quarterly financial services update

THIRD QUARTER 2025

October 8, 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 third quarter and a summary of recently issued accounting pronouncements (see Appendices for summary of recently issued accounting pronouncements and the related effective dates).

This quarterly update is organized as follows:

FASB update

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

FASB Refines Derivative Scope and Revenue Guidance to Reduce Complexity and Diversity in Practice
In September, the FASB issued ASU 2025-07, *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606),* which addresses two key areas of stakeholder concern: (1) the application of derivative accounting to contracts with features tied to the operations or activities of one of the parties, and (2) the accounting treatment of share-based noncash consideration from customers in revenue contracts.

The first issue focuses on refining the scope of ASC 815 to exclude certain contracts that are not exchange-traded and whose underlying features are based on entity-specific activities. These contracts, including certain R&D and litigation funding arrangements, may now qualify for a scope exception. The ASU also clarifies the term “parties to the contract” in the context of the scope exception in ASC 815.

The second issue clarifies how entities should account for share-based payments received from customers under ASC 606. Specifically, such payments should be treated as noncash consideration and measured at fair value at contract inception. Changes in fair value are not recognized until the right to consideration becomes unconditional.

Effective Dates
ASU 2025-07 is effective for annual reporting periods beginning after December 15, 2026, including interim periods within those annual periods. Early adoption is permitted. Entities may apply the guidance prospectively or on a modified retrospective basis. Disclosure of the nature, reason, and financial impact of the change is required under either approach.

FASB Improves Measurement of Credit Losses for Accounts Receivable and Contract Assets
In July, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets*, that improves guidance on the measurement of credit losses for accounts receivable and contract assets. The Private Company Council (PCC) initiated this standard-setting activity in response to feedback from private company stakeholders. Although this standard is unlikely to directly impact financial institutions, it could influence the financial statements of their borrowers.

Note: Separately, in April, the FASB voted to eliminate the CECL “double count” issue and expects to issue a final standard later this year. This decision reflects ongoing efforts to refine CECL implementation and reduce unintended complexity in credit loss measurement.

The new guidance, which is optional, addresses challenges faced when applying Accounting Standards Codification (ASC) 326, *Financial Instruments—Credit Losses*, to current accounts receivable and current contract assets arising from transactions accounted for under ASC 606, *Revenue from Contracts with Customers*. These challenges included the cost and complexity of developing a reasonable and supportable forecast when estimating expected credit losses and the significant effort to estimate and record expected credit losses for current accounts receivable and current contract assets that were collected before the date that the financial statements were available to be issued.

To address this feedback, the amendments in this ASU provide (1) all entities with a practical expedient to assume that current conditions as of the balance sheet date do not change for the remaining life of the assets and (2) entities other than public business entities with an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under ASC 606.

Effective Dates

The amendments will be effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. An entity that elects the practical expedient and the accounting policy election, if applicable, should apply the amendments in this Update prospectively.

An entity other than a public business entity that elects the practical expedient and, if applicable, the accounting policy election after the effective date would not need to perform a preferability assessment in accordance with ASC 250, *Accounting Changes and Error Corrections*.

FASB Makes Targeted Improvements to Internal-Use Software Guidance

In September, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, that updates the guidance on accounting for internal-use software costs. The amendments apply to all entities subject to guidance in FASB Accounting Standards Codification (ASC) Subtopic 350-40, *Intangibles—Goodwill and Other—Internal-Use Software*.

Under current U.S. generally accepted accounting principles (U.S. GAAP), entities are required to capitalize development costs incurred for internal-use software depending on the nature of the costs and the project stage during which they occur. Stakeholders said that applying this guidance can be challenging because entities have trouble differentiating between the project stages, particularly in an iterative development environment (for example, agile).

The amendments in this ASU improve the operability of the guidance by removing all references to software development project stages so that the guidance is neutral to different software development methods, including methods that entities may use to develop software in the future. Therefore, the amendments require that an entity capitalize software costs when both:

- Management has authorized and committed to funding the software project
- It is probable that the project will be completed and the software will be used to perform the function intended (referred to as the “probable-to-complete recognition threshold”)

In evaluating the probable-to-complete recognition threshold, an entity is required to consider whether there is significant uncertainty associated with the development activities of the software.

