ASSURANCE AND TAX SERVICES

Quarterly Update

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

This quarterly update is organized as follows:

Tax Update

The Green Book: A Summary of the Biden Administration's Tax Proposals

The Biden Administration's "General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals," also known as the Green Book, was released by the Treasury Department on May 28, 2021. The Green Book provides greater detail and highlights the administration's priorities with respect to tax reform proposals and revenue generation.

Background
On March 31, 2021, the White House released The American Jobs Plan, a blueprint of the administration's intent to invest in rebuilding the country's infrastructure and target job creation. The Made in America Tax Plan was released simultaneously as a general proposal of primarily corporate tax reforms aimed at financing the intended infrastructure investment.

On April 28, 2021, the White House released The American Families Plan, the next iteration of additional tax reform proposals directed at individual level taxation.

The Green Book is the next step in the Biden Administration's plans—a formal outline with additional detail into the proposals introduced in The American Jobs Plan and The American Families Plan.

The Green Book
The following is a summary of significant tax reform proposals contained with the Treasury's document. Unless otherwise noted, the proposed effected date of each reform would be for taxable years beginning after December 31, 2021.

Corporate Tax

- *28% corporate income tax rate (currently 21%)*.
- *GILTI (Global Intangible Low-Taxed Income)* – Established by the TCJA in 2017, GILTI operates as a global minimum tax upon income generated by a U.S. shareholder's controlled foreign corporations (CFCs).
    - Eliminate the Qualified Business Asset Investment (QBAI) reduction to a CFC's tested income (currently 10%).
    - Repeal the high-tax exception to GILTI (currently, GILTI does not apply where the CFC's income is subject to an effective rate of more than 18.9% in the foreign jurisdiction).[1]
    - Reduce the Section 250 deduction to 25% of the CFC's tested income (currently 50%; scheduled to be reduced to 37.5% in 2026).
    - Eliminate the foreign oil and gas income exception to GILTI.
    - The combined changes to GILTI would result in a CFC global minimum tax of generally 21% (currently 10.5%).
- *FDII (Foreign-Derived Intangible Income) Deduction*
    - Repeal entirely (currently provides a 37.5% deduction to U.S. C corporations on certain income derived from exported goods or services; deduction scheduled to be reduced to 21.875% in 2026).
- *Inversions – Section 7874*
    - Reduce the ownership test to 50% (currently, if the continuing former shareholders of the U.S. corporation hold at least 80% of the foreign acquiring corporation, then the foreign acquiring corporation is treated as

[1] The high-tax exception for Subpart F income is also proposed to be eliminated.

Tax Update, *continued*

a domestic corporation for all U.S. tax purposes).

- Eliminate the 60% ownership test.
- Establish a new fair market value (FMV) test: Where the FMV of the domestic corporation is greater than the FMV of the foreign acquiring corporation immediately before the acquisition, the foreign acquiring corporation will be treated as a domestic corporation for all U.S. tax purposes.
- The proposed reforms to Section 7874 will result in further limitations on U.S. corporations' ability to expatriate.

- *BEAT (Base Erosion Anti-Abuse Tax)* – The BEAT, established by the TCJA in 2017, is a form of tax liability applicable only to a taxpayer with (1) average gross receipts in excess of $500 million over a three-year average and that (2) makes deductible payments to a foreign related party.
  - Repeal and replace with the Stopping Harmful Inversions and Ending Low-Tax Developments (SHIELD) Rule.
    - Payments made to a related entity in a low-tax jurisdiction would be subject to SHIELD, which could mean losing a deduction for such a payment where that payment is otherwise deductible.
    - SHIELD would apply to taxpayer groups with greater than $500 million in global annual revenues.
  - The SHIELD minimum tax rate would be determined by the rate agreed upon under Pillar Two of the OECD/G20 Base Erosion and Profit Shifting project. The objective of the OECD Project is to curb profit shifting across international borders and tax structures; it aims to accomplish its goal by establishing a global minimum tax aimed at revenue currently excluded from a country's taxing structure by reason of the multinational business not having a physical presence in the jurisdiction.[2]
- *Foreign Tax Credits (FTCs)*
  - Establish a new limitation on FTCs from the sale of hybrid entities.
- *Limitation on Business Interest Deduction – Section 163(j)*
  - Establish a new limitation based upon a consolidated group member's proportionate share of the group's net interest expense reported on the consolidated financials. The member's deduction would be limited where its net interest expense exceeds its proportionate share, which would be based upon the member's proportionate share of the group's earnings.
  - If a member fails to substantiate its proportionate share of the group's interest expense, then the member's interest deduction would be limited to its interest income plus 10% of its adjusted group income (AGI).
    - Taxpayers would be permitted to elect this approach.
- *Minimum Tax*
  - 15% minimum tax on book earnings.
  - Would apply only to corporations with book income in excess of $2 billion (the tentative tax is reduced by general business credits and FTCs).
- *Inbounding Jobs Tax Incentive*
  - 10% credit for eligible expenses paid or incurred in connection with onshoring a U.S. trade or business.
    - Must result in an increase in jobs within the U.S.
    - Interestingly, the expenses to onshore would be permitted to be incurred by a foreign affiliate, but

[2] On June 5, 2021, the Group of Seven (G7) wealthy democracies agreed in principle in pursuit of a 15% global minimum tax.

Tax Update, *continued*

the credit would apply to the U.S. taxpayer.

- *Offshoring U.S. Jobs*
    - Disallowance of deductions for expenses in connection with offshoring a U.S. trade or business.

