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 third 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 Financial Accounting Standards Board (FASB) did not issue any Accounting Standards Updates (ASUs) or other significant guidance during the third quarter. A complete list of all ASUs issued or effective in 2024 is included in Appendix A.

Regulatory Update

House Passes Bill to Block SEC Disclosure Rules

On September 19, 2024, the U.S. House passed a legislative package that would create significant new materiality-based hurdles to Securities and Exchange Commission (SEC) disclosure rulemaking. H.R. 4790, the *Prioritizing Economic Growth Over Woke Policies Act*, passed the House on a near-party-line vote of 215 to 203. The House vote comes as GOP-led states, the oil-and-gas-industry, U.S. Chamber of Commerce, and others are suing to block the SEC's risk disclosure rules in Release No. 33-11275, the *Enhancement and Standardization of Climate-Related Disclosures for Investors*, which mandates broad new public company climate risk and emissions reporting. Central to their argument against the rules is that the disclosures veer outside of strict financial materiality.

One provision of the bill would amend the Securities Act of 1933 and Securities Exchange Act of 1934 to require that, in a rulemaking regarding disclosure obligations of issuers, the SEC must expressly provide that an issuer is only required to disclose information in response to such disclosure obligations to the extent the issuer has determined that such information is material with respect to a voting or investment decision regarding the securities of such issuer. The text of the bill defines such information as material if there is a substantial likelihood that a reasonable investor would view the failure to disclose that information as having significantly altered the total mix of information made available to the investor. Another provision would require the SEC to list on its website "each mandate under the Federal securities laws and regulations that requires the disclosure of non-material information" along with an explanation of why it is required. The SEC would need to report to Congress every five years justifying each required disclosure on that list. The measure would also shield from private liability anyone failing to disclose non-material information. There are also measures in the bill that would set up a new Public Company Advisory Committee within the SEC, implement new restrictions on proxy firms, and make it easier for companies to exclude certain shareholder proposals, among other provisions.

New Rules for Real Estate and Investment Advisers

The U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) issued two new rules in August aimed at preventing the misuse of the U.S. financial system for illicit activities, particularly in the residential real estate and investment advising sectors. The rules, part of the Biden-Harris administration's broader strategy to combat corruption and illicit finance, are designed to enhance transparency and address vulnerabilities in the U.S. financial system.

The final residential real estate rule, set to take effect on December 1, 2025, requires reports and records on certain non-financed real estate transfers to legal entities and trusts. This rule doesn't apply to transfers to individuals. The goal is to increase transparency and prevent illicit finance in the U.S. residential real estate sector, according to the main provisions. To do this, a "Real Estate Report" must be submitted for high-risk transactions, including details on the reporting person, property owner, beneficial owners, and transaction details. The reporting person can rely on information provided by others, as long as it is certified in writing.

The final investment adviser rule takes effect on January 1, 2026. It requires investment advisers to have programs to prevent money laundering and terrorism financing, report suspicious activities, and follow certain reporting and record-keeping rules. The goal is to stop bad actors from using investment advisers to launder money, finance terrorism, and engage in other illegal activities, according to the text of the provisions. The rule applies to certain investment advisers, including those registered with the SEC and those with offices outside the U.S. that operate in the U.S. or serve U.S. clients. It does not apply to state-registered advisers, foreign private advisers, or family offices. However, FinCEN will continue to monitor state-registered advisers for any signs of illicit finance activities and take steps to mitigate risks as needed, the department said.

The department identified investment advisers as a potential entry point for illicit proceeds associated with foreign corruption, fraud, and tax evasion, text of the rule states. Specifically, investment advisers have been linked to billions of dollars controlled by sanctioned entities, including Russian oligarchs, and have been used by foreign states to access technology and services with long-term national security implications. By addressing these risks, the rule might deter money laundering, terrorist financing, and other illicit financial activities through the investment adviser industry.

