ASSURANCE SERVICES
Quarterly Update

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

This quarterly update is organized as follows:

FASB Update

The following selected Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB) during the second quarter. A complete list of all ASUs issued or effective in 2022 is included in Appendix A.

FASB Improves and Expands Hedge Accounting

In March, the FASB issued ASU 2022-01, *Fair Value Hedging—Portfolio Layer Method*, which is intended to better align hedge accounting with an organization's risk management strategies. In 2017, the FASB issued ASU 2017-12, *Targeted Improvement to Accounting for Hedging Activities*, to better correlate the economic results of risk management activities with hedge accounting. ASU 2017-12 increased transparency around how the results of hedging activities are presented, both on the face of the financial statements and in the notes, for investors and analysts when hedge accounting is applied. One of the major provisions of ASU 2017-12 was the addition of the last-of-layer hedging method. For a closed portfolio of fixed-rate prepayable financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments, such as mortgages or mortgage-backed securities, the last-of-layer method allows an entity to hedge its exposure to fair value changes due to changes in interest rates for a portion of the portfolio that is not expected to be affected by prepayments, defaults, and other events affecting the timing and amount of cash flows.

Since issuing ASU 2017-12, 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. ASU 2022-01 expands the current single-layer method to allow multiple hedged layers of a single closed portfolio under the method. To reflect that expansion, the last-of-layer method is renamed the portfolio layer method.

Additionally, ASU 2022-01:

- Expands the scope of the portfolio layer method to include non-prepayable assets
- Specifies eligible hedging instruments in a single-layer hedge
- Provides additional guidance on the accounting for and disclosure of hedge basis adjustments under the portfolio layer method
- Specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio.

ASU 2022-01 applies to all entities that elect to apply the portfolio layer method of hedge accounting.

Effective Dates

For public business entities, ASU 2022-01 is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, ASU 2022-01 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted.

FASB Expands Disclosures and Improves Accounting Related to the Credit Losses Standard

In March, the FASB issued ASU 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*, which is intended to improve the decision usefulness of information provided to investors about certain loan refinancings, restructurings, and write-offs.

During the FASB's post-implementation review of ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, (the credit losses standard), including a May 2021 roundtable, investors and other stakeholders questioned the relevance of the troubled debt restructuring (TDR) designation and the decision usefulness of disclosures about those modifications. Some noted that measurement of expected losses under the current expected credit loss (CECL) model already incorporates losses realized from restructurings that are TDRs and that relevant information for investors would be better conveyed through enhanced disclosures about certain modifications. The amendments in ASU 2022-02 eliminate the accounting guidance for TDRs by creditors that have adopted the CECL model while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors made to borrowers experiencing financial difficulty.

The disclosure of gross write-off information by year of origination was cited by numerous investors as an essential input to their analysis. To address this feedback, the amendments ASU 2022-02 require that a public business entity disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases.

Effective Dates

For entities that have adopted the amendments in ASU 2016-13, the amendments in ASU 2022-02 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For entities that have not yet adopted the amendments in ASU 2016-13, the effective dates for the amendments in ASU 2022-02 are the same as the effective dates in ASU 2016-13.

The amendments in ASU 2022-02 should be applied prospectively, except as provided in the next sentence. For the transition method related to the recognition and measurement of TDRs, an entity has the option to apply a modified retrospective transition method, resulting in a cumulative-effect adjustment to retained earnings in the period of adoption.

Early adoption of the amendments in ASU 2022-02 is permitted if an entity has adopted the amendments in ASU 2016-13, including adoption in an interim period. If an entity elects to early adopt the amendments in ASU 2022-02 in an interim period, the guidance should be applied as of the beginning of the fiscal year that includes the interim period. An entity may elect to early adopt the amendments about TDRs and related disclosure enhancements separately from the amendments related to vintage disclosures.

Regulatory Update

SEC Proposes New SPAC Disclosures

In March, the Securities and Exchange Commission (SEC) proposed new rules and amendments to enhance disclosure and investor protection in initial public offerings by special purpose acquisition companies (SPACs) and in business combination transactions involving shell companies, such as SPACs, and private operating companies. The proposed new rules and amendments would require, among other things, additional disclosures about SPAC sponsors, conflicts of interest, and sources of dilution. They also would require additional disclosures regarding business combination transactions between SPACs and private operating companies, including disclosures relating to the fairness of these transactions. Further, the new rules would address issues relating to projections made by SPACs and their target companies, including the Private Securities Litigation Reform Act safe harbor for forward-looking statements and the use of projections in SEC filings and in business combination transactions. If adopted, the proposed rules would more closely align the required financial statements of private operating companies in transactions involving shell companies with those required in registration statements for an initial public offering. The proposal also includes a new rule addressing the status of SPACs under the Investment Company Act of 1940, which is designed to increase attention among SPACs about this important assessment. Under the proposed rule, SPACs that satisfy certain conditions that limit their duration, asset composition, business purpose, and activities would not be required to register under the Investment Company Act.