Individual / Non-Corporate Tax

- *39.6% top marginal individual income tax rate*
    - For 2022, would apply to those reporting taxable income of more than $509,300 (married filing jointly).
- *Capital Gains Taxation*
    - Ordinary tax rates for taxpayers with AGI of more than $1 million
        - *Effective retroactively to date of announcement (unclear whether date of The American Families Plan (April 28, 2021) or The Green Book release (May 28, 2021)).*
    - Gift or death transfers of appreciated property would be taxable (exclusions apply).
- *Carried Interest*
    - Would be ordinary income (currently treated as capital gain).
- *Excess Business Losses – Section 461(l)*
    - Make permanent (currently due to expire in 2027).
- *Like-Kind Exchanges*
    - Repeal, but would establish an exclusion of $500,000 ($1 million for married filing jointly) each year for real property exchanges.

Ongoing Negotiations

All of the above items remain merely proposals at this time. Negotiations between Democrats and Republicans are ongoing and, with a slim Senate majority, the Democrats have little room for error. In fact, in discussions at the White House on June 2nd, only days following the Treasury's Green Book release, President Biden presented an offer eliminating all of the corporate reforms described above—including the 28% corporate income tax rate—except the 15% minimum tax on corporate book income. No deal was reached and much of The Green Book's provisions may, and likely will, see a vote in Congress, either with bipartisan support or through a process called reconciliation, a Senate budgetary device providing an easier path to passing a law even with the Democrats' thin majority.

FASB Update

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

FASB Provides Alternative to the Goodwill Triggering Event Assessment for Certain Private Companies and Organizations

In March, the FASB issued ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events,* that provides an accounting alternative expected to reduce the complexity for private companies and not-for-profit organizations when performing the goodwill triggering event evaluation. Under current GAAP, goodwill must be tested for impairment when a triggering event occurs that indicates that it is more likely than not that the fair value of the reporting unit is below its carrying value. Companies and organizations are required to monitor for and evaluate goodwill triggering events when they occur throughout the year. Some stakeholders raised questions about the value of evaluating a triggering event at an interim date when certain private companies and not-for-profit organizations only issue GAAP-compliant financial statements on an annual basis. They noted the cost and complexity of preparing interim balance sheets and projecting cash flows that, according to those stakeholders, may not be relevant at the annual reporting date when financial statements are issued.

To address this, ASU 2021-03 provides an accounting alternative that allows private companies and not-for-profit organizations to perform a goodwill triggering event assessment, and any resulting test for goodwill impairment, as of the end of the reporting period, whether the reporting period is an interim or annual period. It eliminates the requirement for companies and organizations that elect this alternative to perform this assessment during the reporting period, limiting it to the reporting date only.

The amendments in the ASU also include an unconditional one-time option for entities to adopt the alternative prospectively after its effective date. No additional disclosures would be required.

Effective Dates

The amendments in ASU 2021-03 are effective 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 Update for interim financial statements already issued in the year of adoption.

FASB Issues Standard Clarifying the Issuer's Accounting for Certain Modifications of Freestanding Equity-Classified Written Call Options

In May, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the Emerging Issues Task Force),* that requires issuers to account for modifications or exchanges of freestanding equity-classified written call options (e.g., warrants) that remain equity classified after the modification or exchange based on the economic substance of the modification or exchange. The guidance, which is based on a final consensus of the Emerging Issues Task Force, is intended to address stakeholder requests for accounting guidance on how issuers should account for modifications or exchanges of freestanding equity-classified written call options that are not in the scope of another Accounting Standards Codification (ASC) topic and remain classified in equity after a modification or an exchange. The lack of guidance has caused diversity in accounting for these types of modifications or exchanges. Entities modify or exchange written call options for different reasons. For example, they may modify warrants in connection with the issuance of new debt or equity instruments or in connection with a modification of an existing debt instrument or a line of credit or a revolving debt arrangement, which we refer to as debt instruments. They also may modify these instruments to

FASB Update, *continued*

compensate the counterparty for services or goods or for other reasons (e.g., to provide value to an instrument holder in lieu of a dividend).

The FASB narrowed the scope of the final guidance to modifications and exchanges of equity-classified freestanding written call options that remain equity classified after the modification or exchange rather than all equity-classified freestanding forwards and options, as it proposed. This means that the new guidance does not apply to modifications of equity-classified freestanding forward contracts or purchased options on an entity's own shares, for example.

ASU 2021-04 provides guidance on how an issuer would measure and recognize the effect of these transactions. Specifically, it provides a principles-based framework to determine whether an issuer should recognize the modification or exchange as an adjustment to equity or an expense.

Effective Dates
ASU 2021-04 is applied prospectively to all modifications or exchanges that occur on or after the date of adoption. It is effective for all entities for fiscal years beginning after 15 December 2021, and interim periods within those fiscal years. Early adoption is permitted, but entities need to apply the guidance as of the beginning of the fiscal year that includes the interim period in which they choose to early adopt the guidance.

Regulatory Update

SEC Chair Gensler Initial Rulemaking Agenda Unveiled

Along with starting some predictable new rulemaking projects, such as disclosure of climate change, SEC Chair Gary Gensler is planning to revisit a few of the business-friendly rules adopted during Jay Clayton' term as head of the agency, according to an updated semi-annual rulemaking agenda unveiled last week.

Gensler is also looking to finish some Dodd-Frank rules that have never been adopted because of strong opposition by companies. The rules include clawback, pay versus performance, and incentive-based compensations for executives at large financial institutions. The last one must be adopted jointly with banking supervisors.

