QUARTERLY FINANCIAL SERVICES UPDATE
Fourth Quarter 2021

elliott davis

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Happy New Year! We hope you and your family were able to enjoy the holiday season. We look forward to serving you and partnering you in this new year.

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 fourth quarter and a summary of recently issued accounting pronouncements (see Appendices for summary of recently issued accounting pronouncements and the related effective dates).

If you have any questions regarding any of the items within, or if there are other areas where we might be of assistance, please reach out to our financial services team. We would be happy to help in any way we can.

Frequent Topics of Discussion across the Industry

SEC Guide 3 Final Rule

Kristi Griffin, Senior Manager, Kristi.Griffin@elliottdavis.com

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

The final rule is intended to eliminate inconsistencies and overlap with applicable requirements under U.S. GAAP and IFRS. The eliminations by the final rule do not reduce the required disclosures since the items eliminated are generally required by other standards.

A summary of some of the key changes in the final rule are included below:

- Reporting periods
  - Guide 3 rescinded required disclosures for (1) five years if they are related to loan portfolios and summary of loan loss experience and (2) three years for all other annual disclosures.
  - The new rule applies to "each annual period for which Commission rules require a registrant to provide financial statements." Generally, under Regulation S-X, Article 3, registrants are required to provide two years of balance sheets and three years of income statements, except for smaller reporting companies and emerging growth companies in IPOs of common equity securities, which may provide only two years of income statements.
- Distribution of assets, liabilities, and stockholders' equity; interest rates and interest differential
  - The final rule codifies existing Guide 3 requirements in respect to the average balance sheet, interest and yield/rate analysis, and rate/volume analysis disclosure items.
  - Further disaggregation of the average balance sheets is required to include separate line items for federal funds purchased, securities purchased with agreements to repurchase and commercial paper.
- Investment portfolio
  - The new rules codify the existing Guide 3 requirements in respect to disclosure of the weighted average yield for each range of maturities by category of debt securities (only applies to debt securities that are not carried at fair value through earnings).
    - New rules add the requirement to disclosure how the weighted-average yield has been calculated.
  - Because of substantial overlap with GAAP and IFRS disclosure requirements, the final rules do not codify the following disclosure items: (1) book value information; (2) the maturity analysis of book value information; and (3) the disclosures related to investments exceeding 10% of stockholders' equity.
- Loan portfolio
  - The final rule codifies the existing Guide 3 requirements related to the maturities and sensitivities of loans to changes in interest rates.
    - The new rules expand on the existing Guide 3 requirements by separating the "after five years" maturity category into two categories: (i) after five years through 15 years and (ii) after 15 years.
  - The SEC did not codify the existing Guide 3 requirements on loan category disclosures, loan portfolio risk elements and other interest-bearing assets disclosures because of the overlap with SEC rules, U.S. GAAP, and IFRS Standards.
- Allowance for credit losses
  - The final rule also codifies the disclosure requirement related to credit ratios, but it requires this ratio to be based on the loan categories presented in the financial statements prepared under U.S. GAAP or IFRS Standards, instead of on a consolidated basis as is currently required by Guide 3.

Frequent Topics of Discussion across the Industry, *continued*

    - The final rule requires the disclosure of the following credit ratios (as well as a discussion of the factors that drove material changes therein) on a consolidated basis:
        - Allowance for credit losses to total loans
        - Nonaccrual loans to total loans
        - Allowance for credit losses to nonaccrual loans
    - Registrants are also required to include (1) a disclosure of each of the components used in all credit ratios presented and (2) a discussion of the factors that affected material changes in the ratios or related components.
    - While the new rules codify the tabular allocation of the allowance disclosure, such allocation will also now be based on the loan categories required to be disclosed in the registrant's U.S. GAAP financial statements, instead of the loan categories specified in the existing Guide 3.
    - In an effort to eliminate overlap, the SEC did not codify the rollforward aspect of the allowance for loan loss disclosure given that that is already required under U.S. GAAP and IFRS.
- Deposits
    - The final rule generally codifies existing disclosure requirements under Guide 3.
    - The final rule amends the requirement to disclose the amount outstanding of certain time deposits. Registrants are now required to disclose the amount of time deposits in uninsured accounts by maturity, including a separate presentation of US time deposits in excess of FDIC insurance limit and time deposits that are otherwise uninsured.
    - The final rules define uninsured deposits for bank and savings and loan registrants that are U.S. federally insured depository institutions as the portion of deposit accounts in U.S. offices that exceed the U.S. FDIC insurance limit or similar state deposit insurance regimes and amounts in any other uninsured investment or deposit accounts that are classified as deposits and not subject to any federal or state deposit insurance regimes.
    - The final rule clarifies that the amount of uninsured deposits should be based on the portion of the account balance that exceeds the FDIC insurance limit, based on the same methodologies and assumptions used for regulatory reporting requirements.
- Return on equity and assets
    - The final rule eliminates the disclosure requirements for the following ratios: return on assets, return on equity, dividend payout ratio, and equity to assets ratio.
        - Such ratios are not unique to bank and savings and loan registrants and other SEC rules already offer relevant guidance (i.e., MD&A requirements to identify and discuss key performance measures if they are used to manage the business and would be material to investors).
- Short-term borrowings
    - The short-term borrowing requirements under Guide 3 are eliminated by the final rule because the SEC believes such items are substantially covered by existing SEC rules, U.S. GAAP, and IFRS Standards, as well as updates included within the final rule itself.

As a reminder, the disclosures required under Guide 3 do not have to be presented in the notes to the financial statements. Compliance with this final rule is required for SEC registrants' fiscal years ending on or after December 15, 2021. This means the new Guide 3 changes and updates are effective for the December 31, 2021 Form 10-K filings.

Frequent Topics of Discussion across the Industry, *continued*

2021 Year End Tax Reminders

Bev Seier, Principal, Beverly.Seier@elliottdavis.com

As 2021 is coming to a close, below are some information reporting and tax reminders that your institution will want to review as part of your year-end checklist.

