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

This quarterly update is organized as follows:

## FASB Update

The following selected Accounting Standards Updates (ASUs) were issued by the Financial Accounting Standards Board (FASB) during the fourth quarter. A complete list of all ASUs issued or effective in 2023 is included in Appendix A.

### FASB Improves Segment Disclosures

In November, the FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures*, that improves disclosures about a public entity's reportable segments and addresses requests from investors and other allocators of capital for additional, more detailed information about a reportable segment's expenses. The ASU applies to all public entities that are required to report segment information in accordance with FASB Accounting Standards Codification (ASC) 280, *Segment Reporting*. The amendments in the ASU improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The key amendments:

- Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss.
- Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or loss.
- Require that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by ASC 280 in interim periods.
- Clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements.
- Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.
- Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in ASC 280.

***Effective Dates***

All public entities will be required to report segment information in accordance with the new guidance starting in annual periods beginning after December 15, 2023.

### New Guidance for Crypto Assets

In December, the FASB published ASU 2023-08, *Accounting for and Disclosure of Crypto Assets*, intended to improve the accounting for and disclosure of certain crypto assets. The new standard responds to feedback from stakeholders of all backgrounds who indicated that improving the accounting for and disclosure of crypto assets should be a top priority. The amendments in the ASU improve the accounting for certain crypto assets by requiring an entity to measure those crypto assets at fair value each reporting period with changes in fair value recognized in net income. The amendments also improve the information provided to investors about an entity's crypto asset holdings by requiring disclosure about significant holdings, contractual sale restrictions, and changes during the reporting period.

## FASB Update, continued

### New Guidance for Crypto Assets, continued

The amendments in the ASU apply to all assets that meet all the following criteria:

- Meet the definition of intangible asset as defined in the FASB Accounting Standards Codification
- Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
- Are created or reside on a distributed ledger based on blockchain or similar technology
- Are secured through cryptography
- Are fungible
- Are not created or issued by the reporting entity or its related parties

***Effective Dates***

The amendments in the ASU 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 amendments are adopted in an interim period, they must be adopted as of the beginning of the fiscal year that includes that interim period.

### FASB Makes Improvements to Income Tax Disclosures

In December, the FASB published ASU 2023-09, *Improvements to Income Tax Disclosures*, that addresses requests for improved income tax disclosures from investors, lenders, creditors, and other allocators of capital (collectively, "investors") that use the financial statements to make capital allocation decisions. The ASU improves the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures.

***Effective Dates***

For public business entities, the ASU is effective for annual periods beginning after December 15, 2024. For other 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.

## Regulatory Update

### SEC Delays Action on Final Climate Disclosure Rule

The Securities and Exchange Commission (SEC) has, once again, delayed its climate change disclosure rulemaking. Now the agency will consider finalizing its March 2022 proposal, Release No. 33-11042, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, in the spring of 2024, according to an updated rulemaking agenda. The commission has delayed final action several times already, and the latest delay has been widely expected, given strong pushback by public companies against some of the more onerous proposed requirements, including scope 3 greenhouse gas (GHG) emission disclosures, 1%-materiality threshold for financial statement disclosures, and attestation of scope 1 and scope 2 GHG emissions for larger companies.

The climate change disclosure rule is probably the most closely watched and one of the most consequential projects that the SEC will undertake during Chair Gary Gensler's tenure in part because it will test the boundaries of the securities laws and the commission's authority. If adopted, it will represent a significant change for public companies. Many large companies today already provide voluntary sustainability reports. But the SEC's proposal—with several extensive standardized and prescriptive requirements—is intended to provide investors with consistent, comparable, decision-useful information that is reliable.

This rulemaking has been especially controversial as many critics—mainly business organizations and Republicans—question whether the agency even has the authority to prescribe extensive rules that they view are intended to manage the economy and businesses.

