elliott davis

quarterly financial services update

SECOND QUARTER 2025

July 9, 2025

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

This quarterly update is organized as follows:

FASB update

The following selected Accounting Standards Updates (ASUs) were issued or nearly finalized by the Financial Accounting Standards Board (FASB) during the second quarter. A complete list of all ASUs issued or effective in 2025 is included in Appendix A.

FASB Approves Updates for Purchased Financial Asset Accounting

At its meeting on April 30, 2025, the FASB has finalized significant updates to the accounting treatment of purchased financial assets (PFAs), aiming to simplify and enhance transparency under the Current Expected Credit Loss model. The new ASU will eliminate the distinction between purchased credit deteriorated (PCD) and non-PCD assets. Instead, all qualifying acquired loans will be treated under a unified "gross-up" model, where expected credit losses are added to the purchase price to establish amortized cost. The requirement to establish an allowance for credit losses at the time of acquisition will generally be eliminated, streamlining merger and acquisition accounting. This approach addresses concerns about the “day-one double count” of credit losses and reduces capital volatility post-acquisition.

The updates apply primarily to loan receivables, excluding credit card receivables and held-to-maturity debt securities. A new "seasoning test" will determine whether loans acquired outside of business combinations qualify for the gross-up method. These changes are designed to better reflect economic reality, improve comparability, and reduce operational complexity for financial institutions. The new ASU will make no change to disclosure requirements under ASC 326.

Effective Dates

The final ASU is expected sometime in 2025; however, finalization in 2025 is not guaranteed. The amendments will be applied prospectively to annual periods beginning after December 15, 2026, including interim reporting periods in those annual periods. Early adoption is permitted. However, early adoption does not permit restatement of prior period issued financial statements for loan acquisitions that occurred before adoption. Assuming the new ASU is finalized in 2025, an entity can apply the new guidance to acquisitions made earlier in 2025 as long as the financial statements have not yet been issued.

FASB Clarifies Guidance for Identifying the Accounting Acquirer in a Business Combination

On May 12, the FASB published ASU 2025-03, *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*, to improve the requirements for identifying the accounting acquirer in a business combination. In a business combination, the determination of the accounting acquirer and acquiree can significantly affect the carrying amounts of the combined entity’s assets and liabilities, which, in turn, can affect post-combination net income. The accounting acquiree’s assets and liabilities are generally required to be initially measured at fair value. By contrast, the accounting acquirer’s existing assets and liabilities are not remeasured under the business combinations guidance.

In a business combination in which the acquired entity is not a variable interest entity (VIE), an entity may be required to consider certain factors to identify the accounting acquirer. When applying those factors, an entity may determine that a transaction is a reverse acquisition (in which the legal acquirer is identified as the acquiree for accounting purposes) or that the transaction should not be accounted for as a business combination (because the accounting acquiree is not a business). However, in a business combination in which a VIE is acquired, current guidance requires that the primary beneficiary (the entity that consolidates a VIE) is always the accounting acquirer.

To address stakeholder concerns, the amendments in this ASU revise current guidance for determining the accounting acquirer for a transaction effected primarily by exchanging equity interests in which the legal acquiree is a VIE that meets the definition of a business. The amendments require that an entity consider the same factors that are currently required for determining which entity is the accounting acquirer in other acquisition transactions.

Effective Dates

The amendments in this ASU are effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. The amendments require that an entity apply the new guidance prospectively to any acquisition transaction that occurs after the initial application date. Early adoption is permitted as of the beginning of an interim or annual reporting period.

FASB Improves Guidance on Share-Based Consideration Payable to a Customer

On May 15, the FASB published ASU 2025-04, *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer*, to provide accounting guidance for share-based consideration payable to a customer in conjunction with selling goods or services. The changes address the intersection of the requirements of Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, and ASC 718, *Compensation—Stock Compensation*.

Under current U.S. generally accepted accounting principles (U.S. GAAP), the definitions of *performance condition* and *service condition* do not explicitly discuss purchases made by a customer or parties that purchase a grantor's goods or services from the grantor's customers. For share-based consideration payable to a customer with a service condition, current U.S. GAAP permits the grantor to elect to account for the effect of forfeitures as they occur, which may result in a delay in revenue recognition for awards that are not probable of vesting. In addition, current U.S. GAAP does not explicitly state whether the guidance in ASC 606 on constraining estimates of variable consideration applies to share-based consideration payable to a customer that is measured and classified under the ASC 718 approach.

