QUARTERLY FINANCIAL SERVICES UPDATE
Third Quarter 2022

September 29, 2022

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

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Frequent Topics of Discussion Across the Industry

CECL Implementation Update – Model Validation Expectations

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As we approach the end of the third quarter of 2022, we are only three months away from the January 1, 2023 implementation date of the Current Expected Credit Loss (CECL) standard for smaller reporting companies and private institutions.

With the CECL standard requiring the development of new models to calculate the allowance for credit losses, institutions need to proactively build in procedures and processes to ensure that these new models are designed appropriately (conceptually sound) and are operating in a manner that is consistent with their understanding and expectation.

While many institutions have long relied on internal audit engagements over the Allowance for Loan Losses (ALL) process, incremental testing and evaluation through a formal Model Risk Management program may be needed as you move forward – especially if third-party models are being utilized for CECL.

Supervisory guidance on Model Risk Management[1] includes references to model validation, which is frequently defined as a set of procedures intended to verify that models are performing as expected and in a manner that is consistent with their design and intended use. A model validation considers all components of the model, including the conceptual design, inputs, processing, outputs, and reporting.

As such, full-scope model validations are robust worksets that include replication of key model assumptions and third-party model calculations. Especially if technically complex, third-party models are being utilized to derive the Allowance for Credit Losses (ACL), it's imperative that institutions evaluate their existing processes to ensure that the model calculations are appropriate and accurate.

While the guidance may not be explicit for who is required to receive a full-scope model validation, a general sentiment across the industry has been that auditors and examiners are expecting SEC registrants and institutions with greater than $1 billion in total assets to have considered the applicability of supervisory guidance on Model Risk Management and whether a full-scope model validation is needed.

Auditors and examiners will be asking for management's evaluation of the CECL model and what processes were performed prior to implementation to ensure that models have been appropriately vetted and understood by management. As such, it's critical to understand the difference between legacy internal audits over the ALL (which may have been incorrectly termed "Allowance Validation") and a full-scope model validation in accordance with applicable supervisory guidance.

[1] Regulatory guidance on Model Risk Management includes, but is not limited to:

- Supervisory Guidance on Model Risk Management, FIL-22-2017, June 7, 2017, and
- FRB: Supervisory Letter on Model Risk Management, SR 11-7, April 4, 2011.

FASB Update

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

FASB Clarifies Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions

In June, the FASB issued ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which (1) clarifies the guidance in ASC 820, *Fair Value Measurement*, on the fair value measurement of an equity security that is subject to a contractual sale restriction and (2) requires specific disclosures related to such an equity security.

Under current guidance, stakeholders have observed diversity in practice related to whether contractual sale restrictions should be considered in the measurement of the fair value of equity securities that are subject to such restrictions. On the basis of interpretations of existing guidance and the current illustrative example in ASC 820-10-55-52 (Example 6, Case A) of a restriction on the sale of an equity instrument, some entities use a discount for contractual sale restrictions when measuring fair value, while others view the application of such a discount to be inconsistent with the principles of ASC 820. To reduce the diversity in practice and increase the comparability of reported financial information, ASU 2022-03 clarifies this guidance and amends the illustrative example.

ASU 2022-03 clarifies that a "contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security" and is not included in the equity security's unit of account. Accordingly, an entity should not consider the contractual sale restriction when measuring the equity security's fair value (i.e., the entity should not apply a discount related to the contractual sale restriction, as stated in ASC 820-10-35-36B as amended by the ASU). In addition, the ASU prohibits an entity from recognizing a contractual sale restriction as a separate unit of account.

Under the existing guidance in ASC 820-10-35-6B, "[although] a reporting entity must be able to access the market, the reporting entity does not need to be able to sell the particular asset or transfer the particular liability on the measurement date to be able to measure fair value on the basis of the price in that market." ASU 2022-03 clarifies that an entity should apply this existing guidance when measuring the fair value of equity securities that are subject to contractual sale restrictions (i.e., a contractual sale restriction on the reporting entity that prevents the sale of an equity security in the market does not prevent the entity from measuring the fair value of the equity security on the basis of the price in that principal market).

