# QUARTERLY FINANCIAL SERVICES UPDATE

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**First Quarter 2024**

April 4, 2024

In this edition of the quarterly communication, we have provided information about recent financial reporting and accounting updates – some of which are currently being evaluated by regulatory agencies and not resolved at this time. Key among them is the SEC's final climate rule. We have also compiled a list of items for consideration in your financial reporting and disclosures for the first 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 first quarter. A complete list of all ASUs issued or effective in 2024 is included in Appendix A.

### FASB Issues Guidance on Profits Interest Awards

On March 21, the FASB issued ASU 2024-01, *Scope Application of Profits Interest and Similar Awards*, which clarifies how an entity determines whether a profits interest or similar award (hereafter a "profits interest award") is (1) within the scope of Accounting Standards Codification (ASC) 718, *Compensation — Stock Compensation*, or (2) not a share-based payment arrangement and therefore within the scope of other guidance.

Certain entities, typically private companies, provide employees and other nonemployees with profits interest and similar awards to align compensation with the company's operating performance and provide those holders with the opportunity to participate in future profits and/or equity appreciation of the company. The Private Company Council and other stakeholders noted diversity in practice in accounting for these awards either as share-based payment arrangements under ASC 718 or under other guidance similar to cash bonus or profit-sharing arrangements.

The ASU adds an illustrative example to ASC 718 which shows how an entity should apply the guidance in ASC 718 to determine whether a profits interest award is within the scope of ASC 718. The guidance in ASU 2024-01 applies to all entities that issue profits interest awards as compensation to employees or nonemployees in exchange for goods or services.

***Effective Dates***

For public business entities, ASU 2024-01 is effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted.

## Regulatory Update

### SEC Issues Climate Disclosure Rules

On March 6, 2024, the Securities and Exchange Commission (SEC) adopted final rules designed to enhance public company disclosures related to the risks and impacts of climate-related matters. The new rules include disclosures relating to climate-related risks and risk management as well as the board and management's governance of such risks. In addition, the rules include requirements to disclose the financial effects of severe weather events and other natural conditions in the audited financial statements. Larger registrants will also be required to disclose information about greenhouse gas emissions, which will be subject to a phased-in assurance requirement.

The final rules differ in several respects from the initial proposal, most significantly in changes to the financial statement note disclosures as well as reductions to the scope of and number of registrants subject to the greenhouse gas emission disclosures. Of particular importance for banking organizations is that the final rule does not require disclosures of scope requirements. The new rules call for a dramatic change in the nature and extent of disclosures companies are required to make about the impact of climate change. The gathering and reporting of these incremental disclosures may require significant changes to a registrant's systems, processes, and controls.

The earliest effective dates start with reporting on 2025 information in 2026. Initial compliance dates are based on the year the registrant's fiscal year begins and vary depending on the particular provisions and type of filer.

| | | GHG Emissions and Related Assurance | | |
|---|---|---|---|---|
| | **Disclosures (other than GHG emissions)** | **Scope 1 and Scope 2 GHG emissions** | **Limited Assurance** | **Reasonable Assurance** |
| **Type of Registrant** | **Any fiscal year beginning in calendar year:** | | | |
| Large accelerated filers | 2025 | 2026 | 2029 | 2033 |
| Accelerated filers (other than SRCs and EGCs) | 2026 | 2028 | 2031 | Not Applicable |
| SRCs, EGCs, and non-accelerated filers | 2027 | Not Applicable | Not Applicable | Not Applicable |

### US Appeals Court Puts Climate Disclosure Rules on Hold

On March 15, 2024, the US Court of Appeals for the Fifth Circuit issued a temporary stay of the new rules issued by the SEC requiring public companies to report climate-related risks. The decision is the first court ruling on the SEC's final rules and a setback for the SEC as it faces numerous legal challenges. In the two-page order, the court did not explain why it had granted the request.

