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Depository and Lending Institutions – September 2009

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

Depository and Lending Institutions

SEPTEMBER 2009

AICPA®

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CHECKLISTS & ILLUSTRATIVE FINANCIAL STATEMENTS

Depository and Lending Institutions

SEPTEMBER 2009

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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Checklists and Illustrative Financial Statements for Depository and Lending Institutions has not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants or the Financial Accounting Standards Board and has no official or authoritative status.

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FSP Section 2000

Checklists and Illustrative Financial Statements for Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, and Mortgage Companies

Letter to Customers

Dear Valued Customer,

The following checklists and illustrative materials have been developed by the AICPA Accounting and Auditing Publications Staff to serve as nonauthoritative practice aids for use by preparers of financial statements and by practitioners who audit, review, or compile financial statements. The auditor's and accountant's report checklists address those requirements most likely to be encountered when reporting on financial statements of a commercial corporation prepared in conformity with U.S. generally accepted accounting principles.

Relevant financial statement reporting and disclosure guidance issued through September 30, 2009, has been considered in the development of this edition of the checklist. The accounting guidance in this checklist has been conformed to reflect reference to FASB *Accounting Standards Codification™* as it existed on September 30, 2009.

Any guidance issued subsequent to September 30, 2009, has not been included in this checklist; therefore, if your entity has a fiscal year-end after September 30, 2009, you need to consider the applicability of such guidance. In determining the applicability of newly issued guidance, its effective date also should be considered.

Recognizing that many entities have December 31 year-ends and in an effort to assist those users, this checklist includes guidance issued through September 30, 2009, which may become effective by December 31, 2009. This guidance is discussed in each section of the checklist when applicable. Additional questions appear and are indicated with an "A" or "B" reference. As determined by the effective date or early implementation decision

- entities for which this guidance has not been implemented should consider all questions with an "A" reference (for example, question 1A, question 2A, and so on) and should place an "N/A" mark by questions with a "B" reference.
- entities for which this guidance has been implemented should consider all questions with a "B" reference (for example, question 1B, question 2B, and so on) and should place an "N/A" mark by questions with an "A" reference.

Therefore, based upon the year-end of the entities and the decision to early implement (if allowed), the appropriate additional questions should be answered when provided.

We hope you find this checklist helpful as you perform your audit and compilation and review engagements. We would greatly appreciate your feedback on this checklist. You may e-mail these comments to A&APublications@aicpa.org or write to

A&A Publications
AICPA
220 Leigh Farm Road
Durham, NC 27707-8110

General

.01 This publication includes the following information:

- **Financial Statements and Notes Checklist (FSP section 2100)**—For use by preparers of financial statements and by practitioners who audit them as they evaluate the adequacy of disclosures.
- **Auditors' Report Checklist (FSP section 2200)**—For use by auditors in reporting on audited financial statements.
- **Supplemental Information for Depository and Lending Institutions That Are Securities and Exchange Commission Registrants (FSP section 2300)**—For use by auditors of Securities and Exchange Commission (SEC) registrants.
- **Illustrative Financial Statements, Notes, and Auditor's Report (FSP section 2400)**.

.02 This checklist is intended to be used in connection with engagements of nonpublic institutions and is not intended to be used in connection with audits of public entities that are required to be audited under standards established by the Public Company Accounting Oversight Board (PCAOB).

.03 These checklists and illustrative materials have been developed by the AICPA Accounting and Auditing Publications staff to serve as nonauthoritative practice aids for use by preparers of financial statements and by practitioners who audit them. The auditor's and accountant's report checklists address those requirements most likely to be encountered when reporting on financial statements of a depository and lending institution prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP). They do not include reporting requirements relating to other matters such as internal control or agreed-upon procedures. The financial statement and notes checklist includes disclosure considerations applicable to depository and lending institutions in preparing financial statements in conformity with U.S. GAAP.

.04 Users of the financial statements and notes checklist should remember that it is a disclosure checklist only and not a comprehensive U.S. GAAP application or measurement checklist. Accordingly, application and measurement issues related to preparing financial statements in conformity with U.S. GAAP are not included in the checklist.

.05 The checklists and illustrative financial statements should be used by, or under the supervision of, persons having adequate technical training and proficiency in the application of U.S. GAAP, generally accepted auditing standards, and other relevant technical guidance.

.06 In some cases, this checklist uses the term *Common Practice* or provides additional Practice Tips to describe a disclosure item. In such cases, although there is no authoritative guidance to support such a disclosure for nonpublic entities, it has become a common practice (sometimes due to SEC requirements) that such disclosures are made. Entities should evaluate whether such items warrant disclosure in their financial statements.

.07 Relevant financial statement reporting and disclosure guidance issued through September 30, 2009, has been considered in the development of this edition of the checklist. This includes relevant guidance issued up to and including the following:

- Financial Accounting Standards Board (FASB) Accounting Standards Updates issued through September 30, 2009
- Statement on Auditing Standards No. 116, *Interim Financial Information* (AICPA, *Professional Standards*, vol. 1, AU sec. 722)
- Interpretation No. 19, "Financial Statements Prepared in Conformity With International Financial Reporting Standards as Issued by the International Accounting Standards Board," of AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .93–.97)
- Statement of Position (SOP) 09-1, *Performing Agreed-Upon Procedures Engagements That Address the Completeness, Accuracy, or Consistency of XBRL-Tagged Data* (AICPA, *Technical Practice Aids*, AUD sec. 14,440)
- Statements on Standards for Attestation Engagements No. 15, *An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements* (AICPA, *Professional Standards*, vol. 1, AT sec. 501)
- Interpretation No. 7, "Reporting on the Design of Internal Control," of AT section 101, *Attest Engagements* (AICPA, *Professional Standards*, vol. 1, AT sec. 9101 par. .59–.69)
- PCAOB Auditing Standard No. 6, *Evaluating Consistency of Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Auditing Standards)

.08 Any guidance issued subsequent to September 30, 2009, has not been included in this checklist; therefore, if your entity has a fiscal year-end after September 30, 2009, you need to consider the applicability of such guidance. In determining the applicability of newly issued guidance, its effective date should also be considered.

.09 These checklists contain numerous references to accounting and auditing guidance. Abbreviations and acronyms used in such references include the following:

AAG-DEP=	Audit and Accounting Guide *Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies and Mortgage Companies* (new edition as of June 1, 2009)
AR=	Reference to a section number in AICPA *Professional Standards* for compilation and review standards
AT=	Reference to a section number in AICPA *Professional Standards* for Statements on Standards for Attestation Engagements
AU=	Reference to a section number in AICPA *Professional Standards* for U.S. auditing standards that are applicable to nonissuers
AUD=	Reference to a section number in AICPA *Technical Practice Aids*, Statements of Position—Auditing and Attestation
FASB ASC=	Reference to a topic, subtopic, section, or paragraph in Financial Accounting Standards Board *Accounting Standards Codification*™
SOP=	AICPA Statement of Position

.10 The accounting guidance in this checklist has been conformed to reflect reference to FASB ASC as it existed on September 30, 2009.

.11 On June 30, 2009, FASB issued FASB Statement No. 168, *The* FASB Accounting Standards Codification™ *and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162*, which is codified at FASB ASC 105, *Generally Accepted Accounting Principles*. On the effective date of this statement, FASB ASC is the authoritative source of U.S. accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the SEC. At that time, FASB ASC supersedes all then-existing, non-SEC accounting and reporting standards for nongovernmental entities. Once effective, all other nongrandfathered, non-SEC accounting literature not included in FASB ASC is nonauthoritative. This statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. See the FASB Web site at www.fasb.org for further information.

Instructions

.12 Within these checklists are a number of questions or statements that are accompanied by references to applicable authoritative guidance. The financial statements and notes checklist is organized into seven discrete sections. Disclosures listed in the "General," "Balance Sheet," "Income Statement," "Statement of Cash Flows," "Summary of Significant Accounting Policies," and "Interim Financial Reporting" sections are common to most depository and lending institutions. Those listed in the "Other Financial Statement Disclosures" section are required when circumstances dictate.

.13 The checklists provide spaces for checking off or initialing each question or for indicating that it has been addressed. Carefully review the topics listed and consider whether they represent potential disclosure items for the reporting entity for which you are preparing financial statements or auditing them. Users should check or initial

- ***Yes***—If the disclosure is required and has been made appropriately.
- ***No***—If the disclosure is required but has not been made.
- ***N/A (Not Applicable)***—If the disclosure is not applicable to the entity.

.14 It is important that the effect of any "No" response be considered on the auditor's or accountant's report. For audited financial statements, a "No" response that is material to the financial statements may warrant a departure from an unqualified opinion as discussed in paragraphs .20–.64 of AU section 508. If a "No" response is indicated, the authors recommend that a notation be made in the margin to explain why the disclosure was not made (for example, because the item was not considered to be material to the financial statements).

.15 Users may find it helpful to use the right margin for certain other remarks and comments as appropriate, including the following:

a. For each disclosure for which a "Yes" is indicated, a notation as to where the disclosure is located in the financial statements and a cross-reference to the applicable working papers where the support to a disclosure may be found

b. For items marked as "N/A," the reasons for which they do not apply in the circumstances of the particular report

c. For each disclosure for which a "No" response is indicated, a notation as to why the disclosure was not made (for example, because the item was not considered to be material to the financial statements)

.16 Recognizing that many entities have December 31 year-ends and in an effort to assist those users, this checklist includes guidance issued through September 30, 2009, that may become effective by December 31, 2009. This guidance is discussed in each section of the checklist where applicable. Additional questions appear and are indicated with an "A" or "B" reference. As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in question indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entities year-end and decision to early implement or not (if allowed), the appropriate additional questions should be answered when provided.

.17 These checklists and illustrative materials have been prepared by the AICPA Accounting and Auditing Publications staff. They have not been reviewed, approved, disapproved, or otherwise acted on by any senior technical committee of the AICPA and do not represent official positions or pronouncements of the AICPA.

.18 The use of these or any other checklists requires the exercise of individual professional judgment. These checklists are not substitutes for the original authoritative guidance. Users of these checklists and illustrative materials should refer directly to applicable authoritative guidance when appropriate. The checklists and illustrative materials may not include all disclosures and presentation items promulgated, nor do they represent minimum standards or requirements. Additionally, users of the checklists and illustrative materials should tailor them as required to meet specific circumstances. As an additional resource, members may call the AICPA Technical Hotline at (877) 242-7212.

.19 Depository and lending institutions operate under comprehensive state and federal regulations. These regulations greatly influence accounting and financial reporting. Depository and lending institutions are also subject to examination by federal and state bank examiners and periodic examinations by the institution's board of directors. Common accounting and reporting features of depository and lending institutions are described in the AICPA Audit and Accounting Guide *Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies and Mortgage Companies* (new edition as of June 1, 2009). Readers are encouraged to review the following guidance for additional information, as applicable:

- The NCUA Accounting manual for Federal Credit Unions at www.ncua.gov/GenInfo/GuidesManuals/accounting_manuals/index.aspx
- The Office of the Thrift Supervision Thrift Financial Report Instruction Manuals at www.ots.treas.gov/?p=InstructionsQAs
- The Federal Deposit Insurance Corporation Reports of Condition and Income Forms and User Guides at www.fdic.gov/regulations/resources/call/Index.html

.20 As used in this checklist, the term *depository institutions* means banks, credit unions, and savings institutions. The terms *financial institutions* or *institutions* refer to all entities covered by the AICPA Audit and Accounting Guide *Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies and Mortgage Companies*.

Recognition

.21 The AICPA gratefully acknowledges those who reviewed and otherwise contributed to the development of this edition of the checklist and illustrative financial statements: Myrna Parker, AICPA; Chris Vallez, Nearman, Maynard, Vallez, CPAs; Sydney K. Garmong, Crowe Horwath LLP; Jamie Mayer; Todd Sprang; Daniel F. Morrill, James T. McGough, and Jean M. Joy, Wolf & Company, P.C.; and James W. Bean, Jr., Wells Fargo & Company.

.22 We hope you find this checklist helpful as you perform your audit engagements. We would greatly appreciate your feedback on this checklist. You may e-mail these comments to jwoods@aicpa.org or write to

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FSP Section 2100

Financial Statements and Notes Checklist

.01 *Checklist Questionnaire*. This financial statement disclosure checklist is organized into sections. Carefully review the topics listed and consider whether they represent potential disclosure items for the bank or savings entity for which you are preparing or auditing financial statements. Place a check mark by the topics or sections that are applicable and complete those sections of the checklist. Other sections may be marked "N/A" or left blank. For example, if the entity had a change in accounting principle, place a check mark by the section "Accounting Changes" and complete that section of the checklist. On the other hand, if the entity did not have a change in accounting principle, do not place a check mark by "Accounting Changes" and skip that section when completing the checklist.