In addition, ASU 2022-03 amends the implementation guidance in ASC 820-10-55-51, as well as the fact pattern in Example 6, Case A (by amending ASC 820-10-55-52 and adding ASC 820-10-55-52A), to illustrate whether and, if so, when an entity should consider a sale restriction in measuring fair value.

As amended by ASU 2022-03, Example 6, Case A, notes that when measuring fair value, an entity should:

- Consider sale restrictions that are characteristics of the equity security (e.g., a restriction resulting from a security that is not registered for sale with a national securities exchange or an over-the-counter market when other securities from the same class of stock are registered for sale).
- Not consider sale restrictions that are characteristics of the holder of the equity security (e.g., a lock-up agreement, a market stand-off agreement, or a sale restriction provision within an agreement between certain shareholders).

Further, ASU 2022-03 requires specific disclosures related to equity securities that are subject to contractual sale restrictions, including (1) the fair value of such equity securities reflected in the balance sheet, (2) the nature and remaining duration of the corresponding restrictions, and (3) any circumstances that could cause a lapse in the restrictions.

FASB Update, *continued*

The amendments in ASU 2022-03 are consistent with the principles of fair value measurement under which an entity is required to consider characteristics of an asset or liability if other market participants would also consider those characteristics when pricing the asset or liability. Specifically, the ASU clarifies that an entity should apply these fair value measurement principles to equity securities that are subject to contractual sale restrictions.

Effective Dates

ASU 2022-03's amendments are effective as follows:

- For public business entities, fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, with early adoption permitted.
- For all other entities, fiscal years beginning after December 15, 2024, and interim periods within those fiscal years, with early adoption permitted for both interim and annual financial statements that have not yet been issued or made available for issuance.

ASU 2022-03 also adds to the ASC 820-10 glossary the following definition of an equity security from the ASC master glossary:

> <u>Equity Security (first definition)</u>
>
> Any security representing an ownership interest in an entity (for example, common, preferred, or other capital stock) or the right to acquire (for example, warrants, rights, forward purchase contracts, and call options) or dispose of (for example, put options and forward sale contracts) an ownership interest in an entity at fixed or determinable prices. The term equity security does not include any of the following:
>
> - Written equity options (because they represent obligations of the writer, not investments).
> - Cash-settled options on equity securities or options on equity-based indexes (because those instruments do not represent ownership interests in an entity).
> - Convertible debt or preferred stock that by its terms either must be redeemed by the issuing entity or is redeemable at the option of the investor.

Regulatory Update

SEC Issues Final Rule Related to Pay Versus Performance

On August 25, 2022, the Securities and Exchange Commission (SEC) issued a final rule, Release No. 34-95607, *Pay Versus Performance*, that requires certain registrants to provide disclosures about executive pay and company performance within any proxy statement or information statement for which executive compensation disclosures are required. According to SEC Chair Gary Gensler, the final rule, which adds Item 402(v) to SEC Regulation S-K, is intended to help investors receive the consistent, comparable, and decision-useful information they need to evaluate executive compensation policies.

The Final Rules were adopted to implement Section 953(a) of the Dodd-Frank Act. Section 953(a) required the SEC to adopt a rule requiring reporting issuers to disclose a clear description of compensation information that shows the relationship between executive compensation actually paid and the financial performance of the issuer as measured by taking into account increases or decreases in share price and any dividends or other distributions paid. Under the Final Rules, issuers must include a new "Pay Versus Performance" table and related discussion in proxy or information statements that are required to include executive compensation disclosures.

The final rule will become effective on October 11, 2022, and applies beginning with fiscal years ending on or after December 16, 2022. Emerging growth companies, foreign private issuers, and registered investment companies are exempt from the new disclosure requirements.

SEC Issues Final Rule on Inflation Adjustments

On September 9, 2022, the SEC issued a final rule, Release No. 33-11098, *Inflation Adjustments Under Titles I and III of the JOBS Act*, to make certain inflation adjustments in response to a mandate of the JOBS Act, which requires the Commission to make such adjustments at least once every five years. Specifically, the purpose of the final rule is to adjust the thresholds in the definition of "emerging growth company" (EGC) as well as dollar amounts in Regulation Crowdfunding (Reg CF).