### SEC Staff Reminds Companies of Non-GAAP Rules

There has been some confusion about what the new FASB standard on segment reporting would mean in relation to a company's ability to use non-GAAP metrics in financial statement notes. And the SEC is reminding public companies about current non-GAAP requirements while urging companies to consult with the commission before putting additional unofficial measures in the financial statement notes for segment reporting.

In November, the FASB issued ASU 2023-07, *Improvements to Reportable Segment Disclosures*, that is intended to provide additional information about a public company's significant segment expenses and more timely and detailed segment reporting to investors. Among other things, a company is required to disclose significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss. The additional measures of segment profit or loss are permitted but not required by the new ASU. Accordingly, the SEC rules consider such additional measures of segment profit or loss as non-GAAP financial measures subject to the non-GAAP guidance.

ASU 2023-07 includes the following two sentences:

> If the chief operating decision maker uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) shall be that which management believes is determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in a public entity's consolidated financial statements.

## Regulatory Update, continued

### SEC Staff Reminds Companies of Non-GAAP Rules, continued

Accordingly, a company would be fully compliant with US GAAP and the new ASU if it presented the one required segment measure of profit or loss—the one most consistent with US GAAP—and not other additional measures. However, because ASU 2023-07 permits the additional measures in the financial statement notes with no requirement that they be calculated consistent with US GAAP, the SEC expects that some companies may disclose non-GAAP measures of segment profit or loss in their audited financial statements. Regulation G requires companies to present with equal or greater prominence the most directly comparable financial measure from U.S. GAAP. Companies must also reconcile the differences between the non-GAAP financial measure with the most directly comparable financial measurement from GAAP. The companies must also disclose why they believe the non-GAAP measures provide useful information to investors about their financial conditions and results of operations.

### SEC Provides More Disclosure Guidance on Pay versus Performance Rule

The SEC Division of Corporation Finance (CorpFin) has once again updated Compliance & Disclosure Interpretations (C&DIs) for Regulation S-K to further provide the staff's interpretations of pay versus performance rules. CorpFin first provided C&DIs on the rules in February, then followed up with additional interpretations—mainly on GAAP questions—in late September to help reporting companies to implement Release No. 34-95607, *Pay Versus Performance*, which was adopted in August 2022. Companies began complying with the requirements for fiscal years ending on or after December 16, 2022.

The SEC added new Item 402(v) to Reg S-K, requiring companies to disclose in a table that includes the measure of total compensation and a measure reflecting "executive compensation actually paid" for the principal executive officer. The same information should be presented as an average for the other named executive officers (NEOs).

The latest update, published on November 21, 2023, answers 10 questions about peer group in Compensation Discussion & Analysis (CD&A), stock and option awards, and disclosures by companies that lose smaller reporting company (SRC) or emerging growth company (EGC) status. Depending on the rules, SRCs and EGCs get exemptions or get to comply with scaled or phased-in requirements.

### SEC Stresses Importance of Cash Flow Statement

The SEC Chief Accountant, Paul Munter, is urging companies to exercise the same level of due professional care with the statement of cash flows as they do for other financial statements. His remarks come as some companies and auditors may have not been applying the same rigor and skepticism in preparing or auditing the statement of cash flows, even though it is a primary financial statement. This has consistently been a leading area of financial statement restatements. The SEC staff have found that a significant majority of these restatements represent prior period errors corrected in the current period comparative financial statements—or "little r" restatements. This indicates that issuers are routinely making a determination that errors in the statement of cash flows do not constitute a material error in prior periods. Regulators have also observed material weakness in internal control over financial reporting (ICFR) around the preparation and presentation of the statement of cash flows.

It is unclear how widespread the problems are, but Munter has stated that, at least anecdotally, there is some evidence that not all companies have the same rigorous processes and financial controls as they do around the other financial statements. And that kind of anecdotal evidence is worrisome because that might imply that in the minds of some issuers and some auditors, the cash flow statement is of lesser importance.