			Place ✓ by Sections Applicable
I.	General		
	A.	Titles and References	______
	B.	Comparative Financial Statements	______
	C.	Consolidated Financial Statements	______
	D.	Risks and Uncertainties	______
II.	Balance Sheet		
	A.	General	______
	B.	Cash	______
	C.	Federal Funds and Repurchase Agreements	______
	D.	Certain Investments in Debt and Equity Securities	______
	E.	Investments Accounted for by the Equity Method	______
	F.	Loans and Trade Receivables	______
	G.	Nonrefundable Fees and Other Costs	______
	H.	Loans and Debt Securities Acquired with Deteriorated Credit Quality	______
	I.	Foreclosed Assets	______
	J.	Loans Held for Sale	______
	K.	Allowance for Loan Losses	______
	L.	Premises and Equipment	______
	M.	Deferred Income Tax Assets and Liabilities	______
	N.	Other Assets and Deferred Charges	______
	O.	Intangible Assets and Goodwill	______
	P.	Deposits	______
	Q.	Other Liabilities	______
	R.	Notes Payable and Other Debt	______
	S.	Shareholders' Equity	______
	T.	Changes in Shareholders' Equity	______
III.	Income Statement		
	A.	Revenue and Expenses	______
	B.	Income Taxes	______
	C.	Extraordinary Items	______
	D.	Earnings Per Share	______
	E.	Comprehensive Income	______
IV.	Statement of Cash Flows		
V.	Summary of Significant Accounting Policies		
	A.	Accounting Policies	______

		Place ✔ by Sections Applicable
B.	Certain Significant Estimates	______
VI.	Interim Financial Reporting	______
VII.	Other Financial Statement Disclosures	
A.	Business Combinations	______
A1.	Business Combinations (Subject to FASB Statement No. 141(R))	______
B.	Accounting Changes and Error Corrections	______
C.	Commitments and Contingencies (See also part I, "Guarantees")	______
D.	Current Vulnerability Due to Certain Concentrations	______
E.	Employee Stock Ownership Plans	______
F.	Employers' Disclosures for Defined Benefit Pension and Other Postretirement Plans	______
G.	Environmental Remediation Liabilities	______
H.	Financial Instruments	______
I.	Guarantees	______
J.	Foreign Currency Matters	______
K.	Long-Lived Assets and Disposal Groups to Be Disposed Of	______
L.	Impaired Loans	______
M.	Impairment of Long-Lived Assets to Be Held and Used	______
N.	Leases—Lessors	______
O.	Leases—Lessees	______
P.	Nonmonetary Transactions	______
Q.	Postemployment Benefits	______
R.	Related-Party Transactions and Economic Dependency	______
S.	Exit or Disposal Activities	______
T.	Segment Reporting	______
U.	Stock Compensation Plans	______
V.	Subsequent Events	______
W.	Accounting for Servicing of Financial Assets	______
X.	Troubled Debt Restructurings—Creditors	______
Y.	Troubled Debt Restructurings—Debtors	______
Z.	Asset Retirement Obligations	______
AA.	Fair Value Measurements	______
BB.	Regulatory Capital Matters	______

I. General

	Yes	*No*	*N/A*
A. Titles and References			
1. For a full presentation in conformity with accounting principles generally accepted in the United States (U.S. GAAP), are the following financial statements presented:			
a. Balance sheet?	____	____	____
b. Statement of income (operations)?	____	____	____
c. Statement of retained earnings or changes in shareholders' equity?	____	____	____
d. Statement of cash flows?	____	____	____
e. Description of accounting policies?	____	____	____

	Yes	No	N/A
f. Notes to the financial statements? [Common Practice]	_____	_____	_____
2. Is each financial statement suitably titled? [Common Practice]	_____	_____	_____
3. Does each statement include a reference to the notes, which are an integral part of the financial statements? [Common Practice]	_____	_____	_____

B. Comparative Financial Statements

	Yes	No	N/A
1. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, has information been disclosed that will explain the change (for example, any change in practice that affects comparability of financial statements must be disclosed)? [FASB ASC 205-10-50-1]	_____	_____	_____
2. Has the entity disclosed appropriate explanations of changes related to any differences in the manner of or basis for presenting corresponding items for two or more periods? [FASB ASC 205-10-45-3]	_____	_____	_____
3. If comparative statements are presented, are the notes and other disclosures included in the financial statements of the preceding year(s) repeated, or at least referred to, to the extent that they continue to be of significance? [FASB ASC 205-10-45-4]	_____	_____	_____

C. Consolidated Financial Statements

Notes: In March 2008, the Financial Accounting Standards Board (FASB) issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*, to establish accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary, areas for which limited guidance previously existed. FASB Statement No. 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement amended authoritative accounting literature to change the term minority interest to noncontrolling interest. FASB Statement No. 160 does not change the requirements in FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities—an interpretation of ARB No. 51*.

FASB Statement No. 160 changes the way the consolidated income statement is presented. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling (minority) interest. It also requires disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest.

FASB Statement No. 160 establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation and clarifies that all of those transactions are equity

(continued)

Yes *No* *N/A*

transactions if the parent retains its controlling financial interest in the subsidiary.

FASB Statement No. 160 requires expanded disclosures in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. Those expanded disclosures include a reconciliation of the beginning and ending balances of the equity attributable to the parent and the noncontrolling owners and a schedule showing the effects of changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent. These provisions are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). FASB Statement No. 160 should be applied prospectively as of the beginning of the fiscal year in which the statement is initially adopted. Presentation and disclosure requirements should be applied retrospectively for all periods presented.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 160.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB *Accounting Standards Codification* (ASC) 810-10-65-1.

Practice Tip

The purpose of consolidated statements is to present, primarily for the benefit of the shareholders and creditors of the parent entity, the results of operations and the financial position of a parent entity and subsidiaries essentially as if the group were a single entity with one or more branches or divisions. There is a presumption that consolidated statements are more meaningful than separate statements and that they are

(continued)

	Yes	No	N/A

usually necessary for a fair presentation when one of the entities in the group directly or indirectly has a controlling financial interest in the other entities.

In some cases parent entity statements may be needed, in addition to consolidated statements, to indicate adequately the position of bondholders and other creditors or preferred stockholders of the parent. Consolidating statements, in which one column is used for the parent entity and other columns for particular subsidiaries or groups of subsidiaries, often are an effective means of presenting the pertinent information. [FASB ASC 810-10-10-1; FASB ASC 810-10-45-11]

1. Has the entity disclosed the consolidation policy, if consolidated statements are presented? [FASB ASC 810-10-50-1; FASB ASC 235-10-50-4] _____ _____ _____

Practice Tip

(FASB Statement No. 160) With regard to question 2B, if a parent deconsolidates a subsidiary through a nonreciprocal transfer to owners, such as a spinoff, the accounting guidance in FASB ASC 845-10 applies. ["Pending Content" in FASB ASC 810-10-40-5]

2B. ***(FASB Statement No. 160)*** Has the entity disclosed the following, as a parent, if a subsidiary has been deconsolidated:

a. The amount of any gain or loss recognized in accordance with FASB ASC 810-10-40-5? _____ _____ _____

b. The portion of any gain or loss related to the remeasurement of any retained investment in the former subsidiary to its fair value? _____ _____ _____

c. The caption in the income statement in which the gain or loss is recognized unless separately presented on the face of the income statement? _____ _____ _____
["Pending Content" in FASB ASC 810-10-50-1B]

3B. ***(FASB Statement No. 160)*** Has the entity disclosed the following, if the entity is a parent with one or more less-than-wholly owned subsidiaries:

a. Separately, on the face of the consolidated financial statements, both of the following:

i. The amounts of consolidated net income and consolidated comprehensive income? _____ _____ _____

ii. The related amounts on each attributable to the parent and the noncontrolling interest? _____ _____ _____

b. Either in the notes or on the face of the consolidated income statement, amounts attributable to the parent for any of the following, if reported in the consolidated financial statements:

i. Income from continuing operations? _____ _____ _____

ii. Discontinued operations? _____ _____ _____

iii. Extraordinary items? _____ _____ _____

Yes No N/A

c. Either in the consolidated statement of changes in equity, if presented, or in the notes to consolidated financial statements, a reconciliation at the beginning and the end of the period of the carrying amount of total equity, equity attributable to the parent, and equity attributable to the noncontrolling interest? (See FASB ASC 810-10-55-4G for example disclosures.) ____ ____ ____

d. In notes to the consolidated financial statements, a separate schedule that shows the effects of any changes in a parent's ownership interest in a subsidiary on the equity attributable to the parent? ____ ____ ____
["Pending Content" in FASB ASC 810-10-50-1A]

4. Has the entity eliminated for presentation material intra-entity transactions and accounts, including any intra-entity profit or loss on assets that remain within the consolidated group? ____ ____ ____
[FASB ASC 810-10-45 par. 1 and 6]

5. If the financial reporting periods of any subsidiaries are different from that of the parent, are intervening events that materially affect financial position or results of operations disclosed? ____ ____ ____
[FASB ASC 810-10-45-12]

6. If a parent company reports a change to (or the elimination of) a previously existing difference between the parent's reporting period and the reporting period of a consolidated entity in the parent's consolidated financial statements as described in FASB ASC 810-10-45-13, has the change been reported as a change in accounting principle in accordance with the provisions of FASB ASC 250, *Accounting Changes and Error Corrections*, excluding retrospective application if it is impracticable to do so? ____ ____ ____
[FASB ASC 810-10-45-13]

Consolidation of Variable Interest Entities

Notes: In June 2009, FASB issued Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*. Among other things, FASB Statement No. 167 amends FASB Interpretation No. 46(R) , to require an entity to perform an analysis to determine whether the entity's variable interest or interests give it a controlling financial interest in a variable interest entity (VIE) and to provide enhanced disclosures that will provide more transparent information about an entity's involvement in a VIE.

FASB Statement No. 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

This checklist has not been updated to include the presentation and disclosure requirements of FASB Statement No. 167.

(continued)

Yes No N/A

Readers can refer to the full text of this statement on the FASB Web site at www.fasb.org.

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In December 2007, FASB issued Statement No. 141 (revised 2007), *Business Combinations*, to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. FASB Statement No. 141(R) supersedes FASB Statement No. 141, *Business Combinations*, but retains the fundamental requirements in FASB Statement No. 141 that the acquisition method of accounting (formerly called the purchase method in FASB Statement No. 141) be used for all business combinations and that an acquirer be identified for each business combination.

Among many other significant amendments to existing pronouncements precipitated by FASB Statement No. 141(R), this statement redefines *goodwill* in FASB Statement No. 142, *Goodwill and Other Intangible Assets*, to mean an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

FASB Statement No. 141(R) applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquiree), including those sometimes referred to as *true mergers* or *mergers of equals* and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. This statement applies to all business entities, including mutual entities that previously used the pooling-of-interests method of accounting for some business combinations. It does not apply to the following:

a. The formation of a joint venture

b. The acquisition of an asset or a group of assets that does not constitute a business

c. A combination between entities or businesses under common control

d. A combination between not-for-profit entities or the acquisition of a for-profit business by a not-for-profit entity

This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). An entity may not apply it before that date.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 141(R).

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in

(continued)

	Yes	No	N/A

questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 805-10-65-1.

Practice Tip

A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, the disclosures in question 7A are not required.
[FASB ASC 810-10-50-3]

7A. If the entity is a primary beneficiary of a VIE, has the entity disclosed all of the following (unless the primary beneficiary also holds a majority voting interest):

	Yes	No	N/A
a. The nature, purpose, size, and activities of the VIE?	_____	_____	_____
b. The carrying amount and classification of consolidated assets that are collateral for the VIE's obligations?	_____	_____	_____
c. Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary? [FASB ASC 810-10-50-3]	_____	_____	_____

Practice Tips

(FASB Statement No. 141(R)) The primary beneficiary of a VIE that is a business should disclose items required by FASB ASC 805, *Business Combinations*. The primary beneficiary of a VIE that is not a business should disclose the amount of gain or loss recognized on the initial consolidation of the VIE.
["Pending Content" in FASB ASC 810-10-50-3]

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(FASB Statement No. 141(R)) A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, the disclosures in question 7B are not required.
["Pending Content" in FASB ASC 810-10-50-3]

	Yes	No	N/A
7B. ***(FASB Statement No. 141(R))*** If the entity is a primary beneficiary of a VIE, has the entity disclosed all of the following (unless the primary beneficiary also holds a majority voting interest):			
a. The nature, purpose, size, and activities of the VIE?	____	____	____
b. The carrying amount and classification of consolidated assets that are collateral for the VIE's obligations?	____	____	____
c. Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary? ["Pending Content" in FASB ASC 810-10-50-3]	____	____	____
8. Have the following disclosures been made if the entity holds a significant variable interest in a VIE but is not the primary beneficiary:			
a. The nature of its involvement with the VIE and when that involvement began?	____	____	____
b. The nature, purpose, size, and activities of the VIE?	____	____	____
c. The enterprise's maximum exposure to loss as a result of its involvement with the VIE? [FASB ASC 810-10-50-4]	____	____	____

Practice Tip

The disclosures required by FASB ASC 860, *Transfers and Servicing*, about a VIE should be included in the same note to the financial statements as the information required by the "Variable Interest Entities" subsections of FASB ASC 810, *Consolidation*. Further, information about VIEs may be reported in the aggregate for similar entities if separate reporting would not add material information.
[FASB ASC 810-10-50-5]

	Yes	No	N/A
9. If the entity does not apply the guidance in the "Variable Interest Entities" subsections of FASB ASC 810 to one or more VIEs or potential VIEs because of the condition described in FASB ASC 810-10-15-17(c), is the following information disclosed:			
a. The number of entities to which this guidance is not being applied and the reason why the information required to apply this guidance is not available?	____	____	____
b. The nature, purpose, size (if available), and activities of the entity(ies) and the nature of the enterprise's involvement with the entity(ies)?	____	____	____
c. The reporting enterprise's maximum exposure to loss because of its involvement with the entity(ies)?	____	____	____
d. The amount of income, expense, purchases, sales, or other measure of activity between the reporting enterprise and the entity(ies) for all periods presented? [FASB ASC 810-10-50-6]	____	____	____

Yes	No	N/A

Notes: In December 2008, FASB issued FASB Staff Position (FSP) FAS 140-4 and FIN 46(R)-8, *Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities*. The objective of this FSP is to require public entities to provide additional disclosures about transfers of financial assets. It also amends FASB Interpretation No. 46(R) to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. Further, it amends FASB Interpretation No. 46(R) to required disclosure by (*a*) a nontransferor sponsor of a qualifying special purpose entity (QSPE) that holds a variable interest in the QSPE and (*b*) a nontransferor servicer of a QSPE that holds a significant variable interest in the QSPE. Note that this FSP does not change the existing disclosure requirements for nonpublic entities.