The amendments in this ASU revise the Master Glossary definition of the term *performance condition* for share-based consideration payable to a customer. The revised definition incorporates conditions (such as vesting conditions) that are based on the volume or monetary amount of a customer's purchases (or potential purchases) of goods or services from the grantor (including over a specified period of time). The revised definition also incorporates performance targets based on purchases made by other parties that purchase the grantor's goods or services from the grantor's customers. Although it is expected that entities will conclude that fewer awards contain service conditions, for those that are determined to have service conditions, the amendments in this ASU eliminate the policy election permitting a grantor to account for forfeitures as they occur. Therefore, when measuring share-based consideration payable to a customer that has a service condition, the grantor is required to estimate the number of forfeitures expected to occur.

Effective Dates

The amendments in this ASU are effective for all entities for annual reporting periods (including interim reporting periods within annual reporting periods) beginning after December 15, 2026. Early adoption is permitted for all entities. The amendments in this ASU permit a grantor to apply the new guidance on either a modified retrospective or a retrospective basis.

regulatory update

Fed Publishes Semiannual Stability Report

On April 11, 2025, the Federal Reserve (Fed) released its Financial Stability Report which highlights a mix of resilience and emerging vulnerabilities in the U.S. financial system. The report identifies four key areas of concern: elevated asset valuations, moderate but growing business and household debt, financial-sector leverage, and funding risks. Equity prices remained high relative to earnings forecasts, and commercial real estate (CRE) markets showed signs of stabilization, though refinancing risks persist. Liquidity in financial markets declined in early 2025, but market functioning remained orderly.

Business and household debt levels, while trending downward as a share of GDP, still pose risks, especially in the context of rising delinquencies on credit cards and auto loans among non-prime borrowers. The report also notes that private credit markets continue to expand, and leverage in some financial institutions remains elevated. Near-term risks include potential shocks from geopolitical tensions, persistent inflation, and volatility in interest rates, which could interact with these vulnerabilities and amplify systemic stress.

OCC Announces Changes to Organizational Structure

On April 16, 2025, the Office of the Comptroller of the Currency (OCC) announced a major organizational restructuring to modernize its supervisory approach and improve operational efficiency. The most significant change is the consolidation of the Midsize and Community Bank Supervision and Large Bank Supervision units into a single Bank Supervision and Examination line of business. This integration is designed to enhance collaboration, streamline resource allocation, and support examiner career development across all bank sizes. Additionally, the OCC reinstated the Chief National Bank Examiner (CNBE) office, which will now oversee both Bank Supervision Policy and Supervision Risk and Analysis divisions. This move aims to unify risk identification, policy development, and supervisory analysis. These changes took effect on June 2, 2025.

FDIC Releases Risk Review for 2025

The FDIC's 2025 Risk Review, released in May 2025, provides a comprehensive assessment of the key market and credit risks facing the U.S. banking sector based on conditions observed in 2024. The report highlights that while the banking industry remained resilient—with net income exceeding pre-pandemic levels and capital levels improving—challenges persisted due to elevated interest rates and an inverted yield curve. Market risks such as compressed net interest margins, liquidity pressures, and funding challenges were prominent throughout the year. On the credit side, the FDIC flagged growing concerns in CRE, private credit, consumer lending, and leveraged corporate debt, with some deterioration noted in loan portfolios and continued high levels of unrealized losses on securities.

Community banks generally outperformed in deposit and loan growth but faced rising expenses that impacted profitability. Despite easing inflation and modest deposit growth, the report underscores the importance of continued risk monitoring, especially as economic conditions evolve and interest rate dynamics shift.

Regulators Reverse 2024 Bank Merger Policies

In May 2025, both the FDIC and the OCC took significant steps to reverse course on their respective 2024 bank merger policy changes, signaling a broader regulatory shift toward simplification and clarity in merger oversight.

The FDIC officially rescinded its 2024 Statement of Policy on Bank Merger Transactions, reinstating the version that had been in effect prior to 2024. This move followed a public comment period and reflected concerns that the 2024 policy introduced unnecessary complexity and uncertainty. The reinstated policy, originally adopted in 1998 and last amended in 2008—will remain in place while the FDIC undertakes a broader reevaluation of its merger framework. It becomes effective 30 days after publication in the Federal Register.