Information Reporting Reminders:

- **Forms 1099-A or 1099-C, Cancellation of Debt**
    - Report cancelation of debt of $600 or more in connection with a foreclosure or abandonment of secured property
    - Review triggering events that would require filing Form 1099-A or 1099-C
    - 36-month nonpayment rule is no longer a triggering event
    - Form 1099-C must be filed regardless of whether the debtor is required to report the debt as income
    - Should have a written policy to document the company's process for Forms 1099-A/C
    - Instructions – https://www.irs.gov/instructions/i1099ac
    - Due Date – January 31, 2022
- **Form 1099-NEC, Nonemployee Compensation**
    - Report payments of $600 or more for nonemployee compensation, such as:
        - Director Fees
        - Professional service fees, such as fees to attorneys (including corporations), accountants, architects, contractors, engineers, etc.
        - Taxable fringe benefits for nonemployees
    - Instructions – https://www.irs.gov/instructions/i1099mec
    - Due Date – January 31, 2022 with no extensions available
- **Forms 3921, Exercise of an Incentive Stock Option Under Section 422(b)**
    - Report the exercise of an employee incentive stock option
    - File Form 3921 for each transfer made during the year
    - Instructions –https://www.irs.gov/instructions/i3921
    - Due Date – January 31, 2022
- **Forms 3922, Transfer of Stock Acquired Through An Employee Stock Purchase Plan Under Section 423(c)**
    - Report the exercise an option granted under an employee stock purchase plan and described in section 423(c) (where the exercise price is less than 100% of the value of the stock on the date of grant, or is not fixed or determinable on the date of grant)
    - File Form 3922 for each transfer made during the year
    - Instructions – https://www.irs.gov/instructions/i3921
    - Due Date – January 31, 2022

Tax Reminders:

- **Deferral of 2020 Payroll Taxes** – If your institution deferred its employer share of payroll taxes from March 27, 2020 to December 31, 2020, 50% of the deferral must be deposited by **December 31, 2021** with the remainder due by December 31, 2022.
- **Employee retention credits** – If your institution's gross receipts have declined by 20% or more in the 1st, 2nd, or 3rd quarter of 2021 from the same quarter in 2019, it may be eligible for the employee retention payroll tax credit. Details on the credit and how we may assist in determining eligibility for your company or customers are located at https://www.elliottdavis.com/make-employee-retention-credit/
- **Federal corporate income tax rate** – For 2021, the federal corporate income tax rate remains at 21%.

Frequent Topics of Discussion across the Industry, *continued*

- **Business meal expenses** – Food and beverages will be 100% deductible if purchased from a restaurant in 2021 and 2022. See Notice 2021-25 for additional guidance https://www.irs.gov/pub/irs-drop/n-21-25.pdf
- **Charitable Contributions** – Under the CARES Act, a corporation may elect to deduct certain qualified cash contributions made in 2021 without regard to the 10% taxable income limit. The total amount of the contribution claimed cannot exceed 25% of the excess of the corporation's taxable income over all other allowable charitable contributions.
- **Net operating losses** – Net operating losses (NOLs) generated in 2021 and future years are no longer able to be carried back to prior tax years. Instead, the NOLs will be carried forward indefinitely but are limited to 80% of taxable income.
- **2022 Standard Mileage Rate** – Beginning January 1, 2022, the standard mileage rate will increase to **58.5 cents per mile** for business purposes, so remember to update your 2022 expense report templates if your institution follows this reimbursement method. When computing the allowance under a Fixed and Variable Rate (FAVR) plan, fleet-average and vehicle cents-per-mile valuation rules, the standard vehicle cost cannot exceed $56,100 for autos, trucks, or vans.

FASB Update

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

FASB Provides Practical Expedient to Private Companies that Issue Equity-Classified Share-Based Awards

In October, the FASB issued ASU 2021-07, *Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards,* to improve an area of financial reporting for nonpublic business entities (private companies) that issue equity-classified share-based awards. The ASU is a consensus of the Private Company Council (PCC) that was endorsed by the FASB. The PCC is the primary advisory body to the FASB on private company matters.

Many private companies issue equity-classified share-based awards as compensation to employees and non-employees. When determining the value of these awards, companies typically use a valuation technique such as an option-pricing model. This model requires various inputs, including the fair value of the equity shares underlying a share-option award (referred to as the current price input).

ASU 2021-07 provides private companies the option to elect a practical expedient to determine the current price input of equity-classified share-based awards issued as compensation using the reasonable application of a reasonable valuation method. The characteristics of this method are the same as the characteristics used in the regulations of the U.S. Department of the Treasury related to Section 409A of the U.S. Internal Revenue Code (the "Treasury Regulations") to describe the reasonable application of a reasonable valuation method for income tax purposes. The practical expedient in this ASU can be elected for equity-classified share-based awards within the scope ASC 718, *Stock Compensation*. Its amendments apply to all nonpublic entities that issue equity-classified share-based awards and elect the practical expedient.

Effective Dates

The practical expedient in ASU 2021-07 is effective prospectively for all qualifying awards granted or modified during fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application, including application in an interim period, is permitted for financial statements that have not yet been issued or made available for issuance as of October 25, 2021.

FASB Improves Discount Rate Guidance for Lessees That Are Not Public Business Entities

In November, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*, that improves discount rate guidance for lessees that are not public business entities—including private companies, not-for-profit organizations, and employee benefit plans. The amendments in the ASU should reduce the cost of implementing the lease 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 the cost and complexity of having to calculate an incremental borrowing rate.

Some private company stakeholders expressed reluctance to use the risk-free rate election for all leases. Those stakeholders noted that 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.

FASB Update, *continued*

To address these concerns, the amendments in this ASU 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 requires that, when the rate implicit in the lease is readily determinable for any individual lease, a lessee 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.

Effective Dates

The effective date for ASU 2021-09 is different for entities that had not yet adopted ASC 842 as of November 11, 2021, and those that had. ASC 842 becomes effective for private companies and not-for-profit organizations that are not conduit bond obligors for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Because earlier application is permitted (and ASC 842 is already effective for certain not-for-profit organizations that are conduit bond obligors), some private companies and not-for-profit organizations have already adopted ASC 842.