This FSP applies to public entities that are subject to the disclosure requirements of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities—a replacement of FASB Statement No. 125*, and public enterprises that are subject to the disclosure requirements of FASB Interpretation No. 46(R) as amended by this FSP.

This FSP is effective for the first reporting period (interim or annual) ending after December 15, 2008 (that is, December 31, 2008, for entities with calendar year-ends), and for interim and annual reporting periods thereafter. Earlier application is encouraged.

Readers can refer to the full text of the FSP on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 860-10-65-2.

Readers should be aware that this FSP was superseded by FASB Statement No. 167 and by FASB Statement No. 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140*. Both FASB Statement No. 167 and FASB Statement No. 166 are effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

This checklist has not been updated to include the presentation and disclosure requirements of FASB Statement No. 166 or FASB Statement No. 167.

Readers can refer to the full texts of these statements on the FASB Web site at www.fasb.org.

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(continued)

Yes No N/A

In December 2007, FASB issued Statement No. 141(R) to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. FASB Statement No. 141(R) supersedes FASB Statement No. 141 but retains the fundamental requirements in FASB Statement No. 141 that the acquisition method of accounting (formerly called the purchase method in FASB Statement No. 141) be used for all business combinations and that an acquirer be identified for each business combination.

Among many other significant amendments to existing pronouncements precipitated by FASB Statement No. 141(R), this statement redefines *goodwill* in FASB Statement No. 142 to mean an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

FASB Statement No. 141(R) applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (acquiree), including those sometimes referred to as true mergers or mergers of equals and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. This statement applies to all business entities, including mutual entities that previously used the pooling-of-interests method of accounting for some business combinations. It does not apply to the following:

a. The formation of a joint venture

b. The acquisition of an asset or a group of assets that does not constitute a business

c. A combination between entities or businesses under common control

d. A combination between not-for-profit entities or the acquisition of a for-profit business by a not-for-profit entity

This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). An entity may not apply it before that date.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 141(R).

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated

(continued)

	Yes	No	N/A

by a “B” reference (for example, question 1B and question 2B) and place an “N/A” mark by questions indicated with an “A” reference. Therefore, based upon your entity’s year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 805-10-65-1.

Practice Tips

(Issuers Only) The entity should determine, in light of the facts and circumstances, how much detail it should provide to satisfy the disclosure requirements of FASB ASC 810-10-50, how much emphasis it places on different aspects of the requirements, and how it aggregates information to display its overall involvements with VIEs with different risk characteristics. The entity must strike a balance between obscuring important information as a result of too much aggregation and overburdening financial statements with excessive detail that may not assist financial statement users to understand the reporting entity’s financial position.

The public entity disclosures required in the “Variable Interest Entities” subsection of FASB ASC 810-10-50 may be provided in more than one note to financial statements, as long as the objectives in FASB ASC 810-10-50-8 are met. If the disclosures are provided in more than one note to financial statements, the reporting entity should provide a cross reference to the other notes to financial statements that provide the disclosures prescribed in the “Variable Interest Entities” subsection of FASB ASC 810-10-50 for similar VIEs.
[“Pending Content” in FASB ASC 810-10-50 par. 10–11]

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(Issuers Only) The entity should consider the overall objectives in question 10 in providing disclosures. To achieve those objectives, the entity may need to supplement the disclosures required in FASB ASC 810-10-50, depending on the facts and circumstances surrounding the VIE and the reporting entity’s interest in that VIE.
[“Pending Content” in FASB ASC 810-10-50-8]

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10. ***(Issuers Only)*** Has the entity made disclosures that provide financial statement users with information regarding all of the following:
    a. The significant judgments and assumptions made by a reporting entity in determining whether it must do any of the following:
        i. Consolidate a VIE? ____ ____ ____
        ii. Disclose information about its involvement with a VIE? ____ ____ ____
    b. The nature of restrictions on a consolidated VIE’s assets reported by a reporting entity in its statement of financial position, including the carrying amounts of such assets? ____ ____ ____

	Yes	No	N/A
c. The nature of, and changes in, the risks associated with a reporting entity's involvement with the VIE?	_____	_____	_____
d. How a reporting entity's involvement with the VIE affects the entity's financial position, financial performance, and cash flows? ["Pending Content" in FASB ASC 810-10-50-8]	_____	_____	_____
11. ***(Issuers Only)*** If reporting disclosures in aggregate, which may be more useful, has the entity disclosed how similar entities are aggregated and distinguish between			
a. VIEs that are not consolidated because the reporting entity is not the primary beneficiary but has a significant variable interest or is the sponsor that holds a variable interest?	_____	_____	_____
b. VIEs that are consolidated? ["Pending Content" in FASB ASC 810-10-50-9]	_____	_____	_____

Practice Tip

(Issuers Only) A VIE may issue voting equity interests, and the reporting entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, the disclosures in questions 12 and 13A are required if the activities of the VIE are primarily related to securitizations or other forms of asset-backed financings or single-lessee leasing arrangements.
["Pending Content" in FASB ASC 810-10-50-13]

	Yes	No	N/A
12. ***(Issuers Only)*** If the entity is a primary beneficiary of a VIE, an entity that holds a significant variable interest in a VIE but is not the primary beneficiary, or an entity that is a sponsor that holds a variable interest in a VIE have the following disclosures been made:			
a. Its methodology for determining whether the entity is (or is not) the primary beneficiary of a VIE, including, but not limited to, significant judgments and assumptions made?	_____	_____	_____
b. If the conclusion to consolidate a VIE has changed in the most recent financial statements the primary factors that caused the change and the effect on the entity's financial statements?	_____	_____	_____
c. Whether the entity has provided financial or other support during the periods presented to the VIE that it was not previously contractually required to provide, including both of the following:			
i. The type and amount of support?	_____	_____	_____
ii. The primary reasons for providing the support?	_____	_____	_____
d. Qualitative and quantitative information about the reporting entity's involvement with the VIE, including but not limited to the nature, purpose, size, and activities of the VIE, including how the VIE is financed? ["Pending Content" in FASB ASC 810-10-50-12]	_____	_____	_____

	Yes	No	N/A
13A. ***(Issuers Only)*** If the entity is the primary beneficiary of a VIE, have the following disclosures been made:			
a. The carrying amount and classification of the VIE's assets and liabilities in the statement of financial position that are consolidated in accordance with the guidance in the "Variable Interest Entities" subsections of FASB ASC 810-10, including qualitative information about the relationship(s) between those assets and associated liabilities?	____	____	____
b. Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary?	____	____	____
c. Terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests, that could require the reporting entity to provide financial support to the VIE, including events or circumstances that could expose the reporting entity to a loss? ["Pending Content" in FASB ASC 810-10-50-14]	____	____	____

Practice Tip

(FASB Statement No. 141(R)) (Issuers Only) With respect to question 13B, the primary beneficiary of a VIE that is a business should disclose items required by FASB ASC 805. The primary beneficiary of a VIE that is not a business should disclose the amount of gain or loss recognized on the initial consolidation of the VIE. ["Pending Content" in FASB ASC 805-10-50-14]

	Yes	No	N/A
13B. ***(FASB Statement No. 141(R)) (Issuers Only)*** If the entity is the primary beneficiary of a VIE, have the following disclosures been made:			
a. The carrying amount and classification of the VIE's assets and liabilities in the statement of financial position that are consolidated in accordance with the guidance in the "Variable Interest Entities" subsections of FASB ASC 810-10, including qualitative information about the relationship(s) between those assets and associated liabilities?	____	____	____
b. Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary?	____	____	____
c. Terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests, that could require the reporting entity to provide financial support to the VIE, including events or circumstances that could expose the reporting entity to a loss? ["Pending Content" in FASB ASC 810-10-50-14]	____	____	____

Practice Tip

(Issuers Only) With regard to question 14(*c*), the entity should provide qualitative and quantitative information to allow financial statement users to understand the differences between the two amounts (liability and maximum exposure to loss).
["Pending Content" in FASB ASC 810-10-50-15]

Yes No N/A

14. ***(Issuers Only)*** Has the entity made the following disclosures if it holds a significant variable interest or is a sponsor that holds a variable interest in a VIE, but is not the VIE's primary beneficiary:

    a. The carrying amount and classification of the assets and liabilities in the reporting entity's statement of financial position that relate to the reporting entity's variable interest in the VIE? _____ _____ _____

    b. The reporting entity's maximum exposure to loss as a result of its involvement with the VIE, including the following:

    i. How the maximum exposure is determined? _____ _____ _____

    ii. The significant sources of the reporting entity's exposure to the VIE? _____ _____ _____

    iii. If the reporting entity's maximum exposure to loss as a result of its involvement with the VIE cannot be quantified, is that fact disclosed? _____ _____ _____

    c. A tabular comparison of the carrying amount of the liability (as required by item (*a*)) and the reporting entity's maximum exposure to loss (as required by item (*b*))? _____ _____ _____
    ["Pending Content" in FASB ASC 810-10-50-15]

15. ***(Issuers Only)*** If the entity has not applied the guidance in the "Variable Interest Entities" subsections of FASB ASC 810-10-50 to one or more VIEs or potential VIEs because of the condition described in FASB ASC 810-10-15-17(c) (see preceding practice tip), has all of the following information been disclosed:

    a. The number of legal entities to which that guidance is not being applied? _____ _____ _____

    b. The reason why the information required to apply that guidance is not available? _____ _____ _____

    c. The nature, purpose, size (if available), and activities of the legal entities? _____ _____ _____

    d. The nature of the reporting entity's involvement with the legal entities? _____ _____ _____

    e. The reporting entity's maximum exposure to loss because of its involvement with the legal entities? _____ _____ _____

    f. The amount of income, expense, purchases, sales, or other measure of activity between the reporting entity and the legal entities for all periods presented? _____ _____ _____
    ["Pending Content" in FASB ASC 810-10-50-16]

16. ***(Issuers Only)*** If the entity is either a *nontransferor sponsor* or a *nontransferor servicer* (as defined in FASB ASC 810-10-50-17), have they disclosed information that provides financial statement users with an understanding of its involvement with the QSPE? _____ _____ _____
    ["Pending Content" in FASB ASC 810-10-50-17]

	Yes	No	N/A

Practice Tip

(Issuers Only) Disclosures may be reported in the aggregate for similar entities if separate reporting would not provide more useful information to financial statement users. The reporting entity should disclose how similar entities are aggregated. In determining whether to aggregate QSPEs, the reporting entity should consider quantitative and qualitative information about the different risk and reward characteristics of each QSPE and the importance of each QSPE to the reporting entity.
["Pending Content" in FASB ASC 810-10-50-18]

17. ***(Issuers Only)*** If the entity is either a nontransferor sponsor (see FASB ASC 810-10-50-8(a)) or a nontransferor servicer (see FASB ASC 810-10-50-8(b)) of a QSPE, have the following been disclosed:
    a. The nature, purpose, size, and activities of the QSPE, including how the entity is financed? _____ _____ _____
    b. The carrying amount and classification of the assets and liabilities recognized in the statement of financial position related to the entity's involvement with the QSPE? _____ _____ _____
    c. Terms of arrangements that could require the reporting entity to provide financial support to the QSPE, including events or circumstances that could expose the entity to loss? (All available evidence should be considered. See FASB ASC 810-10-50-19(c) for specific examples of evidence to consider). _____ _____ _____
    d. The entity's maximum exposure to loss as a result of its involvement with the QSPE, including how the maximum exposure is determined and the significant sources of the reporting entity's exposure to the QSPE? (If the entity's maximum exposure to loss as a result of its involvement with the QSPE cannot be quantified, that fact should be disclosed.) _____ _____ _____
    e. Whether the entity has provided financial or other support during the periods presented to the QSPE that it was not previously contractually required to provide, including both of the following:
        i. The type and amount of support? _____ _____ _____
        ii. The primary reasons for providing the support? _____ _____ _____
        ["Pending Content" in FASB ASC 810-10-50-19]

	Yes	No	N/A

D. Risks and Uncertainties

Note: In April 2008, FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets*, to improve the consistency between the useful life of a recognized intangible asset under FASB Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141(R) and other U.S. GAAP. This FSP applies to recognized intangible assets that are accounted for pursuant to FASB Statement No. 142 and applies regardless of the nature of the transaction that resulted in the recognition of the intangible asset, that is, whether acquired in a business combination or otherwise.