States Defend SEC Climate Rules

In an August brief, a coalition of 18 states (Arizona, Colorado, Connecticut, Delaware, Hawaii, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Mexico, New York, Oregon, Rhode Island, Vermont, Washington, and Wisconsin) and the District of Columbia supported the SEC against a consolidated challenge to the SEC's climate rules at the 8th U.S. Circuit Court of Appeals. The states framed the regulations as the product of investor demand, and pushed back against assertions by industry groups and Republican lawmakers that the requirements represent a sharp departure from the commission's existing disclosure regime. The SEC's rules set out new disclosures on climate-related risks with a material impact on a registrant's business and prescribe certain emissions reporting and attestation requirements for larger public companies, among other requirements.

The SEC has voluntarily stayed the rules in light of the consolidated lawsuits from the U.S. Chamber of Commerce, oil and gas industry, GOP-led states, and others. Those critics have attacked the disclosure requirements as not material; compelling corporate speech in violation of the First Amendment; and outside of the SEC's statutory authority. They have leaned heavily on the "major questions doctrine" invoked in the Supreme Court's 2022 ruling in West Virginia v. EPA, under which agencies need clear authorization from Congress in order to implement regulations with major economic or political significance.

However, the intervenor states argued the major questions doctrine has no place in this case, where the SEC is applying its long-established authority. They framed the concerns over the rules as a standard administrative law dispute not rising to the level of an extraordinary political or economic controversy. Further, should the major questions doctrine apply, the securities laws empower the SEC to implement disclosures necessary or appropriate in the public interest or to protect investors, which provides the necessary clear statement from Congress under West Virginia v. EPA, the states argued.

FinCEN Issues Notice Highlighting Beneficial Ownership Reporting Nuances

The Treasury Department's Financial Crimes Enforcement Network (FinCEN) has enlisted financial institutions to help spread the word about its new beneficial ownership information (BOI) reporting rule for legal entities. FinCEN issued a notice explaining the differences between the beneficial ownership reporting rule in effect since January and a separate measure requiring banks to collect ownership information as part of their customer due diligence (CDD) obligations. Both rules attempt to combat the abuse of shell companies by illicit actors. The notice included a chart outlining how the rules differ. FinCEN also asked financial institutions to help clarity the reporting regime by sharing the notice with customers.

The BOI reporting requirement in effect since January, originated with the Corporate Transparency Act (CTA) and the Anti-Money Laundering Act of 2020. It requires certain entities, including many small businesses, to inform FinCEN about the individuals who ultimately own or control them. Separately, FinCEN's 2018 due diligence rule required many financial institutions to collect beneficial ownership information from certain customers seeking to open accounts. The notice issued by FinCEN on in July, seeks to clarify the two rules and alleviate confusion on the part of legal entities that feel they are making unnecessary, duplicate BOI disclosures. The two BOI reporting requirements are not identical. For example, financial institutions must collect social security numbers from beneficial owners, but social security numbers are not required to be reported to FinCEN. On the other hand, an individual filing a report to FinCEN must certify that the report is "true, correct and complete," while reports made to banks require no such certification.

Other Developments

Researchers Urge FASB to Revamp LIFO Method

In a proposal submitted to the FASB on September 10, 2024, accounting professors Daniel Tinkelman and Qianhua Ling from the City University of New York contend that the Last-In, First-Out (LIFO) inventory accounting method lacks representational faithfulness, transparency, and relevance in today's market. The researchers point to a significant decline in LIFO adoption, with only 184 public companies currently using the method, down from over 1,300 in 1982. They propose three alternatives: disallowing LIFO for financial statement reporting, aligning U.S. standards with International Financial Reporting Standards (IFRS), or implementing enhanced disclosure requirements to boost transparency if LIFO is retained. The proposed disclosures would provide users with critical information, including the difference between the book value of LIFO inventories and their current value, the impact of LIFO liquidations on reported income, and deferred tax assets or liabilities arising from different uses of LIFO for books and taxes.

LIFO, which assumes that the most recently acquired items are sold first, can result in higher cost of goods sold (COGS) and lower taxable income during periods of rising prices, providing significant tax deferrals. However, it can also lead to inventory values on the balance sheet that are significantly lower than current costs, creating a "LIFO reserve." Historically, LIFO has been a permissible inventory accounting method in the U.S. for decades, primarily because it was seen as a way to match recent costs against sales and avoid recognizing holding gains on inventory. However, its usage has significantly declined due to lower tax advantages, reduced inflation, and evolving accounting standards that emphasize representational faithfulness and comparability.