The new threshold for EGC is $1,235,000,000. This is up from the current annual gross revenue threshold of $1,070,000,000. EGCs are eligible for a host of scaled or exemptions from certain reporting requirements.

As for Reg CF, there are different thresholds:

- Threshold for assessing investor's annual income or net worth to determine investment limits will increase from $107,000 to $124,000
- Lower threshold of Reg CF securities permitted to be sold to an investor if annual income or net worth is less than $124,000 will be increased from $2,200 to $2,500
- Maximum amount that can be sold to an investor under Reg CF in a 12-month period will be increased from $107,000 to $124,000

The final rule will become effective 30 days after the date of its publication in the Federal Register.

FDIC Issues Updates Regarding Brokered Deposits

In July 2022, the FDIC issued a new Question and Answer on brokered deposits and updated public information on its Banker Resource Center Brokered Deposits Page. The update is to clarify that if an additional third party is involved that would qualify as a deposit broker, the sweep deposits received from the broker must be reported as brokered deposits on the Call Report. Call Report instructions have been updated to provide clarification on this item. Any time deposits are received from a person under a "deposit placement arrangement", these deposits qualify as brokered, and must be reported as so on the Call Report.

Regulatory Update, *continued*

FDIC Issues Advisory Regarding Deposit Insurance and Crypto

The FDIC issued an "Advisory to FDIC-Insured Institutions Regarding FDIC Deposit Insurance and Dealings with Crypto Companies" to address misrepresentations about FDIC deposit insurance by some crypto companies. With the volatility in the crypto market, some crypto companies have halted withdrawals or suspended operations. These companies may have made customers believe their investments in crypto are covered by FDIC insurance. There are two issues that have raised concern. First, the FDIC notes that FDIC deposit insurance does not protect a non-bank's customers again the default, insolvency, or bankruptcy of any non-bank, including crypto custodians, exchanges, brokers, wallet providers, or other entities that appear to mimic banks but are not, called "neobanks." The second issue is what products are FDIC insured. FDIC deposit insurance covers deposit products offered by insured banks, such as checking accounts and savings accounts. Deposit insurance does not apply to non-deposit products, such as stocks, bonds, money market mutual funds, securities, commodities, or crypto assets. The advisory also mentions that there can be legal risks for banks who have partnered with third-party companies offering crypto, if those companies are misrepresenting the nature and scope of FDIC insurance. The FDIC also posted a Fact Sheet on "What the Public Needs to Know About FDIC Deposit Insurance and Crypto Companies" to provide additional information about deposit insurance coverage.

Proposed Policy Statement on Prudent CRE Loan Accommodations and Workouts

In August 2022, the OCC, the FDIC, and the NCUA (the "agencies") issued a proposed policy statement requesting comments related to commercial real estate loan accommodations and workouts. The proposal is to expand the 2009 policy statement by incorporating recent policy guidance related to loan modifications and accounting developments with the new method for estimating loan losses. The proposed statement includes three main changes from the 2009 statement on CRE: 1) A new section or policy on short-term loan modifications, 2) Information about changes in accounting principles since 2009, and 3) Additions and revisions to examples of CRE workouts. Comments are requested by 60 days from the publication in the *Federal Register*.

Bank Accounting Advisory Series Updated

On August 15, 2022, the OCC released an update to the Bank Accounting Advisory Series (BAAS). The BAAS contains staff responses to frequently asked questions from the banking industry and bank examiners on a variety of accounting topics and promotes consistent application of accounting standards and regulatory reporting among banks.

This bulletin rescinds OCC Bulletin 2021-37, *Accounting: Bank Accounting Advisory Series Updated*, which conveyed the 2021 edition of the BAAS. This edition of the BAAS reflects updates to accounting standards issued by the FASB on topics including:

- Amortization of premiums on debt securities with callable options during a preset period
- Lessors' classification of certain leases with variable lease payments

The BAAS does not represent rules or regulations of the OCC. Rather, it represents the Office of the Chief Accountant's interpretations of generally accepted accounting principles and regulatory guidance based on the facts and circumstances presented.