Among other significant provisions, FSP FAS 142-3 will add criterion as to whether disclosure related to the estimated useful life of an intangible asset should be required under FASB ASC 275-10-50-8.

FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends), and interim periods within those fiscal years. Early adoption is prohibited.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 142-3.

Readers can refer to the full text of the FSP on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 350-10-65-1.

Practice Tips

The 4 areas of disclosure prescribed by FASB ASC 275-10-50-1, in question 1, are not mutually exclusive. The information required by some may overlap. Accordingly, the disclosures required by FASB ASC 275-10-50 may be combined in various ways, grouped together, or placed in diverse parts of the financial statements, or included as part of the disclosures made pursuant to other U.S. GAAP requirements.
[FASB ASC 275-10-50-1]

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Whether an estimate meets the criteria for disclosure under FASB ASC 275, *Risks and Uncertainties,* does not depend on the amount that has been reported in the financial statements but rather on the materiality of the effect that using a different estimate would have had on the financial statements. Simply because an estimate resulted in the recognition of a small financial statement amount, or no amount, does not mean that disclosure is not required under FASB ASC 275-10.
[FASB ASC 275-10-50-14]

1. Has the entity made disclosures about the risks and uncertainties existing as of the date of the financial statements in the following areas:
   a. Nature of operations? ____ ____ ____
   b. Use of estimates in the preparation of financial statements? ____ ____ ____

	Yes	No	N/A
c. Certain significant estimates?	_____	_____	_____
d. Current vulnerability due to certain concentrations? [FASB ASC 275-10-50-1]	_____	_____	_____
2. Has the entity disclosed a description of the major products or services the entity sells or provides and it principal markets, including the locations of those markets? [FASB ASC 275-10-50-2]	_____	_____	_____
3. If the entity operates in more than one business, have the disclosures made indicated the relative importance of its operations in each business and the basis for this determination (assets, revenues, and earnings)? [FASB ASC 275-10-50-2]	_____	_____	_____
4. Do the financial statements include an explanation that the preparation of financial statements in conformity with U.S. GAAP requires the use of managements' estimates? [FASB ASC 275-10-50-4]	_____	_____	_____
5. If, based on known information available to the entity before the issuance of the financial statements, it is reasonably possibly that estimates in the financial statements will change in the near term (as defined by the FASB ASC glossary as a period of time not to exceed one year from the date of the financial statements) and the effects will be material, is there discussion (including an estimate of the effect of the change in condition, situation, or set of circumstances that existed at the date of the financial statements) in the financial statements of these facts and circumstances? [FASB ASC 275-10-50-6]	_____	_____	_____

Practice Tip

(FSP FAS 142-3) In determining whether disclosure about an estimate of the useful life of an intangible asset is required under FASB ASC 275-10-50-8, the criterion in item (b) of that paragraph should be considered met if the effect of either of the following would be material to the financial statements, either individually or in aggregate by major intangible asset class:

- A change in the useful life of an intangible
- A change in the expected likelihood of renewal or extension of an intangible asset

["Pending Content" in FASB ASC 275-10-50-15A]

II. Balance Sheet

A. General

	Yes	No	N/A
1. For classified balance sheets, are assets and liabilities segregated into current and noncurrent classifications with totals presented for current assets and current liabilities? [FASB ASC 210-10-05–5; FASB 210-10-45-5; FASB ASC 470-10-45-2; FASB ASC 70-10-45-15]	_____	_____	_____

	Yes	No	N/A
2. Are assets not expected to be realized during the current operating cycle classified as noncurrent? [FASB ASC 210-10-45 par. 3–4]	_____	_____	_____

Practice Tip

Although a trust department or trust entity may have responsibility for the custody of trust assets, they are not assets of the institution and, therefore, should not be included in the institution's financial statements. However, cash accounts of individual trusts are often deposited with the institution in demand and time deposit accounts, and revenues and expenses related to fees for trust activities are recognized in the institution's income. Trust department income should be presented on the accrual basis.
[FASB ASC 942-605-25-3]

B. Cash

	Yes	No	N/A
1. Has the entity made disclosures related to any restrictions on the use or availability of certain cash balances, such as deposits with a Federal Reserve Bank (FRB), Federal Home Loan Bank (FHLB), or correspondent financial institutions to meet reserve requirements or deposits under formal compensating balance agreements? [FASB ASC 942-305-50-1]	_____	_____	_____
2. Is any cash restricted as to withdrawal or use for other than current operations excluded from current assets? [FASB ASC 210-10-45-4]	_____	_____	_____
3. Are held checks (those written before but not released until after the balance sheet date) reclassified to accounts payable? [Common Practice]	_____	_____	_____
4. Are reciprocal account balances offset if they will be offset in the process of collection or payment? [FASB ASC 942-305-45-1]	_____	_____	_____
5. Are overdrafts of such accounts reclassified as liabilities, unless the financial institution has other accounts at the same financial institution against which such overdrafts can be offset? [FASB ASC 942-305-45-1]	_____	_____	_____
6. Is the policy for determining which items are treated as cash equivalent disclosed? [FASB ASC 230-10-50-1]	_____	_____	_____

C. Federal Funds and Repurchase Agreements

	Yes	No	N/A
1. As permitted by FASB ASC 210, are only payables and receivables representing repos and reverse repos that meet all of the conditions specified in FASB ASC 210 and do not apply to securities borrowing or lending transactions offset in the statement of financial position? [FASB ASC 942-210-45-3; FASB ASC 210-20-45 par. 11–13]	_____	_____	_____
2. If the entity has entered into repurchase agreements or securities lending transactions, is the policy for requiring collateral or other security disclosed? [FASB ASC 860-30-50-1]	_____	_____	_____

	Yes	No	N/A

D. Certain Investments in Debt and Equity Securities

Practice Tip

FASB ASC 320, *Investments—Debt and Equity Securities*, as discussed in following questions, does not apply to investments in equity securities that, absent the election of the fair value option in FASB ASC 825-10-25-1, would be required to be accounted for under the equity method, nor to investments in consolidated subsidiaries.
[FASB ASC 320-10-15-7]

Notes: In April 2009, FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. This FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. This FSP incorporates other-than-temporary impairment guidance for debt securities from Securities and Exchange Commission (SEC) Staff Accounting Bulletin Topic 5M and other authoritative literature, modifies and expands it to address the unique features of debt securities, and clarifies the interaction of the factors that should be considered when determining whether a debt security is other than temporarily impaired.

The FSP is effective for interim and annual reporting periods ending after June 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends), with early adoption permitted for periods ending after March 15, 2009. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption.

This checklist has not been updated to include the presentation and disclosure requirements of FSP FAS 115-2 and FAS 124-2.

Readers can refer to the full text of the FSP on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 320-10-65-1.

Yes *No* *N/A*

Practice Tip

The disclosures in this FASB ASC 320-10-50 are required for all interim and annual periods. Major security types should be based on the nature and risks of the security. In determining whether disclosure for a particular security type is necessary and whether it is necessary to further separate a particular security type into greater detail, an entity should consider all of the following:

- Shared activity or business sector
- Vintage
- Geographic concentration
- Credit quality
- Economic characteristic

["Pending Content" in FASB ASC 320-10-50 par. 1A–1B]

1. Has the entity disclosed all of the following, for securities classified as available for sale, by major security type, as of each date for which a statement of financial position is presented:
   a. Amortized cost basis? _____ _____ _____
   b. Aggregate fair value? _____ _____ _____
   c. Total other-than-temporary impairment recognized in accumulated other comprehensive income (OCI)? _____ _____ _____
   d. Total gains for securities with net gains in accumulated OCI? _____ _____ _____
   e. Total losses for securities with net losses in accumulated OCI? _____ _____ _____
   f. Information about the contractual maturities of those securities as of the date of the most recent statement of financial position reported? _____ _____ _____
   ["Pending Content" in FASB ASC 320-10-50-2]
2. Has the entity disclosed any investments in available-for-sale securities and trading securities separately from similar assets that are subsequently measured using another measurement attribute on the face of the statement of financial position and, in doing so, does the entity
   a. present the aggregate of those fair value and non-fair-value amounts in the same line item and parenthetically disclose the amount of fair value included in the aggregate amount? _____ _____ _____
   b. present two separate line items to display the fair value and non-fair-value carrying amounts? _____ _____ _____
   [FASB ASC 320-10-45-1]

	Yes	No	N/A

Practice Tip

Maturity information may be combined in appropriate groupings. Securities not due at a single maturity date, such as mortgage-backed securities, may be disclosed separately rather than allocated over several maturity groupings; if allocated, the basis for allocation also should be disclosed.

Investments in mutual funds that invest only in U.S. government debt securities may be shown separately rather than grouped with other equity securities in the disclosures by major security type required by FASB ASC 942-320-50-2 related to depository and lending institutions and the required investment disclosures. [FASB ASC 320-10-50 par. 3–4]

3. Has the entity made the following disclosures for securities classified as held-to-maturity, by major security type as of each date for which a statement of financial position is presented:
   a. Amortized cost basis? _____ _____ _____
   b. Aggregate fair value? _____ _____ _____
   c. Gross unrecognized holding gains? _____ _____ _____
   d. Gross unrecognized holding losses? _____ _____ _____
   e. Net carrying amount? _____ _____ _____
   f. Total other-than-temporary impairment recognized in accumulated OCI? _____ _____ _____
   g. Gross gains and losses in accumulated OCI for any derivatives that hedged the forecasted acquisition of the held-to-maturity securities? _____ _____ _____
   h. Information about the contractual maturities of those securities as of the date of the most recent statement of financial position presented? _____ _____ _____
   ["Pending Content" in FASB ASC 320-10-50-5]
4. If the entity presents a classified statement of financial position, are all individual held-to-maturity securities, individual available-for-sale securities, and individual trading securities reported as either current or noncurrent, as appropriate, under the current asset and current liability provisions of FASB ASC 210-10? _____ _____ _____
   [FASB ASC 320-10-45-2]
5. For all investments in an unrealized loss position, including those that fall within the scope of FASB ASC 325-40, for which other-than-temporary impairments have not been recognized in earnings (including investments for which a portion of an other-than-temporary impairment has been recognized in OCI), does the entity disclose the following in its interim and annual financial statements:
   a. As of each date for which a statement of financial position is presented, quantitative information, aggregated by category of investment—each major security type that the entity discloses in accordance with FASB ASC 320-10 and cost-method investments—in tabular form

	Yes	No	N/A
i. the aggregate related fair value of investments with unrealized losses?	_____	_____	_____

Practice Tip

The reference point for determining how long an investment has been in a continuous unrealized loss position is the balance sheet date of the reporting period in which the impairment is identified. The continuous unrealized loss position ceases upon either of the following:

- The recognition of the total amount by which amortized cost basis exceeds fair value as an other-than-temporary impairment in earnings
- The investor becoming aware of a recovery of fair value up to (or beyond) the cost of the investment during the period.

[“Pending Content” in FASB ASC 320-10-50-8]

	Yes	No	N/A
ii. the aggregate amount of unrealized losses (that is, the amount by which cost exceeds fair value)?	_____	_____	_____
b. As of the date of the most recent statement of financial position, additional information (in narrative form) that provides sufficient information to allow financial statement users to understand the quantitative disclosures and the information that the entity considered (both positive and negative) in reaching the conclusion that the impairment or impairments are not other than temporary? (See “Pending Content” in FASB ASC 320-10-50-6 for example disclosures.) [“Pending Content” in FASB ASC 320-10-50-6]	_____	_____	_____
6. Are individually significant unrealized losses generally not aggregated? [“Pending Content” in FASB ASC 320-10-50-6]	_____	_____	_____
7. Has the entity disclosed, for interim and annual periods in which an other-than-temporary impairment of a debt security is recognized and only the amount related to a credit loss was recognized in earnings, by major security type, the methodology and significant inputs used to measure the amount related to credit loss? (Examples include default rates, delinquency rates, percentage of nonperforming assets, loan-to-collateral-value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration and credit ratings.) [“Pending Content” in FASB ASC 320-10-50-8A]	_____	_____	_____
8. Has the entity disclosed, in tabular format, a rollforward of the amount related to credit losses recognized in earnings in accordance with FASB ASC 320-10-35-34D, for interim and annual periods, including, at a minimum,			
a. the beginning balance of the amount related to credit losses on debt securities held by the entity at the beginning of the period for which a portion of an other-than-temporary impairment was recognized in OCI?	_____	_____	_____
b. additions for the amount related to the credit loss for which an other-than-temporary impairment was not previously recognized?	_____	_____	_____