Entities that had not yet adopted ASC 842 as of November 11, 2021, are required to adopt the amendments in this ASC at the same time that they adopt ASC 842. Those entities should apply the existing transition provisions in ASC 842-10-65-1. Those provisions require that an entity use either of the following transition methods: (1) apply the guidance to existing leases retrospectively with the cumulative-effect adjustment from transition recognized at the beginning of the earliest period presented or (2) apply the guidance to existing leases on a modified retrospective basis with the cumulative-effect adjustment from transition recognized in the opening balance of retained earnings at the beginning of the period of adoption.

For entities that had adopted ASC 842 as of November 11, 2021, the amendments in this ASU are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Earlier application is permitted. Entities are required to apply the amendments on a modified retrospective basis to leases that exist at the beginning of the fiscal year of adoption. The adoption of the amendments should not be considered an event that would cause remeasurement and reallocation of the consideration in the contract (including lease payments) or reassessment of lease term or classification.

FASB Issues Guidance on Accounting for Revenue Contracts Acquired in a Business Combination

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, that requires companies to apply ASC 606 to recognize and measure contract assets and contract liabilities from contracts with customers acquired in a business combination. This guidance creates an exception to the general recognition and measurement principle in ASC 805. According to the FASB, this update is intended "to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the following: 1) Recognition of an acquired contract liability and 2) Payment terms and their effect on subsequent revenue recognized by the acquirer."

As a result of the amendments made by the ASU, companies will generally recognize contract assets and contract liabilities at amounts consistent with those recorded by the acquiree immediately before acquisition date. ASU 2021-08 notes that the amendments "do not affect the accounting for other assets or liabilities that may arise from revenue contracts with customers in accordance with Topic 606, such as refund liabilities, or in a business combination, such as customer-related intangible assets and contract-based intangible assets."

Effective Dates

For public business entities, the guidance is effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. For all other entities, it is effective for fiscal years beginning after December 15, 2023 and interim periods within those fiscal years. Early adoption is permitted.

FASB Update, *continued*

FASB Improves Transparency around Government Grants

In November, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance,* which is expected to increase transparency in financial reporting by requiring business entities to disclose, in notes to their financial statements, information about certain types of government assistance they receive. Examples of such government assistance include cash grants and grants of other assets.

The amendments in ASU 2021-10 require the following annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance such as a grant model within ASC 958, *Not-for-Profit Entities*, or International Accounting Standards (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*:

- Information about the nature of the transactions and the related accounting policy used to account for the transactions
- The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item
- Significant terms and conditions of the transactions, including commitments and contingencies.

Effective Dates

The amendments in ASU 2021-10 are effective for all entities within their scope, which excludes not-for-profit entities and employee benefit plans, for financial statements issued for annual periods beginning after December 15, 2021. Early application is permitted.

Regulatory Update

New SEC Staff Accounting Bulletin Covers Spring-Loaded Awards

The staff of the Securities and Exchange Commission (SEC) has issued interpretive guidance to help companies properly calculate and disclose compensation cost for "spring-loaded awards" given to executives. A spring-loaded award is when a company grants stock options shortly before announcing market-moving information such as better-than-expected financial results or a significant transaction.

SEC staff believes that as companies measure compensation actually paid to executives, they must consider the impact that the material nonpublic information will have upon release. In other words, companies should not grant spring-loaded awards believing that they do not have to reflect any of the additional value conveyed to the recipients from the anticipated announcement of material information when recognizing compensation cost for the awards.

The guidance, Staff Accounting Bulletin (SAB) 120, provides the staff views related to the fair value estimates of share-based payment transactions in ASC 718, *Compensation—Stock Compensation*, when a company has material non-public information. SAB 120 was prepared by the SEC's Office of the Chief Accountant (OCA) and the Division of Corporation Finance (CorpFin). It was issued on November 24 and becomes effective upon publication in the Federal Register.

SAB 120 modifies portions of the interpretive guidance in SAB Series to better conform with ASC 718 because the FASB has updated standards related to share-based payment, including:

- 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*
- ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*
- ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*

SAB 120 provides explanations with illustrations of certain facts and circumstances. It is in a question and interpretive answer format.

Cybersecurity Disclosures Proposed as Part of Defense Bill

Senator Jack Reed proposed an amendment to a defense authorization bill that mirrors the text of his *Cybersecurity Disclosure Act*. The measure directs the SEC to issue rules requiring public companies to disclose the cybersecurity expertise on their boards of directors.

The proposed amendment to the Fiscal 2022 National Defense Authorization Act (NDAA) comes as lawmakers and regulators are paying increasing attention to the information public companies disclose to their investors on cyber issues, especially breaches that compromise customer data. SEC Chair, Gary Gensler, has placed the issue among his rulemaking priorities.

Democratic lawmakers for years sought to advance the measure both as standalone bills and as part of broader legislative packages. In June, the House passed a broad environmental, social, and governance (ESG) disclosure package that included the language. That bill, H.R. 1187, the *Corporate Governance Improvement and Investor Protection Act*, has made no progress in the Senate. Attaching the measure to must-pass legislation such as the NDAA gives Reed's bill far brighter prospects.

Regulatory Update, *continued*

The NDAA amendment would amend the Securities Exchange Act of 1934 giving the SEC about a year to finalize rules requiring companies to disclose, in annual or proxy filings, whether any member of its governing body—such as the board or general partner—possesses cyber expertise or experience, along with an accompanying description. Companies that lack that board expertise or experience would be required to explain what other aspects of the reporting company's cybersecurity were taken into account by any person, such as an official serving on a nominating committee, that is responsible for identifying and evaluating nominees for membership to the governing body, according to the amendment text.

The amendment directs the commission, consulting with the National Institute of Standards and Technology (NIST), to define what constitutes expertise or experience.

SEC Sees Growth in Whistleblower Awards and Penalties

The SEC paid out a record $564 million in whistleblower awards in fiscal year 2021 to 108 individuals, while seeing growth in both new enforcement actions and penalties, according to enforcement statistics released in November. The commission also touted enforcement actions against "emerging threats" in cryptocurrency and Special Purpose Acquisition Companies (SPACs), among other areas.