Similarly, the OCC issued an interim final rule that rescinds its 2024 final rule and policy statement under the Bank Merger Act. The OCC's updated approach restores streamlined application procedures and expedited reviews for mergers involving national banks and federal savings associations. The agency is also seeking public comment on the interim rule as it considers a future policy statement.

FDIC Quarterly Banking Profile First Quarter 2025

On May 28, 2025, the FDIC released its most recent Quarterly Banking Profile covering the first quarter of 2025. The Quarterly Banking Profile is a quarterly publication that provides the earliest comprehensive summary of financial results for all FDIC-insured institutions. The report includes data from 4,462 commercial banks. Highlights from the First Quarter 2025 Quarterly Banking Profile are included below:

- In the first quarter of 2025, net income for FDIC-insured institutions rose by 5.8%, or $3.8 billion, to $70.6 billion, driven primarily by a 7% increase in noninterest income. The increase in non-interest income was largely due to mark-to-market gains on financial instruments and loan sale gains. The industry's return on assets (ROA) increased to 1.16%, up from 1.11% in the prior quarter and 1.09% a year earlier.
- Community banks experienced a 10% increase in net income. Higher net interest income and lower losses on the sale of securities along with lower provision expenses (down 19%) and noninterest expenses (down 2.3 percent) more than offset lower noninterest income (down 9.1%).
- Net interest income declined slightly by $278 million (0.2%), as interest income slowed more than interest expense. The net interest margin (NIM) fell by 2 basis points to 3.25%, matching the pre-pandemic average. The community bank NIM increased two basis points quarter over quarter to 3.46%, increasing for the fourth consecutive quarter, but is still below the pre-pandemic average of 3.63%.
- Asset quality remained generally favorable, though there were continued signs of weakness in certain portfolios, including CRE and consumer credit.
- Loan balances grew modestly, while domestic deposits increased for the third consecutive quarter.

OCC Issues Semiannual Risk Perspective

The OCC released its Spring 2025 Semiannual Risk Perspective, which addresses key issues facing banks, focusing on those that pose threats to the safety and soundness of banks and compliance with applicable laws and regulations. The report focuses on the following risk themes:

- Credit risk is increasing, particularly in commercial credit, driven by geopolitical instability, high interest rates, and cautious business sentiment. Pockets of risk persist in certain commercial real estate (CRE) sectors, with refinance risk remaining high for loans originated during low-rate periods. Retail credit risk remains stable, supported by wage growth outpacing inflation since 2019, though consumer sentiment is weakening.
- Market risk is influenced by narrowing net interest margins and ongoing uncertainty around inflation and interest rate movements. While net interest margins improved in late 2024 due to rate cuts, deposit competition remains strong and warrants continued monitoring. Unrealized losses in investment portfolios are also a concern.
- Operational risk remains elevated as banks strive to modernize systems and adapt to a complex operating environment. Failure to digitize may lead to loss of market share. Fraud continues to target traditional payment methods, and cyber threats from sophisticated actors are intensifying, emphasizing the need for operational resilience.
- Compliance risk continues to be elevated due to increased regulatory scrutiny, especially in fair lending practices and the growing complexity of third-party partnerships, including those with fintech firms.

SEC Swears in New SEC Chair

On April 21, 2025, Paul S. Atkins was officially sworn in as the Chairman of the Securities and Exchange Commission (SEC). Nominated by President Donald J. Trump and confirmed by the Senate on April 9, 2025, Atkins brings extensive regulatory experience, having previously served as an SEC Commissioner from 2002 to 2008 under President George W. Bush. Atkins has signaled a shift in the SEC's regulatory approach, particularly in the areas of digital assets and cryptocurrency. He has expressed support for innovation and tokenization, moving away from the agency's prior "regulation by enforcement" stance. His leadership is expected to emphasize cost-benefit analysis, market efficiency, and a reduction in socially driven regulatory initiatives, such as those related to climate disclosures.

