exhibit unless requested by the staff. In order to transition to Reg S-K rules, a company is only required to refile the material contract in redacted form and comply with the legend and other requirements of the applicable redacted exhibit rule.

Regulatory Update, *continued*

Democratic Bill Would Create Climate Risk Panel at FSOC

House and Senate Democrats have introduced a bill that would require the Financial Stability Oversight Council (FSOC) to set up an advisory committee to produce recommendations on how financial regulators should address climate risks. The *Addressing Climate Financial Risk Act* would also require FSOC, a systemic risk watchdog created under the Dodd-Frank Act, to explain how it will consider climate risk in determining whether to mark non-banks for additional regulatory oversight, among other provisions.

The measure comes as financial regulators are facing increasing pressure, including from Democratic lawmakers, to require public companies and other regulated entities to make more robust, more consistent disclosures on how climate change – and the more frequent extreme weather events associated with it – will affect their future financial results. Incoming SEC Chairman, Gary Gensler, is expected to pay far greater attention to climate risk and other ESG disclosures. And acting SEC Chair, Allison Herren Lee, has used her short time in the role to toughen the commission’s ESG posture, including by launching the Climate and ESG Task Force in the Division of Enforcement.

Under the bill, FSOC would establish an advisory committee on climate risk made up of four climate science experts and eight experts in climate economics or climate financial risk, with specific members having expertise in insurance, capital markets, banking, international financial markets, and housing, according to the bill text. None of the committee’s members can be employed by a company regulated by any of FSOC’s member agencies. Besides setting up the advisory committee, the bill requires banking regulators to update supervisory guidance on climate risk and requires the Federal Insurance Office to issue a report on insurance regulation and climate risk. Also, the FSOC’s Systemically Important Financial Institution (SIFI) designation process for insurers and other large non-bank entities would be updated to accommodate climate risk.

SEC Staff Guide Explains Revised Disclosure Rules on Business Combinations for Small Companies

In January, the SEC’s Division of Corporation Finance (CorpFin) issued a staff guide to help small companies comply with a new financial disclosure rule related to business acquisitions and dispositions. In May 2020, the SEC published Release No. 33-10786, *Amendments to Financial Disclosures about Acquired and Disposed Businesses*, which scales back the disclosure requirements related to acquisitions and dispositions of other businesses. Among other changes, the rule has made it easier for operating public companies as well as investment companies to determine whether a subsidiary or an acquired or disposed business is significant. When a company acquires a significant business, SEC rules generally require the company to provide separate audited annual and unaudited interim pre-acquisition financial statements for that business. The number of years of financial information that must be provided depends on the relative significance of the acquisition to the company. The commission updated the significance tests under the rules by revising the investment test and the income test. This deals with whether an acquisition is sufficiently large to affect future financials of the combined company.

The small entity compliance guide states that the significance tests within the “significant subsidiary” include an investment test, an asset test, and an income test that are applied when determining if a subsidiary is deemed significant. The guide includes tables that summarize the amended “significant subsidiary” tests. For example, the table for the revised investment test related to market value says that it should be based on the company’s aggregate worldwide market value of its voting and non-voting common equity. It should be calculated daily from the last five trading days of the most recently completed month ending prior to the earlier of the company’s announcement date or agreement date of the acquisition or disposition. If the company has no such aggregate worldwide market value, the calculation should be on consolidated assets.

The rules became effective on January 1, 2021, but the SEC said companies can apply them early.

OCC Issues Self-Assessment Tool for Banks for LIBOR Transition

On February 10, 2021, the OCC issued a bulletin to provide a LIBOR Self-Assessment Tool for banks to evaluate their preparedness for the expected termination of LIBOR. The purpose of the self-assessment is to provide bank management tool to evaluated risk management processes to identify and mitigate the LIBOR transition risks. The risk management process should be tailored to the size and complexity of the bank's LIBOR exposures. Bank management should consider all applicable risks (e.g., operational, compliance, strategic, and reputation) when scoping and completing Libor cessation preparedness assessments.