	Yes	No	N/A
c. reductions for securities sold during the period (realized)?	____	____	____
d. reductions for securities for which the amount previously recognized in OCI was recognized in earnings because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis?	____	____	____
e. if the entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, additional increases to the amount related to the credit loss for which an other-than-temporary impairment was previously recognized?	____	____	____
f. reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security?	____	____	____
g. the ending balance of the amount related to credit losses on debt securities held by the entity at the end of the period for which a portion of an other-than-temporary impairment was recognized in OCI?	____	____	____
[“Pending Content” in FASB ASC 320-10-50-8B]			
9. Has the entity disclosed the following for each period for which an income statement is presented:			
a. The proceeds from sales of available-for-sale securities and gross realized gains and losses that have been included in earnings as a result of those sales?	____	____	____
b. The basis on which the cost of a security sold or the amount reclassified out of accumulated OCI into earnings was determined (that is, specific identification, average cost, or other method used)?	____	____	____
c. The gross gains and losses included in earnings from transfers of securities from the available-for-sale category to the trading category?	____	____	____
d. The amount of the net unrealized holding gain or loss on available-for-sale securities for the period that has been included in accumulated OCI and the amount of gains and losses reclassified out of accumulated OCI into earnings for the period?	____	____	____
e. The portion of trading gains and losses for the period that relates to trading securities still held at the reporting date?	____	____	____
[FASB ASC 320-10-50-9]			
10. Has the entity disclosed the following for any sales of or transfers from securities classified as held-to-maturity for each period for which an earnings statement is presented:			
a. Net carrying amount of the sold or transferred security?	____	____	____
b. The net gain or loss in accumulated OCI for any derivative that hedged the forecasted acquisition of the held-to-maturity security?	____	____	____

	Yes	No	N/A
c. Related realized or unrealized gain or loss?	___	___	___
d. The circumstances leading to the decision to sell or transfer the security? [FASB ASC 320-10-50-10]	___	___	___
11. Are cash flows from purchases, sales, and maturities of available-for-sale securities and held-to-maturity securities classified as cash flows from investing activities and reported gross for each security classification in the statement of cash flows? [FASB ASC 320-10-45-11]	___	___	___
12. Are cash flows from purchases, sales, and maturities of trading securities classified as cash flows based on the nature and purpose for which the securities were acquired (generally, operating activities) in the statement of cash flows? [FASB ASC 320-10-45-11]	___	___	___
13. For cost-method investments, does the entity disclose the following additional information, if applicable, as of each date for which a statement of financial position is presented in its annual financial statements:			
a. The aggregate carrying amount of all cost-method investments?	___	___	___
b. The aggregate carrying amount of cost-method investments that the entity did not evaluate for impairment (see FASB ASC 325-20-35)?	___	___	___
c. The fact that the fair value of a cost-method investment is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment, and			
i. the entity determined, in accordance with paragraphs 16–19 of FASB ASC 825-10-50, that it is not practicable to estimate the fair value of the investment?	___	___	___
ii. the entity is exempt from estimating fair value under FASB ASC 825?	___	___	___
iii. the entity is exempt from estimating interim fair values because it does not meet the FASB ASC definition of a *publicly traded company*? ["Pending Content" in FASB ASC 325-20-50-1]	___	___	___
14. In complying with the preceding requirements, has disclosure been made of major security types, including			
a. equity securities, segregated by any one of the following:			
i. industry type?	___	___	___
ii. entity size?	___	___	___
iii. investment objective?	___	___	___
b. debt securities issued by the U.S. Treasury and other U.S. government corporations and agencies? (Note: Per SEC staff guidance, government sponsored entity instruments are disclosed separately because they are higher risk.)	___	___	___

	Yes	No	N/A
c. debt securities issued by states of the United States and political subdivisions of the states?	_____	_____	_____
d. debt securities issued by foreign governments (including those classified as loans)?	_____	_____	_____
e. corporate debt securities?	_____	_____	_____
f. residential mortgage-backed securities?	_____	_____	_____
g. commercial mortgage-backed securities?	_____	_____	_____
h. collateralized debt obligations?	_____	_____	_____
i. other debt securities? ["Pending Content" in FASB ASC 942-320-50-2]	_____	_____	_____
15. In complying with this requirement, does the financial institution disclose the fair value and the net carrying amount (if different from fair value) of debt securities based on at least the 4 following maturity groupings:			
a. Within 1 year?	_____	_____	_____
b. After 1 year through 5 years?	_____	_____	_____
c. After 5 years through 10 years?	_____	_____	_____
d. After 10 years? [FASB ASC 942-320-50-3]	_____	_____	_____
16. Is the carrying amount of investment assets that serve as collateral to secure public funds, securities sold under repurchase agreements, and other borrowings that are not otherwise disclosed under FASB ASC 860 disclosed? [FASB ASC 942-320-50-4]	_____	_____	_____
17. Do the notes to the financial statements include an explanation of the institution's accounting policy for securities, including the basis for classification? [FASB ASC 942-320-50-5]	_____	_____	_____
18. Are investments in FHLB or FRB stock shown separately from securities accounted for under FASB ASC 320? [FASB ASC 942-325-45-1]	_____	_____	_____
19. Are any retained mortgage-backed securities that an entity commits to sell before or during the securitization process classified as trading and accounted for under that classification? [FASB ASC 948-310-40-1]	_____	_____	_____
E. Investments Accounted for by the Equity Method			
1. Has the entity made the following disclosures for investments in common stock accounted for by the equity method:			
a. The name of each investee and their percentage of ownership of common stock?	_____	_____	_____
b. The accounting policies of the investor with respect to investments in common stock?	_____	_____	_____
c. The difference between the amount at which an investment is carried and the amount of underlying equity in net assets?	_____	_____	_____

	Yes	No	N/A
d. The accounting treatment of the difference described in item (*c*)?	_____	_____	_____
e. For investments in common stock for which a quoted market price is available, the aggregate value of each identified investment based on the quoted market price? (This is not required for investments in common stock of subsidiaries.)	_____	_____	_____
f. For investments in common stock, corporate joint ventures, or other investments which are in the aggregate material in relation to the financial position or results of operations of an investor, summarized information as to assets, liabilities, and results of operation of the investees as appropriate?	_____	_____	_____
g. Material effects of conversions of outstanding convertible securities, exercises or contingent issuances? [FASB ASC 323-10-50-3]	_____	_____	_____
2. If the entity holds 20 percent or more of the voting stock of a significant investee corporation but does not account for the investment using the equity method, are the following disclosed:			
a. The name of such investee?	_____	_____	_____
b. The reasons why the equity method is considered appropriate? [FASB ASC 323-10-50-3(a)(2)]	_____	_____	_____
3. If the entity holds less than 20 percent of the voting stock of a significant investee corporation and accounts for the investment using the equity method, are the following disclosed:			
a. The name of such investee?	_____	_____	_____
b. The reasons why the equity method is considered appropriate? [FASB ASC 323-10-50-3(a)(2)]	_____	_____	_____
4. Upon loss of significant influence, has the investor recorded the proportionate share of an investee's equity adjustments for OCI as offset against the carrying value of the investment at the time significant influence is lost? [FASB ASC 323-10-35-39]	_____	_____	_____
5. To the extent that the offset results in a carrying value of the investment that is less than zero has the investor (*a*) reduced the carrying value of the investment to zero and (*b*) recorded the remaining balance in income? [FASB ASC 323-10-35-39]	_____	_____	_____

Practice Tip

FASB ASC 323-10-35-39 does not provide guidance for entities that have historically not recorded their proportionate share of an investee's equity adjustments for OCI. These entities should refer to the correction-of-error guidance in FASB ASC 250-10-45-2.
[FASB ASC 323-10-35-39]

	Yes	No	N/A
6. When previous losses have reduced the common stock investment account to zero (as discussed in paragraphs 27–28 of FASB ASC 323-10-35), is the selected policy disclosed for determining the amount of equity losses? [Common Practice]	____	____	____

F. Loans or Trade Receivables

Notes: In December 2008, FASB issued FSP FAS 140-4 and FIN 46(R)-8 to amend FASB Statement No. 140 to require public entities (enterprises) to provide additional disclosures about transfers of financial assets. It also amends FASB Interpretation No. 46(R) to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. Additionally, this FSP requires certain disclosures to be provided by a public enterprise that is (*a*) a sponsor of a QSPE that holds a variable interest in the QSPE but was not the transferor (nontransferor) of financial assets to the QSPE and (*b*) a servicer of a QSPE that holds a significant variable interest in the QSPE but was not the transferor (nontransferor) of financial assets to the QSPE. The disclosures required by this FSP are intended to provide greater transparency to financial statement users about a transferor's continuing involvement with transferred financial assets and an enterprise's involvement with VIEs and QSPEs.

This FSP applies to public entities that are subject to the disclosure requirements of FASB Statement No. 140 and public enterprises that are subject to the disclosure requirements of FASB Interpretation No. 46(R) as amended by this FSP.

This FSP is effective for the first reporting period (interim or annual) ending after December 15, 2008 (that is, December 31, 2008, for entities with calendar year-ends), with earlier application encouraged. This FSP applies to each annual and interim reporting period thereafter. An entity enterprise is encouraged, but not required, to disclose comparative information in periods earlier than the effective date for disclosures that were not previously required for public entities by FASB Statement No. 140 and FASB Interpretation No. 46(R). In periods after initial adoption, comparative disclosures for those disclosures that were not previously required for public entities by FASB Statement No. 140 and FASB Interpretation No. 46(R) are required only for periods subsequent to the effective date.

(continued)

	Yes	No	N/A

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 140-4 and FIN 46(R)-8.

Readers can refer to the full text of the FSP on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 860-10-65-2.

Readers should be aware that this FSP was superseded by FASB Statement Nos. 166 and 167. Both FASB Statement No. 167 and FASB Statement No. 166 are effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

This checklist has not been updated to include the presentation and disclosure requirements of FASB Statement No. 166 or FASB Statement No. 167.

Readers can refer to the full texts of these statements on the FASB Web site at www.fasb.org.

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1. Does the accounting policy note disclosure include the following:
   - *a.* The basis of accounting for loans, trade receivables, and lease financings, including those classified as held for sale? ____ ____ ____
   - *b.* The method used in determining the lower of cost or fair value of nonmortgage loans held for sale (that is aggregate or individual asset basis)? ____ ____ ____
   - *c.* The method for recognizing interest income on loans and trade receivables, including a statement about the entity's policy for treatment of related fees and costs, including the method of amortizing net deferred fees or costs? ____ ____ ____
   - *d.* The classification and method of accounting for interest-only strips, loans, other receivables, or retained interests in securitizations that can be contractually prepaid or otherwise settled in a way that the holder would not recover substantially all of its recorded investment? ____ ____ ____
   - *e.* In addition to the loss contingencies disclosures required by FASB ASC 450-20, a description of the accounting policies and methodology the entity used to estimate its allowance for loan losses, allowance for doubtful accounts, and any liability for off-balance sheet credit losses, and related charges for loan, trade receivable or other credit losses, including a description of the factors that influenced management's judgment? ____ ____ ____

	Yes	No	N/A
f. The policy for placing loans (and trade receivables if applicable) on nonaccrual status (or discontinuing accrual of interest) and recording payments received on nonaccrual loans (and trade receivables if applicable), and the policy for resuming accrual of interest?	____	____	____
g. The policy for charging off uncollectible loans and trade receivables?	____	____	____
h. The policy for determining past due or delinquency status (that is, whether past due status is based on how recently payments have been received or contractual terms)? [FASB ASC 310-10-50 par. 2, 6, and 9]	____	____	____
2. Loans or trade receivables may be presented on the balance sheet as aggregated amounts. However, are the following exceptions noted:			
a. Are loans or trade receivables held for sale presented in a separate balance sheet category?	____	____	____
b. Are major categories of loans or trade receivables presented separately in the balance sheet? [FASB ASC 310-10-45-2]	____	____	____
3. If major categories of loans or trade receivables are not presented separately in the balance sheet (see FASB ASC 310-10-45-2), are they presented in the notes to the financial statements? [FASB ASC 310-10-50-3]	____	____	____
4. Are the following disclosed in the financial statements:			
a. The allowance for credit losses?	____	____	____
b. The allowance for doubtful accounts?	____	____	____
c. As applicable, any unearned income?	____	____	____
d. As applicable, any unamortized premiums and discounts?	____	____	____
e. As applicable, any net unamortized deferred fees and costs? [FASB ASC 310-10-50-4]	____	____	____
5. Is the carrying amount of loans, trade receivables, securities, and financial instruments that serve as collateral for borrowings disclosed pursuant to FASB ASC 860-30-50-1(b) for public entities and pursuant to FASB ASC 860-30-50-4(b) for nonpublic entities? ["Pending Content" in FASB ASC 310-10-50-5]	____	____	____
6. Is the recorded investment in loans (and trade receivables if applicable) on nonaccrual status as of each balance sheet date disclosed in the notes to the financial statements? [FASB ASC 310-10-50-7]	____	____	____
7. Is the recorded investment in loans (and trade receivables if applicable) past due 90 days or more and still accruing disclosed? [FASB ASC 310-10-50-7]	____	____	____

Yes No N/A

8. Are unearned discounts (other than cash or quantity discounts and the like), finance charges, and interest included in the face amounts of receivables shown as a deduction from the related receivables? ___ ___ ___
[FASB ASC 310-10-45-8]

9. If a note is noninterest bearing or has an inappropriate stated interest rate,

   a. is the discount or premium presented as a deduction from or addition to the face amount of the note? ___ ___ ___

   b. does the disclosure include the effective interest rate and face amount of the note? ___ ___ ___

   c. is amortization of discount or premium reported as interest in the income statement? ___ ___ ___

   d. are issue costs reported on the balance sheet as deferred charges? ___ ___ ___
   [FASB ASC 835-30-45 par. 1A and 2–3]