Banking Agencies' Chief Accountants Urge Small Banks to Get Ready for CECL

During the 2022 AICPA and CIMA Conference on Banks and Savings Institutions conference in September, banking regulators urged community banks to get ready to implement the FASB's current expected credit losses (CECL) accounting model. Publicly listed banks, which tend to be large financial institutions, have been applying CECL since 2020. But the vast majority of banks, which are smaller, less complex institutions, must start applying CECL in 2023.

In order to reduce some of the uncertainty and help community banks take a meaningful step forward in the implementation process, the Federal Reserve released several tools. One tool is called the Expected Loss Estimator or ELE, which was released in June. It is an Excel-based tool that automates the Weighted Average Remaining Maturity (WARM) method. It is a simple spreadsheet that has fully

Regulatory Update, *continued*

verifiable formulas which allows for independent verification. It uses a bank's own data, which was already prepared and submitted to regulators. The tool has a lot of built-in flexibility. Another tool is called the SCALE, which was released in July 2021. This is also a simplified spreadsheet-based tool. It uses publicly available data from the Call Report to derive initial proxy expected lifetime loss rates as a starting point. Banks then would layer on qualitative factors and add other information to reflect unique facts and circumstances such as credit risks in the portfolio or loss history. Banks are under no obligation to use the tools, but they could find them useful.

Separately, the National Credit Union Administration (NCUA) in September issued a new simplified CECL tool for small credit unions. This tool is intended for credit unions with under $100 million in assets, but it could be used by larger credit unions based on the discretion of their management and their auditors. The Simplified CECL Tool uses the WARM methodology to estimate the allowance for credit loss.

In response to a question about what banks can expect when examiners scrutinize CECL implementation, Amanda Freedle, the chief accountant of the Office of the Comptroller of the Currency (OCC), said that her team has spent a significant amount of time training every single community bank examiner so they understand the theory behind the CECL methodology. CECL for smaller institutions does not have to be overly complex. It can be scaled to the size and complexity of the institution. She added that it has been surprising to her that the OCC has not gotten many questions about CECL from smaller institutions. In terms of what the examiners will be looking at in 2023, she said that it will be similar to what they did with large institutions that adopted CECL in 2020—focusing on the actual implementation, methodologies, data, accounting policies, and whether or not there are any particular audit findings.

Supervisory Guidance on Multiple Re-presentment NSF Fees

The FDIC issued guidance to FDIC-supervised institutions relating to consumer compliance risk associated with charging multiple NSF fees for the re-presentment of the same items. Many institutions charge NSF fees with checks or ACH payments are presented for payment but cannot be covered by the balance in a customer's account. After receiving notice of declination, merchants may subsequently resubmit the transaction for payment. Some financial institutions charge additional NSF fees for the same transaction when a merchant re-presents a check or ACH transaction on more than one occasion after the initial unpaid transaction was declined. In these situations, there is an elevated risk of violations and harm to customers.

The FDIC identified some disclosures provided to customers did not fully or clearly describe the institution's re-presentment practice, including not explaining that the same unpaid transaction might result in multiple NSF fees. Institutions are encouraged to review their practices and disclosures regarding NSF fees. In the guidance, the FDIC provides a range of risk-mitigating practices to reduce the potential risk of consumer harm and potential violation of law regarding multiple re-presentment of NSF fee practices.

PCAOB Releases Resources for Audit Committees

In August 2022 the PCAOB released its 2022 Spotlight: Audit Committee Resource which serves as a reference point for auditors, audit committee members, investors, and others. The Spotlight sets forth questions that audit committee members may want to consider incorporating into their ongoing engagement with auditors. It includes questions on fraud and other risks, IPOs and M&A, audit execution, audit firm compliance with auditor independence requirements, audit firm quality control systems, and technology (digital assets, cyber threats and data and technology used in the audit). In addition, the questions within the Spotlight address audit risks presented by the current economic conditions.

Regulatory Update, *continued*

PCAOB Release Review of 2021 Inspections

The PCOAB released its "Spotlight: Observations from the Target Team's 2021 Inspections" in August 2022. This Spotlight includes results of audit firm inspections conducted by the Board's Division of Registration and Inspections in 2021 in four areas of focus: 1) fraud, 2) interim reviews of special-purpose acquisition companies (SPACs) and de-SPACs, 3) going concern, and 4) cash and cash equivalents.