The International Accounting Standards Board (IASB) eliminated LIFO in 2003, citing its lack of representational faithfulness and the distortions it can cause in financial statements.

FASB Urged to Strengthen Disclosure Rules for Banks' Credit Risk Transfers

A former senior U.S. bank supervisor has highlighted the lack of transparency in banks' reporting of credit risk transfer (CRT) transactions, citing significant concerns over the accuracy of regulatory capitalization ratios. Jill Cetina, currently an Executive Professor of Finance at Texas A&M University, has urged the FASB to ensure that CRT transactions are fully reflected in banks' financial statements under U.S. GAAP. In a recent letter to the board, Cetina emphasized that the current regulatory framework does not require banks to disclose CRT transactions or their impact on regulatory capital ratios, creating substantial data gaps.

To make CRT transactions more transparent, Cetina has proposed several measures. First, she suggests that the FASB require banks to fully disclose CRT transactions in their financial statements, including the impact on regulatory capital ratios. Second, she recommends that bank management make representations and warranties about significant risk transfer when reporting their Common Equity Tier 1 (CET1) ratio, a key metric that measures a bank's core equity capital compared to its risk-weighted assets (RWA). Finally, she proposes that the FASB review recent bank CRT transactions and associated financial reporting to ensure full reflection in financial statements.

However, others argue that CRTs are a legitimate risk-management tool, and any additional transparency disclosures should be governed by global banking standards, not U.S. accounting rules. Some suggest that any disclosures for commercial transparency regarding the use of CRTs should come from the Basel Committee on Banking Supervision (BCBS) through Basel III+ rules (a set of global regulatory standards for banking), and not the U.S.-based FASB.

On the Horizon

The following selected FASB exposure drafts and projects are outstanding as of September 30, 2024.

Proposed ASU on Induced Conversions of Convertible Debt

In December 2023, the FASB issued a proposed ASU, *Induced Conversions of Convertible Debt Instruments*. Under current GAAP, the guidance on induced conversions applies only to conversions that include the issuance of all equity securities issuable pursuant to the conversion privileges provided in the terms of the debt at issuance. Current GAAP does not address how this criterion should be applied to the settlement of a convertible debt instrument that does not require the issuance of equity securities upon conversion (for example, a convertible debt instrument with a cash conversion feature). Current GAAP also does not address how the incorporation, elimination, or modification of a volume-weighted average price (VWAP) formula interacts with this criterion, including when such changes could result in the holder receiving less cash or fewer shares than if the debt instrument had been settled in accordance with the conversion privileges provided in the terms of the instrument (prior to any changes to induce conversion). Stakeholders also have noted that, under current GAAP, it is not clear whether the guidance on induced conversions can be applied to the settlement of a convertible debt instrument that is not currently convertible.

The amendments in this proposed ASU would clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. Under the proposed amendments, to account for a settlement of a convertible debt instrument as an induced conversion, an inducement offer would be required to provide the debt holder with, at a minimum, the consideration (in form and amount) issuable under the conversion privileges provided in the terms of the instrument. An entity would assess whether this criterion is satisfied as of the date the inducement offer is accepted by the holder. If, when applying this criterion, the convertible debt instrument had been modified (without being deemed substantially different) within the one-year period leading up to the offer acceptance date, then an entity would compare the terms provided in the inducement offer with the terms that existed one year before the offer acceptance date. The proposed amendments would not change the other existing criteria that are required to be satisfied to account for a settlement transaction as an induced conversion.

The amendments in this proposed ASU also would make additional clarifications to assist stakeholders in applying the proposed guidance. Under the proposed amendments, the incorporation, elimination, or modification of a VWAP formula would not automatically cause a settlement to be accounted for as an extinguishment; an entity would instead assess whether the form and amount of conversion consideration are preserved (that is, provided for in the inducement offer) using the fair value of an entity's shares as of the offer acceptance date.