The lawsuit and the court's decision to pause the rules comes amid a flurry of legal challenges since the rules were issued. Lawsuits contesting the regulation are pending in at least six courts. Attorneys general in 10 states sued to stop the regulations immediately after the rules were published. In addition, environmental groups have filed suits in the U.S. appeals courts, saying the rules did not go far enough. With so many suits filed in different appeals courts across the country, a lottery is expected to determine which court will handle a case that consolidates the various challenges.

## State Climate Disclosure Bills

On January 1, 2024, the California bill requiring information about certain emissions claims and the sale and use of carbon offsets to be posted to a company's website (AB 1305) became effective. Also in January, certain business groups filed a lawsuit challenging California bills SB 253 and SB 261. Together, these bills require greenhouse gas emissions and climate-related financial risk reporting. The lawsuit contends that these bills compel speech in violation of the First Amendment and seek to regulate an area that is outside California's jurisdiction and subject to exclusive federal control by virtue of the Clean Air Act and the federalism principles embodied in the US Constitution. Other states, including Illinois and New York, have introduced climate bills similar to those in California. These bills are in committee review and will need legislative approval and signature by the governor before becoming law.

## OCC Proposes Changes to Merger Review Process

On January 29, 2024, the OCC issued a notice of proposed rulemaking (NPR) to evaluate its rules and processes for reviewing proposed transactions involving national banks under the *Bank Merger Act* (BMA). The NPR would eliminate expedited review procedures and the use of streamlined business combination applications. In addition, the proposed policy statement includes additional insight into the OCC's evaluation of proposed bank mergers including:

- General principles for the OCC's review of applications under the BMA, including indicators for applications likely consistent with approval and applications that raise supervisory or regulatory concerns that most likely need to be resolved prior to OCC approval.
- The OCC's consideration of financial stability; managerial and financial resources and future prospects; and convenience and needs statutory factors under the BMA.
- The OCC's decision process for extending the public comment period or holding a public meeting.

The OCC is accepting comments on the NPR through April 13, 2024.

## FDIC Proposes Revisions to the Statement of Policy on Bank Merger Transactions

On March 21, 2024, the FDIC released a Proposed Statement of Policy On Bank Merger Transactions (the Proposal) which aims to "update, strengthen and clarify" its approach to evaluating bank mergers. The Proposal outlines legislative and other developments that have occurred since the current Statement of Policy was last updated in February 2008. The Proposal also describes the types of applications that are subject to FDIC approval, addresses statutory factors, and highlights statutes that apply to interstate mergers and to applications from non-banks or non-traditional banks.

Comments must be received within 60 days after publication in the Federal Register.

## FFIEC Issues Examination Principles Related to Valuation Discrimination

On February 12, 2024, the Federal Financial Institutions Examination Council (FFIEC), on behalf of its member entities, issued a statement related to valuation discrimination and bias in residential property valuations. The statement is designed to clarify standards by which entities under the purview of individual regulators violate applicable rules and regulations. The principles are intended to aid member entities in assessing whether supervised institutions' compliance management systems and risk management practices are appropriate in identifying and mitigating risks due to discrimination or bias as well as promoting credible valuations. While the statement provides further insight into the examination process, the FFIEC notes it should not be interpreted as new guidance nor as an increase in focus on valuation practices but to provide transparency into the examination process.

## FDIC Quarterly Banking Profile

On March 7, 2024, the FDIC released its most recent Quarterly Banking Profile covering the fourth quarter of 2023. 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 4,587 commercial banks (which includes 4,140 community banks). Highlights from the Fourth Quarter 2023 Quarterly Banking Profile are included below:

- Full-year 2023 net income declined by 2.3% from the prior year but remained well above the pre-pandemic average. The decline in net income was a result of higher noninterest expense, provision expense, as well as realized losses on securities which offset growth in net operating revenue. The aggregate return-on-assets ratio (ROA) decreased by one basis point to 1.10%.
- Community banks reported a decline in full-year 2023 net income of 7.1% compared to the prior year. Similar to the industry overall, the combined increase in noninterest and provision expense offset higher net operating revenue. Community banks reported full-year pre-tax ROA of 1.22%, down 17 basis points from the prior year.
- Net income in Q4 2023 decreased from prior quarter by 43.9%. However, it is estimated that 70% of the decrease in net income was the result of nonrecurring, noninterest expenses (such as the FDIC’s special assessment, goodwill impairment, and legal, reorganization, and other one-time costs) at large banks.
- Net interest margin (NIM) decreased by two basis points to 3.28% in the fourth quarter. Despite the quarterly decline, the industry NIM is still three basis points above the pre-pandemic average NIM of 3.2.
- Unrealized losses on securities decreased by 30.2% from the third quarter 2023. The decline is primarily driven by lower unrealized losses on residential mortgage-backed securities. The level of unrealized losses is the lowest reported since second quarter 2022 but remained elevated compared to historical levels.
- Loan balances increased by 0.9% from the previous quarter and increased 1.8% from the prior year. The increase in the fourth quarter and the year was driven by growth in credit card loans (loan growth of 6% for the fourth quarter and 10.6% for the year).
- Deposits increased in Q4 2024 by 1.1% from the prior quarter which is the first increase in deposit balances in seven quarters.
- Noncurrent loans (loans that are 90 days or more past due or in nonaccrual status) increased to 0.86% of total loans, up four basis points from the prior quarter. Credit cards and nonfarm, nonresidential commercial real estate loans drove the quarterly increase in the noncurrent rate.

## PCAOB Holds Roundtable to Discuss NOCLAR

The PCAOB staff hosted a public virtual roundtable on March 6, 2024 to discuss the proposed amendments to PCAOB auditing standards related to a company’s noncompliance with laws and regulations (NOCLAR). The roundtable included three panels focused on the proposal’s requirements relating to auditors’ identification of laws and regulations and assessment of those laws and regulations, as well as costs and benefits of the proposal. Panelists included commenters with diverse viewpoints, including those representing investors, auditors, issuers, and audit committees; subject matter experts in the fields of economics, corporate and securities law, and auditing; and commenters and experts who serve on the PCAOB’s advisory groups. There was no clear consensus on an appropriate threshold to define auditors’ responsibility for identifying the applicable population of laws and regulation or their role in detecting noncompliance. The PCAOB reopened the comment period on the proposal was through March 18, 2024.

## Other Developments

### Proposed Expense Disclosure Rules Will be Considered for Private Companies

A recent FASB proposal to require public companies to disclose more details about obscure income statement expenses will be considered at a later date for privately held companies, according to board advisory discussions. The FASB's immediate plan is to exclude private companies from the proposed disaggregation of income statement expenses guidance because it will be costly, and potentially quite a "big lift" for companies, FASB members told the Financial Accounting Standards Advisory Council (FASAC) on March 5, 2024. The FASB considered the urgent demand for the rules by the investment community, and if they were to prepare the standard with the mandate of private companies and public companies at the same time it's likely there would be some delay. The Private Company Council (PCC), the panel that works with the FASB to develop rules for privately held companies, will also study the topic to make its own determinations.

## On the Horizon

The following selected FASB exposure drafts and projects are outstanding as of March 31, 2024.

### FASB Moves Forward on Purchased Financial Assets

At its February 28, 2024 board meeting, the FASB discussed feedback received and began redeliberation on the proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Topic 326): Purchased Financial Assets*, which addressed how entities would initially record an allowance for expected credit losses on purchased financial assets. The board affirmed the scope of the proposal that requires financial assets to be accounted for using the gross-up approach when acquired through business combinations and asset acquisitions. This proposed change would address the double count issue related to credit discounts and reserves on acquired non-purchased acquired deteriorated financial assets. The board will continue to perform research and analysis on the feedback received and will continue to discuss at future meetings.

### Proposed ASU on Induced Conversions of Convertible Debt

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

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

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

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

## Proposed ASU to Improve Disclosures Around Income Statement Expenses

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

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

## Potential GAAP Guidance on Government Grants

In June 2022, the FASB published an Invitation to Comment (ITC), *Accounting for Government Grants by Business Entities: Potential Incorporation of IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, into Generally Accepted Accounting Principles*. The ITC gives stakeholders the opportunity to provide feedback on whether IAS 20 represents a workable solution for improving GAAP in the U.S. financial reporting environment for business entities as it relates to the accounting for government grants.