10. *Loans and trade receivables not held for sale.* Are loans and trade receivables that management has the intent and ability to hold for the foreseeable future or until maturity or payoff shall be reported in the balance sheet at outstanding principal adjusted for any chargeoffs, the allowance for loan losses (or the allowance for doubtful accounts), any deferred fees or costs on originated loans, and any unamortized premiums or discounts on purchased loans. (Discounts offered as a result of the pricing of a sale or a product or service may be termed sales discounts.) ___ ___ ___
[FASB ASC 310-10-35-47]

11. Are accounts and notes receivable from officers, employees, and affiliated entities shown separately with appropriate disclosures, and not included under a general heading such as notes receivable or accounts receivable? ___ ___ ___
[FASB ASC 310-10-45-13; FASB ASC 850-10-50-2]

12. Has the entity disclosed the carrying amount of securities deposited by insurance subsidiaries with state regulatory agencies? ___ ___ ___
[FASB ASC 944-320-50-1]

G. Nonrefundable Fees and Other Costs

1. Is the unamortized balance of loan origination, commitment, and other fees and costs and purchase premiums and discounts that is being recognized as an adjustment of yield pursuant to FASB ASC 310-20 reported on the entity's balance sheet as part of the loan balance to which it relates? ___ ___ ___
[FASB ASC 310-20-45-1]

2. Are commitment fees that meet the criteria of FASB ASC 310-20-35-3 classified as deferred income in the financial statements? ___ ___ ___
[FASB ASC 310-20-45-2]

	Yes	No	N/A
3. Are amounts of loan origination, commitment, and other fees and costs recognized as an adjustment of yield reported as part of interest income? [FASB ASC 310-20-45-3]	____	____	____
4. Is amortization of other fees, such as commitment fees that are being amortized on a straight-line basis over the commitment period or included in income when the commitment expires, reported as service fee income? [FASB ASC 310-20-45-3]	____	____	____
5. Is a description of the method for recognizing interest income on loan and trade receivables, including a statement about the entity's policy for treatment of related fees and costs, including the method of amortizing net deferred fees or costs included in the summary of significant accounting policies? [FASB ASC 310-20-50-1]	____	____	____
6. Have entities that anticipate prepayments in applying the interest method disclosed that policy and the significant assumptions underlying the prepayment estimates? [FASB ASC 310-20-50-2]	____	____	____
7. Are the unamortized net fees and costs reported as a part of each loan category? Additional disclosures such as unamortized net fees and costs may be included in the footnotes to the financial statements if the lender believes that such information is useful to the users of financial statements. [FASB ASC 310-20-50-3]	____	____	____
8. *Credit card fees and costs.* For both purchased and originated credit cards, has the entity disclosed its accounting policy, the net amount capitalized at the balance sheet date, and the amortization period(s)? [FASB ASC 310-20-50-4]	____	____	____
H. Loans and Debt Securities Acquired With Deteriorated Credit Quality			
1. If the condition in paragraphs 18–34 of FASB ASC 320-10-35 or 450-20-25-2(a), as discussed in FASB ASC 310-30-35-8(a) and 310-30-35-10(a), is met, is information about loans meeting the scope of FASB ASC 310-30 included in the disclosures required by paragraph 15(a)–(b) of FASB ASC 310-10-50? [FASB ASC 310-10-50-18]	____	____	____
2. Do the notes to financial statements describe how prepayments are considered in the determination of contractual cash flows and cash flows expected to be collected? [FASB ASC 310-30-50-1]	____	____	____
3. For each balance sheet presented, has the entity disclosed the following information about loans within the scope of FASB ASC 310-30:			
a. Separately for both those loans that are accounted for as debt securities and those loans that are not accounted for as debt securities,			

Yes No N/A

i. the outstanding balance and related carrying amount at the beginning and end of the period? _____ _____ _____

ii. the amount of accretable yield at the beginning and end of the period, reconciled for additions, accretion, disposals of loans, and reclassifications to or from nonaccretable difference during the period? _____ _____ _____

iii. for loans acquired during the period, the contractually required payments receivable, cash flows expected to be collected, and fair value at the acquisition date? _____ _____ _____

iv. for those loans within the scope of FASB ASC 310-30 for which the income recognition model is not applied in accordance with FASB ASC 310-30-35-3, the carrying amount at the acquisition date for loans acquired during the period and the carrying amount of all loans at the end of the period? _____ _____ _____

b. Further, for those loans that are not accounted for as debt securities, has the entity disclosed

i. the amount of (*a*) any expense recognized pursuant to FASB ASC 310-30-35-10(a) and (*b*) any reductions of the allowance recognized pursuant to FASB ASC 310-30-35-10(b)(1) for each period for which an income statement is presented? _____ _____ _____

ii. the amount of the allowance for uncollectible accounts at the beginning and end of the period? _____ _____ _____
[FASB ASC 310-30-50-2]

I. Foreclosed Assets

1. Are foreclosed and repossessed assets classified as a separate balance-sheet amount or included in other assets on the balance sheet with separate disclosures in the notes to the financial statements? _____ _____ _____
[FASB ASC 310-10-45-3; FASB ASC 310-10-50-11]

2. Are certain returned or repossessed assets, such as inventory, subsequently to be utilized by the entity in operations, not classified separately? _____ _____ _____
[FASB ASC 310-10-45-3]

3. Is the valuation allowance for loans prior to foreclosure not carried over as a separate element of the cost basis in the foreclosed asset for purposes of accounting for the long-lived asset under FASB ASC 360, *Property, Plant, and Equipment*, after foreclosure? _____ _____ _____
[FASB ASC 310-40-40-10]

	Yes	No	N/A

J. Loans Held for Sale

1. Has the entity disclosed the aggregate amount of gains or losses on sales of loans or trade receivables (including adjustments to record loans held for sale at the lower of cost or fair value) separately in the financial statements or in the notes to the financial statements? ____ ____ ____
[FASB ASC 860-20-50-5]
2. Does the mortgage banking entity using either a classified or unclassified balance sheet distinguish between mortgage loans held for sale and mortgage loans held for long-term investment? ____ ____ ____
[FASB ASC 948-310-45-1]
3. Is the method used in determining the lower of cost or fair value of mortgage loans (that is, aggregated or individual loan basis) disclosed? ____ ____ ____
[FASB ASC 948-310-50-1]
4. Are the method(s) and significant assumptions used to estimate the fair value of disclosed? ____ ____ ____
[FASB ASC 825-10-50-10(b)]

K. Allowance for Loan Losses

1. For each period for which results of operations are presented, has the entity disclosed the activity in the total allowance for credit losses related to loans, including
   a. the balance in the allowance at the beginning and end of each period? ____ ____ ____
   b. additions charged to operations? ____ ____ ____
   c. direct write-downs charged against the allowance? ____ ____ ____
   d. recoveries of amounts previously charged off? ____ ____ ____
   [FASB ASC 310-10-50-12]
2. Is the allowance for loan losses deducted from the assets or groups of assets to which the allowances relate? ____ ____ ____
[FASB ASC 310-10-45-4]
3. Is the allowance for loan losses required by FASB ASC 310-10-45-4 appropriately disclosed? ____ ____ ____
[FASB ASC 310-10-50-14]

Notes: For sales of servicing assets, see section W, "Servicing Financial Assets," in the "Other Financial Statement Disclosures" section of this checklist.

Commitments to originate mortgage loans that will be held for sale by the issuer of the loan are derivatives under the scope of FASB ASC 815, *Derivatives and Hedging*. Additionally, commitments to

(continued)

Yes No N/A

purchase or sell loans (forward contracts rather than option contracts) are generally derivatives included in the scope of FASB ASC 815. See section H, "Financial Instruments" in the "Other Financial Statement Disclosures" section of this checklist.
[FASB ASC 815-10-15 par. 70–71]

L. Premises and Equipment

1. For depreciable assets, do the financial statements include disclosure of
   a. depreciation expense for each period? ____ ____ ____
   b. balances of major classes of depreciable assets by nature or function? ____ ____ ____
   c. accumulated depreciation, either by major classes of assets or in total? ____ ____ ____
   d. the method or methods used in computing depreciation for each major class of depreciable assets? ____ ____ ____
   [FASB ASC 360-10-50-1; FASB ASC 942-360-45-1]
2. Are premises and equipment shown as a single caption on the balance sheet, net of accumulated depreciation and amortization? ____ ____ ____
   [FASB ASC 942-360-45-1]
3. For premises and equipment, are net gains and losses on dispositions included in noninterest income or noninterest expense? ____ ____ ____
   [FASB ASC 942-360-45-2]

M. Deferred Income Tax Assets and Liabilities

1. Are the components of the net deferred tax liability or asset recognized in the balance sheet disclosed as follows:
   a. The total of all deferred tax liabilities (measured as described in FASB ASC 740-10-30-5(b))? ____ ____ ____
   b. The total of all deferred tax assets (measured as described in (c) and (d) of FASB ASC 740-10-30-5)? ____ ____ ____
   c. The total valuation allowance recognized for deferred tax assets (measured as described in FASB ASC 740-10-30-5(e))? ____ ____ ____
   [FASB ASC 740-10-50-2]
2. Is the net change during the year in the valuation allowance disclosed? ____ ____ ____
   [FASB ASC 740-10-50-2]
3. Are deferred tax assets and liabilities classified as current or noncurrent based on the classification of the related asset or liability? ____ ____ ____
   [FASB ASC 740-10-45-4]

	Yes	No	N/A
4. Are deferred tax assets not related to an asset or liability for financial reporting (see paragraphs 25–26 of FASB ASC 740-10-25), including those related to carryforwards, classified according to the expected reversal date of the temporary difference? [FASB ASC 740-10-45-9]	____	____	____
5. For each particular tax-paying component of the reporting entity and within each particular tax jurisdiction:			
a. Are all current deferred tax liabilities and assets offset and presented as a single amount?	____	____	____
b. Are all noncurrent deferred tax liabilities and assets offset and presented as a single amount? [FASB ASC 740-10-45-6]	____	____	____
6. Is the valuation allowance for each particular tax jurisdiction allocated between current and noncurrent deferred tax assets for that jurisdiction on a pro rata basis? [FASB ASC 740-10-45-5]	____	____	____
7. ***(Issuers Only)*** Has the entity disclosed the approximate tax effect of each type of temporary difference and carryforward that gives rise to a significant portion of deferred tax liabilities and deferred tax assets (before valuation allowances)? [FASB ASC 740-10-50-7]	____	____	____
8. ***(Issuers Only)*** If the entity is not subject to income taxes because its income is taxed directly to its owners, is that fact and the net difference between the tax bases and reported amounts of the enterprises' assets and liabilities disclosed? [FASB ASC 740-10-50 par. 6 and 16]	____	____	____
9. ***(Nonissuers Only)*** Has the entity disclosed the types of temporary differences and carryforwards that give rise to a significant portion of deferred tax liabilities and deferred tax assets (before valuation allowances)? [FASB ASC 740-10-50-8]	____	____	____
10. Is all of the following information disclosed whenever a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to a savings and loan association's bad-debt reserve for financial reporting:			
a. A description of the types of temporary differences for which a deferred tax liability has not been recognized and the types of events that would cause those temporary differences to become taxable?	____	____	____
b. The cumulative amount of each type of temporary difference?	____	____	____

	Yes	No	N/A
c. The amount of the deferred tax liability for temporary differences (that is, the bad-debt reserve for tax purposes of a U.S. savings and loan association or other qualified thrift lender) that is not recognized in accordance with the provisions of FASB ASC 740-10-25-3, FASB ASC 740-30-25-5, FASB 740-30-25-18, and paragraphs 1–3 of FASB ASC 942-740-25?	____	____	____
d. The disclosure requirements set forth in (*c*) as applicable to a parent entity of a savings and loan association accounting for that investment either through consolidation or by the equity method? [FASB ASC 942-740-50 par. 1–2]	____	____	____

N. Other Assets and Deferred Charges

Note: See paragraph 12.01 of the Audit and Accounting Guide *Depository and Lending Institutions* for examples of other assets and deferred charges. For issuers, see FASB ASC 210-10-S99-1, Regulation S-X Rule 5–02.17, for disclosure requirements related to other assets, including deferred costs.