New Vice Chair for Supervision of the Board of Governors of the Federal Reserve System Confirmed

Michelle W. Bowman was confirmed by the U.S. Senate on June 4, 2025, as Vice Chair for Supervision of the Federal Reserve Board, following her nomination by President Donald Trump in March. She was officially sworn in on June 9, 2025. Bowman, who has served on the Federal Reserve Board since 2018 and previously held roles including Kansas banking commissioner, now assumes a key regulatory position overseeing the supervision of the nation's largest financial institutions. Bowman has outlined a pragmatic and reform-oriented approach to her role. She emphasizes regulatory tailoring, advocating for supervision that reflects the unique risk profiles and business models of individual banks rather than a one-size-fits-all framework.

SEC Eliminates Unfinished Proposals

In June, the SEC withdrew 14 unfinished rulemaking proposals issued under former Chair, Gary Gensler, including those that would have expanded environmental, social, and governance (ESG) disclosures for funds and advisers and cyber incident disclosures for broker-dealers and others. The SEC, in Release No. 33-11377, *Withdrawal of Proposed Regulatory Actions*, said it was dropping the proposed rules because they no longer intend to issue final rules with respect to these proposals.

The move marks an early step by the commission under new Chairman Paul Atkins to reverse some of the prolific rulemaking work under Gensler, a Biden appointee who left the role in January. The following 14 proposals were all issued between March 2022 and November 2023:

- Release No. 34-95267, *Substantial Implementation, Duplication, and Resubmission of Shareholder Proposals Under Exchange Act Rule 14a-8* (July 27, 2022)
- Release No. 34-97990, *Conflicts of Interest Associated with the Use of Predictive Data Analytics by Broker Dealers and Investment Advisers* (August 9, 2023)
- Release No. IA-6384, *Safeguarding Advisory Client Assets* (March 9, 2023)
- Release No. 33-11028, *Cybersecurity Risk Management for Investment Advisers, Registered Investment Companies, and Business Development Companies* (March 9, 2022)
- Release No. 33-11068, *Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social and Governance Investment Practices* (June 17, 2022)
- Release No. IA-6176, *Outsourcing by Investment Advisers* (November 16, 2022)
- Release No. 34-93784, *Position Reporting of Large Security-Based Swap Positions* (February 4, 2022)
- Release No. 34-98766, *Volume-Based Exchange Transaction Pricing for NMS Stocks* (November 6, 2023)
- Release No. 34-96496, *Regulation Best Execution* (January 27, 2023)
- Release No. 34-96495, *Order Competition Rule* (January 3, 2023)
- Release No. 34-97143, *Regulation Systems Compliance and Integrity* (April 14, 2023)
- Release No. 34-97142, *Cybersecurity Risk Management Rule for Broker-Dealers, Clearing Agencies, Major Security-Based Swap Participants, the Municipal Securities Rulemaking Board, National Securities Associations, National Securities Exchanges, Security-Based Swap Data Repositories, Security-Based Swap Dealers, and Transfer Agents* (April 5, 2023)

- Release No. 34-94062, *Amendments Regarding the Definition of "Exchange" and Alternative Trading Systems (ATSs) That Trade U.S. Treasury and Agency Securities, National Market System (NMS) Stocks, and Other Securities* (March 18, 2022)
- Release No. 34-89632, *Amendments to the National Market System Plan Governing the Consolidated Audit Trail To Enhance Data Security* (October 16, 2020)

SEC Reduces Staff

The SEC's staffing has decreased 15% since the start of the agency's fiscal year in October 2024. The agency had grown significantly in the last four or five years to more than 5,000 employees under former Chair, Gary Gensler. The 15% reduction was partly a result of President Trump's efforts to streamline the federal government. By April, 600 staffers took the SEC's buyout offers. In addition to voluntary departures, the agency eliminated over 550 authorized positions. The SEC in late May asked Congress to approve funding for fiscal 2026 for 4,100 full-time positions.

PCAOB Provides Insights from Conversations with Audit Committee Chairs

In May 2025, the Public Company Accounting Oversight Board (PCAOB) released its annual Spotlight: Conversations with Audit Committee Chairs which summarizes insights gathered from discussions with 272 audit committee chairs of U.S. public companies whose audits were inspected in 2024. The report highlights key themes and concerns raised by these chairs, offering a window into how audit committees are engaging with external auditors and navigating evolving audit risks.