In 2021, the FASB issued the Invitation to Comment, *Agenda Consultation*, which gave all stakeholders the opportunity to provide input on what the Board's future priorities should be. The 2021 ITC asked stakeholders to weigh in on a broad range of issues, including whether the FASB should pursue a project on the recognition and measurement of government grants—and, if so, whether it should leverage an existing grant or contribution model or develop a new accounting model. Approximately three-quarters of stakeholders who provided specific feedback on that question, including investors, practitioners, preparers, and state certified public accounting societies, preferred that the FASB leverage International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*.

In response to this feedback, the FASB added a project, *Accounting for Government Grants, Invitation to Comment*, to the research agenda. Published as part of that research project, the government grants ITC solicits additional feedback from stakeholders on relevant requirements in IAS 20 and includes specific questions for investors about the importance and utility of government grants information to their analysis of a company's financial performance.

## Projects on Environmental Credits, Consolidation, and KPIs

In May 2022, the FASB added a project to its technical agenda on the recognition, measurement, presentation and disclosure of environmental credits that are legally enforceable and tradeable, following a review of the staff's initial research on accounting for environmental credits, including feedback that there is diversity in practice in this area. The project will address the accounting by participants in compliance and voluntary programs, as well as by creators of environmental credits. In addition, the FASB added a project on consolidation for business entities to its research agenda after removing its project on consolidation reorganization and targeted improvements from the technical agenda. The new project will explore whether a single consolidation model could be developed for business entities. In response to feedback received on the FASB's Invitation to Comment, Agenda Consultation, the FASB also added a project on financial key performance indicators to the research agenda to explore standardizing the definitions of financial key performance indicators.

## EITF Agenda Items

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

## PCC Activities

The Private Company Council (PCC) did not meet during the first quarter 2024. The next PCC meeting is scheduled for Thursday, April 18, and Friday, April 19, 2024.

# Appendix A

## Important Implementation Dates

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

### Selected Implementation Dates (FASB/EITF/PCC)

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

## Appendix A

### Important Implementation Dates, *continued*

| Pronouncement | Affects | Effective Date and Transition |
|---|---|---|
| ***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. |
| ***ASU 2023-01, Leases (Topic 842) Common Control Arrangements*** | Practical expedient: Entities other than public business entities, not-for-profit conduit bond obligors, and employee benefit plans that file or furnish financial statements with or to the SEC<br><br>Leasehold improvements: All lessees | The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. |

# Appendix A

## Important Implementation Dates, *continued*

| Pronouncement | Affects | Effective Date and Transition |
|---|---|---|
| ***ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*** | All entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. | Effective upon issuance. |
| ***ASU 2022-05, Financial Services—Insurance (Topic 944): Transition for Sold Contracts*** | Insurance entities that have derecognized contracts before the effective date of ASU 2018-12 | The effective dates of the amendments are consistent with the effective dates of the amendments in ASU 2020-11. |
| ***ASU 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*** | All entities that use supplier finance programs in connection with the purchase of goods and services | The amendments became effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on roll-forward information, which is effective for fiscal years beginning after December 15, 2023. |
| ***ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*** | All entities | For public business entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. |
| ***ASU 2022-01, Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*** | All entities that elect to apply the portfolio layer method of hedge accounting in accordance with ASC 815 | For public business entities, the amendments became effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. |