	Yes	No	N/A
1. Is any payment by an S Corporation to the IRS to retain its fiscal year for tax purposes classified as an asset (deposit)? [FASB ASC 740-10-55-71]	____	____	____
2. Have investments in life insurance been reported at amounts that can be realized as of the statement-of-financial-position date and calculated in accordance with FASB ASC 325-30? [FASB ASC 325-30-35-1]	____	____	____
3. Are investments in life insurance reported using one of the following measurements:			
a. Transaction price plus all initial direct external costs, which is then tested for impairment? [FASB ASC 325-30-30-1C; FASB ASC 325-30-35-10]	____	____	____
b. Fair value? [FASB ASC 325-30-30-2; FASB ASC 325-30-35-12]	____	____	____
4. If the entity chooses to report using measurement (*a*) or (*b*) in question 3, do the financial statements include all of the following disclosures required by FASB ASC 325-30-45 and FASB ASC 325-30-50 in questions 5–16?	____	____	____

Presentation on the Statement of Financial Position

	Yes	No	N/A
5. To accomplish separate reporting, has the entity reported its investments that are remeasured at fair value on the face of the statement of financial position separately from those accounted for under the investment method by			
a. displaying separate line items on the statement of financial position for the fair value method and investment method carrying amounts?	____	____	____

	Yes	No	N/A
b. presenting the aggregate of those fair value method and investment method carrying amounts and parenthetically disclose the amount of those investments accounted for under the fair value method included in the aggregate amount? [FASB ASC 325-30-45-1]	____	____	____

Presentation in the Income Statement

6. To accomplish separate reporting, has the entity reported the investment income from its investments in life settlement contracts that are remeasured at fair value on the face of the income statement separately from the investment income from those accounted for under the investment method by

a. displaying separate line items on the income statement for the investment income from the investments in life settlement contracts that are accounted for under the fair value method and investment method?	____	____	____
b. presenting the aggregate of the investment income in life settlement contracts and parenthetically disclose the investment income from those investments accounted for under the fair value method that are included in the aggregate amount? [FASB ASC 325-30-45-2]	____	____	____

Presentation in the Statement of Cash Flows

7. Has the entity classified cash receipts and cash payments related to life settlement contracts pursuant to FASB ASC 230, *Statement of Cash Flows*, based on the nature and purpose for which the life settlements were acquired? [FASB ASC 325-30-45-3]	____	____	____

Disclosure Requirements

8. Has the entity disclosed its accounting policy for life settlement contracts including the classification of cash receipts and cash disbursements in statement of cash flows? (***Note:*** The disclosure requirements in FASB ASC 325-30-50 do not eliminate disclosure requirements included in elsewhere in FASB ASC, including other disclosure requirements on the use of fair value.) [FASB ASC 325-30-50 par. 2–3]	____	____	____

Investment Method

9. Has the entity disclosed the following for life settlements contracts accounted for under the investment method based on the remaining life expectancy for each of the first five succeeding years from the date of the statement of financial position and thereafter, as well as in the aggregate:

a. The number of life settlement contracts?	____	____	____
b. The carrying value of the life settlement contracts?	____	____	____
c. The face value (death benefits) of the life insurance policies underlying the contracts? [FASB ASC 325-30-50-4]	____	____	____

	Yes	No	N/A
10. Has the entity disclosed the life insurance premiums anticipated to be paid for each of the five succeeding fiscal years to keep the life settlement contracts in force as of the date of the most recent statement of financial position presented? [FASB ASC 325-30-50-5]	_____	_____	_____
11. If the entity becomes aware of new or updated information that causes it to change its expectations on the timing of the realization of proceeds from the investments in life settlement contracts, has the investor disclosed the nature of the information and the related effect on the timing of the realization of proceeds from the life settlement contracts, including disclosing significant changes to the amounts disclosed in accordance with FASB ASC 325-30-50-4? (***Note:*** The investor is required to actively seek out new or updated information to update the assumptions used in determining the remaining life expectancy of the life settlement contracts.) [FASB ASC 325-30-50-6]	_____	_____	_____
Fair Value Method			
12. Has the entity disclosed the method(s) and significant assumptions used to estimate the fair value of investments in life settlement contracts, including any mortality assumptions? [FASB ASC 325-30-50-7]	_____	_____	_____
13. Has the entity disclosed the following for life settlement contracts accounted for under the fair value method based on remaining life expectancy for each of the first five succeeding years from the date of the statement of financial position and thereafter, as well as in the aggregate:			
a. The number of life settlement contracts?	_____	_____	_____
b. The carrying value of the life settlement contracts?	_____	_____	_____
c. The face value (death benefits) of the life insurance policies underlying the contracts? [FASB ASC 325-30-50-8]	_____	_____	_____
14. Has the entity disclosed the reasons for changes in its expectation of the timing of the realization of the investments in life settlement contracts, including disclosing significant changes to the amounts disclosed in accordance with FASB ASC 325-30-50-8? [FASB ASC 325-30-50-9]	_____	_____	_____
15. Has the investor disclosed the following for each reporting period presented in the income statement:			
a. The gains or losses recognized during the period on investments sold during the period?	_____	_____	_____
b. The unrealized gains or losses recognized during the period on investments that are still held at the date of the statement of financial position? [FASB ASC 325-30-50-10]	_____	_____	_____

	Yes	No	N/A
Other Matters			
16. Has the policyholder disclosed when contractual restrictions on the ability to surrender a policy exist? [FASB ASC 325-30-50-1]	_____	_____	_____

O. Intangible Assets and Goodwill

Notes: In April 2008, FASB issued FSP FAS 142-3 to improve the consistency between the useful life of a recognized intangible asset under FASB Statement No. 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141(R) and other U.S. GAAP. This FSP applies to recognized intangible assets that are accounted for pursuant to FASB Statement No. 142 and applies regardless of the nature of the transaction that resulted in the recognition of the intangible asset, that is, whether acquired in a business combination or otherwise.

Among other significant provisions, FSP FAS 142-3 provides that, in determining the useful life of the intangible asset for amortization purposes, an entity should consider the period of expected cash flows used to measure the fair value of the recognized intangible asset, adjusted for the entity-specific factors in paragraph 11 of FASB Statement No. 142. This FSP contains several disclosures requirements in addition to the required disclosures in paragraphs 44–45 of FASB Statement No. 142, including information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the intangible asset are affected by the entity's intent or ability to renew or extend the arrangement, or both.

FSP FAS 142-3 is effective for financial statements issued for fiscal years beginning after December 15, 2008 , (that is, January 1, 2009, for entities with calendar year-ends), and interim periods within those fiscal years. Early adoption is prohibited.

This checklist has been updated to include the presentation and disclosure requirements of FASP FAS 142-3.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

(continued)

Yes No N/A

Readers can refer to the full text of the FSP on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 350-10-65-1.

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In December 2007, FASB issued Statement No. 141(R) to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. FASB Statement No. 141(R) supersedes FASB Statement No. 141 but retains the fundamental requirements in FASB Statement No. 141 that the acquisition method of accounting (formerly called the purchase method in FASB Statement No. 141) be used for all business combinations and that an acquirer be identified for each business combination.

Among many other significant amendments to existing pronouncements precipitated by FASB Statement No. 141(R), this statement redefines goodwill in FASB Statement No. 142 to mean an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

FASB Statement No. 141(R) applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquiree), including those sometimes referred to as *true mergers* or *mergers of equals* and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. This statement applies to all business entities, including mutual entities that previously used the pooling-of-interests method of accounting for some business combinations. It does not apply to the following:

a. The formation of a joint venture

b. The acquisition of an asset or a group of assets that does not constitute a business

c. A combination between entities or businesses under common control

d. A combination between not-for-profit entities or the acquisition of a for-profit business by a not-for-profit entity.

This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). An entity may not apply it before that date.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 141(R).

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should

(continued)

	Yes	No	N/A

consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 805-10-65-1.

Practice Tip

Entities that report segment information in accordance with FASB ASC 280, *Segment Reporting*, should provide the following information about goodwill in total and for each reportable segment and should disclose any significant changes in the allocation of goodwill by reportable segment. If any portion of goodwill has not yet been allocated to a reporting unit at the date the financial statements are issued, that unallocated amount and the reasons for not allocating that amount should be disclosed.
[FASB ASC 350-20-50-1]

1. Is the aggregate amount of goodwill presented as a separate line item in the statement of financial position? ____ ____ ____
[FASB ASC 350-20-45-1]

2. Is the aggregate amount of goodwill impairment losses presented as a separate line item in the income statement before the subtotal *income from continuing operations* (or similar caption) unless a goodwill impairment loss is associated with a discontinued operation? ____ ____ ____
[FASB ASC 350-20-45-2]

3. Is a goodwill impairment loss associated with a discontinued operation included (on a net-of-tax basis) within the results of discontinued operations? ____ ____ ____
[FASB ASC 350-20-45-3]

4A. Has the entity disclosed any changes in the carrying amount of goodwill during the period, including the following (see example 3 in FASC ASC 350-20-55-24):

a. The aggregate amount of goodwill acquired? ____ ____ ____

b. The aggregate amount of impairment losses recognized? ____ ____ ____

c. The amount of goodwill included in the gain or loss on disposal of all or a portion of a reporting unit? ____ ____ ____
[FASB ASC 350-20-50-1]

	Yes	No	N/A
4B. ***(FASB Statement No. 141(R))*** Has the entity disclosed any changes in the carrying amount of goodwill during the period, including the following, (see example 3 in FASC ASC 350-20-55-24):			
a. The gross amount and accumulated impairment losses at the beginning of the period?	____	____	____
b. Additional goodwill recognized during the period, except goodwill included in a disposal group that, on acquisition, meets the criteria to be classified as held for sale in accordance with FASB ASC 360-10-45-9?	____	____	____
c. Adjustments resulting from the subsequent recognition of deferred tax assets during the period in accordance with paragraphs 2–4 of FASB ASC 805-740-25 and FASB ASC 805-740-45-2?	____	____	____
d. Goodwill included in a disposal group classified as held for sale in accordance with FASB ASC 360-10-45-9 and goodwill derecognized during the period without having previously been reported in a disposal group classified as held for sale?	____	____	____
e. Impairment losses recognized during the period in accordance with FASB ASC 350-10?	____	____	____
f. Net exchange differences arising during the period in accordance with FASB ASC 830, *Foreign Currency Matters*?	____	____	____
g. Any other changes in the carrying amounts during the period?	____	____	____
h. The gross amount and accumulated impairment losses at the end of the period?	____	____	____
["Pending Content" in FASB ASC 350-20-50-1]			
5. For each goodwill impairment loss recognized, has the entity disclosed following information disclosed in the notes to the financial statement that include the period in which the impairment loss is recognized:			
a. A description of the facts and circumstances leading to the impairment?	____	____	____
b. The amount of the impairment loss and the method of determining the fair value of the associated reporting unit (whether based on quoted market prices, prices of comparable businesses, a present value or other valuation technique, or a combination thereof)?	____	____	____
c. If a recognized impairment loss is an estimate that has not yet been finalized (refer to paragraphs 18–19 of FASB ASC 350-20-35), that fact and the reasons therefore and, in subsequent periods, the nature and amount of any significant adjustments made to the initial estimate of the impairment loss?	____	____	____
[FASB ASC 350-20-50-2]			

	Yes	No	N/A
6. At a minimum, are all intangible assets aggregated and presented as a separate line item in the statement of financial position? (This requirement does not preclude presentation of individual intangible assets or classes of intangible assets as separate line items.) [FASB ASC 350-30-45-1]	____	____	____
7. Are amortization expense and impairment losses for intangible assets presented in income statement line items within continuing operations as deemed appropriate for each entity? [FASB ASC 350-30-45-2]	____	____	____

Practice Tips

The information in question 8A also should be disclosed separately for each material business combination or in the aggregate for individually immaterial business combinations that are material collectively if the aggregate fair values of intangible assets acquired, other than goodwill, are significant.
["Pending Content" in FASB ASC 350-30-50-1]

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(FSP FAS 142-3) For intangible assets acquired either individually or with a group of assets (in either an asset acquisition or business combination) and recognized under FASB Statement No. 142, the following disclosure should be made in addition to those in question 8B:

- For intangible assets with renewal or extension terms, the weighted-average period before the next renewal or extension (both explicit and implicit), by major intangible asset class.

["Pending Content" in FASB ASC 350-30-50-1]

	Yes	No	N/A
8A. For intangible assets acquired either individually or with a group of assets, has the entity disclosed all of the following in the notes to financial statements in the period of acquisition:			
a. For intangible assets subject to amortization, all of the following:			
i. The total amount assigned and the amount assigned to any major intangible asset class?	____	____	____
ii. The amount of any significant residual value, in total and by major intangible asset class?	____	____	____
iii. The weighted-average amortization period, in total and by major intangible asset class?	____	____	____
b. For intangible assets not subject to amortization, the total amount assigned and the amount assigned to any major intangible asset class?	____	____	____
c. The amount of research and development assets acquired and written off in the period and the line item in the income statement in which the amounts written off are aggregated? [FASB ASC 350-30-50-1]	____	____	____
8B. ***(FSP FAS 142-3)*** For intangible assets acquired either individually or with a group of assets (in either an asset acquisition or business combination), has the entity disclosed all of the following in the notes to financial statements in the period of acquisition:			

	Yes	No	N/A
a. For intangible assets subject to amortization, all of the following:			
i. The total amount assigned and the amount assigned to any major intangible asset class?	____	____	____
ii. The amount of any significant residual value, in total and by major intangible asset class?	____	____	____
iii. The weighted-average amortization period, in total and by major intangible asset class?	____	____	____
b. For intangible assets not subject to amortization, the total amount assigned and the amount assigned to any major intangible asset class?	____	____	____
c. The amount of research and development assets acquired and written off in the period and the line item in the income statement in which the amounts written off are aggregated?	____	____	____
d. For intangible assets with renewal or extension terms, the weighted-average period before the next renewal or extension (both explicit and implicit), by major intangible asset class? ["Pending Content" in FASB ASC 350-30-50-1]	____	____	____
9A. Has the entity disclosed the following information in the financial statements or the notes to financial statements for each period for which a statement of financial position is presented:			
a. For intangible assets subject to amortization, all of the following:			
i. The gross carrying amount and accumulated amortization, in total and by major intangible asset class?	____	____	____
ii. The aggregate amortization expense for the period?	____	____	____
iii. The estimated aggregate amortization expense for each of the five succeeding fiscal years?	____	____	____
b. For intangible assets not subject to amortization, the total carrying amount and the carrying amount for each major intangible asset class? [FASB ASC 350-30-50-2]	____	____	____
9B. ***(FSP FAS 142-3)*** Has the entity disclosed the following information in the financial statements or the notes to financial statements for each period for which a statement of financial position is presented:			
a. For intangible assets subject to amortization, all of the following:			
i. The gross carrying amount and accumulated amortization, in total and by major intangible asset class?	____	____	____
ii. The aggregate amortization expense for the period?	____	____	____
iii. The estimated aggregate amortization expense for each of the five succeeding fiscal years?	____	____	____