The chair of the commission sets the rulemaking agenda, and investor protection advocates were deeply concerned as Clayton, from 2017 to 2020, moved to check off regulatory items on the wish list of business groups who argued that burdensome regulations ultimately hurt economic growth. Investor advocates said that such rules put shareholders at a greater risk of losing money but at the same time make company management less accountable. Gensler, in his public remarks, has signaled that he will put a heightened regulatory focus on meeting the needs of investors without neglecting capital formation.

The agenda reflects items that Gensler wants to issue as preliminary, proposed, or final rulemaking documents over the next 10 months, with some planned for October and November this year, and others planned for April 2022. There are 49 rulemaking items in total: four are pre-rules, 36 are proposals, and the remaining nine are finals.

The agenda does not give detailed information, but it offers clues with a broad summary of what Gensler intends to do for each rulemaking item; chief among them are rules pushed by progressives and Democrats, such as enhanced disclosure of climate change risk, human capital management, corporate board diversity, and cybersecurity risk governance. The staff is drafting a proposal for each of the four projects for the commission's consideration this fall. The unprecedented increase in the number of special purpose acquisition companies (SPACs) has led the commission to try to address any emerging investor protection issues. The staff is working on a rule proposal for April 2022.

Rules intended to address problems with meme stock trading and other trading issues are on the agenda, including a proposal to shorten the stock trade settlement cycle, short sale disclosure under Dodd-Frank, executive stock trade plans, and stock buybacks. Former SEC commissioner Robert Jackson, who was considered for the commission chair position under the Biden administration, had pushed for rule changes on corporate stock repurchases, which have increased in recent years. Among other things, Jackson said the current rule inappropriately gives executives incentives by taking advantage of less informed shareholders while cashing out their shares at a higher price.

Other notable rulemaking topics include universal proxy, which the commission wants to finalize next spring, and stock trading prohibitions under the *Holding Foreign Companies Accountable Act.* This is intended to address the PCAOB's inability to inspect auditors for Chinese companies who list their shares on U.S. exchanges with a proposal slated for April 2022.

House Passes Legislative Package on Climate, Pay, Political Spending Disclosures

House Democrats are pushing forward on a legislative package that would establish a sweeping set of mandates for the SEC on climate risk, sustainability, outsourcing, corporate political spending, and executive pay raises. H.R. 1187, the *Corporate Governance Improvement and Investor Protection Act*, is made up of bills that advanced out of the House Financial Services Committee in April and May. The package represents the most aggressive push this year by Democratic lawmakers looking to vastly expand the SEC's

Regulatory Update, *continued*

environmental, social, and governance (ESG) disclosure regime, running parallel to ESG rulemaking efforts by new SEC Chair Gary Gensler. House Republicans remain strongly opposed to the package.

The package contains the text of the following bills:

- *Climate Risk Disclosure Act*, sponsored by Rep. Sean Casten of Illinois, mandating new corporate disclosures on the threat to public companies posed by climate change. Casten's bill would amend the Securities Exchange Act of 1934 to require covered issuers to make annual disclosures on the identification of, the evaluation of potential financial impacts of, and any risk management strategies relating to the physical and transition risks posed by climate change. Public companies would also need to describe any established corporate governance processes and structures to address climate risks; and describe specific actions taken to mitigate those risks; among other disclosures.

  Also under the bill, the SEC would have two years to set out rules that establish, in consultation with the appropriate climate principals, climate-related disclosure requirements. Those rules would be specialized for industries that include finance, insurance, transportation, electric power, mining, non-renewable energy, and any other sector deemed appropriate by the SEC. The commission would also need to issue reporting standards for "estimating and disclosing direct and indirect greenhouse gas emissions" by an issuer and its affiliates, among other provisions.

  The SEC last issued climate guidance in 2010 in Release No. 33-9106, *Commission Guidance Regarding Disclosure Related to Climate Change*. In the guidance, the commission said companies should inform investors about the risks they face from climate change, including lawsuits, business problems, regulatory supervision, or international treaties. The significant effects of climate change, such as severe weather, rising sea levels, loss of farmland, and the declining availability and quality of water, have the potential to affect a public company's operations and financial results and should be disclosed.

- *ESG Disclosure Simplification Act*, introduced by Rep. Juan Vargas, of California. The bill sets out that ESG metrics are material and requires their disclosure, with the SEC in charge of establishing those metrics using recommendations from a newly created advisory panel. Public companies would also need to disclose their views on the link between ESG metrics and long-term business strategy, among other disclosures. The measure would establish an SEC Sustainable Finance Advisory Committee made up of no more than 20 members, with representation from experts on sustainable finance; operators of financial infrastructure; entities that provide analysis, data, or methodologies that facilitate sustainable finance; insurance companies, banks, pension funds, asset managers or credit unions; and other intermediaries in sustainable finance. Each SEC commissioner would select an equal number of committee members from the pool of applicants.

- *Shareholder Political Transparency Act*, sponsored by Rep. Bill Foster of Illinois, which would amend the Securities Exchange Act of 1934 to direct the SEC to issue rules requiring disclosure of expenditures for political activities in the preceding quarter, including a description of that expenditure, the date, the amount, and the name and party affiliation of the recipient. The reports must be made available over the SEC's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Also under the bill, SEC would issue rules requiring public companies to include in annual reports a summary and description of each political expenditure in the preceding year above $10,000, and a forecast of the political expenditures for the coming year.