## Other Developments

### FASB Makes Changes to Emerging Issues Task Force

The FASB will roll out a new process next year that will leverage the work of the Emerging Issues Task Force (EITF), a special panel that addresses technical accounting issues that come from applying U.S. GAAP. The EITF will have control of its own agenda and deliberate issues but the output of an EITF consensus will simply be a recommendation to the FASB in the form of an agenda request with a proposed solution.

The EITF, which was formed in 1984, has evolved over time. There was a period—decades ago—when the EITF controlled its own agenda, dealing in some cases with 30 to 40 issues a year. The task force's decisions took effect right after it held meetings but over time that process changed and the group's process became part of the FASB's full process.

Today, the EITF has a limited mandate though broader than board advisory bodies. It is composed of 12 members and is chaired by the FASB Technical Director. The Task force can only address projects the FASB puts on its agenda, typically technical matters that accountants find confusing and therefore have created diversity in practice.

### U.S. Treasury Warns Banks to Beware of Continuing Fraud Schemes Linked to COVID-19 Relief Program

The U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) has alerted firms to a pattern of continuing fraud schemes that exploit a COVID-19 relief program known as the Employee Retention Credit, or ERC. The alert includes red flag indicators to help firms detect transactions linked to ERC fraud.

The Employee Retention Credit was authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act as a tax credit to encourage businesses to keep employees on payroll during the COVID-19 pandemic. The Internal Revenue Services (IRS) Criminal Investigations (CI) unit identified the persistent ERC fraud schemes, which have so far triggered 323 investigations involving more than $2.8 billion in potentially fraudulent claims throughout tax years 2020, 2021, 2022, and 2023, the alert said.

FinCEN issued this alert in partnership with [IRS] CI to remind financial institutions that it is critical that they remain vigilant in identifying and reporting related suspicious activity and to protect businesses from being taken advantage of by fraudsters. ERC fraud has been so widespread that in September 2023, the IRS announced a moratorium—through at least year's end—on processing new ERC claims to get a handle on the illicit activity.

While there are numerous variations of ERC fraud, the basic approach is to use shell companies, or existing but ineligible businesses, to file fraudulent ERC claims. In some cases, criminals have used the proceeds to pay for lavish purchases and personal expenses, the alert said. So-called "promoters" may occasionally also submit claims on behalf of businesses without their knowledge or using stolen information. Such ERC mills may also steal taxpayers' personal information from an ERC claim to use in other identity theft schemes, the alert said.

## Other Developments, continued

### U.S. Treasury Warns Banks to Beware of Continuing Fraud Schemes Linked to COVID-19 Relief Program, continued

Based on FinCEN's analysis of suspicious activity reports (SARs), other Bank Secrecy Act filings, open-source reporting, and information provided by law enforcement partners, the Treasury bureau developed a list of 10 red flags that may indicate ERC fraud activity:

- A business account receives more than one ERC check deposit over multiple days.
- Small business accounts receive an ERC check deposit that is not commensurate with the size of the business, the number of employees, and the volume of transactions.
- A large ERC is deposited into a business account and is subsequently transferred using P2P services, sent to an online banking institution, or withdrawn as cash at an ATM. Funds may be transferred from the deposit account into separate accounts or used for payments to new businesses that the customer had not dealt with before receiving the ERC.
- The account receiving an ERC check deposit has no deposits other than Treasury-issued checks, or the account has no regular business transactions.
- A customer attempts to deposit an altered Treasury ERC check, or financial institutions are unable to verify the validity of the checks that customers attempt to deposit.
- The ERC check is deposited into a new business account that did not exist in 2020 or 2021.
- A new business account is created for an established business, but no other business activity occurs in the account except for the ERC deposit. This may indicate identity theft, where the established business was used as a front from which to apply for the ERC.
- A dormant business account suddenly receives an ERC check deposit.
- An ERC is deposited into a business account with no payroll history.
- A customer reports or provides documents indicating that their ERC was obtained by a third-party firm whose credentials cannot be verified or is the subject of adverse media.