# Appendix A

## Important Implementation Dates, *continued*

| Pronouncement | Affects | Effective Date and Transition |
|---|---|---|
| ***ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*** | All entities that enter into a business combination | For public business entities, the amendments became effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period. |
| ***ASU 2020-11, Financial Services—Insurance (Topic 944): Effective Date and Early Application*** | Insurance entities that issue long-duration contracts | The amendments in this ASU delay the effective date of ASU 2018-12. |
| ***ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*** | Entities that issue convertible instruments and/or contracts in an entity's own equity. | Effective for public business entities that meet the definition of a SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. |
| ***ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*** | All entities | Effective for all entities as of March 12, 2020 through December 31, 2022. |
| ***ASU 2018-12, Targeted Improvements to the Accounting for Long-Duration Contracts*** | Insurance entities that issue long-duration contracts | For public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC the amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, and interim periods within fiscal years beginning after December 15, 2025. Early application of the amendments is permitted. |

# Appendix B

## Illustrative Disclosures for Recently Issued Accounting Pronouncements

***For the Quarter Ended March 31, 2024***

The illustrative disclosures below are presented in plain English. Please review each disclosure for its applicability to your organization and the need for disclosure in your organization's financial statements.

***{Please give careful consideration to appropriateness of highlighted text.}***

***ASU 2018-12 — Applicable to insurance entities that issue long-duration contracts:***

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

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

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

***ASU 2020-04 — Applicable to all entities:***

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

***ASU 2020-06 — Applicable to all entities:***

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

***ASU 2020-11 — Applicable to insurance entities that issue long-duration contracts:***

In November 2020, the FASB issued guidance to defer the effective dates for insurance entities which have not yet applied the long duration contracts guidance by one year. The new effective dates will be ~~*[fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. public business entities that meet the definition of an SEC filer, excluding entities eligible to be SRCs as defined by the SEC]*~~ *[fiscal years beginning after December 15, 2024, and interim periods within fiscal year beginning after December 15, 2025.-all other entities]* The Company does not expect these amendments to have a material effect on its financial statements.

## Appendix B

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

*For the Quarter Ended March 31, 2024*

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

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

***ASU 2022-01 — Applicable to entities that elect to apply the portfolio layer method of hedge accounting***

In March 2022, the FASB issued amendments which are intended to better align hedge accounting with an organization's risk management strategies. The amendments are effective for ~~*[fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. - public business entities]*~~ *[fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. - all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

***ASU 2022-03 — Applicable to all entities:***

In June 2022, the FASB issued amendments to clarify the guidance on the fair value measurement of an equity security that is subject to a contractual sale restriction and require specific disclosures related to such an equity security. The amendments are effective for *[fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. - public business entities] [fiscal years beginning after December 15, 2024 including interim periods within those fiscal years. - all other entities]*. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

***ASU 2022-04 — Applicable to all entities that use supplier finance programs in connection with the purchase of goods and services:***

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

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

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

## Appendix B

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

***For the Quarter Ended March 31, 2024***

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

In March 2023, the FASB amended the Leases topic in the Accounting Standards Codification to provide a practical expedient for private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. The amendments also change the guidance for public and private companies to require that leasehold improvements be amortized over the useful lives of those improvements to the common control group regardless of the lease term. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

***ASU 2023-02 – Applicable to all entities that hold (1) tax equity investments that meet the conditions for and elect to account for them using the proportional amortization method or (2) an investment in a LIHTC structure through a limited liability entity that is not accounted for using the proportional amortization method and to which certain LIHTC-specific guidance removed from Subtopic 323-740 has been applied:***

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

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

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

***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. -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.

## Appendix B

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

***For the Quarter Ended March 31, 2024***

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

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

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

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

***ASU 2023-09 – Applicable to all entities subject to ASC 740, Income Taxes***

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

***ASU 2024-01 – Applicable to all entities that account for profits interest awards as compensation to employees or nonemployees in return for goods or services.***

In March 2024, the FASB amended the Compensation—Stock Compensation topic in the Accounting Standards Codification demonstrate how an entity should apply the guidance to determine whether profits interest and similar awards should be accounted for in accordance with that topic. The amendments are effective for *[annual periods beginning after December 15, 2024, and interim periods within those annual periods.-public business entities] [annual periods beginning after December 15, 2025 and interim periods 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.

***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 March 31, 2024, the FASB has issued the following Accounting Standard Updates during the year.*

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