The amendments in this proposed ASU also would clarify that the induced conversion guidance can be applied to a convertible debt instrument that is not currently convertible so long as it had a substantive conversion feature as of its issuance date and is within scope of the guidance in Subtopic 470-20.

Proposed ASU to Improve Disclosures around Income Statement Expenses

In July 2023, the FASB issued a proposed ASU intended to provide investors with more decision-useful information about a public business entity's expenses. The proposed ASU would require public companies to provide detailed disclosure of specified categories underlying certain expense captions in interim and annual periods. It would provide investors with more detailed information about the types of expenses, including employee compensation, depreciation, amortization, and costs incurred related to inventory and manufacturing activities in income statement expense captions such as cost of sales; selling, general and administrative; and research and development.

The amendments in the proposed ASU do not change or remove existing expense disclosure requirements and do not change requirements for presentation of expenses on the face of the income statement. They would require public companies to include certain existing disclosures in the same tabular format disclosure as the other disaggregation requirements set forth in the proposed ASU.

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 Invitation to Comment, *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 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.

GASB Issues Proposal for Capital Asset Disclosures

In September 2023, the GASB issued a proposal that would establish requirements for certain types of capital assets to be disclosed separately for purposes of note disclosures. The Exposure Draft, *Disclosure and Classification of Certain Capital Assets*, also establishes requirements for certain capital assets to be classified as "held for sale."

Recent GASB pronouncements like Statements 87, *Leases*, and 96*, Subscription-Based Information Technology Arrangements*, created certain types of capital assets, which are described as "right-to-use" assets. In light of the recognition of those new types of assets, the Board decided to consider the effectiveness of existing classifications. Based on input from financial statement users during the research phase of the project, GASB is proposing that certain types of assets be disclosed separately in the note disclosures about capital assets. This would allow users to make informed decisions about these and to evaluate accountability.

The Exposure Draft addresses four types of capital assets that would be disclosed separately in the notes:

- Capital assets held for sale, by major class of asset
- Lease assets reported under Statement 87, by major class of underlying asset
- Subscription assets reported under Statement 96
- Intangible assets other than leases assets and subscription assets, by major class of assets

Capital assets held for sale is a new classification proposed in this Exposure Draft. Under the proposal, a capital asset would be classified as held for sale if: (a) the government has decided to sell the asset, and (b) it is probable the sale will be finalized within a year of the financial statement date. Capital assets classified as held for sale would be evaluated each reporting period.

EITF Agenda Items

The Emerging Issues Task Force (EIFT) did not meet during the third quarter. The next scheduled meeting is Monday, October 28.

PCC Activities

The Private Company Council (PCC) met on Tuesday, September 24, 2024. Below is a summary of topics discussed by PCC and FASB members at the meeting:

- <u>PCC Agenda Priorities:</u> The PCC continued discussing the topics identified and discussed at the April and June 2024 PCC meetings: credit losses—short-term trade accounts receivable and contract assets, debt modifications and extinguishments, presentation of conditional retainage and overbillings as contract assets and liabilities, and lease accounting simplifications.
  - PCC added a project to its technical agenda on the application of Topic 326, *Financial Instruments—Credit Losses* (CECL), to current accounts receivable and contract assets arising from revenue transactions. PCC members completed initial deliberations and made decisions on (1) scoping the project to current accounts receivable and contract assets resulting from transactions accounted for under Topic 606, *Revenue from Contracts with Customers*, for private companies, (2) providing a practical expedient that, as part of the development of a reasonable and supportable forecast, a private company need not adjust historical loss information to reflect changes related to relevant economic data and may assume that current economic conditions as of the balance sheet date persist throughout the forecast period, (3) providing an accounting policy election to consider subsequent cash collection if the practical expedient is elected, (4) requiring private companies to disclose when the practical expedient and the accounting policy has been elected, and (5) requiring prospective transition. The PCC asked the FASB staff to draft an Exposure Draft of a proposed Accounting Standards Update, subject to FASB endorsement.
  - PCC added a project to its technical agenda on the presentation of contract assets and contract liabilities for private companies in the construction industry. PCC members completed initial deliberations and made decisions on (1) providing a private company alternative that allows private construction companies within the scope of Subtopic 910-10, *Contractors—Construction—Overall*, to separately present contract assets and contract liabilities on a gross basis, at the contract level, on the balance sheet for all of a company's contracts with customers, (2) requiring a private construction company to disclose when it has elected the private company alternative, and (3) requiring retrospective transition and certain transition disclosures in the period of adoption. The PCC asked the FASB staff to draft an Exposure Draft of a proposed Accounting Standards Update, subject to FASB endorsement.
  - PCC members discussed the outreach conducted with financial statement users on the financial reporting outcomes associated with applying Subtopic 470-50, *Debt—Modifications and Extinguishments*, to term loans that are exchanged or modified. PCC members requested the FASB staff to research a technically feasible solution to simplify the guidance