### Groups Oppose FASB's Proposed Income Tax Disclosure Guidance

Five trade groups accused the FASB of failing to follow its own due process over proposed new income tax disclosure guidance and have urged the board not to issue the guidance. According to a joint letter from Business Roundtable, Managed Funds Association, the National Association of Manufacturers, the National Foreign Trade Council, and the U.S. Chamber of Commerce, the FASB did not properly consider the far-reaching economic effects of the pending changes, which will produce misleading information to financial statement users. The groups, which represent issuers and investors, lenders, creditors, and other allocators of capital, urged the board to reconsider its direction to the staff to draft a final ASU for vote by written ballot and, instead, continue its stakeholder outreach with a more diverse set of interested parties, including investors, issuers, and other practitioners.

The letter comes almost three months after the FASB voted to finalize the most significant aspects of the proposed ASU, *Improvements to Income Tax Disclosures*. The FASB proposed the changes in March to improve disclosure rules around the rate reconciliation table and cash paid for taxes both in the US and in foreign jurisdictions. The ASU will take effect in 2025 for public companies.

The views from the five trade groups differ from what the FASB has been hearing, according to discussions with advisory bodies such as the Investor Advisory Committee (IAC), a panel that provides the board with the perspectives of users of financial statements. Specifically, in May, the IAC said they favored the proposal, stating that it would help in the understanding of a company's risks and opportunities related to income taxes and enable them to better assess the sustainability of income taxes over time. The IAC is composed of mostly of senior investment analysts.

## Other Developments, continued

### Statement of Cash Flows to be Narrowly Reorganized for Financial Institutions

In November, the FASB voted to add a rulemaking project to its agenda to reorganize the statement of cash flows to address items that are core to the operations of banks and other financial institutions, agreeing to keep the project narrow. The effort will revise ASC 230, *Statement of Cash Flows*, so that it does a better job of telling a bank's story, according to the discussions.

At the crux of the matter—financial statement preparers and investors have said that many of the activities that are classified as "investing" or "financing" for a nonfinancial institution are viewed as "operating activities" for a financial institution, such as accepting deposits and making loans. This in turn reduces the usefulness of the statement to users of the information who study financial institutions. In general, the planned changes would fix those issues in a manner that is operable at low cost, staff said.

Specifically, the project will revise ASC 230 to:

- Require a disclosure of cash received for interest on the cash flow statement similar to the current disclosure that is already required for cash paid for interest. Staff said that a majority of investors support this disclosure because they believe it could encourage more banking investors to utilize the cash flows statement in their analyses.
- Reorganize the statement for financial institutions. This would revise the statement of cash flows to expand the operating cash flows section to include additional items that are core to the operations of a financial institution. Additionally, the operating section would include a subtotal for net interest income related adjustments. Staff said that the majority of investors agree that the subtotal within the operating section related to net interest income could allow for a further breakdown to amortization and other line items which would provide more insight into adjustments for noncash accretion of interest income.

## On the Horizon

The following selected FASB exposure drafts and projects are outstanding as of December 31, 2023.

### Proposed ASU Related to Profits Interests Awards

In May, the FASB issued a proposed ASU that is intended to improve generally accepted accounting principles by adding illustrative guidance to help entities determine whether profits interest and similar awards should be accounted for as a share-based payment arrangement within the scope of ASC 718, *Compensation—Stock Compensation*.

Certain entities, typically private companies, provide employees and other service providers with profits interest and similar awards to align compensation with the company's operating performance and provide those holders with the opportunity to participate in future profits and/or equity appreciation of the company. The Private Company Council (PCC) and other stakeholders have highlighted existing diversity in practice in accounting for these awards as a share-based payment arrangement under ASC 718 or similar to a cash bonus or profit-sharing arrangement (ASC 710, *Compensation—General*, or other Topics). As certain public business entities also may be required to account for profits interest awards, the PCC recommended that the Board add a project that would provide illustrative guidance for all reporting entities that account for profits interest and similar awards.