The SEC's Dodd-Frank whistleblower program established a bounty for whistleblowers who provide information that leads to SEC enforcement actions where monetary penalties top $1 million. Awards run between 10 and 30% of those monetary sanctions, depending on several factors such as the significance of the information provided and the interest of the commission in deterring other securities law violations.

In this past fiscal year, which ended on September 30, the SEC surpassed $1 billion in total awards given out since the program's inception in 2012, a figure partly driven by large payouts, such as the record $114 million award announced in October 2020.

The growth in the program comes as the SEC prepares to walk back rules issued last year under former Chairman Jay Clayton in Release No. 34-89963, *Whistleblower Program Rules*, which critics had attacked as an attempt to reduce large awards. The SEC and a former enforcement official suing the commission have agreed to a stay in the lawsuit as current SEC Chair, Gary Gensler, moves to undo his predecessor's changes.

The SEC said it filed 697 enforcement actions during the fiscal year. Of those, 434 were new, up 7% over the prior year period. The remainder were either so-called follow-on administrative actions (143) in which the commission sought civil injunctions, bars, or other orders, or actions related to delinquent filings (120).

The SEC said it secured orders and judgments for some $1.4 billion in penalties, an increase of 33% over the prior fiscal year. The commission, in announcing the results, detailed enforcement actions across auditors, attorneys, public companies and their executives, fund managers, investments advisers, broker dealers, and others for a range of violations.

SEC Proposed Rulemaking on Climate Change Disclosure Will Build on TCFD Recommendations

The SEC's proposal on climate change disclosure rules will build upon the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD), according to SEC Chair, Gary Gensler. The commission staff has two work-streams on disclosure rules related to climate change. One is for public operating companies and the other is for funds.

Regulatory Update, *continued*

The TCFD, which investment management company BlackRock has urged public companies to use in providing voluntary sustainability information, is an industry-led task force set up by the Financial Stability Board (FSB) in 2015. The board said at the time that global warming poses serious risks to the global economy and will affect many economic sectors. In June 2017, the task force issued a set of recommendations to help companies disclose the potential financial effects of climate change. The FSB is a global body of financial regulators, central bankers, and finance ministries, and its U.S. members include the SEC, the Federal Reserve, and the Treasury Department.

The other work-stream involves funds that market themselves as carbon neutral or environmental, social, and governance (ESG) funds. These could be exclusionary funds, which means that they exclude some things in their investments. Conversely, they could be inclusionary funds, which mean that they include certain types of funds, like impact funds or integration funds.

The TCFD Recommendations, a 74-page report issued in 2017, contains four recommendations tied to governance, strategy, risk management, and metrics and targets. For governance, the report recommends that companies disclose their assessments and management of climate risks. Companies should also provide a description of the board of director's oversight on climate issues. On strategy, companies should describe climate matters they have identified over the short, medium, and long term and describe climate change's impact on their businesses, strategy, and financial planning. The task force also recommends that companies describe the resilience of their strategy, taking into consideration different scenarios, including a temperature increase of 2 degrees Celsius or lower. The report noted that it is widely recognized that global warming above 2 degrees Celsius, relative to the pre-industrial period, could lead to an unprecedented economic catastrophe. For risk management, companies should describe their processes for identifying, assessing, and managing climate risks. Companies should also describe how this fits into their overall risk management. The report also recommended that companies disclose the metrics they use to assess climate risks as part of their risk management. They should also disclose greenhouse gas emissions and related risks. Companies should describe the targets they use to manage climate risks and their performance against the targets.

PCAOB Issues Staff Guidance on Evaluating Relevance and Reliability of Audit Evidence Obtained from External Sources

On October 7, 2021, the Public Company Accounting Oversight Board (PCAOB) released staff guidance on considerations regarding the relevance and reliability of information from external sources that the auditor plans to use as audit evidence. The guidance also addresses the relationship between the quality and quantity of audit evidence. This guidance comes as there have been advances in technology, which auditors increasingly use, and the expanded use of external data as audit evidence. "To be appropriate, audit evidence must be both relevant and reliable in providing support for the auditor's conclusions," the guide states. "The concepts of sufficiency and appropriateness of audit evidence are interrelated – the quantity of audit evidence needed is affected by both the risk of material misstatement (in the audit of financial statements) or the risk associated with the control (in the audit of internal control over financial reporting) and the quality of the evidence (i.e., its relevance and reliability)."

PCAOB Issues Report Highlighting 2020 Inspection Observations

In October 2021, the PCAOB issued a publication, "Spotlight: Staff Update and Preview of 2020 Inspection Observations" which provides a summary of common audit deficiencies identified by the PCAOB during the 2020 inspections of audits of issuers. Information from this report may be beneficial for audit committees when engaging with their auditors. Areas of common deficiencies noted in the report include internal control over financial reporting (ICFR); revenue and related accounts; accounting estimates; inventory; critical audit matters (CAMs); and independence. While there were noted improvements in auditing accounting estimates, the publication emphasized a continued number of deficiencies in auditing the allowance for loan losses.

Regulatory Update, *continued*

Agencies Approve Final Rule Requiring Computer-Security Incident Notification

Federal bank regulatory agencies have issued a joint final rule to establish computer-security incident notification requirements for banking organizations and their bank service providers. The rule requires a banking organization to notify its primary federal regulator of any significant computer-security incident as soon as possible and no later than 36 hours after the banking organization determines that a cyber incident has occurred. In addition, the final rule requires a bank service provider to notify affected banking organization customers as soon as possible when the provider determines that it has experienced a computer-security incident that has materially affected or is reasonably likely to materially affect banking organization customers for four or more hours. The rule defines computer-security incident as an occurrence that results in actual harm to the confidentiality, integrity, or availability of an information system or the information that the system processes, stores, or transmits. The final rule takes effect on April 1, 2022, with full compliance extended to May 1, 2022

Final Rulemaking to Amend the Real Estate Lending Standards

On October 21, 2021, the FDIC Board of Directors adopted a final rule to amend the Interagency Guidelines for Real Estate Lending Policies to incorporate consideration of the capital framework established in the community bank leverage ratio (CBLR) rule into the method for calculating the ratio of loans in excess of the supervisory loan-to-value limits (LTV limits). The amendment provides a consistent approach for calculating the ratio of loans in excess of the supervisory LTV limits at all FDIC-supervised institutions without requiring the computation of total capital. he final rule was adopted without any changes from the notice of proposed rulemaking published on June 25, 2021. The final rule will be effective 30 days after publication in the *Federal Register.*

Joint Statement on Managing the LIBOR Transition

In October 2021, five federal financial institution regulatory agencies, in conjunction with the state bank and state credit union regulators, jointly issued a statement to emphasize the expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR. Additionally, the statement included clarification regarding new LIBOR contracts, considerations when assessing appropriateness of alternative reference rates, and expectations for fallback language. Failure to adequately prepare for LIBOR’s discontinuance could undermine financial stability and institutions’ safety and soundness and create litigation, operational, and consumer protection risks.