Effective Dates

The amendments are effective for all entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period.

regulatory update

FDIC Spotlights Supervisory and Regulatory Reforms

At the September 2025 meeting of the Financial Stability Oversight Council, FDIC Acting Chairman Travis Hill issued a statement outlining reforms to streamline supervision, modernize capital standards, clarify digital asset policies, and improve resolution planning. Additional efforts include addressing debanking concerns, encouraging new bank formation, and rescinding outdated policies to support economic growth while maintaining financial stability.

FDIC Proposes to Raise Regulatory Thresholds

On July 15, 2025, the FDIC published a notice of proposed rulemaking that would raise asset thresholds for certain regulatory requirements to better reflect inflation and reduce burdens on community banks.

Threshold Increases

- Annual report (including financial statements, independent audit reports, and management reports) asset threshold: $500 million → $1 billion
- Internal controls over financial reporting asset threshold: $1 billion → $5 billion
- Audit committee requirements vary and will rise accordingly

Inflation Indexing

Future adjustments to the thresholds will be tied to Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), with adjustments occurring every two years or sooner if inflation exceeds 8%.

Effective Dates

Comments on the proposal were due by September 26, 2025. Initial changes begin the first calendar quarter after final rule adoption. Future inflationary adjustments will occur every April 1 of the adjustment year.

FDIC Quarterly Banking Profile Second Quarter 2025

On August 26, 2025, the FDIC released its most recent Quarterly Banking Profile covering the second 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 4,421 commercial banks. Highlights from the Second Quarter 2025 Quarterly Banking Profile are included below:

- In the second quarter of 2025, net income for FDIC-insured institutions decreased slightly by 1%, or $677.3 million, to $69.9 billion, driven primarily by higher provision expenses from the acquisition of one large bank. Insured depository institutions reported a return on assets (ROA) of 1.13%.
- Community bank income rose 12.5% to $7.6 billion. Higher net interest income (up 5.7%) and noninterest income (up 10.1%) more than offset increases in noninterest expenses (up 3.5%) and provision expenses (up 29.2%).
- Net interest income increased by $2.9 billion (1.6%), as interest income increased more than interest expense. The net interest margin (NIM) was relatively flat, up by one basis point to 3.26%, which is above the pre-pandemic average. The community bank NIM increased 16 basis points from the prior quarter to 3.62%, increasing for the fifth consecutive quarter, approaching the pre-pandemic average of 3.63%.
- Asset quality remained generally favorable, though there were continued signs of weakness in certain portfolios.
- Loan growth accelerated, while domestic deposits increased for the fourth consecutive quarter.

- The Deposit Insurance Fund reserve ratio climbed to 1.36%, surpassing the statutory minimum.

OCC Updates Bank Accounting Advisory Series

On August 15, 2025, the OCC released its annual update to the Bank Accounting Advisory Series (BAAS). This publication contains responses to frequently asked questions from the banking industry and bank examiners on a variety of accounting topics and promotes consistent application of accounting standards and regulatory reporting among banks. In this edition of the BAAS, there with no substantive changes, but clarified existing guidance through revisions, removals, and renumbering.

OCC Identifies Keys Risks in Banking System

On June 30, 2025, the OCC released its "Semiannual Risk Perspective" affirming the overall soundness of the federal banking system but flagging rising risks across credit, market, operational, and compliance areas.

- Credit risk is rising due to geopolitical tensions, high interest rates, and uncertainty, especially in CRE and the refinancing of older loans.
- Market risk is also increasing, with deposit competition and rate volatility pressuring net interest margins, though liquidity remains stable and requires close monitoring.
- Operational risk is elevated due to cyber threats, fraud schemes, and digitization, emphasizing the need for resilience and third-party risk management.
- Compliance risk remains high, driven by fraud, AML concerns, and consumer protection expectations.

Federal Agencies Release Crypto Safekeeping Statement

Federal banking agencies reaffirmed that banks may offer crypto asset safekeeping if done safely and in compliance with existing laws. The joint statement does not create new regulations but outlines risk considerations around cryptographic key control, legal compliance, third-party oversight, and audit practices, without adding new supervisory expectations.