### 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.

## On the Horizon, continued

### 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 Proposes Guidance Related to Subscription-Based IT

In February 2023, the Governmental Accounting Standards Board (GASB) issued proposed implementation guidance that is intended to clarify, explain, or elaborate on existing guidance on subscription-based information technology arrangements (SBITAs). The Exposure Draft, *Additional Proposal for Implementation Guidance Update—2023*, addresses the single issue of whether a cloud computing arrangement meets the definition of a SBITA as defined in GASB Statement 96, *Subscription-Based Information Technology Arrangements*. If cleared as final implementation guidance, the question and answer in this supplemental Exposure Draft will be added to previously exposed questions and answers to result in a final Implementation Guide, *Implementation Guidance Update—2023*.

### GASB Issues Proposal to Enhance Concepts for Notes to Financial Statements

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

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

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

## On the Horizon, continued

### GASB Issues Proposal to Enhance Concepts for Notes to Financial Statements, continued

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

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

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

### 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.

## On the Horizon, continued

### EITF Agenda Items

The Emerging Issues Task Force (EIFT) did not meet during the fourth quarter. The next EITF meeting has not been scheduled.

### PCC Activities

The Private Company Council (PCC) met on Thursday, December 14, and Friday, December 15, 2023. Below is a summary of topics discussed by PCC and FASB members at the meeting:

- Stock Compensation Disclosures (PCC Research Project): FASB staff and members of the PCC's stock compensation disclosures working group summarized outreach conducted with private company preparers, practitioners, and users. Several PCC members expressed preliminary support for adding a project on stock compensation disclosures to the PCC's technical agenda, while some PCC members questioned whether this is a pressing and pervasive issue for private companies. PCC members noted that many users have access to management and detailed information, such as capitalization tables, and may not find certain required stock compensation disclosures decision useful. Some PCC members noted that some stock compensation disclosures may be costly for private companies to prepare, largely driven by whether the entity uses software to generate the required disclosures and by the complexity of the company's stock compensation plans. PCC members indicated that no additional research was necessary before deciding whether to add a project to the PCC's technical agenda at a future meeting.
- Accounting for Government Grants: The PCC discussed the Board's recent decision to add a project to its technical agenda on the accounting for government grants received by business entities and recent Board decisions on scope, recognition, measurement, and presentation. Some PCC members supported the Board's decision to have a separate, cost-accumulation model for grants related to assets, while other PCC members indicated preference for a single model with gross presentation of all grants recognized. Some user PCC members indicated that disclosure of the ongoing impact of grants related to assets, in periods subsequent to grant recognition, could be decision useful.
- Scope Application of Profits Interest Awards: PCC members supported the Board's decisions made during redeliberation of the amendments in the proposed Update, *Compensation—Stock Compensation (Topic 718): Scope Application of Profits Interest Awards*, at its November 1, 2023 meeting. PCC members asked for clarification on how the Board determined which additional characteristics to add to the illustrative example in the Codification. PCC members suggested that educational materials or communications about the final Update could be provided through state CPA societies, PCC liaison meetings, and FASB webcasts.
- Revenue Implementation: FASB staff provided a summary of feedback received at the November 10, 2023 public roundtable on the FASB's post-implementation review of Topic 606, Revenue from Contracts with Customers. A preparer PCC member who participated in the roundtable provided additional details on the roundtable discussion in the areas of benefits, costs, implementation challenges, and improvements to the standard-setting process. PCC members discussed areas in Topic 606 that could be considered for potential future standard setting for private companies, such as presentation of contract assets and contract liabilities, short-cycle manufacturing, and variable consideration for long-duration contracts.