Given LIBOR’s discontinuance, the agencies believe that entering into new contracts, including derivatives, that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks, including litigation, operational, and consumer protection risks. For this purpose, a new contract would include an agreement that (i) creates additional LIBOR exposure for a supervised institution or (ii) extends the term of an existing LIBOR contract. A draw on an existing agreement that is legally enforceable (e.g., a committed credit facility) would not be viewed as a new contract. Additionally, considering the narrowing timeline involved, contracts entered into on or before December 31, 2021, should either use a reference rate other than LIBOR or have fallback language that provides for use of a strong and clearly defined alternative reference rate after LIBOR's discontinuation.

Safe-and-sound practices include conducting the due diligence necessary to ensure that alternative rate selections are appropriate for the supervised institution’s products, risk profile, risk management capabilities, customer and funding needs, and operational capabilities. As part of their due diligence, supervised institutions should understand how their chosen reference rate is constructed and be aware of any fragilities associated with that rate and the markets that underlie it.

Supervised institutions are advised to identify all contracts that reference LIBOR, lack adequate fallback language, and will mature after the relevant tenor ceases. Going forward, supervised institutions are encouraged to include fallback language in new or updated contracts that provides for using a strong and clearly defined fallback rate when the initial reference rate is discontinued.

Regulatory Update, *continued*

OCC Releases Bank Supervision Operating Plan for Fiscal Year 2022

On October 15, 2021, the OCC released its bank supervision operating plan for fiscal year 2022. The plan provides banks with great insight as to what the OCC plans to focus on over the next year (October 1, 2021 through September 30, 2022). This is a great starting point for banks to use in their own risk assessments to prioritize risk management work.

The following focus areas are outlined in the plan: (i) strategic and operational planning; (ii) credit risk management, including allowances for loan and lease losses and credit losses; (iii) cybersecurity and operational resiliency; (iv) third-party oversight; (v) Bank Secrecy Act/anti-money laundering compliance; (vi) consumer compliance management systems and fair lending risk assessments; (vii) Community Reinvestment Act performance; (viii) LIBOR phase-out preparations; (ix) payment systems products and services; (x) fintech partnerships involving potential cryptocurrency-related activities and other services; and (xi) climate-change risk management.

OCC Releases Semiannual Risk Perspective for Fall 2021

In its Semiannual Risk Perspective for Fall 2021, the OCC highlighted operational, credit, compliance, and strategic risks, among the key risk themes in the report. Operational risk is elevated as banks respond to an evolving and increasingly complex operating environment and cyber risks. Credit risk is moderate as widespread government programs and appropriate risk management limited the potential credit impact, though some areas warrant continued attention. Compliance risk is heightened, driven by regulatory changes and policy initiatives that continue to challenge risk management. Strategic actions taken by banks to offset earnings impacts of low yields and NIM compression remain a risk. The OCC noted banks are weathering the COVID-19 crisis with resilience and satisfactory credit quality and strong earnings, but weak loan demand and low net interest margins (NIM) continue to weigh on performance.

Joint Statement on Crypto-Asset Policy Sprint Initiative and Next Steps

In November 2021, federal bank regulatory agencies issued a joint statement to summarize the work undertaken during the interagency policy sprints focused on crypto-assets, and to provide a roadmap of future planned work. The agencies recognize that the emerging crypto-asset sector presents potential opportunities and risks for banking organizations, their customers, and the overall financial system. The statement describes the focus of the preliminary work conducted through the sprints undertaken by the agencies. It summarizes the agencies' plan to provide greater clarity throughout 2022 on whether certain crypto-related activities conducted by banking organizations are legally permissible, and related expectations for safety and soundness, consumer protection, and compliance with existing law and regulations.

OCC Issues Interpretive Letter Clarifying Authority of a Bank to Engage in Cryptocurrency Activity

On November 18, 2021, the Chief Counsel of the OCC issued a fourth interpretive letter to address ambiguity in the previous three letters concerning a bank's the authority to engage in certain cryptocurrency activities and the authority of the OCC to charter a national trust bank. In this letter, the OCC said banks should seek permission before offering any services in crypto. The letter said "The bank should not engage in the activities until it receives written notification of the supervisory office's non-objection. In deciding whether to grant supervisory non-objection, the supervisory office will evaluate the adequacy of the bank's risk management systems and controls, and risk measurement systems, to enable the bank to engage in the proposed activities in a safe and sound manner."

The letter provides a roadmap for banks to engage with their regulators to provide written notification of their proposed activities and outlines the criteria that the OCC will follow to evaluate the proposed activity and provide a supervisory non-objection. If the bank receives a supervisory non-objection, the OCC will review these activities as part of its ordinary supervisory processes.

Regulatory Update, *continued*

President's Working Group on Financial Markets Releases Report and Recommendations on Stablecoins

On November 1, 2021, the President's Working Group on Financial Markets (PWG), along with the FDIC and OCC, released a Report on Stablecoins. Stablecoins are digital assets that are designed to maintain a stable value relative to a national currency or other reference assets. Stablecoins, unlike Bitcoin, are backed by assets like gold or fiat currency. Stablecoins aim to eliminate the hesitation many consumers have about mainstream cryptocurrencies, namely their unpredictable volatility. The Report on Stablecoins calls for Congress to enact sweeping new laws to regulate stablecoin issuers, wallet providers, and related entities, designed to address risks presented by stablecoins. The report makes several recommendations, including (i) requiring a regulatory framework for stablecoins that is backed by the FDIC; (ii) subjecting stablecoin wallet providers to proper federal oversight and appropriate risk-management standards; and (iii) requiring compliance with activity restrictions that limit affiliation with commercial entities and limits on use of users' transaction data.