SEC to Revisit Semiannual Reporting

As part of his goal to "make IPOs great again," Securities and Exchange Commission (SEC) Chair, Paul Atkins, in September, indicated that SEC staff is working on proposal for semiannual reporting by public companies. This comes as President Trump has urged the SEC to revise the reporting rules so that public companies would not need to report on a quarterly basis.

Atkins briefly addressed the concept of semiannual reporting during an open SEC meeting on September 17, which was held to vote on initial public offering (IPO) and mandatory arbitration clauses. He described these measures as among the first steps of his goal to reinvigorate IPO activity. Atkins stated that the bigger project is intended to make becoming a public company more attractive by eliminating compliance requirements that do not provide meaningful investor protections, minimizing regulatory uncertainty, and reducing legal complexities in the SEC's rulebook.

This is not the first time that the SEC has studied the timing, nature, and content of financial reporting. During his first term, Trump asked the SEC to consider the six-month reporting system to replace the three-month quarterly and annual filing requirements that U.S. public companies have followed since 1970. Trump at the time made the request after a business executive told him that quarterly reporting is too burdensome. Some critics of the current system also argue that quarterly reporting promotes a short-term mindset among corporate executives who are driven to meet earnings expectations every three months.

At the time, SEC Chair, Jay Clayton, initiated a study first by issuing a preliminary rulemaking document asking for feedback, then following up with a roundtable. After that, he kept delaying issuing a proposal, and there was no further regulatory movement. Then Gary Gensler, President Biden's appointee to lead the SEC, quietly dropped the rulemaking in 2021 shortly after he took office.

In comment letters, in response to the preliminary rulemaking, businesses stated a clear preference for less frequent reporting. Moreover, in the spring of 2018, eight business organizations, including the U.S. Chamber of Commerce, the Securities Industry and Financial Markets Association (SIFMA), and the National Venture Capital Association, recommended reducing the frequency of regulatory filings as one of several policy initiatives to help more companies go and stay public. Business groups often say the decline in the number of IPOs compared to the 1990s is partly a result of unnecessary regulation.

SEC Allows IPO Issuers to Avoid Class-Action Lawsuits

On September 17, 2025, the SEC voted 3-1 along party lines to reverse a long-standing but unwritten SEC policy in which the agency blocked IPOs of companies that wanted to ban shareholder class action lawsuits in their charters and bylaws. The SEC said it would allow companies seeking to go public to require that investors resolve claims of fraud or other false statements through arbitration rather than court litigation, handing a victory to companies and weakening investor rights. The SEC issued a policy statement, rather than a formal rule, meaning it is not subject to public notice and comment.

Caroline Crenshaw, the SEC's lone remaining Democrat, lambasted the new policy, saying it would open the floodgates to mandatory arbitration, denying many shareholders their rights while allowing companies to keep their alleged misconduct in the shadows. If harmed investors cannot band together in a class action, thereby sharing their legal costs, many simply won't sue at all, she added.

Corporate interest groups and Republicans have long complained about what they see as the frivolous filing of shareholder class action suits, saying companies should be able to protect themselves. During President Trump's previous administration, the agency considered such a change but ultimately took no action.

Consumer advocates and plaintiffs' lawyers say court action helps hold companies to account, gives small investors the chance to recover damages they otherwise couldn't, and gives the public access to evidence and legal reasoning that helps build case law and inform public policy.

SEC Updates Compliance and Disclosure Interpretation

On August 27, 2025, the SEC issued a new Compliance and Disclosure Interpretation (C&DI) on the application of Rule12b-2. The interpretation addresses the smaller reporting company revenue test in determining filer status changes, clarifying how issuers should evaluate their status over time and how that affects future filer classifications.

SEC Updates Financial Reporting Manual

On July 2, 2025, the SEC announced it had published updates to the Financial Reporting Manual (FRM). The updated FRM incorporates changes to Regulation S-X Acquisition Rules 3-05, 3-14, 8-04, and 8-06. Additional revisions were made to reflect the 2020 amendments to Rules 3-10 and 3-16 relating to financial disclosures for guaranteed securities.

Note that the current update does not include revisions related to other rulemakings.

other developments

California Issues Draft Guidance for Climate Risk Disclosure

In September 2025, the agency responsible for implementing climate disclosure regulations in California issued draft guidance to assist the companies that are required to publish their first reports by January 1, 2026. While the SEC paused legal defense of its climate rule in February 2025, essentially shelving it for the foreseeable future, a state that qualifies on its own as one of the world's largest economies continues to move forward with climate-related legislation. The California Air Resources Board (CARB) released guidance for complying with the Climate Related Financial Risk Disclosure Program, which features a law (S.B. 261) requiring companies with at least $500 million in revenues to file climate risk reports every other year.