On the Horizon

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

FASB Begins Deliberating Project on Digital Assets

In August 2022, the FASB began deliberating its project on the accounting for and disclosure of digital assets. Specifically, the Board tentatively decided that a digital asset held by an entity that meets all the following criteria would be within the scope of the project:

- It meets the U.S. GAAP definition of an intangible asset
- The holder is not provided with enforceable rights to, or claims on, goods, services, or other assets
- The asset resides on a blockchain or other distributed ledger
- It is secured by cryptography
- It is fungible

The Board also tentatively decided that the scope of the project would apply to all entities. However, the Board acknowledged that it may need to address industry-specific issues in the future. Given its decision to limit the scope of the project to certain digital assets, the Board decided to change the name of the project to the “Accounting for and Disclosure of Crypto Assets.” The accounting for cryptoassets, including potential measurement alternatives for such assets, will be discussed at a future Board meeting. Because the FASB decided to include in the project’s scope only digital assets that are considered fungible crypto assets that meet the definition of an intangible asset, questions remain on the accounting for other digital assets that are not within the scope of the project. For example, the accounting for and disclosure of nonfungible tokens (NFTs) will be outside the scope of the project on crypto assets. As a result, financial statement preparers accounting for transactions involving NFTs will need to fully understand the rights represented and what has actually been transferred.

Proposed ASU on Accounting for Investments in Tax Credit Structures

In August 2022, the FASB issued a proposed ASU on use of the proportional amortization method to account for investments in tax credit structures. The proposed ASU would permit reporting entities to elect to account for their tax equity investments, regardless of the program from which the income tax credits are received, using the proportional amortization method if certain conditions are met.

In 2014, the FASB issued a standard that introduced an option allowing reporting entities to elect to apply the proportional amortization method to account for investments made primarily for the purpose of receiving income tax credits and other income tax benefits. The guidance limited the proportional amortization method to investments in low-income housing tax credit (LIHTC) structures. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the income tax credits and other income tax benefits received and recognizes the net amortization and income tax credits and other income tax benefits in the income statement as a component of income tax expense (benefit). Investments in other tax credit structures are typically accounted for using the equity or cost method, which results in investment gains and losses and tax credits being presented gross on the income statement in their respective line items.

In recent years, stakeholders have asked the FASB to allow reporting entities to elect to apply the proportional amortization method to tax equity investments that generate tax credits through other programs, such as the New Markets Tax Credit (NMTC) program, the Historic Rehabilitation Tax Credit (HTC) program, and the Renewable Energy Tax Credit (RETC) programs. These stakeholders noted that the proportional amortization method is preferable to the equity or cost methods because it provides financial statement users with a better understanding of the returns from investments that are made primarily for the purpose of receiving income tax credits and other income tax benefits than the equity or cost methods.

On the Horizon, *continued*

The amendments in this proposed ASU would allow reporting entities to elect to account for their tax equity investments using the proportional amortization method if certain conditions are met, regardless of the program from which the income tax credits are received. The election would be on a program-by-program basis. The proposed amendments would also require disclosures to enable financial statement users to better understand the nature and effects of the entity's investments that generate income tax credits and other income tax benefits.

Projects on 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. 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 Invitation to Comment, 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 Income Tax Disclosures

In 2016, the FASB issued a proposed ASU that would modify existing and add new income tax disclosure requirements. After passage of the Tax Cuts and Jobs Act in December 2017, the FASB, in 2019, issued a revised proposed ASU. The revised proposed ASU would (1) remove disclosures that no longer are considered cost beneficial or relevant and (2) add disclosure requirements identified as relevant to financial statement users. On March 23, 2022, the FASB discussed the project's next steps.

EITF Agenda Items

The Emerging Issues Task Force did not meet during the third quarter. The next meeting is scheduled for December 1, 2022.