SEC Issues Staff Statement on LIBOR Transition

On December 7, 2021, the SEC issued a statement to remind market participants about key considerations related to the transition. The staff statement reminded investment professionals of their obligations when recommending LIBOR-linked securities and related investment products and strategies, including interest rate swaps, municipal securities and securitizations. In addition, the statement includes a section devoted to disclosure requirements of public companies and asset-backed securities issuers. The statement highlights the importance of keeping "investors informed about their progress toward LIBOR risk identification and mitigation, and the anticipated impact on the company, if material." The SEC encourages companies to provide qualitative and quantitative disclosures, such as the notional value of contracts referencing LIBOR and extending past December 31, 2021 or June 30, 2023, as applicable, to provide context for the status of the company's transition efforts and the related risks. The SEC expects the disclosures to evolve over time as companies continue to provide updates to the transition.

On the Horizon

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

FASB Proposed Guidance on TDRs and Vintage Disclosures

On Nov. 23, 2021, the FASB issued a proposed Accounting Standards Update (ASU), *Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures,* to eliminate the recognition and measurement guidance on troubled debt restructurings for creditors that have adopted ASU 2016-13 and enhancing disclosures about loan modifications for borrowers experiencing financial difficulty. In addition to the TDR changes, the board proposed to clarify provisions related to vintage disclosures – the presentation of financing receivable information by year of origination in note disclosures. Companies should disclose current period gross write-offs by year of origination for financing receivables and net investment in leases that fall within the scope of the CECL guidance, the proposal says. Comments were due by December 23, 2021.

Improvements to Fair Value Guidance for Equity Securities

In September, the FASB issued a proposal that would improve financial reporting for investors and other financial statement users by increasing comparability of financial information across reporting entities that have investments in equity securities measured at fair value that are subject to contractual restrictions preventing the sale of those securities.

ASC 820, *Fair Value Measurement*, states that when measuring the fair value of an asset or a liability, a reporting entity should consider the characteristics of the asset or liability, including restrictions on the sale of the asset or liability, if a market participant also would take those characteristics into account. Key to that determination is the unit of account for the asset or liability being measured at fair value.

Some stakeholders noted that ASC 820 contains conflicting guidance on what the unit of account is when measuring the fair value of an equity security. This has resulted in diversity in practice on whether the effects of a contractual restriction that prohibits the sale of an equity security should be considered in measuring that equity security's fair value.

To address this, the amendments in the proposed ASU would clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value.

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.

On the Horizon, *continued*

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.

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.

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 the Horizon, *continued*

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

EITF Agenda Items

The Emerging Issues Task Force met on November 11, 2021, and deliberated the following topic:

- Issue 21-A, "Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method" – Through the LIHTC program established by the federal government, tax credits are awarded to developers of low-income housing. These developers often monetize the value of tax credits with investors. For the investor to receive these tax credits, a limited liability entity is typically established in which the developer acts as the general partner and the investor acts as the limited partner. In January 2014, the FASB issued ASU 2014-011 (codified in ASC 323-7402), which allows investors to use the proportional amortization method to account for LIHTC investments if the criteria in ASC 323-740-25-1 are met. ASC 323-740-35-2 states that, "[u]nder the proportional amortization method, the investor amortizes the initial cost of the investment in proportion to the tax credits" received through the LIHTC investment. Further, the investor recognizes the amortization and the tax credits on a net basis in its income statement as a component of income tax expense from continuing operations. If the criteria in ASC 323-740-25-1 are not met, the investor typically uses the equity method to account for its investment. Since the issuance of ASU 2014-01, stakeholders have continued to support expanding the proportional amortization method to investments in tax credit programs other than LIHTC investments. At its September 22, 2021, meeting, the FASB decided to add a project on this topic to the EITF's technical agenda. Accordingly, if the EITF reaches a consensus that such an expansion is appropriate, it will evaluate whether narrow clarifications should be made to the current criteria in ASC 323-740-25-1 to permit entities to use the proportional amortization method to account for investments in tax credit programs other than LIHTC investments.

  At this meeting, the FASB staff held an educational session on this Issue. During the meeting, the FASB staff gathered initial feedback from the Task Force on any technical topics on which additional research is needed as well as on any additional stakeholder outreach that the staff should perform. In addition, the Task Force discussed several tax credit structures, including the New Market Tax Credit Program, the Historic Rehabilitation Tax Credit Program, and the Renewal Energy Tax Credit (RETC) Program. The Task Force provided the FASB staff with substantial feedback on the RETC Program because of the timing, amount, and potential variability of the cash flows received by the investor from this tax credit structure.

PCC Activities

The Private Company Council (PCC) met on Thursday, December 16 and Friday, December 17, 2021. Below is a brief summary of topics addressed by the PCC at the meeting:

- **FASB Agenda Consultation:** The PCC and the Small Business Advisory Committee (SBAC) discussed stakeholder feedback received on the June 2021 FASB Invitation to Comment, Agenda Consultation. PCC and SBAC members encouraged the Board to balance the perspectives of both investors and preparers when contemplating guidance on the disaggregation of financial performance information. Members also advised the Board to narrowly define the scope of projects related to environmental, social, and governance (ESG) issues that are within the FASB's purview. Board members agreed and the FASB chair noted that the current ESG-related research project has a narrow scope. Members also provided the Board with feedback on other discussion topics, including financial key performance indicators, presentation of the statement of cash flows, accounting for certain emerging transactions such as digital assets and software costs, and the reduction of unnecessary complexity in certain areas such as accounting for consolidation, debt modifications, and distinguishing liabilities from equity.