Regulatory Update, *continued*

Paycheck Protection Program Deadline is Extended for Two-Months

On March 30, 2021, President Biden signed the PPP Extension Act of 2021 into law which extends the PPP loan application deadline from March 31 to May 31. In addition, the law gives the Small Business Administration (SBA) an extra 30 days (through June 30) to process applications. The PPP Extension Act of 2021 does not provide additional funding for the current round PPP loans which provided $290 billion of funding for forgivable loans to small businesses and not-for-profits. As of March 21, 2021 the SBA had approved nearly $196 billion of PPP loans and based on the current lending rate, the PPP should have enough funding to last through mid-April.

On the Horizon, *continued*

The following selected FASB exposure drafts and projects are outstanding as of March 31, 2021.

FASB to Consider Amending Credit Loss Guidance

The FASB will consider revising the current expected credit loss (CECL) standard in four areas, according to board discussions on December 2, 2020. In addition to disclosures, staff members were instructed to research whether the board should amend the CECL standard in ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. At a high level, staff research flagged the following issues:

- Accounting for non-purchased credit deteriorated financial assets—the accounting for purchased financial assets that do not qualify for PCD accounting treatment was unintuitive and complex. Non-PCD accounting leads to double counting the allowance for credit losses, overstates the yield on non-PCD assets, and is difficult to explain or understand. In addition, companies indicated that it was not clear what purchased financial assets qualify for PCD treatment.
- Troubled debt restructuring by creditors—some companies have questioned the usefulness of the accounting and disclosures for credit debt restructurings under the CECL standard. They believe that troubled debt restructuring for creditors guidance should be eliminated with certain loan modification disclosures enhanced.
- Amending the scope of financial assets included in ASU 2016-13—nonfinancial institutions that adopted CECL indicated that there was minimal effect to their reserves when applying the guidance to trade receivables. Applying the standard to trade receivables was not worth the cost and effort and should be scoped out of CECL guidance, those companies said.
- Disclosures—substantial feedback was obtained from analysts who acknowledged CECL provides them with more information than under the incurred loss model (prior rules). However, they suggested disclosure enhancements should be made to improve the quality of information being provided.

Staff members will bring back the four topics to the board at a future meeting for vote on whether to add projects to the technical agenda on the topics, the discussions indicated. Board members observed that a full reporting cycle has still not yet passed for public companies, and therefore some of the research findings could evolve.

FASB to Reintroduce Amortization of Goodwill for Public Companies

On December 16, 2020, the FASB tentatively said it would require public companies to amortize goodwill over a 10-year period on a straight-line basis only, without exception. The board said that for an amortization period a company's management can deviate from the default period if management could justify the reasons for doing so. The amortization period would need to be elected on a transactional basis.

The question of whether goodwill is a wasting asset and should be amortized has been debated in accounting circles for decades. Prior to the issuance of FASB Statement (FAS) No. 141, goodwill was in fact amortized, often on a straight-line basis over periods up to 40 years. But after FAS 141 was issued goodwill was no longer amortized until the FASB permitted a policy election to amortize goodwill for private companies under Accounting Standards Update (ASU) No. 2014-02, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill (A Consensus of the Private Company Council)*.

The board's tentative decision to reintroduce amortization of goodwill will get some pushback as some will be against it, citing that extensive deliberations went into FAS 141 and IFRS 3, *Business Combinations*, and that there are no new facts that would support reopening those past deliberations. Others, however, believe the current model does not faithfully represent how goodwill is consumed – i.e., the current model of writing off goodwill when impaired does not reflect how goodwill loses value over time and is prone to unintentional or sometimes intentional misstatements.

On the Horizon, *continued*

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.

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.

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

In 2020, 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.

EITF Agenda Items

The Emerging Issues Task Force met on March 11, 2021, and deliberated the following topics:

- Issue No. 19-B, "Revenue Recognition—Contract Modifications of Licenses of Intellectual Property"—The Task Force agreed to refer this Issue back to the FASB for its consideration. This Issue relates to the accounting for (a) contract modifications under which the contract term for existing rights is extended, while also adding rights, and (b) the revocation of licensing rights (including conversion of term software licenses to software as a service arrangements).
- Issue No. 19-C, "Issuer's Accounting for Certain Modifications of Freestanding Equity-Classified Forwards and Options"—The Task Force reached a consensus to limit the scope of the amendments in the final ASU to the issuer's accounting for modifications of freestanding equity-classified written call options that remain equity classified after modification. The Task Force also reached a consensus on the following:
    - To affirm the proposed recognition framework
    - To affirm the proposed measurement approach subject to certain conforming changes to ensure consistency with the existing requirements in ASC 470-50, *Debt—Modifications and Extinguishments*
    - To affirm the proposal whereby no specific allocation approach is prescribed for situations in which the substance of the transaction includes multiple elements