PCC Activities

The Private Company Council (PCC) met on Thursday, September 22 and Friday, September 23, 2022. Members of the PCC and the FASB discussed the FASB's projects on (1) targeted improvements to income tax disclosures, (2) accounting for and disclosure of crypto assets, (3) accounting for and disclosure of software costs, (4) conceptual framework: the reporting entity and (5) conceptual framework: recognition and derecognition. They also discussed leases implementation issues, stock compensation disclosures and profits interests.

Appendix A

Important Implementation Dates

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

Pronouncement	Affects	Effective Date and Transition
ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions	All entities	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance.
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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
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.
ASU 2021-05, Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments	Lessor entities	The amendments are effective for fiscal years beginning after December 15, 2021, for all entities, and interim periods within those fiscal years for public business entities and interim periods within fiscal years beginning after December 15, 2022, for all other entities.
ASU 2021-04, Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)	Entities that issue freestanding written call options that are classified in equity	The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. Early adoption is permitted for all entities, including adoption in an interim period.
ASU 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application	Insurance entities that issue long-duration contracts	The amendments in this ASU delay the effective date of ASU 2018-12.
ASU 2020-10, Codification Improvements	All entities	The amendments in Sections B and C of this ASU are effective for annual periods beginning after December 15, 2020, for public business entities. For all other entities, the amendments are effective for annual periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2020-08, Codification Improvements to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs	All entities	For public business entities, the amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early application is not permitted. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.
ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity	Entities that issue convertible instruments and/or contracts in an entity's own equity.	Effective for public business entities that meet the definition of a SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years.
ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities	Entities other than public business entities	The amendments in this ASU delay the effective dates of ASU 2014-09 and ASU 2016-02.
ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting	All entities	Effective for all entities as of March 12, 2020 through December 31, 2022.
ASU 2020-03, Codification Improvements to Financial Instruments	All entities	The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments in this ASU do not require transition guidance and will be effective upon issuance. However, many of the amendments do have transition guidance with effective dates for fiscal years beginning after December 15, 2019, for public business entities.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the FASB Emerging Issues Task Force)	All entities	For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted, including early adoption in an interim period, (1) for public business entities for periods for which financial statements have not yet been issued and (2) for all other entities for periods for which financial statements have not yet been made available for issuance.
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	Entities within the scope of ASC 740	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted.
ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses	All entities	For entities that have not yet adopted the amendments in ASU 2016-13 as of the issuance date of this ASU, the effective dates and transition requirements for the amendments are the same as the effective dates and transition requirements in ASU 2016-13. For entities that have adopted the amendments in ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this ASU as long as an entity has adopted the amendments in ASU 2016-13.
ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates	All entities	The amendments in this ASU delay the effective dates of ASU 2016-13, ASU 2017-12, and ASU 2016-02, and ASU 2017-04.
ASU 2019-09, Financial Services—Insurance (Topic 944): Effective Date	Insurance entities	The amendments in this ASU defer the effective date of the amendments in ASU 2018-12 for all entities.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2019-05, Targeted Transition Relief	All entities	For entities that have not yet adopted ASU 2016-13, the effective date and transition methodology for the amendments in this ASU are the same as in ASU 2016-13. For entities that have adopted ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after the issuance of this ASU as long as an entity has adopted ASU 2016-13.
ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments	Entities that hold financial instruments	The effective date of each of the amendments depends on the effective date and adoption of ASU 2016-01, ASU 2016-13, and ASU 2017-12.
ASU 2019-01, Leases (Topic 842): Codification Improvements	All lessee and lessor entities	For public business entities, NFPs that have issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an OTC market, or an employee benefit plan that files financial statements with the SEC, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-20, Narrow-Scope Improvements for Lessors	Lessor entities	For entities that have not adopted ASC 842 before the issuance of this ASU, the effective date and transition requirements for the amendments in this ASU are the same as the effective date and transition requirements in ASU 2016-02. For entities that have adopted ASC 842, the effective date and transition of the amendments related to the amendments in this ASU are as follows: 1. The amendments should be applied at the original effective date of Topic 842 for the entity or in either the first reporting period ending after the issuance of this ASU (for example, December 31, 2018) or in the first reporting period beginning after the issuance of this ASU (for example, January 1, 2019). 2. The amendments may be applied either retrospectively or prospectively. All entities, including early adopters, must apply the amendments in this ASU to all new and existing leases.
ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses	All entities that hold financial assets and net investment in leases that are not accounted for at fair value through net income	The effective date and transition requirements are the same as the effective dates and transition requirements in ASU 2016-13, as amended by this ASU.
ASU 2018-18, Clarifying the Interaction between Topic 808 and Topic 606	All entities	Effective for public companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other organizations, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.
ASU 2018-17, Targeted Improvements to Related Party Guidance for Variable Interest Entities	All entities	Effective for organizations other than private companies for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The amendments in this ASU are effective for a private company for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)	All entities	Effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted, including adoption in any interim period, for all entities.
ASU 2018-14, Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans	All employers that sponsor defined benefit pension or other postretirement plans	Effective for fiscal years ending after December 15, 2020, for public business entities and for fiscal years ending after December 15, 2021, for all other entities. Early adoption is permitted for all entities.
ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts	Insurance entities that issue long-duration contracts	For public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025. Early application of the amendments is permitted.