for term debt, including an entity-wide accounting policy election to allow a private company to account for all modifications and exchanges under one model.
  - PCC members discussed the recent formation of the leases working group, the objectives of the working group, and its activities to date. Working group members noted that during their first meeting, members discussed identifying private company challenges in applying the leases guidance, how the FASB's post-implementation review project on leases could help to inform the working group, and plans for future outreach, including the type of private company stakeholders with whom to perform outreach and content for outreach materials.
- 2024 FASB Agenda Consultation: PCC members provided several financial reporting areas for the Board to consider as part of its 2024 Agenda Consultation process. Those areas included (1) increased disaggregation of financial reporting information for private companies, (2) additional simplifications to debt modifications guidance beyond the current scope of the PCC research project, (3) expansion of the PCC's technical agenda projects on CECL and presentation of contract assets and contract liabilities to entities beyond private companies, (4) simplifications to distinguishing liabilities from equity guidance, (5) simplifications to consolidation guidance, and (6) increased disclosure around contingent liabilities, debt guarantees, and related party transactions.
- Town Hall/Liaison Meeting Update: PCC members discussed feedback received during the September 2024 liaison meeting with the AICPA Private Companies Practice Section (PCPS) Technical Issues Committee (TIC). FASB staff also noted that the PCC will hold a liaison meeting with (1) the Risk Management Association (RMA) in October 2024, (2) the Auditing Standards Board Audit Issues Task Force (ASB AITF) in November 2024, and (3) representatives from the surety industry in January 2025.
- Other Business: The PCC Chair summarized the PCC's closed meeting discussion on the accounting for Common Interest Realty Associations (CIRAs) and noted that this issue will not be addressed by the PCC at this time. The PCC Chair also noted that during the December PCC meeting, members will reassess their ongoing agenda priorities.

The next PCC meeting is scheduled for Monday, December 16, and Tuesday, December 17, 2024.

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 2024-02, Codification Improvements—Amendments to Remove References to the Concepts Statements	All reporting entities within the scope of the affected accounting guidance	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025. Early application of the amendments in this Update is permitted for all entities, for any fiscal year or interim period for which financial statements have not yet been issued (or made available for issuance).
ASU 2024-01, Scope Application of Profits Interest and Similar Awards	All entities that account for profits interest awards as compensation to employees or nonemployees in return for goods or services	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025, including interim periods within those years. Early adoption is permitted. If an entity intends to adopt the amendments in an interim period, it must do so as of the beginning of the fiscal year that includes that interim period.
ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures	All entities subject to ASC 740, *Income Taxes*	For public business entities, the amendments are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied on a prospective basis. Retrospective application is permitted.
ASU 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets	All entities that hold crypto assets	The amendments are effective for all entities for fiscal years beginning after December 15, 2024, including 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). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period.
ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures	All public entities that are required to report segment information in accordance with ASC 280, *Segment Reporting*	The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative	All reporting entities within the scope of the affected ASC topics unless otherwise indicated	For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. For all other entities, the amendments will be effective two years later.
ASU 2023-05, Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement	Entities that meet the definition of a joint venture or a corporate joint venture, as defined in the ASC Master Glossary	The amendments are effective prospectively for all joint ventures with a formation date on or after January 1, 2025, and early adoption is permitted. Additionally, a joint venture that was formed before the effective date of the ASU may elect to apply the amendments retrospectively if it has sufficient information.
ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)	All entities that hold (1) tax equity investments that meet the conditions for and elect to account for them using the proportional amortization method or (2) an investment in a LIHTC structure through a limited liability entity that is not accounted for using the proportional amortization method and to which certain LIHTC-specific guidance removed from Subtopic 323-740 has been applied	For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2023-01, Leases (Topic 842) Common Control Arrangements	Practical expedient: Entities other than public business entities, not-for-profit conduit bond obligors, and employee benefit plans that file or furnish financial statements with or to the SEC Leasehold improvements: All lessees	The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period.
ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848	All entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.	Effective upon issuance.
ASU 2022-05, Financial Services—Insurance (Topic 944): Transition for Sold Contracts	Insurance entities that have derecognized contracts before the effective date of ASU 2018-12	The effective dates of the amendments are consistent with the effective dates of the amendments in ASU 2020-11.
ASU 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations	All entities that use supplier finance programs in connection with the purchase of goods and services	The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on roll-forward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted.