On the Horizon, *continued*

- To affirm certain clarifying changes to the amendments in the final Update and to add an example in ASC 815-40, *Derivatives and Hedging—Contracts in Entity's Own Equity*, for modifications related to compensation for goods or services and include a related reference in ASC 718, *Compensation—Stock Compensation*
- To require disclosures about the nature and effect of a modification within the scope of the amendments in the final ASU.

The Task Force also reached a consensus on other items, including transition (prospective only), an effective date for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, and permitting early adoption.

The Task Force members also provided feedback to the FASB on potential projects to be discussed as part of the FASB's upcoming Invitation to Comment.

PCC Activities

The Private Company Council (PCC) did not meet during the first quarter of 2021. The next scheduled meeting is April 19-20, 2021.

Appendix A

Important Implementation Dates

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

Selected Implementation Dates

Pronouncement	Affects	Effective Date and Transition
ASU 2021-03—Intangibles — Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events	Entities that are not PBEs	For non-public business entities, this ASU is effective for fiscal years beginning after December 15, 2019, except for interim financial statements already issued in the year of adoption.
ASU 2021-02—Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient	Entities that are not PBEs that are within the scope of ASC 952	If an entity has not yet adopted ASC 606, the existing transition provisions and effective date in paragraph 606-10-65-1 are required. That guidance allows for an option of modified retrospective transition or full retrospective transition and an effective date of annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. If an entity has already adopted ASC 606, the amendments are effective in interim and annual periods beginning after December 15, 2020. Early application is permitted. For those entities, this guidance should be applied retrospectively to the date ASC 606 was adopted.
ASU 2021-01—Reference Rate Reform (Topic 848): Scope	All entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform.	Effective upon issuance.
ASU 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application	Insurance entities that issue long-duration contracts	The amendments in this ASU delay the effective date of ASU 2018-12.
ASU 2020-10, Codification Improvements	All entities	The amendments in Sections B and C of this ASU are effective for annual periods beginning after December 15, 2020, for public business entities. For all other entities, the amendments are effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022.
ASU 2020-09, Debt (Topic 470): Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762	All entities that are SEC filers	Effective upon issuance.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs	All entities	For public business entities, the amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is not permitted. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.
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.

Appendix A

Important Implementation Dates, *continued*

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

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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 2019-01, 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: 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). 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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts	Insurance entities that issue long-duration contracts	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, 2022. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025. Early application of the amendments is permitted.
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, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments is permitted for all entities.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements

For the Quarter Ended March 31, 2021

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, 2020, and interim periods within fiscal years beginning after December 15, 2021.-non-public business 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, 2020 future minimum lease payments were $____ million). We do not expect a material change to the timing of expense recognition, but we are early in the implementation process and will continue to evaluate the impact. We are evaluating our existing disclosures and may need to provide additional information as a result of adoption of the ASU.

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

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

ASU 2017-04 — Applicable to all entities:

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, 2020.-public business entities that are not SEC filers]* *[reporting periods 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

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

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

In January 2018, the FASB amended the requirements of the Leases Topic of the Accounting Standards Codification. The amendments permit an entity to elect an optional transition practical expedient to not evaluate under the new lease accounting guidance land easements that exist or expired before the entity's adoption of the new lease accounting guidance and that were not previously accounted for as leases under previous lease accounting guidance. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in ASU 2016-02. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-07 — Applicable to 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 *[fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020- non-public business 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 2018-10 — 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 *[annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020- non-public business entities]*. The Company does not expect these amendments to have a material effect on its financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

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 *[annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020- non-public business entities]*. The Company does not expect these amendments to have a material effect on its financial statements.