Appendix A

Important Implementation Dates, *continued*

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

Appendix A

Important Implementation Dates, *continued*

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

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements

For the Quarter Ended September 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, 2021, and interim periods within fiscal years beginning after December 15, 2022.-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 September 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 2018-10 — 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. *[For entities that have 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.]* The Company does not expect these amendments to have a material effect on its financial statements.

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

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

ASU 2018-14 — Applicable to employers that sponsor defined benefit pension or other postretirement plans:
In August 2018, the FASB amended the Compensation—Retirement Benefits—Defined Benefit Plans Topic of the Accounting Standards Codification. The amendments remove, modify, and add certain disclosure requirements for employers that sponsor defined benefit pension plans or other postretirement plans. The amendments are effective *[fiscal years ending after December 15, 2020.-public*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2022

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

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

In November 2018, the FASB issued guidance to amend the Financial Instruments—Credit Losses topic of the Accounting Standards Codification. The guidance aligns the implementation date of the topic for annual financial statements of nonpublic companies with the implementation date for their interim financial statements. The guidance also clarifies that receivables arising from operating leases are not within the scope of the topic, but rather, should be accounted for in accordance with the leases topic. The amendments

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2022

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 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 *[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].* 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, 2021, and interim periods within fiscal years beginning after December 15, 2022.-all entities other than public business entities; not-for-profit entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market; and employee benefit plans that file or furnish financial statements with or to the SEC]* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2019-11 — Applicable to all entities:
In November 2019, the FASB issued guidance that addresses issues raised by stakeholders during the implementation of ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments affect a variety of Topics in the Accounting Standards Codification. *[For entities that have adopted the amendments in ASU 2016-13, the*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2022

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 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2022

ASU 2020-04 — Applicable to all entities:

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

ASU 2020-05 — Applicable to all entities:

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

ASU 2020-06 — Applicable to all entities:

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

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

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

ASU 2020-08 — Applicable to all entities:

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

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2022

ASU 2021-08 — Applicable to all entities that enter into a business combination

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

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

In November 2021, the FASB amended the Leases topic in the Accounting Standards Codification to allow lessees that are not public business entities to make an accounting policy election to use a risk-free rate as the discount rate by class of underlying asset, rather than at the entity-wide level. The amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2021-10 — Applicable to all entities except for not-for-profit entities and employee benefit plans

In November 2021, the FASB added a topic to the Accounting Standards Codification, Government Assistance, to require certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance. The guidance is effective for financial statements issued for annual periods beginning after December 15, 2021. The Company does not expect these amendments to have a material effect on its financial statements.

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 re-financings, 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.

ASU 2022-03 — Applicable to all entities:

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Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2022

In June 2022, the FASB issued amendments to clarify the guidance on the fair value measurement of an equity security that is subject to a contractual sale restriction and require specific disclosures related to such an equity security. The amendments are effective for *[fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. - public business entities] [fiscal years beginning after December 15, 2024 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.

Applicable to all:

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

Appendix C

Recently Issued Accounting Pronouncements

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

- ***ASU 2022-03****, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*
- ***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*