On the Horizon, *continued*

- **Leases (Topic 842)**: The PCC and the SBAC discussed implementation experiences of Topic 842, including systems and accounting resources, utilization of FASB educational materials, population of leases, and strategies for educating financial statement users. PCC and SBAC members who have experience implementing Topic 842 discussed best practices such as proactively starting the implementation process to facilitate the transition and the importance of establishing communication between operational teams within an organization. Members also discussed considerations for a range of lease portfolio sizes when implementing Topic 842 and accounting challenges such as embedded leases, determining the incremental borrowing rate, and system challenges including considerable time needed to integrate the software and a lack of accessibility to software vendors.

- **Identifiable Intangible Assets and Subsequent Accounting for Goodwill**: PCC and SBAC members discussed the Board's leanings and tentative decisions to date and potential changes to the goodwill impairment model. Specific discussion topics included the level at which the impairment test is performed, timing of the goodwill impairment test, and user feedback on the impairment and amortization model. Members clarified the tentative Board decision on the goodwill amortization period and its interaction with the current private company accounting alternative to amortize goodwill using a 10-year amortization period. Some user members commented that although the subsequent accounting for goodwill is a lower priority than some other areas (for example, disaggregation of financial performance information), the potential changes would provide consistency and comparability among entities.

- **FASB Agenda Consultation Research Project:** FASB staff updated the PCC on private-company-specific feedback received in response to the June 2021 FASB Invitation to Comment, Agenda Consultation, which had a comment deadline of September 22, 2021. PCC members discussed specific topics, including disaggregation of financial reporting information, presentation of the statement of cash flows, reduction of unnecessary complexity in certain areas of GAAP, such as debt modifications, distinguishing liabilities from equity, and consolidation, and accounting for certain emerging transactions, such as environmental, social, and governance related transactions, digital assets, intangibles, software costs, and financial key performance indicators. Throughout the various topical discussions, PCC members encouraged the Board to continue to simplify language in the Financial Accounting Standards Codification® and continue to consider the Private Company Decision-Making Framework and attributes specific to private companies when considering potential changes to the FASB's technical agenda.

- **Share-Based Payment Disclosures**: The PCC discussed the disclosures required by Topic 718, Compensation—Stock Compensation. PCC members shared their views on areas of potential private company relief from the stock compensation disclosure requirements and the decision-usefulness of the required disclosures for private company financial statement users. The PCC Chair noted that the PCC will consider its discussion and determine whether it wants to move forward on further evaluating stock compensation disclosures, including conducting user outreach.

- **Joint Venture Formations**: FASB staff updated the PCC on recent project activity including the measurement and recognition alternatives considered by the Board to account for joint venture formations in their separate financial statements. FASB staff summarized significant tentative Board decisions, including that a joint venture would adopt a new basis of accounting upon formation, which would generally result in the joint venture recognizing and initially measuring its assets and liabilities at fair value. FASB staff also provided details on the application of a new basis of accounting by a newly formed joint venture and noted that the next steps of the project include distributing a draft of a proposed Accounting Standards Update for external review, summarizing external review comments, addressing remaining sweep issues, and asking the Board for permission to ballot a proposed Update. A PCC member indicated support for the Board's tentative decisions.

On the Horizon, *continued*

- **Leases:** FASB staff updated the PCC on a recent Board decision related to the private company effective date of *Topic 842, Leases*. Since issuing Accounting Standards Update No. 2016-02, Leases (Topic 842), in February 2016, the FASB has issued two effective date deferrals for certain entities: one in June 2020 and one in November 2019. In November 2021, the Board decided not to provide a third effective date deferral of Topic 842 for entities within the scope of paragraph 842-10-65-1(b) (generally private companies and certain not-for-profit organizations). FASB staff also reminded stakeholders that the staff is available for implementation questions through the technical inquiry system on the FASB website. PCC members encouraged private companies to begin their leases implementation and suggested that the FASB hold a webcast in 2022 focused on leases implementation targeted to private companies.

- **Current Issues in Financial Reporting**: The PCC Chair noted that while no new financial reporting issues are currently being raised by PCC members resulting from the current business environment under the COVID-19 pandemic, stakeholders are encouraged to communicate new issues to the PCC.

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 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance	All entities except for not-for-profit entities and employee benefit plans	The amendments are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted.
ASU 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities	Lessees that are private companies or not-for-profit entities	Entities that have not yet adopted ASC 842 as of November 11, 2021, are required to adopt the amendments at the same time that they adopt ASC 842. For entities that have adopted ASC 842 as of November 11, 2021, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Earlier application is permitted.
ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers	All entities that enter into a business combination	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2022, 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. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period.
ASU 2021-07, Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards (a consensus of the Private Company Council)	Private companies and not-for-profit entities that elect the accounting alternative	Effective prospectively for all qualifying awards granted or modified during fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application, including application in an interim period, is permitted for financial statements that have not yet been issued or made available for issuance as of October 25, 2021.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2021-06, Presentation of Financial Statements (Topic 205), Financial Services—Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946): Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants (SEC Update)	Financial institutions that are SEC filers	Effective upon issuance.
ASU 2021-05, Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments	Lessor entities	The amendments are effective for fiscal years beginning after December 15, 2021, for all entities, and interim periods within those fiscal years for public business entities and interim periods within fiscal years beginning after December 15, 2022, for all other entities.
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.