Appendix A

Important Implementation Dates, *continued*

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 2022-01, 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 2021-08, 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 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 2020-06, 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 2020-04, 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.

Appendix A

Important Implementation Dates, *continued*

Pronouncement	Affects	Effective Date and Transition
ASU 2019-09, Financial Services—Insurance (Topic 944): Effective Date	Insurance entities	The amendments in this ASU defer the effective date of the amendments in ASU 2018-12 for all entities.
ASU 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*

Selected Implementation Dates (GASB)

Pronouncement	Affects	Effective Date and Transition
Statement 103, Financial Reporting Model Improvements	Governmental entities	The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.
Statement 102, Certain Risk Disclosures	Governmental entities	The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.
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.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements

For the Quarter Ended September 30, 2024

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 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 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] [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 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 2020-06 – 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 2020-11 – 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*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2024

December 15, 2025.-all other entities] The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2021-08 – Applicable to all entities that enter into a business combination:
In October 2021, the FASB amended the Business Combinations topic in the Accounting Standards Codification to require entities to apply guidance in the Revenue topic to recognize and measure contract assets and contract liabilities acquired in a business combination. The amendments are effective for *[fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. - public business entities] [fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. - all other entities]* The amendments are applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 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 2022-03 – Applicable to all entities:
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.

ASU 2022-04 – Applicable to all entities that use supplier finance programs in connection with the purchase of goods and services:
In September 2022, the FASB issued amendments to enhance the transparency about the use of supplier finance programs for investors and other allocators of capital. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on roll-forward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2022-05 – Applicable to insurance entities that have derecognized contracts before the effective date of ASU 2018-12:
In December 2022, the FASB issued amendments to reduce implementation costs and complexity associated with the adoption of ASU 2018-12 for contracts that have been derecognized in accordance with the amendments in this ASU before the effective date of ASU 2018-12. The amendments are effective for *[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] [fiscal years beginning after December 15, 2024, and interim periods within fiscal year beginning after December 15, 2025.-all other entities]* The Company does not expect these amendments to have a material effect on its financial statements.

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2024

ASU 2022-06 – Applicable to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform:

In December 2022, the FASB issued amendments to defer the sunset date of the Reference Rate Reform Topic of the Accounting Standards Codification from December 31, 2022, to December 31, 2024, because the current relief in Reference Rate Reform Topic may not cover a period of time during which a significant number of modifications may take place. The amendments were effective upon issuance. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2023-01 – Practical expedient: Applicable to all entities other than public business entities, not-for-profit conduit bond obligors, and employee benefit plans that file or furnish financial statements with or to the SEC; Leasehold improvements: Applicable to all lessees:

In March 2023, the FASB amended the Leases topic in the Accounting Standards Codification to provide a practical expedient for provide a practical expedient for private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. The amendments also change the guidance for public and private companies to require that leasehold improvement be amortized over the useful life of those improvements to the common control group regardless of the lease term. The amendments are effective for fiscal years beginning after December 15, 2023, including 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 2023-02 – Applicable to all entities that hold (1) tax equity investments that meet the conditions for and elect to account for them using the proportional amortization method or (2) an investment in a LIHTC structure through a limited liability entity that is not accounted for using the proportional amortization method and to which certain LIHTC-specific guidance removed from Subtopic 323-740 has been applied:

In March 2023, the FASB issued amendments to allow reporting entities to consistently account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits. 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 for all entities in any interim period. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2023-05 – Applicable to Entities that meet the definition of a joint venture or a corporate joint venture, as defined in the ASC Master Glossary:

In August 2023, the FASB issued amendments to address the accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statements. The amendments are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Additionally, a joint venture that was formed before January 1, 2025 may elect to apply the amendments retrospectively if it has sufficient information. Early adoption is permitted in any interim or annual period in which financial statements have not yet been issued (or made available for issuance), either prospectively or retrospectively. 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, 2024

ASU 2023-06 – Applicable to all reporting entities within the scope of the affected ASC topics unless otherwise indicated:
In October 2023, the FASB issued amendments to incorporate certain U.S. Securities and Exchange Commission (SEC) disclosure requirements into the U.S. GAAP and align the requirements with the SEC's regulations. The amendments are effective prospectively *[on the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective. -entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer] [two years after the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective.-all other entities]* Early adoption is prohibited. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2023-07 – Applicable to all public entities that are required to report segment information in accordance with ASC 280, Segment Reporting:
In November 2023, the FASB amended the Segment Reporting topic in the Accounting Standards Codification to improve disclosures about a public entity's reportable segments and provide more detailed information about a reportable segment's expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Upon adoption, the Company will apply the amendments retrospectively to all prior periods presented in the financial statements. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2023-08 – Applicable to all entities that hold crypto assets:
In December 2023, the FASB amended the Intangibles topic in the Accounting Standards Codification to improve the accounting for and disclosure of certain crypto assets. The amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. Upon adoption, the Company will apply a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets) as of the beginning of the annual reporting period in which the Company adopts the amendments. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2023-09 – Applicable to all entities subject to ASC 740, Income Taxes:
In December 2023, the FASB amended the Income Taxes topic in the Accounting Standards Codification to improve the transparency of income tax disclosures. The amendments are effective for *[annual periods beginning after December 15, 2024.-public business entities] [annual periods beginning after December 15, 2025.-all other entities]* Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2024-01 – Applicable to all entities that account for profits interest awards as compensation to employees or nonemployees in return for goods or services:
In March 2024, the FASB amended the Compensation—Stock Compensation topic in the Accounting Standards Codification demonstrate how an entity should apply the guidance to determine whether profits interest and similar awards should be accounted for in accordance with that topic. The amendments are effective for *[annual periods beginning after December 15, 2024, and interim periods within those annual periods.-public business entities] [annual periods beginning after December 15, 2025 and interim periods*

Appendix B

Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

For the Quarter Ended September 30, 2024

within those annual periods.-all other entities] Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company will apply the amendments *[retrospectively to all prior periods presented in the financial statements] [prospectively to profits interest and similar awards granted or modified on or after the date at which the Company first applies the amendments].* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2024-02 – Applicable to all entities within the scope of the affected accounting guidance:
In March 2024, the FASB issued amendments to the Codification that remove references to various FASB Concepts Statements. The amendments are effective for *[fiscal years beginning after December 15, 2024. -public business entities] fiscal years beginning after December 15, 2025.-all other entities]* Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. The Company will apply the amendments *[retrospectively to the beginning of the earliest comparative period presented in which the amendments were first applied] [prospectively to all new transactions recognized on or after the date that the Company first applies the amendments].* 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, 2024, the FASB has issued the following Accounting Standard Updates during the year.**

- ***ASU 2024-01,*** *Scope Application of Profits Interest and Similar Awards*
- ***ASU 2024-02,*** *Codification Improvements—Amendments to Remove References to the Concepts Statements*