  The bill comes as Democratic lawmakers are looking to scrub a longstanding budget rider preventing the SEC from implementing a corporate political spending disclosure rule under its own authority. Congress has for years slipped riders into Financial Services and General Government (FSGG) appropriations bills, which fund the SEC, prohibiting the agency from launching the rulemaking, to the protest of political spending transparency activists. They say the rule is sorely needed

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following the Supreme Court's 5-4 decision in *Citizens United v. Federal Election Commission* in 2010, which lifted restrictions on independent political expenditures by corporations and unions.

- *Disclosure of Tax Havens and Offshoring Act*, sponsored by Rep. Cindy Axne of Iowa, directing the SEC to make rules requiring large, multinational public companies to provide country-by-country disclosures of financial performance, an effort to bring transparency to offshoring practices and the use of tax havens. The bill, according to Axne, would provide investors with consistent, comparable information needed to understand the risks of investing in those companies. She has argued that, because the bill would only be making public information that is already provided to the IRS, the burden to companies would be minimal. The measure would apply to an issuer that is a member of a multinational enterprise group meeting a certain minimum revenue threshold set by the SEC to conform to United States or international standards for country-by-country reporting. The disclosures required under the bill include revenues, profit or loss, total income tax paid, total accumulated earnings, and total number of employees, all broken out on a jurisdiction-by-jurisdiction basis.

- *Greater Accountability in Pay Act*, sponsored by Rep. Nydia Velazquez of New York. The bill would set out new pay raise disclosures in public company annual reports for executives and for the company's broader workforce, and require an issuer to present a ratio comparing the former to the latter. The legislation comes less than six years after the SEC finalized its Dodd-Frank Act pay ratio disclosure rules in Release No. 33-9877, *Pay Ratio Disclosure*, which require companies to disclose a ratio comparing the chief executive's pay to that of the median employee.

Other Developments

GASB Provides Guidance to Assist Stakeholders with Application of Its Pronouncements

In May, the Governmental Accounting Standards Board (GASB) issued implementation guidance in the form of questions and answers intended to clarify, explain, or elaborate on certain GASB pronouncements. Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, contains new questions and answers that address application of GASB standards on derivative instruments, fiduciary activities, leases, and nonexchange transactions. The guide also includes amendments to previously issued implementation guidance on the financial reporting model, as well as sales and pledges and intra-entity transfers.

The GASB periodically issues new and updated guidance to assist state and local governments in applying generally accepted accounting principles (GAAP) to specific facts and circumstances that they encounter. The GASB develops the guidance based on:

- Application issues raised during due process on GASB Statements and other pronouncements,
- Application issues identified during the first stage of the GASB's post-implementation reviews of the fiduciary activities and leases standards,
- Questions it receives throughout the year, primarily from governments and auditors, and
- Topics identified by members of the Governmental Accounting Standards Advisory Council and other stakeholders.

The guidance in Implementation Guides is cleared by the Board and constitutes Category B GAAP. The guide is available to download free of charge on the GASB website, www.gasb.org.

Statement of Cash Flows Needs to be Revised for Financial Institutions According to Analysts

The FASB should consider revising the statement of cash flows to better reflect what financial institutions do, according to a May meeting of the Investor Advisory Committee (IAC) of the FASB. Analysts have a host of problems with what's given to investors in the current statement of cash flow format and it comes down to a fundamental view as to what is an operating activity at a financial institution. As it now stands, banks' free cash flow and free cash flow yields cannot be reliably compared across the sector as is done for other sectors. Among potential solutions the FASB could take is to either change the definition of operating activities for financial institutions such that more applies to what the financial institutions do or try to get to what net cash income really is for banks.

FASB May Tweak CECL Standard

The FASB could decide at a future meeting on whether to tweak credit loss accounting rules in areas such as purchased financial assets credit deterioration (PCD) and measurement of trouble debt restructuring (TDR), according to a FASB roundtable discussion in May. Some panelists said the FASB should eliminate the need to recognize a provision expense when acquired financial assets do not qualify for PCD accounting, referred to as the double count. Others cautioned there could be potential consequences of making a change to the current PCD guidance including operational and transparency issues.

A second project the board could add might surround the relevance of TDRs as a measure of troubled loans, the discussions revealed. Some panelists said TDR measurements are less relevant for banks given the forward-looking nature of the current expected credit loss (CECL) model. Relevant information would be better conveyed through disclosures, they said.

The roundtable was part of efforts to obtain feedback on whether ASC 326*, Credit Losses*, worked as intended. The standard replaced an incurred loss model with the CECL standard, which provides a more timely report of losses from bad loans.

Other Developments, *continued*

ABA Calls for Changes in Accounting Rules for Tax Credit Investments

The banking sector has asked the FASB to expand the accounting rules for qualified affordable housing project investments to other tax credit investments, stating the guidance should apply to more programs. Specifically, the American Bankers Association (ABA) says the FASB should amend rules under ASC 323-740, *Investments—Equity Method and Joint Ventures*, to include all investments that are made for the primary purpose of receiving tax credits and other tax benefits based on satisfying the conditions of tax rules in ASC-740-25-1. Other investment programs such as the New Markets Tax Credit Program (NMTC) have similar structure and tax advantages to low income housing tax credits (LIHTC) but are subject to different accounting standards.

The NMTC program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs), according to the U.S. Department of Treasury's Community Development Financial Institutions Fund. Banks have asserted that since there is no guidance specific to NMTC investments today, they have to present the depletion of these tax credit investments as an expense in their pre-tax income line while recognizing the economic benefit of the investment below the pre-tax income line as a reduction to income tax expense. The timing of the recognition of this expense and the associated tax credit benefit are often misaligned.