In March 2025, the AICPA and the California Society of CPAs asked CARB in a joint comment letter to consider clarifications when developing regulations that ensure CPAs can effectively support a practical and efficient climate disclosure framework. The draft guidance states that a reporting entity may use one of several frameworks to meet disclosure requirements:

- The Final Report of Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) (June 2017) published by the TCFD (or any successor)
- The International Financial Reporting Standards Sustainability Disclosure Standards, as issued by the International Sustainability Standards Board (IFRS S2)
- A report developed in accordance with any regulated exchange, national government, or other governmental entity, including a law or regulation issued by the U.S. government

CARB said at a public meeting last month that it is aiming to issue proposed regulations in October for S.B. 261 as well as S.B. 253, a law requiring companies with more than $1 billion in revenue to report greenhouse gas emissions annually. Following a 45-day public comment period, CARB will consider issuing the rules in early December.

on the horizon

The following selected FASB proposed ASUs, exposure drafts and projects were either newly introduced or updated as well as activities of the EITF and the PCC during the quarter ended September 30, 2025.

EITF Agenda Items

The Emerging Issues Task Force (EITF) met on September 9, 2025, and deliberated the following topic:

- EITF Issue—"Application of Topic 715 to Market-Return Cash Balance Plans:" the EITF recommended that the FASB add a project to its technical agenda to address the application of ASC 715, *Compensation—Retirement Benefits,* to certain market-return cash balance plans. For a cash balance plan that meets the following conditions, the EITF recommended that when measuring the benefit obligation under the existing defined benefit accounting model in Subtopic 715-30, the discount rate should be equal to the assumed interest crediting rate (Vote 8-3):
  a. Pension benefits are communicated to employees in the form of a current account balance that is based on principal credits and interest credits based on an investable market return based on:
     1. The return on plan assets,
     2. The return on a subset of plan assets that approximates the associated cash balance liabilities, or
     3. The return on a regulated investment company (for example, a mutual fund or an exchange-traded fund).
  b. Participants have the option to elect lump-sum payments.

  The EITF recommended that the proposed changes should be required for all entities. The EITF recommended not requiring additional disclosures beyond those currently required under generally accepted accounting principles. The EITF recommended that the proposed changes may be applied either prospectively or retrospectively, with early adoption permitted.

  The FASB will discuss this issue at a public meeting to determine whether to add a project to the FASB's technical agenda. The EITF's recommendations do not constitute an amendment to GAAP.

PCC Activities

The Private Company Council (PCC) met on June 26, and June 27, 2025. Below is a summary of topics discussed by PCC and FASB members at the meeting:

- <u>PCC Agenda Priorities:</u> The PCC discussed five topics about which it had requested further research as part of its current agenda prioritization process: (1) lease accounting simplifications, (2) subjective acceleration clauses, (3) interest method and determining the effective interest rate, (4) weighted-average disclosures, and (5) short-cycle manufacturing.
  - PCC members discussed outreach conducted with private company stakeholders over the past 12 months and the results of a private company preparer survey on the implementation and ongoing application of ASC 842, *Leases*. That feedback highlighted significant initial implementation costs and lower ongoing application costs. Those stakeholders indicated that some ongoing complexity exists in the areas of embedded leases, lease modifications, and related party lease disclosures. Private company financial statement users also provided feedback on the usefulness of the resulting financial information. The PCC leases working group will meet to discuss stakeholder feedback and the next steps.
  - PCC members discussed recent outreach conducted with private company financial statement users and practitioners on the pervasiveness of subjective acceleration clauses in private company debt

arrangements, the frequency with which lenders attempt to enforce the clauses, and the existing guidance in GAAP. PCC members discussed current accounting practices, the complexities in applying the guidance, private company user perspectives, and potential solutions. The PCC concluded that this issue should continue to be pursued as a current agenda priority.