SEC Staff Guidance on Obligations to Safeguard Crypto Assets

In March, the staff of the SEC issued Staff Accounting Bulletin 121 (SAB 121) in an effort to enhance the information received by investors and other users of financial statements about the risks associated with safeguarding crypto assets. SAB 121 represents a significant change to companies that safeguard crypto assets. SAB 121 provides that a company that is responsible for safeguarding crypto assets held for its platform users should record a liability on its balance sheet for its obligation to do so, measured at fair value, and should record a corresponding asset, measured at fair value, at the same time as it records the liability. Currently, a company will generally not report the crypto assets of platform users on its balance sheet unless it has control over such assets. However, under SAB 121, the fair value of crypto assets will be recorded as a liability, along with a corresponding asset, even when a company has no control over such crypto assets. The interpretative guidance defines a crypto asset as a digital asset that is issued and/or transferred using a distributed ledger or blockchain technology using cryptographic techniques and applies whether a company safeguards crypto assets for platform users directly or by an agent acting on its behalf.

The guidance applies to companies that file reports pursuant to the Securities Exchange Act of 1934 (Exchange Act) and companies that have submitted or filed a registration statement under the Securities Act of 1933 (Securities Act) or the Exchange Act that is not yet effective. It also applies to certain other companies, including private operating companies that are going public through a business combination transaction with a SPAC and companies that are submitting or filing an offering statement under Regulation A. The staff expects companies that are current SEC filers to comply with SAB 121 no later than the first interim or annual period ending after June 15, 2022, with retrospective application as of the beginning of the fiscal year to which the interim and annual period is related. The staff expects all other companies, including companies conducting an initial registration of securities under the Securities Act or Exchange Act, companies conducting an offering of securities under Regulation A, and private operating companies entering into a business combination transaction with a SPAC, to apply the guidance beginning with their next submission or filing with the SEC, with retrospective application, at a minimum, as of the beginning of the most recent annual period ending before June 15, 2022, provided the filing also includes a subsequent interim period that also reflects application of this guidance. If the filing does not include a subsequent interim period that also reflects application of this guidance, then the staff expects it to be applied retrospectively to the beginning of the two most recent annual periods ending before June 15, 2022.

SEC Proposes Enhancing Disclosures by Certain Funds and Advisers on ESG Investment Practices

In May, the SEC proposed amendments to rules and reporting forms to promote consistent, comparable, and reliable information for investors concerning funds' and advisers' incorporation of environmental, social, and governance (ESG) factors. The proposed changes would apply to certain registered investment advisers, advisers exempt from registration, registered investment companies, and business development companies. The proposed amendments seek to categorize certain types of ESG strategies broadly and require funds and advisers to provide more specific disclosures in fund prospectuses, annual reports, and adviser brochures based on the ESG strategies they pursue. Funds focused on the consideration of environmental factors generally would be required to disclose the greenhouse gas emissions associated with their portfolio investments. Funds claiming to achieve a specific ESG impact would be required to describe the specific impact(s) they seek to achieve and summarize their progress on achieving those impacts. Funds that use proxy voting or other engagement with issuers as a significant means of implementing their ESG strategy would be required to disclose information regarding their voting of proxies on particular ESG-related voting matters and information concerning their ESG engagement meetings. Finally, to complement the proposed ESG disclosures in fund prospectuses, annual reports, and adviser brochures, the proposal would require certain ESG reporting on Forms N-CEN and ADV Part 1A, which are forms on which funds and advisers, respectively, report census-type data that inform the SEC's regulatory, enforcement, examination, disclosure review, and policymaking roles.

Other Developments

Basel Committee to Publish Final Principles for Managing Climate-Related Financial Risks

In May, the Basel Committee on Banking Supervision (BCBS) approved a final set of principles for management and supervision of climate-related financial risks. The BCBS, whose members are central banks from 28 jurisdictions including the U.S., first issued a consultation paper in November 2021 to solicit comment. Because climate change may create physical and transition risks that could affect the safety and soundness of individual banks and the broader financial system, BCBS in 2020 established a high-level task force on climate-related financial risks to contribute to the committee's mandate to strengthen regulation, supervision, and practices of banks around the world. The consultation paper laid out broad principles to manage climate-related financial risks.

Because some of the impacts can manifest over different time horizons and exacerbate over time, the BCBS urged banks to continuously develop their expertise commensurate with the risks they face and to make sure they allocate appropriate resources to manage the risks. The principles are on various categories for banks: corporate governance; internal control framework; capital and liquidity adequacy; risk management process; management monitoring and reporting; comprehensive management of credit risk; comprehensive management of market, liquidity, operational and other risks; and scenario analysis. There are also separate principles for bank supervisors. In the U.S., the Financial Stability Oversight Board (FSOC) also has a workstream related to climate change risks.