Lack of consistency in the application of the accounting for tax credit investments negatively impacts users of financial statements, preparers, and ultimately those who are served by the underlying projects, according to the ABA.

On the Horizon

The following selected FASB exposure drafts and projects are outstanding as of June 30, 2021.

Improvements to Discount Rate Guidance for Lessees That Are Not Public Business Entities

In June, the FASB issued a proposal that would improve discount rate guidance for lessees that are not public business entities—including private companies, not-for-profit organizations, and employee benefit plans. It is intended to reduce the expected cost of implementing the lease accounting standard (ASC 842, *Leases*) for those entities while retaining the expected benefits for users of financial statements.

ASC 842 currently provides lessees that are not public business entities with a practical expedient that allows them to make an accounting policy election to use a risk-free rate as the discount rate for all leases. The FASB originally provided this practical expedient to relieve those lessees from having to calculate an incremental borrowing rate, which could create unnecessary cost and complexity.

Some private company stakeholders expressed reluctance to use the risk-free rate election for all leases. Those stakeholders noted that in the current economic environment, a risk-free rate (e.g., a U.S. Treasury rate) is low compared with their expected average incremental borrowing rates, and that using the risk-free rate election could increase an entity's lease liabilities and right-of-use assets.

To address these concerns, the amendments in the proposed ASU would allow lessees that are not public business entities to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. It also would require that, when the rate implicit in the lease is readily determinable for any individual lease, a lessee would use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election.

FASB Proposal to Improve and Expand Hedge Accounting

In May, the FASB issued a proposal intended to better align hedge accounting with an organization's risk management strategies. In 2017, the FASB issued a new hedging standard to better align the economic results of risk management activities with hedge accounting. The new standard increased transparency around how the results of hedging activities are presented, both on the face of the financial statements and in the footnotes, for investors and analysts when hedge accounting is applied.

One of the major provisions of that standard was the addition of the last-of-layer hedging method. For a closed portfolio of fixed-rate pre-payable financial assets or one or more beneficial interests secured by a portfolio of pre-payable financial instruments, such as mortgages or mortgaged-backed securities, the last-of-layer method allows an entity to hedge its exposure to fair value changes due to changes in interest rates for a portion of the portfolio that is not expected to be affected by prepayments, defaults, and other events affecting the timing and amount of cash flows.

Since issuing the hedging standard, stakeholders have told the FASB that the ability to elect hedge accounting for a single layer is useful, but hedge accounting could better reflect risk management activities if expanded to allow multiple layers of a single closed portfolio to be hedged under the method.

The proposed ASU would expand the current single-layer model to allow multiple-layer hedges of a single closed portfolio of pre-payable financial assets or one or more beneficial interests secured by a portfolio of pre-payable financial instruments under the method. To reflect that expansion, the last-of-layer method would be renamed as the portfolio layer method.

On the Horizon, *continued*

Additionally, the proposed ASU would:

- Clarify eligible hedging instruments in a single-layer strategy
- Provide additional guidance on the accounting for and disclosure of fair value hedge basis adjustments that would be applicable to both the current single-layer model and the proposed multiple-layer model
- Indicate how fair value hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio.

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.

Expanded Inventory Disclosures Proposed

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

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

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

Disclosure Framework

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

On the Horizon, *continued*

Consolidation Reorganization

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

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

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

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

In 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.

GASB Proposes Improvements to Guidance for Accounting Changes and Error Corrections

In June, the GASB issued a proposal designed to improve the accounting and financial reporting requirements for accounting changes and error corrections. The Exposure Draft (ED), *Accounting Changes and Error Corrections*, is intended to provide guidance that would lead to information that is easier to understand, more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability.

The GASB's current guidance on accounting changes and error corrections was established in GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which was issued in 2010. That guidance originally was established in the 1970s. The GASB's pre-agenda research identified diversity in applying the existing standards in practice, including issues with selecting the appropriate category of accounting change or error correction.

The ED proposes definitions for the following categories:

- Changes in accounting principles

On the Horizon, *continued*

- Changes in accounting estimates
- Changes to or within the financial reporting entity
- Corrections of errors in previously issued financial statements.

The proposal would establish accounting and financial reporting guidance for each category of accounting changes and error corrections, including display in financial statements, note disclosures, and presentation in required supplementary information and supplementary information.

GASB Proposes to Rename the Comprehensive Annual Financial Report

In April, the GASB proposed to change the “comprehensive annual financial report” to the “annual comprehensive financial report.” The proposed name change was prompted by GASB stakeholders raising concerns that the existing acronym for the report, when spoken, sounds like a profoundly offensive term. After seeking input from various stakeholder groups, the GASB added a project to its current technical agenda in December 2020 to address those concerns.

The Exposure Draft (ED), *The Annual Comprehensive Financial Report*, proposes to eliminate both the financial report name and the offensive acronym from the GASB’s standards, though it is important to note that no changes have been proposed to the structure or content of the report.

Regarding the issuance of the ED, GASB Chair Joel Black said, “When you pronounce the acronym, it is a highly offensive racial slur directed toward Black South Africans. As we and our stakeholders are part of a global community, we do not wish to be offensive to anyone, so we have undertaken the project to address this.”

GASB Plans to Revise Accrued Vacation and Sick Leave Rules

In March, the GASB issued a proposed Statement designed to enhance the recognition and measurement guidance for compensated absences and refine related disclosure requirements. The proposed Statement would supersede the guidance issued by the GASB in Statement 16, *Accounting for Compensated Absences*, which was issued in 1992. The proposal is in keeping with the GASB’s commitment to periodically reexamine its standards to ensure they remain effective.