## On the Horizon, continued

### PCC Activities, continued

- Leases Implementation: PCC members discussed recent observations about the implementation of Topic 842, *Leases*, and feedback received at the Risk Management Association (RMA) liaison meeting, indicating that the RMA members expressed a need for additional information to distinguish related party leases from third-party leases. PCC members also discussed continuing implementation issues, such as the determination of the incremental borrowing rate and the election to use the risk-free discount rate.
- Credit Losses Implementation: PCC members discussed recent observations on the status of private company implementation of Topic 326, *Financial Instruments—Credit Losses* (CECL). Some PCC members described challenges related to applying certain aspects of CECL, such as developing reasonable and supportable forecasts on trade receivables and similar types of financial assets held by nonpublic commercial entities. Other PCC members discussed how the implementation of CECL, while not significant to their financial statements, provided an unexpected benefit to their internal management reporting. PCC members also emphasized a need to continue promoting awareness of the guidance among private company stakeholders.
- Accounting for Environmental Credit Programs: FASB staff provided PCC members with an update on the Accounting for Environmental Credit Programs project and a summary of the recent Board decisions on scope and asset recognition and measurement. PCC members noted that while they do not currently have extensive experience with environmental credits within the scope of the project, they support the Board's consideration of the project as both compliance and voluntary programs are becoming more prevalent. PCC members also asked clarifying questions about the project, including its interaction with the FASB's Accounting for Government Grants project and consideration of fair value measurement for a subset of environmental credits.
- Induced Conversions of Convertible Debt Instruments: The PCC's EITF observer member provided an overview of the project and the consensus-for-exposure reached by the EITF at its September 14, 2023 meeting and the ratification by the Board at its October 4, 2023 meeting. A proposed Accounting Standards Update was issued on December 19, 2023, with a 90-day comment period.
- Town Hall/Liaison Meeting Update: PCC members and FASB staff discussed feedback received during the following recent liaison meetings: (1) RMA's Accounting Working Group, (2) Auditing Standards Board Audit Issues Task Force, and (3) AICPA Private Companies Practice Sections (PCPS) Technical Issues Committee (TIC). FASB staff also noted that the PCC will hold a liaison meeting with the Institute of Management Accountants Small Business Committee in March 2024 and will participate in the AICPA ENGAGE Conference in June 2024. FASB staff also noted that the FASB held its semiannual webcast, IN FOCUS: FASB Update for Private Companies and Not-for-Profit Organizations, on December 11, 2023.

# 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 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. |
| ***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. |

# Appendix A

## Important Implementation Dates, *continued*

| Pronouncement | Affects | Effective Date and Transition |
|---|---|---|
| ***ASU 2023-04, Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121 (SEC Update)*** | SEC filers | Effective upon issuance. |
| ***ASU 2023-03, Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock (SEC Update)*** | SEC filers | Effective upon issuance. |

# Appendix A

## Important Implementation Dates, *continued*

| Pronouncement | Affects | Effective Date and Transition |
|---|---|---|
| ***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. |
| ***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<br><br>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. |

# Appendix A

## Important Implementation Dates, *continued*

| Pronouncement | Affects | Effective Date and Transition |
|---|---|---|
| ***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. |
| ***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. |

# Appendix A

## Important Implementation Dates, *continued*

| Pronouncement | Affects | Effective Date and Transition |
|---|---|---|
| ***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 2019-11, 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.<br><br>For entities that have adopted the amendments in ASU 2016-13, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period after issuance of this ASU as long as an entity has adopted the amendments in ASU 2016-13. |
| ***ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*** | All entities | The amendments in this ASU delay the effective dates of ASU 2016-13, ASU 2017-12, and ASU 2016-02, and ASU 2017-04. |
| ***ASU 2019-09, Financial Services—Insurance (Topic 944): Effective Date*** | Insurance entities | The amendments in this ASU defer the effective date of the amendments in ASU 2018-12 for all entities. |
| ***ASU 2019-04, 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 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 2018-12, 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 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.<br><br>For all other organizations, the new standard is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years.<br><br>Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. |