  - PCC members discussed the staff's research, including recent outreach conducted with practitioners, on the challenges of applying the interest method guidance in ASC 835, *Interest*, and potential private company alternatives. PCC members provided feedback on current accounting practices and private company alternatives. The PCC concluded that this issue should continue to be pursued as a current agenda priority and requested additional research on how a potential private company alternative would apply (a) if the borrower allocates proceeds received between the debt instrument and another instrument or embedded feature or (b) to debt instruments that are initially measured at fair value.
  - PCC members discussed recent outreach conducted with private company financial statement users and practitioners on the usefulness, pervasiveness, and complexity of weighted-average disclosures for private companies. PCC members' view was that the cost of providing weighted-average disclosure simplifications for private companies may outweigh the benefits; therefore, this issue should not continue to be pursued as an agenda priority. The PCC directed the FASB staff to discontinue further research.
  - PCC members discussed the issues raised by private company stakeholders on the cost and complexity of applying the over-time revenue recognition requirements under ASC 606, *Revenue from Contracts with Customers*, to contract manufacturers. PCC members' view was that the issues are not sufficiently pervasive to private companies and that there may not be a technically feasible solution. The PCC directed the FASB staff to discontinue further research.
- <u>FASB Agenda Consultation:</u> PCC members advised the FASB on topics included in the FASB Invitation to Comment—Agenda Consultation, that they view as higher priorities for private companies, including: (1) equity method of accounting, (2) definition of a public business entity, (3) employee stock ownership plan (ESOP) repurchase obligation disclosures, (4) consolidation and definition of common control, and (5) distinguishing liabilities from equity.
- <u>Update on Selected FASB Projects:</u> FASB staff updated the PCC on selected projects, including how prior PCC feedback was considered by the FASB. PCC members had the opportunity to provide additional feedback on those selected projects.
  - Accounting for and Disclosure of Software Costs: PCC members supported the FASB decisions made during redeliberation on the proposed ASU, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. PCC members appreciated the FASB's responsiveness to their prior feedback, particularly on the decision not to require additional disclosures.
  - Accounting for Government Grants: PCC members supported the FASB decisions made during redeliberation on the proposed ASU, *Government Grants (Topic 832): Accounting for Government Grants by Business Entities*. PCC members indicated support for the proposed amendments, noting that the amendments will align with the way in which many private companies currently account for government grants by analogizing to International Accounting Standards 20 (IAS 20), *Accounting for Government Grants and Disclosure of Government Assistance*.
  - Accounting for Paid-in-Kind Dividends on Equity-Classified Preferred Stock: PCC members discussed the FASB's recent tentative decisions on this project and the pervasiveness of paid-in-kind dividends among private companies. PCC members supported the objective of the project, which is to reduce diversity in practice.
  - Topic 815—Derivatives Scope Refinements: PCC members asked clarifying questions on the FASB decisions made during redeliberation on proposed ASU, *Derivatives and Hedging (Topic 815) and*

    Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for a Share-Based Payment from a Customer in a Revenue Contract.
    - Interim Reporting—Narrow-Scope Improvements: PCC members asked clarifying questions about the decisions made during redeliberation on the proposed ASU, *Interim Reporting (Topic 270): Narrow-Scope Improvements*.
    - EITF Project—Application of Topic 715 to Market-Return Cash Balance Plans: PCC members received an update on the EITF's project and observed a lack of pervasiveness of market-return cash balance plans among private companies.
- Town Hall/Liaison Meeting Update: PCC members discussed recent feedback received during (1) the PCC Forum at the AICPA ENGAGE Conference, (2) the liaison meeting between the PCC and the AICPA Technical Issues Committee (TIC), and (3) the National Association of Surety Bond Producers Conference. FASB staff noted that the PCC plans to hold liaison meetings with the TIC, the Auditing Standards Board Audit Issues Task Force, and the ProSight Financial Association Accounting Working Group in Fall 2025.
- Other Business: The PCC chair noted that the FAF has an open call seeking nominations for new PCC members.

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 2025-07 Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606)	All entities that enter into contracts to receive share-based noncash consideration from a customer for the transfer of goods and services	Effective for annual reporting periods beginning after December 15, 2026, including interim periods within those annual periods. Early adoption is permitted. Entities may apply the guidance prospectively or on a modified retrospective basis. Disclosure of the nature, reason, and financial impact of the change is required under either approach.
ASU 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software	All entities subject to the internal-use software guidance	Effective for all entities for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period.
ASU 2025-05, Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets	All entities that apply the practical expedient and entities other than public business entities that apply the accounting policy election	Effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. An entity that elects the practical expedient and the accounting policy election, if applicable, should apply the amendments prospectively.
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.