State and local governments often provide paid leave benefits to their employees, such as vacation leave and sick leave. Some benefits have evolved such as with the use of a paid time off (PTO) model that may have characteristics of both vacation and sick leave. The Exposure Draft, *Compensated Absences*, proposes to align recognition and measurement guidance for all types of compensated absences under a unified model.

The Exposure Draft details the circumstances under which governments would be required to recognize a liability for compensated absences and proposes guidance for measuring that liability. The general approach for measurement would be accumulated leave multiplied by an employee’s pay rate as of the financial reporting date.

The proposed model would result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The Board believes the model also would lead to greater consistency in application and improved comparability across governments.

On the Horizon, *continued*

The proposal would amend certain disclosures that are required at present. For example, the proposed Statement would provide an alternative to the existing requirement to disclose the gross increases and decreases in a compensated absences liability, such that governments would have an option to disclose only the net change in the liability.

EITF Agenda Items

The Emerging Issues Task Force did not meet during the second quarter.

PCC Activities

The Private Company Council (PCC) met on April 20, 2021. Below is a brief summary of issues addressed by the PCC at the meeting:

- Issue No. 2018-01, "Practical Expedient to Measure Grant-Date Fair Value of Equity-Classified Share-Based Awards": The PCC redeliberated issues for the proposed ASU, *Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Option Awards*. The PCC discussed how the practical expedient should reference the Treasury Regulations of Section 409A of the U.S. Internal Revenue Code—by direct reference to specific paragraphs, by a summarization of those paragraphs, or by a combination of those two approaches. The PCC also redeliberated the scope, application, transition method, and effective date of the practical expedient. After redeliberating those issues, the PCC unanimously determined that the practical expedient would achieve the project's intended objectives. At its June 2021 meeting, the PCC will discuss a draft of the final Update and consider whether to recommend that it be subject to the FASB endorsement process (see below).
- Agenda Consultation: A PCC member provided a summary of the financial reporting issues that the Board should consider adding to its technical agenda and the priority of those issues, which were discussed during the closed PCC meeting that took place on April 19, 2021. Those issues included debt modifications, troubled debt restructurings, disclosure materiality, liabilities and equity, variable interest entities, and financial performance reporting. PCC members discussed their views with FASB Board members and staff on those potential areas for the Board to prioritize. PCC members also expressed support for the FASB's goodwill and segment reporting projects.
- Goodwill—Triggering Event Assessment Alternative for Private Companies and Not-for-Profit Entities: FASB staff highlighted ASU 2021-03, *Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*, which provides an accounting alternative that allows private companies and not-for-profit organizations to perform a goodwill triggering event assessment, and any resulting test for goodwill impairment, as of the end of the reporting period, whether the reporting period is an interim or annual period. This accounting alternative is expected to reduce the complexity for private companies and not-for-profit organizations when performing the goodwill triggering event assessment. The Board thanked the PCC and private company stakeholders for their involvement in developing this standard.
- Profits Interests and Their Interrelationship with Partnership Accounting: FASB staff summarized outreach with taxation and valuation specialists that has been conducted since the December 3, 2020 PCC meeting. Key discussion areas with specialists included (1) typical circumstances surrounding the grant of a profits interest award, (2) common terms of profits interests, (3) how the language in Revenue Procedure 93-27 (which defines a profits interest for tax purposes) influences the terms of profits interests, and (4) how valuation techniques used to measure profits interests compare to valuation techniques used to measure other types of equity interests issued as compensation. FASB staff noted that next steps involve performing additional outreach and research focused on some of the key accounting issues on profits interests and analyzing the FASB's agenda criteria as it relates to identified issues. PCC members briefly provided feedback on the research performed so far and next steps.
- Current Issues in Financial Reporting: PCC and FASB members discussed practice issues arising from the current business environment under the COVID-19 pandemic. Topics discussed included disclosures related to COVID-19 and Paycheck Protection Program loan classification. The PCC also thanked the FASB for issuing certain educational documents in response

On the Horizon, *continued*

to the current environment. Those documents include the FASB Staff Educational Paper, "Topic 470 (Debt): Borrower's Accounting for Debt Modifications," and the FASB Staff Q&A, "Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic."

- Revenue—Post-Implementation Review: FASB staff solicited feedback from PCC members on their implementation experience with ASC 606, *Revenue from Contracts with Customers*, and on the post-implementation review plan for private companies. PCC members commented about their usage of the implementation resources provided by the FASB and discussed challenges and issues related to the adoption of ASC 606.
- Disclosure of Supplier Finance Programs Involving Trade Payables: FASB staff summarized the features of supplier finance programs, provided an overview of the project, and solicited feedback from PCC members on the use of those programs by private companies. Although PCC members generally had not encountered the arrangements from the perspective of the entity for which the Board is evaluating potential disclosures, certain PCC members discussed their experience in accounting for the programs and with factoring transactions more broadly. The PCC chair offered to perform outreach with private company stakeholders during upcoming PCC Town Halls to further gauge the use of the programs among private companies.
- Leases (ASC 842)—Discount Rate for Lessees That Are Not Public Business Entities: FASB staff provided the PCC with an overview on this FASB project, which was added to the FASB agenda on April 14, 2021. This project seeks to amend the accounting policy election for lessees that are not public business entities to elect to use the risk-free rate as the discount rate by asset class. A PCC member offered preliminary feedback and volunteered to discuss further with the FASB staff at a later date.
- Simplifying the Balance Sheet Classification of Debt: FASB staff provided the PCC with an update on this FASB project. At its April 14, 2021 meeting, the Board discussed comments received on and redeliberated the proposed amendments in its January 2017 proposed ASU and its September 2019 proposed ASU (Revised), *Debt (Topic 470): Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)*. At that meeting, the Board removed this project from the FASB technical agenda.