Key takeaways include a strong emphasis on audit quality, with many chairs noting improvements in auditor communication and responsiveness. Topics of frequent discussion included cybersecurity risks, internal control over financial reporting, and the impact of emerging technologies like AI on audit processes. Chairs also expressed interest in the PCAOB's inspection findings and how those insights could be used to enhance their oversight responsibilities. The Spotlight aims to foster transparency and encourage more effective dialogue between audit committees and auditors.

other developments

Corporate Governance Framework Proposed

The Committee of Sponsoring Organizations of the Treadway Commission (COSO), in collaboration with the National Association of Corporate Directors (NACD), is seeking comments on a proposed Corporate Governance Framework (CGF).

The CGF is designed to complement and align with its Internal Control (IC) and Enterprise Risk Management (ERM) frameworks. It incorporates global leading practices to help companies improve governance, manage risks proactively, and create long-term value. The organizations put together the proposed guideline because there is no single, integrated, and comprehensive framework to guide boards, management, and stakeholders.

The framework is primarily for public companies in the U.S., but it could be useful for private companies and public sector organizations. It also expands beyond the role of the board to include broad aspects of corporate governance, such as executives, shareholders, culture, risk management, controls, and compliance, that must be reflected throughout the organization.

Since COSO is not a regulator, using the framework is voluntary. However, COSO frameworks, including the IC framework, are used by almost all public companies.

AICPA Updates Technical Q&As

In May, the American Institute of Certified Public Accountants (AICPA) published updated technical questions and answers (TQAs) on two topics. First, the AICPA reinstated and updated TQA section 2130.39, "Balance Sheet Classification of Certificates Deposit," answering a question about where a certificate of deposit (CD) should be classified on the balance sheet. TQA 2130.39 indicates that CDs with maturities of 90 days or less are commonly classified as "cash and cash equivalents." However, CDs with maturities longer than 90 days generally would not qualify as cash equivalents under the FASB's Master Glossary, which states that cash equivalents are short-term, highly liquid investments that present insignificant risk of changes in value. If the CD is not a security, then it could be presented according to maturity under a caption such as "investments — other." The TQA also provides an example of an accounting policy note disclosure as follows:

> Certificates of deposit held for investment that are not debt securities are classified according to maturity. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "short-term investments — other." Certificates of deposit with remaining maturities greater than one year are classified as "long-term investments — other."

on the horizon

The following selected FASB proposed ASUs, exposure drafts and projects were either newly introduced or updated during the quarter ended June 30, 2025.

FASB Proposes Simplified Guidance Accounting for Certain Debt Exchanges

On April 30, 2025, the FASB proposed new guidance aimed at simplifying the accounting for certain debt exchange transactions, particularly those involving multiple creditors. Under the current GAAP framework, entities must assess whether a debt modification or exchange should be treated as a continuation of the existing debt or as an extinguishment followed by the issuance of new debt. This determination can be complex and has led to inconsistent practices. The proposed ASU seeks to reduce this diversity by clarifying that if specific criteria are met, such exchanges should be accounted for as an extinguishment of the old debt and issuance of new debt. This approach is intended to improve the consistency and usefulness of financial reporting. The proposed amendment would be applied prospectively to debt exchange transactions that occur on or after the initial date of application.

EITF Agenda Items

The Emerging Issues Task Force (EITF) did not meet during the second quarter. The next scheduled meeting is September 9, 2025.

PCC Activities

The Private Company Council (PCC) met on June 26 and June 27, 2025. A summary of topics discussed by PCC and FASB members at the meeting will be included in our 3rd Quarter Update.

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 2025-04, Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer	All entities that issue share-based consideration to a customer	Effective for all entities for annual reporting periods (including interim reporting periods within annual reporting periods) beginning after December 15, 2026. Early adoption is permitted for all entities. The amendments permit a grantor to apply the new guidance on either a modified retrospective or a retrospective basis.
ASU 2025-03, Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity	All entities engaging in acquisition transactions involving a VIE	Effective for all entities for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. The amendments require that an entity apply the new guidance prospectively to any acquisition transaction that occurs after the initial application date. Early adoption is permitted as of the beginning of an interim or annual reporting period.
ASU 2025-02, Liabilities (405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122	All public business entities	Effective upon issuance.
ASU 2025-01, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)	All public business entities	Effective for annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted.
ASU 2024-04, Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments	All entities that settle convertible debt instruments for which the conversion privileges were changed to induce conversion	Effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities that have adopted the amendments in ASU 2020-06. The amendments may be applied on either a prospective or a retrospective basis.