GASB Issues Omnibus Statement Addressing Wide Range of Practice Issues

In May, the Governmental Accounting Standards Board (GASB) issued guidance addressing various accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements or during the due process on other pronouncements. The issues covered by GASB Statement 99, *Omnibus 2022*, include:

- Accounting and financial reporting for exchange or exchange-like financial guarantees
- Certain derivative instruments that are neither hedging derivative instruments nor investment derivative instruments
- Clarification of certain provisions of:
    - Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*
    - Statement 87, *Leases*
    - Statement 94, *Public-Private and Public-Public Partnership* (PPP) *and Availability Payment Arrangements*
    - Statement 96, *Subscription-Based Information Technology Arrangements* (SBITAs)
- Replacing the original deadline for using the London Interbank Offered Rate (LIBOR) as a benchmark interest rate for hedges of interest rate risk of taxable debt, with a deadline of when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Updating certain terminology for consistency with existing authoritative standards

The requirements of Statement 99 that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement 34, and terminology updates are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged and is permitted by individual topic to the extent that all requirements associated with an individual topic are implemented simultaneously.

GASB Improves and Clarifies Standards for Accounting Changes and Error Corrections

In June, the GASB issued guidance designed to improve the accounting and financial reporting requirements for accounting changes and error corrections. GASB Statement 100, *Accounting Changes and Error Corrections*, provides more straightforward guidance designed to lead to information that is easier to understand and more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability.

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

Statement 100 defines the following categories:

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

Statement 100 prescribes accounting and financial reporting for (1) each category of accounting change and (2) error corrections. It requires that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.

The Statement also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information.

Statement 100 carries forward some of the requirements of Statement 62 but with clearer explanations. Regarding classification, a notable change relates to changes to or within the financial reporting entity, which previously did not encompass changes within the reporting entity, such as a change from discrete presentation of a component unit to blended presentation or vice versa. Regarding note disclosures, Statement 100 requires that governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

The requirements of Statement 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Provides Unified Accounting Model for Compensated Absences and Eases Disclosure Burden

In June, the GASB issued new guidance that enhances the recognition and measurement requirements for compensated absences and refines related disclosure requirements. GASB Statement 101, *Compensated Absences*, supersedes the guidance in GASB Statement 16, *Accounting for Compensated Absences*, which was issued in 1992.

State and local governments often provide paid leave benefits to their employees, such as vacation leave and sick leave. Some benefits have evolved since Statement 16, such as the use of a paid-time-off model that has characteristics of both vacation and sick leave. Statement 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. The new model will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments.

Statement 101 details the circumstances under which governments will be required to recognize a liability for compensated absences and provides guidance for measuring that liability. The general approach for measurement is to use an employee's pay rate as of the financial reporting date. Generally, a liability for leave that has not been used would be recognized if the leave:

- Is attributable to services already rendered
- Accumulates
- Is more likely than not to be used for time off or otherwise paid or settled

There are some exceptions—such as parental leave and military leave—for which a liability would not be recognized until the leave commences.

The guidance eliminates or makes optional certain existing disclosures that GASB research found did not provide essential information to financial statement users. The Statement provides an alternative to the existing requirement to disclose the gross annual increases and decreases in long-term liability for compensated absences, allowing governments to disclose only the net annual change in the liability as long as it is identified as such. The Statement also removed the disclosure of the government funds used to liquidate the liability for compensated absences.

The requirements of Statement 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Publishes Guidance for Reporting ESG Matters

In May, the GASB published a staff paper that explains the intersection of accounting rules with environmental, social, and governance (ESG) matters, including issues like pollution, workforce, and anti-bribery and anti-corruption. The paper provides an overview of ESG reporting, the broad intersection of ESG matters with accountability, and specific intersections of ESG matters with GASB standards. It also stipulates that state and local governments can utilize the guidance based on the accounting standards being applied and the nature and significance of the ESG matter.

To define ESG, three concepts are used to state that: (1) environmental matters relate to how nature impacts a government or how a government performs as a steward of nature; (2) social matters relate to how a government manages relationships with its employees, suppliers, resource providers (such as taxpayers and customers), and the community; and, (3) governance matters relate to the structure and processes associated with how a government is managed and controlled. Separate examples are provided for E, S, and G categories.