At its meeting on June 22, 2021, the PCC approved Issue No. 2018-01, "Practical Expedient to Measure Grant-Date Fair Value of Equity-Classified Share-Based Awards," which will be issued as an ASU later this year subject to FASB endorsement. The new guidance will allow private companies to determine the current price input in accordance with certain valuation procedures described in the U.S. Internal Revenue Code Section 409A and the associated Treasury Regulations (Section 409A). Section 409A would be referenced as an example, but the guidance will also include facts and circumstances (as stated in Section 409A) to consider for reasonable valuations. The guidance will be effective prospectively for fiscal years beginning on or after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Earlier application will be allowed.

Appendix A

Important Implementation Dates

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

Selected Implementation Dates (FASB/EITF/PCC)

Pronouncement	Affects	Effective Date and Transition
ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)	Entities that issue freestanding written call options that are classified in equity	The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. Early adoption is permitted for all entities, including adoption in an interim period.
ASU 2021-03, Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events	Private companies and not-for-profit entities that elect the accounting alternative	The amendments in this ASU are effective 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.
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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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.
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 2020-07, Not-for-Profit Reporting of Gifts-in-Kind (Contributed Nonfinancial Assets),	Not-for-profit entities	Effective for annual periods after June 15, 2021 and interim periods within fiscal years after June 15, 2022. Early adoption is permitted.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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.
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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)	All entities	For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted, including early adoption in an interim period, (1) for public business entities for periods for which financial statements have not yet been issued and (2) for all other entities for periods for which financial statements have not yet been made available for issuance.
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	Entities within the scope of ASC 740	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted.
ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses	All entities	For entities that have not yet adopted the amendments in ASU 2016-13 as of the issuance date of this ASU, the effective dates and transition requirements for the amendments are the same as the effective dates and transition requirements in ASU 2016-13. For entities that have adopted the amendments in ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this ASU as long as an entity has adopted the amendments in ASU 2016-13.
ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates	All entities	The amendments in this ASU delay the effective dates of ASU 2016-13, ASU 2017-12, and ASU 2016-02, and ASU 2017-04.
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.

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Important Implementation Dates, *continued*

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

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2019-01, Leases (Topic 842): Codification Improvements	All lessee and lessor entities	For public business entities, NFPs that have issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an OTC market, or an employee benefit plan that files financial statements with the SEC, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.
ASU 2018-20, Narrow-Scope Improvements for Lessors	Lessor entities	For entities that have not adopted ASC 842 before the issuance of this ASU, the effective date and transition requirements for the amendments in this ASU are the same as the effective date and transition requirements in ASU 2016-02. For entities that have adopted ASC 842, the effective date and transition of the amendments related to the amendments in this ASU are as follows: 1. The amendments should be applied at the original effective date of Topic 842 for the entity or in either the first reporting period ending after the issuance of this ASU (for example, December 31, 2018) or in the first reporting period beginning after the issuance of this ASU (for example, January 1, 2019). 2. The amendments may be applied either retrospectively or prospectively. All entities, including early adopters, must apply the amendments in this ASU to all new and existing leases.
ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses	All entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income	The effective date and transition requirements are the same as the effective dates and transition requirements in ASU 2016-13, as amended by this ASU.
ASU 2018-18, Clarifying the Interaction between Topic 808 and Topic 606	All entities	Effective for public companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other organizations, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-17, Targeted Improvements to Related Party Guidance for Variable Interest Entities	All entities	Effective for organizations other than private companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this ASU are effective for a private company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.
ASU 2018-16, Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes	All entities	For entities that have not already adopted ASU 2017-12, the amendments in this ASU are required to be adopted concurrently with the amendments in ASU 2017-12. For public business entities that already have adopted the amendments in ASU 2017-12, the amendments are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. For all other entities that already have adopted the amendments in ASU 2017-12, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted in any interim period upon issuance of this Update if an entity already has adopted ASU 2017-12.
ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)	All entities	Effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted, including adoption in any interim period, for all entities.
ASU 2018-14, Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans	All employers that sponsor defined benefit pension or other postretirement plans	Effective for fiscal years ending after December 15, 2020, for public business entities and for fiscal years ending after December 15, 2021, for all other entities. Early adoption is permitted for all entities.
ASU 2018-13, Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement	All entities	Effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted.

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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.

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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 A

Important Implementation Dates

Selected Implementation Dates (GASB)

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

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
Statement 93, Replacement of Interbank Offered Rates	Governmental entities	The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. Earlier application is encouraged.
Statement 92, Omnibus 2020	Governmental entities	The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020. The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020
Statement 91, Conduit Debt Obligations	Governmental entities	Effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.
Statement 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61)	Governmental entities	Effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period	Governmental entities	Effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.
Statement 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	Governmental entities	Effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
Statement 87, Leases	Governmental entities	Effective for reporting periods beginning after December 15, 2019.
Statement 86, Certain Debt Extinguishment Issues	Governmental entities	Effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
Statement 85, Omnibus 2017	Governmental entities	Effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.
Statement 84, Fiduciary Activities	Governmental entities	Effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.
Statement 83, Certain Asset Retirement Obligations	Governmental entities	Effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
Statement 82, Pension Issues	Governmental entities	Effective for reporting periods beginning after June 15, 2016, except for the requirements for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.
Statement 81, Irrevocable Split-Interest Agreements	Governmental entities	Effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.
Statement 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14	Governmental entities	Effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.
Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	Governmental entities	Effective for fiscal years beginning after June 15, 2017. Early adoption is encouraged.
Statement 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	Governmental entities	Effective for financial statements for periods beginning after June 15, 2016. Early adoption is encouraged.
Statement 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68	Governmental entities	Effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016. Early adoption is encouraged.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements

For the Quarter Ended June 30, 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, 2018, including interim periods within those fiscal years.-public business entities]* *[fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.-all other entities]*. Early adoption is permitted.