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

In August 2018, the FASB amended the Financial Services—Insurance Topic of the Accounting Standards Codification to make targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2021, and interim periods within those fiscal years.-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the 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 2018-14 — Applicable to 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 entities:

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

ASU 2018-17 — Applicable to all entities:

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 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.- non-public business 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.]*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

ASU 2018-18 — Applicable to all entities:

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

ASU 2018-19 — 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 *[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. 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 entities:

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 *[annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020- non-public business entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-01 — Applicable to all entities:

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 *[annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020- non-public business 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

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, 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 *[annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020.- public business entities that are not SEC filers and all other entities]*. The amendments related to recognition and measurement of financial instruments will be effective for the Company for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company does not expect these amendments to have a material effect on its financial statements.

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

In May 2019, the FASB issued guidance to provide entities with an option to irrevocably elect the fair value option, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.-entities that have adopted ASU 2016-13] [For entities that have not yet adopted ASU 2016-13: reporting periods beginning after December 15, 2019.-SEC filers] [reporting periods beginning after December 15, 2020.-public business entities that are not SEC filers] [fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.-all other entities]}*. The Company does not expect these amendments to have a material effect on its financial statements.

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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

ASU 2019-10 — Applicable to all entities:

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

ASU 2019-11 — Applicable to all entities:

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

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

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

ASU 2020-01 — Applicable to 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

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.

ASU 2020-08 — Applicable to all entities:

In October 2020, the FASB issued guidance to clarify the FASB's intent that an entity should reevaluate whether a callable debt security that has multiple call dates is within the scope of FASB Accounting Standards Codification (FASB ASC) 310-20-35-33 for each reporting period. The amendments will be effective for *[fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 – public business entities] [fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted for all other entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 - all other entities]*. The Company does not expect these amendments to have a material effect on its financial statements.

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Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

ASU 2020-10 — Applicable to all entities:

In October 2020, the FASB issued amendments to clarify the Accounting Standards Codification and make minor improvements that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments are effective for *[annual periods beginning after December 15, 2020. Early application is permitted for any annual or interim period for which financial statements have not been issued - public business entities] [annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early application is permitted for any annual or interim period for which financial statements are available to be issued - all other entities].* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-11 — Applicable to insurance entities that issue long-duration contracts:

In November 2020, the FASB issued guidance to defer the effective dates for insurance entities which have not yet applied the long duration contracts guidance by one year. The new effective dates will be *[fiscal years beginning after December 15, 2022, 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, 2024, and interim periods within fiscal year beginning after December 15, 2025.-all other entities]* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2021-01 — Applicable to entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform:

In January 2021, the FASB issued amendments to clarify that certain optional expedients and exceptions in the reference rate reform topic for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. The amendments were effective immediately upon issuance. The Company elected to apply the amendments *[retrospectively to eligible modifications as of any date from the beginning of the interim period that includes March 12, 2020]* or *[prospectively to new modifications made on or after any date within the interim period that includes January 7, 2021].* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2021-02 — Applicable to entities that are not public business entities that are within the scope of Topic 952:

In January 2021, the FASB issued amendments that provide a practical expedient that simplifies how private company franchisors analyze certain activities when determining their performance obligations in a franchise agreement. The amendments are effective for *[annual reporting periods beginning after December 15, 2019 and interim reporting periods within annual reporting periods beginning after December 15, 2020– entities that have not yet adopted ASC 606] [interim and annual periods beginning after December 15, 2020 – entities that have adopted ASC 606].* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2021-03— Applicable to entities that are not public business entities:

In March 2021, the FASB issued amendments that provide a practical expedient that simplifies how private company franchisors analyze certain activities when determining their performance obligations in a franchise agreement. The amendments are effective on a prospective basis for *annual reporting periods beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021.*

Applicable to all:

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

Appendix C

Recently Issued Accounting Pronouncements

***NOTE**: The disclosures in the previous appendix are not intended to be all inclusive. All pronouncements issued during the period should be evaluated to determine whether they are applicable to your Company. Through March 31, 2021, the FASB had issued the following Accounting Standard Updates during the year.*

- ***ASU 2021-03***—*Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*
- ***ASU 2021-02***—*Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*
- ***ASU 2021-01***—*Reference Rate Reform (Topic 848): Scope*