AICPA Endorses Bill Giving Tax Relief to Car Dealers Using LIFO

American Institute of CPAs (AICPA) in a letter to Congress stated that it supports a bill that would provide tax relief to car dealers who use the last-in first-out (LIFO) accounting method as they are struggling with inventory and supply chain disruptions, including microchip shortages, as a result of the COVID-19 pandemic. The LIFO method assumes that a seller purchased its goods at the price paid for the items that were most recently added to inventory. In an expanding economy or an inflationary environment, LIFO typically increases reported costs and lets companies report lower profits.

The automotive industry has been among those that were greatly impacted by the pandemic, and consumers have been feeling the pain with soaring car prices. The AICPA endorses the bipartisan Supply Chain Disruptions Relief Act, sponsored in the House by Representatives Dan Kildee, a Democrat from Michigan and Jodey Arrington, a Texas Republican. The AICPA said that it supports the bill because it would allow dealerships to choose to wait until as late as 2025 for their inventory to be replaced in order to determine the income attributable to the sale of inventory during 2020 or 2021. The bill was introduced on April 4, and it was referred to the House Committee on Ways and Means.

On the Horizon

The following selected FASB exposure drafts and projects are outstanding as of June 30, 2022.

Potential GAAP Guidance on Government Grants

In June 2022, the FASB published an Invitation to Comment (ITC), *Accounting for Government Grants by Business Entities: Potential Incorporation of IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, into Generally Accepted Accounting Principles*. The ITC gives stakeholders the opportunity to provide feedback on whether IAS 20 represents a workable solution for improving GAAP in the U.S. financial reporting environment for business entities as it relates to the accounting for government grants.

In 2021, the FASB issued the ITC, *Agenda Consultation*, which gave all stakeholders the opportunity to provide input on what the Board's future priorities should be. The 2021 ITC asked stakeholders to weigh in on a broad range of issues, including whether the FASB should pursue a project on the recognition and measurement of government grants—and, if so, whether it should leverage an existing grant or contribution model or develop a new accounting model. Approximately three-quarters of stakeholders who provided specific feedback on that question, including investors, practitioners, preparers, and state certified public accounting societies, preferred that the FASB leverage International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

In response to this feedback, the FASB added a project, *Accounting for Government Grants, Invitation to Comment*, to the research agenda. Published as part of that research project, the government grants ITC solicits additional feedback from stakeholders on relevant requirements in IAS 20 and includes specific questions for investors about the importance and utility of government grants information to their analysis of a company's financial performance.

Projects on Digital Assets, Environmental Credits, Consolidation, and KPIs

In May 2022, the FASB added a project to its technical agenda on the recognition, measurement, presentation and disclosure of environmental credits that are legally enforceable and tradeable, following a review of the staff's initial research on accounting for environmental credits, including feedback that there is diversity in practice in this area. The project will address the accounting by participants in compliance and voluntary programs, as well as by creators of environmental credits. The FASB also added a project to address the accounting for and disclosure of certain digital assets. Many stakeholders have suggested that any guidance issued on this topic should permit or require issuers to account for certain digital assets at fair value. In addition, the FASB added a project on consolidation for business entities to its research agenda after removing its project on consolidation reorganization and targeted improvements from the technical agenda. The new project will explore whether a single consolidation model could be developed for business entities. In response to feedback received on the FASB's ITC, *Agenda Consultation*, the FASB also added a project on financial key performance indicators to the research agenda to explore standardizing the definitions of financial key performance indicators.

Improvements to Disclosures about Supplier Finance Programs

In December 2021, the FASB issued a proposal intended to help investors and other allocators of capital better consider the effect of supplier finance programs on a buyer's working capital, liquidity, and cash flows. The proposed ASU would affect buyers that use supplier finance programs in connection with the purchase of goods and services. Supplier finance programs allow a buyer to offer its suppliers the option to be paid by a third party in advance of an invoice due date, based on invoices that the buyer has confirmed as valid. These transactions are also commonly known as reverse factoring, payables finance, or structured payables arrangements.

Stakeholders have observed that there is a lack of transparency about supplier finance programs because (1) there are no explicit disclosure requirements in U.S. GAAP for those programs and (2) a buyer may present obligations covered by those programs in the same balance sheet line item as accounts payable or in another balance sheet line item depending on the facts and circumstances of the arrangement.

The proposal would address these issues by requiring the buyer in a supplier finance program to disclose sufficient information about the program to allow an investor to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. These disclosures would include the key terms of the program, the obligation amount that the buyer has confirmed as valid to the third party that is outstanding at the end of the reporting period, a roll-forward of that amount, and a description of where that amount is presented in the balance sheet.

Improvements to Fair Value Guidance for Equity Securities

In September 2021, 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.

GASB Issues Proposal to Enhance Concepts for Notes to Financial Statements

In July 2021, the GASB issued a proposed Concepts Statement to guide the Board when establishing note disclosure requirements for state and local governments. The document is part of the GASB's response to the results of its research reexamining existing note disclosure requirements. The proposed concepts primarily are intended to provide the GASB with criteria to consistently evaluate notes to financial statements in the standards-setting process. They also may help stakeholders to understand the fundamental concepts underlying future GASB pronouncements.