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Pronouncement	Affects	Effective Date and Transition
ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses	All public business entities	Effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either (1) prospectively to financial statements issued for reporting periods after the effective date of this ASU or (2) retrospectively to any or all prior periods presented in the financial statements.
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.

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Pronouncement	Affects	Effective Date and Transition
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.

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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 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 2022-03, 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.

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Pronouncement	Affects	Effective Date and Transition
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 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 became 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 B

illustrative disclosures for recently issued accounting pronouncements

for the quarter ended June 30, 2025

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, 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 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]*~~ *[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 2022-03 – 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 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.

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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.

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 U.S. GAAP and align the requirements with the SEC's regulations. The amendments are effective prospectively *[on date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective. -<u>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</u>] [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.-<u>all other entities</u>]* 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.-<u>public business entities</u>] [annual periods beginning after December 15, 2025.-<u>all other entities</u>]* 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 to 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 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.

ASU 2024-03 – Applicable to all public business entities:
In November 2024, the FASB amended the *Income Statement—Reporting Comprehensive Income* topic in the Accounting Standards Codification to require public companies to disclose, in interim and annual reporting periods, additional information about certain expenses in the notes to financial statements. The amendments are effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company will apply the amendments *[prospectively to financial statements issued for reporting periods after the effective date.] [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 2024-04 – Applicable to all entities that settle convertible debt instruments for which the conversion privileges were changed to induce conversion:
In November 2024, the FASB amended the *Debt* topic in the Accounting Standards Codification to clarify requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. The amendments are effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities that have adopted the amendments in ASU 2020-06. The Company will apply the amendments *[prospectively to any settlements of convertible debt instruments that occur after the effective date of the guidance.] [retrospectively by recasting prior periods and recognizing a cumulative-effect adjustment to equity as of the later of the following dates: (1) the beginning*

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of the earliest period presented and (2) the date the Company adopted the amendments in ASU 2020-06.] The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2025-01 – Applicable to all public business entities:
In January 2025, the FASB amended the effective date of ASU 2024-03 to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2025-02 – Applicable to all public business entities:
In March 2025, the FASB amended an SEC paragraph in the Accounting Standards Codification pursuant to the issuance of SEC Staff Accounting Bulletin No. 122. The amendment was effective upon issuance. The Company does not expect this amendment to have a material effect on its financial statements.

ASU 2025-03 – Applicable to all entities that issue share-based consideration to a customer:
In May 2025, the FASB amended the Business Combinations and Consolidation topics in the Accounting Standards Codification to revise current guidance for determining the accounting acquirer for a transaction effected primarily by exchanging equity interests in which the legal acquiree is a VIE that meets the definition of a business. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods within those annual reporting periods. The amendments require that an entity apply the new guidance prospectively to any acquisition transaction that occurs after the initial application date. Early adoption is permitted as of the beginning of an interim or annual reporting period. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2025-04 – Applicable to all entities engaging in acquisition transactions involving a VIE:
In May 2025, the FASB amended the Stock Compensation and Revenue from Contracts with Customers topics in the Accounting Standards Codification to clarify the requirements for share-based consideration payable to a customer that vests upon the customer purchasing a specified volume or monetary amount of goods and services from the entity. The amendments are effective for annual reporting periods (including interim reporting periods within annual reporting periods) beginning after December 15, 2026. Early adoption is permitted. The Company will apply the amendments *[on a modified retrospective basis, by recognizing a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the period of adoption.] [on a retrospective basis, by recasting comparative periods and recognizing a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the earliest period presented.]*. The Company does not expect these amendments to have a material effect on its financial statements.

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

APPENDIX C

recently issued accounting pronouncements

***NOTE*: The disclosures in the previous appendix are not intended to be all inclusive. All pronouncements issued during the period should be evaluated to determine whether they are applicable to your Company. Through June 30, 2025, the FASB has issued the following Accounting Standard Updates during the year.**

- ***ASU 2025-01,*** *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)*
- ***ASU 2025-02,*** *Liabilities (405): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 122*
- ***ASU 2025-03,*** *Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*
- ***ASU 2025-04,*** *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606): Clarifications to Share-Based Consideration Payable to a Customer*