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 2020-06, 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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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.
ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)	All entities	For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted, including early adoption in an interim period, (1) for public business entities for periods for which financial statements have not yet been issued and (2) for all other entities for periods for which financial statements have not yet been made available for issuance.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	Entities within the scope of ASC 740	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted.
ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses	All entities	For entities that have not yet adopted the amendments in ASU 2016-13 as of the issuance date of this ASU, the effective dates and transition requirements for the amendments are the same as the effective dates and transition requirements in ASU 2016-13. For entities that have adopted the amendments in ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this ASU as long as an entity has adopted the amendments in ASU 2016-13.
ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates	All entities	The amendments in this ASU delay the effective dates of ASU 2016-13, ASU 2017-12, and ASU 2016-02, and ASU 2017-04.
ASU 2019-09, Financial Services—Insurance (Topic 944): Effective Date	Insurance entities	The amendments in this ASU defer the effective date of the amendments in ASU 2018-12 for all entities.
ASU 2019-08, Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Codification Improvements—Share-Based Consideration Payable to a Customer	All entities that issue share-based payments to customers	For entities that have not yet adopted the amendments in ASU 2018-07, the amendments in this ASU are effective for (1) public business entities in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and (2) other than public business entities in fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. For entities that have adopted the amendments in ASU 2018-07, the amendments in this ASU are effective in fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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 2019-01, 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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses	All entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income	The effective date and transition requirements are the same as the effective dates and transition requirements in ASU 2016-13, as amended by this ASU.
ASU 2018-18, Clarifying the Interaction between Topic 808 and Topic 606	All entities	Effective for public companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other organizations, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.
ASU 2018-17, Targeted Improvements to Related Party Guidance for Variable Interest Entities	All entities	Effective for organizations other than private companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this ASU are effective for a private company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.
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 2018-12, 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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-11, Leases (Topic 842)—Targeted Improvements	All entities	The amendments related to separating components of a contract affect the amendments in ASU 2016-02, which are not yet effective but can be early-adopted. For entities that have not adopted ASC 842 before the issuance of this ASU, the effective date and transition requirements for the amendments in this ASU related to separating components of a contract are the same as the effective date and transition requirements in ASU 2016-02. For entities that have adopted ASC 842, the effective date and transition of the amendments related to separating components of a contract are as follows: • The practical expedient may be elected either in the first reporting period following the issuance of this ASU or at the original effective date of ASC 842 for that entity. • The practical expedient may be applied either retrospectively or prospectively. All entities, including early adopters that elect the practical expedient related to separating components of a contract in this ASU must apply the expedient, by class of underlying asset, to all existing lease transactions that qualify for the expedient at the date elected.
ASU 2018-10, Codification Improvements to Topic 842, Leases	All entities	For entities that early-adopted ASC 842, the amendments are effective upon issuance, and the transition requirements are the same as those in ASC 842. For entities that have not adopted ASC 842, the effective date and transition requirements will be the same as the effective date and transition requirements in ASC 842.
ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities	Entities that elect to apply hedge accounting	Effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods therein. Effective for all other entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities are permitted to early adopt the new guidance in any interim or annual period after issuance of the ASU.

Appendix A

Important Implementation Dates, *continued*

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

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2016-02, Leases	All lessee and lessor entities.	For public business entities, NFPs that have issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an OTC market, or an employee benefit plan that files financial statements with the SEC, the amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments is permitted for all entities.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements

For the Quarter Ended December 31, 2021

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

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

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

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for *[fiscal years beginning after December 15, 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended December 31, 2021

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 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended December 31, 2021

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.

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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended December 31, 2021

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 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.

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended December 31, 2021

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 2019-04 — 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended December 31, 2021

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

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

ASU 2019-10 — Applicable to all entities:

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

ASU 2019-11 — Applicable to all entities:

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

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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended December 31, 2021

ASU 2020-01 — Applicable to all entities:

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

ASU 2020-03 — 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended December 31, 2021

ASU 2020-06 — Applicable to all entities:

In August 2020, the FASB issued guidance to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The amendments are effective for *[fiscal years beginning after December 15, 2021, including interim periods within those fiscal years – public business entities that meet the definition of a SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC] [fiscal years beginning after December 15, 2023, including interim periods within those fiscal years – all other entities]*. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-08 — Applicable to all entities:

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

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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended December 31, 2021

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 2021-03 — 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.

ASU 2021-05 — Applicable to lessor entities

In July 2021, the FASB issued amendments to require lessors to classify and account for a lease with variable payments as an operating lease if (a) the lease would have been classified as a sales-type lease or a direct financing lease and (b) the lessor would have otherwise recognized a day-one loss. The amendments are effective for *[fiscal years beginning after December 15, 2021 – all entities] [interim periods within fiscal years beginning after December 15, 2021 – public business entities] [interim periods within fiscal years beginning after December 15, 2022 – all other entities]*. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2021-06 — Applicable to financial institutions that are SEC filers

In August 2021, the FASB issued amendments to update SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Release No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants. The amendments are effective upon issuance. The Company does not expect these amendments to have a material effect on its financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended December 31, 2021

ASU 2021-07 — Applicable to private companies and not-for-profit entities that elect the accounting alternative

In October 2021, the FASB issued guidance that provides the option to elect a practical expedient to determine the current price input of equity-classified share-based awards issued as compensation using the reasonable application of a reasonable valuation method. The practical expedient is effective prospectively for all qualifying awards granted or modified during 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 2021-08 — Applicable to all entities that enter into a business combination

In October 2021, the FASB amended the Business Combinations topic in the Accounting Standards Codification to require entities to apply guidance in the Revenue topic to recognize and measure contract assets and contract liabilities acquired in a business combination. The amendments are effective for *[fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. - public business entities]* *[fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. - all other entities]* The amendments are applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2021-09 — Applicable to lessees that are private companies or not-for-profit entities

In November 2021, the FASB amended the *Leases* topic in the Accounting Standards Codification to allow lessees that are not public business entities to make an accounting policy election to use a risk-free rate as the discount rate by class of underlying asset, rather than at the entity-wide level. The amendments are effective for 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 2021-10 — Applicable to all entities except for not-for-profit entities and employee benefit plans

In November 2021, the FASB added a topic to the Accounting Standards Codification, Government Assistance, to require certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2021. 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 December 31, 2021, the FASB had issued the following Accounting Standard Updates during the year.

- ***ASU 2021-10*** *– Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*
- ***ASU 2021-09*** *– Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*
- ***ASU 2021-08*** *– Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*
- ***ASU 2021-07*** *– Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards (a consensus of the Private Company Council)*
- ***ASU 2021-06*** *– Presentation of Financial Statements (Topic 205), Financial Services—Depository and Lending (Topic 942), and Financial Services—Investment Companies (Topic 946): Amendments to SEC Paragraphs Pursuant to SEC Final Rule Releases No. 33-10786, Amendments to Financial Disclosures about Acquired and Disposed Businesses, and No. 33-10835, Update of Statistical Disclosures for Bank and Savings and Loan Registrants (SEC Update)*
- ***ASU 2021-05*** *– Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*
- ***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*