The Revised Exposure Draft (RED), *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*, proposes concepts such as:

- The purpose of notes to financial statements
- The intended users of note disclosures
- The types of information that should be disclosed in notes
- The types of information that are not appropriate for note disclosures.

A key element of the proposed Concepts Statement is the concept of essentiality. The RED would establish that notes to financial statements are essential to making economic, social, or political decisions or assessing accountability. The RED also identifies the characteristics that indicate information is essential to users:

- Users utilize the information in their analyses for making decisions or assessing accountability or would modify those analyses to incorporate the information if it were made available.
- The information has or would have a meaningful effect on users' analyses for making decisions or assessing accountability.
- A breadth or depth of users utilize or would utilize the information in their analyses for making decisions or assessing accountability.

The GASB issued an Exposure Draft (ED) on this topic in early 2020. The Board has issued this RED to incorporate feedback received from stakeholders on the previous ED and to seek feedback on the resulting proposed revisions, which the Board believes will improve the final concepts.

EITF Agenda Items

The Emerging Issues Task Force met on June 16, 2022, and reached a consensus-for-exposure on the following topic:

- <u>EITF Issue 21-A</u>: Would expand the proportional amortization method (PAM) to all qualifying investments. Companies would be allowed to elect the PAM for qualifying investments on a tax credit-program by tax credit-program basis. PAM accounting has been available for qualifying investments in Qualified Affordable Housing Projects (e.g., low-income housing tax credit or LIHTC investments) as an alternative to either the cost or equity method of accounting since ASU 2014-01 was issued in 2014. The consensus-for-exposure would also clarify that when evaluating the PAM's qualification criteria companies would:
    - Assess whether substantially all of an investment's projected benefits are from tax credits and other tax benefits on a discounted basis using a discount rate that is consistent with the investor's cash flow assumptions
    - Treat refundable tax credits attracted by the investment as non-tax benefits
    - Include all tax benefits, refundable tax credits, and non-tax cash flows in the identification of total projected benefits
    - Assess significant influence in relation to the operations of the underlying project

  If the consensus-for-exposure is ratified by the FASB, it is expected to be issued as a proposed ASU in the third quarter of 2022.

PCC Activities

The Private Company Council (PCC) met on Thursday, April 21 and Friday, April 22, 2022. Below is a summary of topics addressed by the PCC at the meeting:

- <u>Profits Interests and Their Interrelationship with Partnership Accounting</u>: FASB staff summarized past research (including outreach) and provided its analysis and recommendations on the issue of determining the appropriate scope of guidance for profits interests awards (i.e., ASC 710, *Compensation—General*, or ASC 718, *Compensation—Stock Compensation*). The staff also highlighted how certain potential solutions might affect public business entities. PCC members recommended that the FASB add a project to its technical agenda to address the issue of determining the appropriate scope of guidance for profits interests awards. They noted that diversity in practice and cost and complexity result from the lack of authoritative guidance that explicitly addresses profits interests, and that the issue potentially affects both public business entities and private companies. Overall, PCC members supported developing illustrative examples to include in the Codification and potentially providing additional educational materials.
- <u>Leases Implementation Issues</u>: PCC members discussed challenges private companies are facing when adopting ASC 842, *Leases*, including evaluating individually immaterial lease agreements that may or may not be material in the aggregate, allocating costs to lease and non-lease components, and addressing diversity in practice in the accounting for contingent lease incentives. FASB staff and PCC members also discussed (a) whether private companies are expected to elect the practical expedient that allows lessees to combine lease and non-lease components and account for the combined component as a single lease component, (b) capitalization thresholds, and (c) the use of leasing software by private companies.
- <u>Credit Losses</u>: FASB staff provided an overview ASU 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*, which was issued on March 31, 2022. PCC members noted that the disclosure requirements provide decision-useful information to

investors. The staff also provided background on the Board's decision not to further defer the effective date for nonpublic entities to apply ASC 326, *Financial Instruments—Credit Losses*. PCC members shared their observations on nonpublic entities' readiness to adopt the current expected credit losses guidance.