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Pronouncement	Affects	Effective Date and Transition
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.
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.

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

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

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Pronouncement	Affects	Effective Date and Transition
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.
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 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.

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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 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 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:

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In March 2023, the FASB issued amendments to allow reporting entities to consistently account for equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits. The amendments are effective for *[~~fiscal years beginning after December 15, 2023, including interim periods within those fiscal years.~~-public business entities]* *[fiscal years beginning after December 15, 2024, including interim periods within those fiscal years.-all other entities]* Early adoption is permitted for all entities in any interim period. The Company does not expect these amendments to have a material effect on its financial statements.

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

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

ASU 2023-06 – Applicable to all reporting entities within the scope of the affected ASC topics unless otherwise indicated:

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

ASU 2023-07 – Applicable to all public entities that are required to report segment information in accordance with ASC 280, Segment Reporting:

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

ASU 2023-08 – Applicable to all entities that hold crypto assets:

In December 2023, the FASB amended the Intangibles topic in the Accounting Standards Codification to improve the accounting for and disclosure of certain crypto assets. The amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted. Upon adoption, the Company will apply a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets) as of the beginning of the annual reporting period in which the

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Company adopts the amendments. The Company does not expect these amendments to have a material effect on its financial statements.

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

ASU 2024-01 – Applicable to all entities that account for profits interest awards as compensation to employees or nonemployees in return for goods or services:
In March 2024, the FASB amended the Compensation—Stock Compensation topic in the Accounting Standards Codification 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.

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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 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*

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of the beginning of the earliest period presented.]. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2025-05 – Applicable to all entities engaging in acquisition transactions involving a VIE:
In July 2025, the FASB amended the Financial Instruments—Credit Losses topic in the Accounting Standards Codification to introduce a practical expedient for all entities and an accounting policy election for entities other than public business entities related to applying the current expected credit loss model to current accounts receivable and current contract assets. 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 in both interim and annual reporting periods in which financial statements have not yet been issued or made available for issuance. The amendments require that an entity that elects the practical expedient and the accounting policy election, if applicable, apply the new guidance prospectively. The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2025-06 – Applicable to all entities subject to the internal-use software guidance:
In September 2025, the FASB amended the Internal-Use Software subtopic in the Accounting Standards Codification to update the guidance on accounting for internal-use software costs. The amendments are effective for annual reporting periods beginning after December 15, 2027, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period. The Company will apply the amendments *[using a prospective transition approach, by applying the amendments to new software costs incurred as of the beginning of the period of adoption for all projects, including in-process projects.] [using a modified transition approach, by applying the amendments on a prospective basis to new software costs incurred, except for in-process projects that, as of the date of adoption, the Company determines do not meet the capitalization requirements under the amendments but meet the capitalization requirements under current guidance. For those in-process projects, the Company will derecognize any capitalized costs through a cumulative-effect adjustment to the opening balance of retained earnings as of the date of adoption.] [using a retrospective transition approach, by recasting comparative periods and recognizing a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the first period presented.]* The Company does not expect these amendments to have a material effect on its financial statements.

ASU 2025-07 – Applicable to all entities entering contracts to receive share-based noncash consideration:
In September 2025, the FASB amended the Derivatives and Hedging and Revenue from Contracts with Customers topics in the Accounting Standards Codification to refine derivative scope and clarify the accounting treatment of share-based noncash consideration from customers in revenue contracts. The amendments are effective for annual reporting periods beginning after December 15, 2026, and interim periods within those annual reporting periods. Early adoption is permitted. Entities may apply the guidance prospectively or on a modified retrospective basis.

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

APPENDIX C

recently issued accounting pronouncements

***NOTE*: The disclosures in the previous appendix are not intended to be all inclusive. All pronouncements issued during the period should be evaluated to determine whether they are applicable to your Company. Through September 30, 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*
- ***ASU 2025-05,*** *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*
- ***ASU 2025-06,*** *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*
- ***ASU 2025-07,*** *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606)*