# Appendix A

## Important Implementation Dates, *continued*

### Selected Implementation Dates (GASB)

| Pronouncement | Affects | Effective Date and Transition |
|---|---|---|
| ***Statement 101, Compensated Absences*** | Governmental entities | The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. |
| ***Statement 100, Accounting Changes and Error Corrections*** | Governmental entities | The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. |
| ***Statement 99, Omnibus 2022*** | Governmental entities | The requirements of Statement 99 that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement 34, and terminology updates are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the other requirements related to derivative instruments are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged and is permitted by individual topic to the extent that all requirements associated with an individual topic are implemented simultaneously. |
| ***Statement 96, Subscription-Based Information Technology Arrangements*** | Governmental entities | Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. |
| ***Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*** | Governmental entities | Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. |

# Appendix B

## Illustrative Disclosures for Recently Issued Accounting Pronouncements

*For the Quarter Ended December 31, 2023*

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 2016-13 – 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 2018-12 – Applicable to insurance entities that issue long-duration contracts:***

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

***ASU 2018-14 – Applicable to employers that sponsor defined benefit pension or other postretirement plans:***

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

***ASU 2018-19 – 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 December 31, 2023*

will be effective for the Company for *[reporting periods beginning after December 15, 2019, including interim periods within those fiscal years.-SEC filers] [reporting periods beginning after December 15, 2020, including interim periods within those fiscal years.-public business entities that are not SEC filers] [fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.-all other entities]* Early adoption is permitted for all organizations for periods beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

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

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

***ASU 2019-10 – Applicable to all entities:***

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

***ASU 2019-11 – Applicable to all entities:***

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

# Appendix B

## Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

***For the Quarter Ended December 31, 2023***

***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 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.

## Appendix B

### Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

*For the Quarter Ended December 31, 2023*

***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:***

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.

***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.

## Appendix B

## Illustrative Disclosures for Recently Issued Accounting Pronouncements, *continued*

***For the Quarter Ended December 31, 2023***

***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 2023-03 – Applicable to SEC filers:***

In July 2023, the FASB issued amendments to amendments to SEC Paragraphs in the Accounting Standards Codification pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B. The amendments were effective upon issuance. The Company does not expect these amendments to have a material effect on its financial statements.

***ASU 2023-04 – Applicable to SEC filers:***

In August 2023, the FASB issued amendments to SEC Paragraphs in the Accounting Standards Codification pursuant to SEC Staff Accounting Bulletin No. 121. The amendments were effective upon issuance. 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 December 31, 2023*

***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 incorporates 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.

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

## Appendix C

## Recently Issued Accounting Pronouncements

***NOTE**: The disclosures in the previous appendix are not intended to be all inclusive. All pronouncements issued during the period should be evaluated to determine whether they are applicable to your Company. Through December 31, 2023, the FASB has issued the following Accounting Standard Updates during the year.*

- ***ASU 2023-01**, Leases (Topic 842) Common Control Arrangements*
- ***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)*
- ***ASU 2023-03**, Presentation of Financial Statements (Topic 205), Income Statement—Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation—Stock Compensation (Topic 718): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 120, SEC Staff Announcement at the March 24, 2022 EITF Meeting, and Staff Accounting Bulletin Topic 6.B, Accounting Series Release 280—General Revision of Regulation S-X: Income or Loss Applicable to Common Stock (SEC Update)*
- ***ASU 2023-04**, Liabilities (Topic 405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 121 (SEC Update)*
- ***ASU 2023-05**, Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*
- ***ASU 2023-06**, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*
- ***ASU 2023-07**, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*
- ***ASU 2023-08**, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*
- ***ASU 2023-09**, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*