- Current Issues in Financial Reporting: PCC members discussed practice issues arising from the current business environment. Topics discussed included disclosures about the Paycheck Protection Program and the accounting and reporting for employee retention credits included in the Coronavirus, Aid, Relief, and Economic Security (CARES) Act and subsequent COVID-19-related legislation.
- FASB Agenda Consultation: FASB staff summarized the Board's discussions and decisions made so far resulting from stakeholder feedback received in response to the June 2021 FASB Invitation to Comment, *Agenda Consultation* (the Agenda Consultation ITC). FASB staff updated the PCC on changes made to the research agenda and the technical agenda and updated the PCC on next steps. PCC members asked about the Board's recent removal of the Distinguishing Liabilities from Equity Phase 2 project from the technical agenda, citing continued challenges for private companies in applying the liabilities and equity guidance.
- Accounting for Government Grants, Invitation to Comment: FASB staff summarized the feedback received on the Agenda Consultation ITC on the accounting for government grants and the objective of the recently added FASB research project. The staff plans to issue an ITC to solicit feedback on whether certain requirements in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, represent a workable solution for improving the accounting for government grants under US GAAP. PCC members provided feedback on potential areas for the FASB staff to research, including investor preferability for gross versus net presentation, clarifying the scope of government grants, and the recognition and measurement of government grants.
- Accounting for and Disclosure of Intangibles: FASB staff summarized this FASB research project (which includes software costs, internally developed intangibles, and research and development), existing guidance, feedback received on the Agenda Consultation ITC, and next steps. PCC members expressed support for this research project, citing the increased prevalence of intangible assets in private companies and the differences in the accounting treatment of internally generated intangibles and of acquired intangibles. PCC members also noted the complexity and undue costs associated with the accounting for software costs because of the evolving nature of software.
- Accounting for Financial Instruments with Environmental, Social, and Governance (ESG)-Linked Features and Regulatory Credits: FASB staff summarized the background, feedback received on the Agenda Consultation ITC, and next steps of the recently added FASB research project. PCC members discussed their experience with financial instruments with ESG-linked features, noting that it is an emerging area that could become more prevalent for private companies. PCC members encouraged the Board to monitor how ESG-related activities could affect financial reporting.
- Reference Rate Reform—Deferral of the Sunset Date of Topic 848: FASB staff provided an update on the amendments in the proposed ASU, *Reference Rate Reform (Topic 848) and Derivatives and Hedging (Topic 815): Deferral of the Sunset Date of Topic 848 and Amendments to the Definition of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate*. The PCC Chair noted that some of her private company clients are starting to transition away from LIBOR and expressed support for the amendments in the proposed Update.

The Private Company Council (PCC) met on Thursday, June 22 and Friday, June 23, 2022. Below is a summary of topics addressed by the PCC at the meeting:

- Accounting for and Disclosure of Digital Assets: FASB staff summarized this FASB research project that was added to the FASB Technical Agenda on May 11, 2022 and discussed next steps. PCC members expressed support for this research project citing difficulties applying current guidance and resulting diversity of practice. PCC members provided feedback on areas for the FASB staff to research, including recognition and measurement and disclosure of various types of digital assets.
- EITF Issue No. 21-A, "Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method": FASB staff summarized the tentative conclusions made by the Task Force at its March 24, 2022 meeting.

- Identifiable Intangible Assets and Subsequent Accounting for Goodwill: FASB staff stated that the goodwill topic has been removed from the FASB agenda as it is a lower priority project.
- Disaggregation—Income Statement Expenses: FASB staff provided education materials to PCC members and sought input from PCC members about (a) the FASB's Disaggregation –Income Statement Expenses project, (b) alternatives the staff is currently researching for that project, and (c) private company specific considerations. PCC members provided feedback on disaggregation approaches, including cost of sales and SG&A.
- FASB Agenda Consultation: FASB staff summarized the Board's discussions and decisions made so far resulting from stakeholder feedback received in response to the June 2021 FASB Invitation to Comment, *Agenda Consultation* (the Agenda Consultation ITC). FASB staff updated the PCC on changes made to the research agenda and the technical agenda and updated the PCC on next steps. PCC members asked about the removal of the lease modification project from the agenda.
- Leases Implementation Issues: PCC members discussed themes presented at the June 2022 AICPA ENGAGE conference, including embedded leases, discount rate determination, lease and non-lease components, internal controls and software, and related party leases. PCC members noted that there is emerging diversity of practice in how ASC 842 is being interpreted and applied. The PCC Chair suggested reaching out to the AICPA for help in clarifying guidance on the pervasive recognition and measurement questions.
- Accounting for Environmental Credit Programs: FASB staff summarized the Board's decision to add a project to the technical agenda to address the recognition, measurement, presentation, and disclosure requirements for participants in compliance and voluntary programs that result in the creation of environmental credits and for the nongovernmental creators of environmental credits.
- Stock Compensation Disclosures: PCC members discussed mixed views on stock compensation disclosures. The PCC has formed a working group with the objective to identify whether a problem exists with current disclosures and, if so, what would help improve private company issues with current GAAP.