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

ASU 2016-13 — Applicable to entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income:
In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The guidance requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC]* *[fiscal years beginning after December 15, 2022 including interim periods within those fiscal years.-all other entities]* Early adoption is permitted for all organizations for periods beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

ASU 2017-04 — Applicable to all 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, 2019.-public business entities that are SEC filers]* *[reporting periods beginning after December 15, 2020.-public business entities that are not SEC filers]* *[reporting periods beginning after December 15, 2021.-all other entities]* Early adoption is permitted for interim or annual goodwill impairment tests performed on

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

testing dates after January 1, 2017. The Company does not expect these amendments to have a material effect on its financial statements.

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

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

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

ASU 2018-01 — Applicable to entities with land easements:
In January 2018, the FASB amended the requirements of the Leases Topic of the Accounting Standards Codification. The amendments permit an entity to elect an optional transition practical expedient to not evaluate under the new lease accounting guidance land easements that exist or expired before the entity's adoption of the new lease accounting guidance and that were not previously accounted for as leases under previous lease accounting guidance. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements in ASU 2016-02. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-07 — Applicable to entities that enter into share-based payment transactions for acquiring goods and services from nonemployees:
In June 2018, the FASB amended the Compensation—Stock Compensation Topic of the Accounting Standards Codification. The amendments expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments are effective for *[fiscal years beginning after December 15, 2018, including interim periods within that fiscal year-public business entities] [fiscal years beginning after December 15, 2019, and interim periods within fiscal years*

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Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

beginning after December 15, 2020-all other entities]. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company does not expect these amendments to have a material effect on its financial statements.

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

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

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

ASU 2018-12 — Applicable to insurance entities that issue long-duration contracts:
In August 2018, the FASB amended the Financial Services—Insurance Topic of the Accounting Standards Codification to make targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2021, and interim periods within those fiscal years.-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the 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 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, 2019.-public business entities] [fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-17 — 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 will be effective for the Company for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.-public business entities] [The amendments also provide a nonpublic entity with the option to exempt itself from applying the variable interest entity consolidation model to qualifying common control arrangements. The amendments will be effective for the Company for annual periods beginning after December 15, 2020, and interim periods within annual reporting periods beginning after December 15, 2021.-all other entities]* Early adoption is permitted. The Company will apply a full retrospective approach in which financial statements for each individual prior period presented and the opening balances of the earliest period presented are adjusted to reflect the period-specific effects of applying the amendments. *[The Company does not expect these amendments to have a material effect on its financial statements.] [The Company is currently evaluating the effect that implementation of the new standard will have on its financial statements.]*

ASU 2018-18 — Applicable to all 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, 2019, and interim periods within those fiscal years.-public business entities] [fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.-all other entities]* Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2018-19 — Applicable to entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income:
In November 2018, the FASB issued guidance to amend the Financial Instruments—Credit Losses topic of the Accounting Standards Codification. The guidance aligns the implementation date of the topic for annual financial statements of nonpublic companies with

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

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

ASU 2018-20 — Applicable to all 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 *[reporting periods beginning after December 15, 2018, including interim periods within those fiscal years.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-01 — Applicable to all 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 *[reporting periods beginning after December 15, 2019.-public business entities] [annual periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

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

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

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

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

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

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

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

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.

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

In September 2020, the FASB issued guidance to improve financial reporting on contributed nonfinancial assets, also known as gifts-in-kind donations. The amendments will be effective for annual periods after June 15, 2021 and interim periods within fiscal years

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

after June 15, 2022. Early adoption is permitted. The Organization 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.

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*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended March 31, 2021

beginning after December 15, 2020– entities that have not yet adopted ASC 606] [interim and annual periods beginning after December15, 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 private companies and not-for-profit entities that elect the accounting alternative

In March 2021, the FASB amended the Intangibles—Goodwill and Other topic of the Accounting Standards Codification to provide an accounting alternative for private companies and not-for-profit organizations when performing the goodwill triggering event evaluation. Under the amended guidance, a private company or not-for-profit organization may elect to perform a goodwill triggering event assessment, and any resulting test for goodwill impairment, as of the end of the reporting period, whether the reporting period is an interim or annual period. The amendments are effective 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. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2021-04 — Applicable to Entities that issue freestanding written call options that are classified in equity

In May 2021, the FASB issued amendments that clarify an issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options that remain equity classified after modification or exchange. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

Applicable to all:

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

Appendix C

Recently Issued Accounting Pronouncements

NOTE: The disclosures in the previous appendix are not intended to be all inclusive. All pronouncements issued during the period should be evaluated to determine whether they are applicable to your Company. Through June 30, 2021, the FASB had issued the following Accounting Standard Updates during the year.

- ***ASU 2021-04****—Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)*
- ***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*