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 2022-02, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures	All entities	For entities that have adopted ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For entities that have not yet adopted ASU 2016-13, the effective dates for the amendments are the same as the effective dates in ASU 2016-13.
ASU 2022-01, Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method	All entities that elect to apply the portfolio layer method of hedge accounting in accordance with ASC 815	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years.
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 2021-05, 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 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 are effective on a prospective basis for fiscal years beginning after December 15, 2019. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance as of March 30, 2021.
ASU 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application	Insurance entities that issue long-duration contracts	The amendments 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 2020-08, Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs	All entities	For public business entities, the amendments 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 are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2020-07, Not-for-Profit Reporting of Gifts-in-Kind (Contributed Nonfinancial Assets)	Not-for-profit entities	Effective for annual periods after June 15, 2021 and interim periods within fiscal years after June 15, 2022. Early adoption is permitted.
ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Entities that issue convertible instruments and/or contracts in an entity's own equity.	Effective for public business entities that meet the definition of a SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years.
ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities	Entities other than public business entities	The amendments 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 2020-01, 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 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 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 defer the effective date of the amendments in ASU 2018-12 for all entities.
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 are the same as in ASU 2016-13. For entities that have adopted ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after the issuance of this ASU as long as an entity has adopted ASU 2016-13.
ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments	Entities that hold financial instruments	The effective date of each of the amendments depends on the effective date and adoption of ASU 2016-01, ASU 2016-13, and ASU 2017-12.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2019-01, 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 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 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 to all new and existing leases.
ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses	All entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income	The effective date and transition requirements are the same as the effective dates and transition requirements in ASU 2016-13, as amended by this ASU.
ASU 2018-18, Clarifying the Interaction between Topic 808 and Topic 606	All entities	Effective for public companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other organizations, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-17, Targeted Improvements to Related Party Guidance for Variable Interest Entities	All entities	Effective for organizations other than private companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments 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 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 2018-01, Land Easement Practical Expedient for Transition to Topic 842	All entities	The effective date and transition requirements for ASU 2018-01 are the same as the effective date and transition requirements in ASU 2016-02. An entity that early adopted ASC 842 should apply the amendments in this ASU upon issuance.
ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities	Entities that elect to apply hedge accounting	Effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods therein. Effective for all other entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. All entities are permitted to early adopt the new guidance in any interim or annual period after issuance of the ASU.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	All entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income.	For public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC, the new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other organizations, the new standard is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.
ASU 2016-02, Leases	All lessee and lessor entities.	For public business entities, NFPs that have issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an OTC market, or an employee benefit plan that files financial statements with the SEC, the amendments are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments is permitted for all entities.

Appendix A

Important Implementation Dates, *continued*

Selected Implementation Dates (GASB)

Pronouncement	Affects	Effective Date and Transition
Statement 101, Compensated Absences	Governmental entities	The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
Statement 100, Accounting Changes and Error Corrections	Governmental entities	The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
Statement 99, Omnibus 2022	Governmental entities	The requirements of this Statement that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement 34, and terminology updates are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged and is permitted by individual topic to the extent that all requirements associated with an individual topic are implemented simultaneously.
Statement 98, The Annual Comprehensive Financial Report	Governmental entities	The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

Appendix A

Important Implementation Dates, *continued*

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

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
Statement 92, Omnibus 2020	Governmental entities	The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020. The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020
Statement 91, Conduit Debt Obligations	Governmental entities	Effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements

For the Quarter Ended June 30, 2022

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

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

ASU 2016-02 — Applicable to lessee and lessor entities:
In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for *[fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.-public business entities]* *[fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.-all other entities]*. Early adoption is permitted.

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

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

ASU 2017-04 — Applicable to all entities:
In January 2017, the FASB amended the Goodwill and Other Topic of the Accounting Standards Codification to simplify the accounting for goodwill impairment for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. The amendment removes Step 2 of the goodwill impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The effective date and transition requirements for the technical corrections will be effective for the Company for *[reporting periods beginning after December 15, 2019.-public business entities that are SEC filers]* *[reporting periods beginning after December 15, 2020.-public business entities that are not SEC filers]* *[reporting periods beginning after December 15, 2021.-all other entities]* Early adoption is permitted for interim or annual goodwill impairment tests performed on

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended June 30, 2022

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

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

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

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

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

ASU 2018-12 — Applicable to insurance entities that issue long-duration contracts:
In August 2018, the FASB amended the Financial Services—Insurance Topic of the Accounting Standards Codification to make targeted improvements to the existing recognition, measurement, presentation, and disclosure requirements for long-duration contracts issued by an insurance entity. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2021, and interim periods within those fiscal years.-public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC]* *[for fiscal years beginning after December 15, 2023, and interim periods within fiscal year beginning after December 15, 2024.-all other entities]* The Company does not expect these amendments to have a material effect on its financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*
For the Quarter Ended June 30, 2022

ASU 2018-14 — Applicable to employers that sponsor defined benefit pension or other postretirement plans:
In August 2018, the FASB amended the Compensation—Retirement Benefits—Defined Benefit Plans Topic of the Accounting Standards Codification. The amendments remove, modify, and add certain disclosure requirements for employers that sponsor defined benefit pension plans or other postretirement plans. The amendments are effective *[fiscal years ending after December 15, 2020.-public business entities] [fiscal years ending after December 15, 2021-all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

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

ASU 2018-17 — Applicable to all entities:
In October 2018, the FASB amended the Consolidation topic of the Accounting Standards Codification for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety. *[The amendments will be effective for the Company for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.-public business entities] [The amendments also provide a nonpublic entity with the option to exempt itself from applying the variable interest entity consolidation model to qualifying common control arrangements. The amendments will be effective for the Company for annual periods beginning after December 15, 2020, and interim periods within annual reporting periods beginning after December 15, 2021.-all other entities]* Early adoption is permitted. The Company will apply a full retrospective approach in which financial statements for each individual prior period presented and the opening balances of the earliest period presented are adjusted to reflect the period-specific effects of applying the amendments. *[The Company does not expect these amendments to have a material effect on its financial statements.] [The Company is currently evaluating the effect that implementation of the new standard will have on its financial statements.]*

ASU 2018-18 — Applicable to all entities:
In November 2018, the FASB amended the Collaborative Arrangements Topic of the Accounting Standards Codification to clarify the interaction between the guidance for certain collaborative arrangements and the new revenue recognition financial accounting and reporting standard. The amendments will be effective for the Company for *[fiscal years beginning after December 15, 2019, and interim periods within those fiscal years.-public business entities] [fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021.-all other entities]* Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended June 30, 2022

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 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 2019-09 — 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*
For the Quarter Ended June 30, 2022

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

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

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

ASU 2020-03 — 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*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*
For the Quarter Ended June 30, 2022

modified-retrospective basis by means of a cumulative-effect adjustment to opening retained earnings in the statement of financial position as of the date that an entity adopted the amendments in ASU 2016-13. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-04 — Applicable to all entities:
In March 2020, the FASB issued guidance to provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The amendments are effective as of March 12, 2020 through December 31, 2022. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-05 — Applicable to all entities:
In June 2020, the FASB issued guidance to defer the effective dates for certain companies and organizations which have not yet applied the revenue recognition and leases guidance by one year. The new effective dates will be: *Revenue Recognition: annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020; Leases: fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-06 — Applicable to all entities:
In August 2020, the FASB issued guidance to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The amendments are effective for *[fiscal years beginning after December 15, 2021, including interim periods within those fiscal years – <u>public business entities that meet the definition of a SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC</u>] [fiscal years beginning after December 15, 2023, including interim periods within those fiscal years – <u>all other entities</u>]*. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2020-07 — Applicable to not-for-profit entities:
In September 2020, the FASB issued guidance to improve financial reporting on contributed nonfinancial assets, also known as gifts-in-kind donations. The amendments will be effective for annual periods after June 15, 2021 and interim periods within fiscal years after June 15, 2022. Early adoption is permitted. The Organization does not expect these amendments to have a material effect on its financial statements.

ASU 2020-08 — Applicable to all entities:
In October 2020, the FASB issued guidance to clarify the FASB's intent that an entity should reevaluate whether a callable debt security that has multiple call dates is within the scope of FASB Accounting Standards Codification (FASB ASC) 310-20-35-33 for each reporting period. The amendments will be effective for *[fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 – <u>public business entities</u>] [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 - <u>all other entities</u>].* 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 June 30, 2022

ASU 2020-10 — Applicable to all entities:

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

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

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

ASU 2021-04 — 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 2021-07 — 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

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended June 30, 2022

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.

ASU 2022-01 — Applicable to entities that elect to apply the portfolio layer method of hedge accounting

In March 2022, the FASB issued amendments which are intended to better align hedge accounting with an organization's risk management strategies. 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]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2022-02 — Applicable to entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income:

In March 2022, the FASB issued amendments which are intended to improve the decision usefulness of information provided to investors about certain loan refinancings, restructurings, and write-offs. The amendments are effective for *[fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. - entities that have adopted the amendments in ASU 2016-13] [fiscal years beginning after December 15, 2022 including interim periods within those fiscal years.-entities that have not yet adopted the amendments in ASU 2016-13]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

Applicable to all:

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

Appendix C

Recently Issued Accounting Pronouncements

NOTE*: *The disclosures in the previous appendix are not intended to be all inclusive. All pronouncements issued during the period should be evaluated to determine whether they are applicable to your Company. Through June 30, 2022, the FASB has issued the following Accounting Standard Updates during the year.

- ***ASU 2022-02**, Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*
- ***ASU 2022-01**, Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*