	Yes	No	N/A
b. For intangible assets not subject to amortization, the total carrying amount and the carrying amount for each major intangible asset class?	_____	_____	_____
c. The entity's accounting policy on the treatment of costs incurred to renew or extend the term of a recognized intangible asset?	_____	_____	_____
d. For intangible assets that have been renewed or extended in the period for which a statement of financial position is presented, both of the following:			
i. For entities that capitalize renewal or extension costs, the total amount of costs incurred in the period to renew or extend the term of a recognized intangible asset, by major intangible asset class?	_____	_____	_____
ii. The weighted-average period before the next renewal or extension (both explicit and implicit), by major intangible asset class? ["Pending Content" in FASB ASC 350-30-50-2]	_____	_____	_____
10. For each impairment loss recognized related to an intangible asset, is the following information disclosed in the notes to the financial statements that include the period in which the impairment loss is recognized:			
a. A description of the impaired intangible asset and the facts and circumstances leading to the impairment?	_____	_____	_____
b. The amount of the impairment loss and the method for determining fair value?	_____	_____	_____
c. The caption in the income statement in which the impairment loss is aggregated?	_____	_____	_____
d. If applicable, the segment in which the impaired intangible asset is reported under FASB ASC 280, *Segment Reporting*? [FASB ASC 350-30-50-3]	_____	_____	_____
11B. ***(FSP FAS 142-3)*** For recognized intangible assets, has the entity disclosed information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent or ability (or both intent and ability) to renew or extend the arrangement? ["Pending Content" in FASB ASC 350-30-50-4]	_____	_____	_____
P. Deposits			
1. Are checks that are deposited by customers and that are in the process of collection and are currently not available for withdrawal (deposit float) recorded as assets and liabilities? [FASB ASC 942-405-25-3]	_____	_____	_____
2. Does the statement of financial condition of credit unions and corporate credit unions either			
a. present member deposit accounts as the first item in the liabilities and equity section?	_____	_____	_____

	Yes	No	N/A
b. include member deposit accounts within a captioned subtotal for total liabilities? [FASB ASC 942-405-45-3]	____	____	____
3. Is the interest paid or accrued on these accounts, commonly referred to as dividends, reported as an expense on the statement of income, and the amount of interest payable to members included as a liability in the statement of financial condition? [FASB ASC 942-405-45-4]	____	____	____
4. Do the disclosures about deposit liabilities include all of the following:			
a. The aggregate amount of time deposit accounts (including certificates of deposit) in denominations of $100,000 or more at the balance sheet date?	____	____	____
b. Securities, mortgage loans, or other financial instruments that serve as collateral for deposits, that are otherwise not disclosed under FASB ASC 860?	____	____	____
c. The aggregate amount of any demand deposits that have been reclassified as loan balances, such as overdrafts, at the balance-sheet date?	____	____	____
d. Deposits that are received on terms other than those available in the normal course of business? [FASB ASC 942-405-50-1]	____	____	____
5. For time deposits having a remaining term of more than one year, is the aggregate amount of maturities for each of the five years following the balance sheet date disclosed (in conformity with FASB ASC 470-10-50-1)? [FASB ASC 470-10-5-1]	____	____	____
6. In estimating the fair value of deposit liabilities, a financial entity should not take into account the value of its long-term relationships with depositors, commonly known as core deposit intangibles, which are separate intangible assets, not financial instruments. For deposit liabilities with no defined maturities, is the fair value of the amount payable on demand at the reporting date disclosed (in conformity with FASB ASC 825-10-50-13 and FASB ASC 825-10-60-1)? [FASB ASC 942-470-50-1]	____	____	____

Yes *No* *N/A*

Q. Other Liabilities

Practice Tip

The SEC requires that consolidated financial statements filed for bank holding companies and any financial statements of banks that are included in filings with the SEC disclose separately on the balance sheet or in a note any of the following liabilities or any other items that are individually in excess of 30 percent of stockholders' equity (except that amounts in excess of 5 percent of stockholders' equity should be disclosed with respect to item 4). The remaining items may be shown as one amount:

1. Income taxes payable
2. Deferred income taxes
3. Indebtedness to affiliates and other persons the investments in which are accounted for by the equity method
4. Indebtedness to directors, executive officers, and principal holders of equity securities of the registrant or any of its significant subsidiaries (the guidance in section 210.9–03.7(e) shall be used to identify related parties for purposes of this disclosure)
5. Accounts payable and accrued expenses

[FASB ASC 942-210-S99-1]

1. Are short term obligations expected to be refinanced reclassified to long term liabilities?
[FASB ASC 470-10-45 par. 13–14] _____ _____ _____
2. If the reporting entity has not accrued compensated absences (FASB ASC 710, *Compensation—General*, including sabbatical leaves described in the FASB ASC glossary and FASB ASC 710-10-25-5) because the amount cannot be reasonably estimated, is that fact disclosed?
[FASB ASC 710-10-50-1] _____ _____ _____
3. Are borrowings outstanding under revolving credit agreements that include both a subjective acceleration clause and a requirement to maintain a lock-box arrangement, whereby remittances from the borrower's customers reduce the debt outstanding, classified as short term obligations?
[FASB ASC 470-10-45-5] _____ _____ _____

R. Notes Payable and Other Debt

1. Are significant categories of borrowings presented as separate line items in the liability section of the balance sheet, or as a single line item with appropriate note disclosure of component? _____ _____ _____
[FASB ASC 942-470-45-1]
2. Alternatively, if institutions present debt based on the debt's priority (that is, senior or subordinated), do they also provide separate disclosure of significant categories of borrowings? _____ _____ _____
[FASB ASC 942-470-45-1]
3. For debt, do the notes to the financial statements describe the principal terms of the respective agreements including but not limited to all of the following:
   a. The title or nature of the agreement, or both? _____ _____ _____
   b. The interest rate (and whether it is fixed or floating)? _____ _____ _____

	Yes	No	N/A
c. The payment terms and maturity date(s)?			
d. Collateral?			
e. Conversion or redemption features?			
f. Whether it is senior or subordinated?			
g. Restrictive covenants (such as dividend restrictions), if any? [FASB ASC 942-470-50-3]			
4. Are transfers of mortgages accounted for under FASB ASC 860 as secured borrowings of the issuing institution classified as debt on the institution's balance sheet? [FASB ASC 942-470-45-2]			
5. Are mortgage-backed bonds classified separately from advances, other notes payable, and subordinated debt? [FASB ASC 942-470-45-2]			
6. Are interest rates, maturities, conversion features, and other significant terms (for example, subordinated features) of long term debt disclosed? [Common Practice]			
7. Are the obligations incurred in short sales reported as liabilities? Such liabilities are generally called securities sold, not yet purchased. [FASB ASC 942-405-25-1]			
8. Are terms and conditions provided in loan agreements and bond indentures, such as assets pledged as collateral, covenant to reduce debt, maintain working capital, and restrict dividends disclosed? [FASB ASC 440-10-50-1]			
9. Has the entity disclosed the following for each of the five years following the latest balance sheet presented:			
a. The aggregate amount of payments for unconditional purchase obligations that meet the criteria set forth in FASB ASC 440-10-50-2 and that have been recognized in the purchaser's balance sheet?			
b. The combined aggregate amount of maturities and sinking fund requirements for all long term borrowings? [FASB ASC 440-10-50-4; FASB ASC 470-10-50-1]			
10. If a note is noninterest bearing or has an inappropriate stated interest rate,			
a. is the discount or premium presented as a direct deduction from or addition to the face amount of the note?			
b. is the effective interest rate disclosed?			
c. is the face amount of the note disclosed?			
d. is amortization of the discount or premium reported as interest in the income statement?			
e. are issue costs reported as deferred charges? [FASB ASC 835-30-45 par. 1A and 2–3]			

	Yes	No	N/A
11. Are long term debt agreements subject to a subjective acceleration clause disclosed unless the likelihood of the acceleration of the due date is remote? [FASB ASC 470-10-45-2; FASB ASC 470-10-50-3]	_____	_____	_____
12. If the reporting entity has borrowed funds in the form of participating mortgage loans, are the following disclosed in the financial statements:			
a. The aggregate amount of participating mortgage obligations at the balance-sheet date, with separate disclosure of the aggregate participation liabilities and related debt discounts?	_____	_____	_____
b. Terms of the participations by the lender in either the appreciation in the market value of the mortgaged real estate project or the results of operations of the mortgaged real estate project, or both? [FASB ASC 470-30-50-1]	_____	_____	_____
13. For insurance-related assessments,			
a. if amounts relating to insurance-related assessments have been discounted pursuant to the provisions of paragraphs 9–10 of FASB ASC 405-30-30, has the entity disclosed in the financial statements the undiscounted amounts of the liability and any related asset for premium tax offsets or policy surcharges as well as the discount rate used?	_____	_____	_____
b. if amounts have not been discounted, has the entity disclosed in the financial statements the amounts of the liability, any related asset for premium tax offsets or policy surcharges, the periods over which the assessments are expected to be paid, and the period over which the recorded premium tax offsets or policy surcharges are expected to be realized? [FASB ASC 405-30-50-1]	_____	_____	_____

Practice Tip

Disclosure is not required for a loss contingency involving an unasserted claim or assessment if there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless both of the following conditions are met:

- It is considered probable that a claim will be asserted.
- There is a reasonable possibility that the outcome will be unfavorable.

Further, disclosure of noninsured or underinsured risks in encouraged but not required.
[FASB ASC 450-20-50 par. 6–7]

The Basis for Conclusions of the original standard (FASB Statement No. 5, *Accounting for Contingencies*) indicated that disclosure was not required because of the problems involved in developing operational criteria for disclosure of noninsured or underinsured risks. Nonetheless, a 1987 AICPA report, *Disclosure Concerning Insurance Coverage*, stated that disclosure of these risks should be encouraged rather than simply not discouraged. Questions 13–14 that follow are nonauthoritative suggestions from that report. The AICPA noted that disclosure of this kind is experimental. Therefore, its location in a financial report would depend on the judgment of preparers of the report.

	Yes	No	N/A
14. For publicly held entities and entities with public accountability, such as governments, are circumstances disclosed in which			
a. they are exposed to risks of future material loss related to			
i. torts?	_____	_____	_____
ii. theft of, damage to, expropriation of, or destruction of assets?	_____	_____	_____
iii. business interruption?	_____	_____	_____
iv. errors or omissions?	_____	_____	_____
v. injuries to employees?	_____	_____	_____
vi. acts of God?	_____	_____	_____
b. those risks have not been transferred to unrelated third parties through insurance?	_____	_____	_____
(Encouraged, but not required.)			
15. In considering those matters to be disclosed that relate to certain uninsured risks of future material loss as described in FASB ASC 720-20, has the entity considered the following:			
a. The actual and potential effects of losses from such risks on the entity's historical or planned operations, including exposure to losses from claims, curtailment of research and development or manufacturing, or contraction or cessation of other activities, such as discontinuance of a product line?	_____	_____	_____
b. Comparison of current insurance coverage by major categories of risk to coverage in prior periods, without necessarily quantifying such coverage or change in coverage?	_____	_____	_____
c. Recent claims experience?	_____	_____	_____
d. A description of the reporting entity's risk management programs?	_____	_____	_____
(Encouraged, but not required.)			
16. Do the notes to financial statements describe the accounting policy applied to internal replacements, including whether or not the entity has availed itself of the alternative application guidance outlined in paragraphs 44–45 of FASB ASC 944-30-35 and, if so, for which types of internal replacement transactions? [FASB ASC 944-30-50-4]	_____	_____	_____

	Yes	No	N/A

S. Shareholders' Equity

Notes: In May 2008, FASB issued FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)*. This FSP requires an issuer to separately account for the liability and equity components of convertible debt instruments within its scope. Convertible debt instruments, including instruments within the scope of this FSP, consist of a liability component with a below-market interest coupon (the debt instrument) and an equity component (the conversion option). Convertible debt instruments within the scope of this FSP are required to be separated into its liability and equity components, with each component accounted for pursuant to other U.S. GAAP applicable to that component.

This FSP applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. Other scope limitations apply. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends), and interim periods within those fiscal years. Early adoption is not permitted.

This checklist has been updated to include the presentation and disclosure requirements of FSP APB 14-1.

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 470-20-65-1.

1. For each class of stock, do disclosures include the number of shares authorized, issued, and outstanding, and par or stated value per share? ____ ____ ____
[FASB ASC 505-10-50-3]
2. Are classes of capital stock presented in order of priority in liquidation? ____ ____ ____
[Common Practice]
3. Do the financial statements include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding, including
   a. possible conversion prices and dates as well as other significant terms for each convertible instrument? (For example, the entity is obligated to issue X shares and as the market price of the common stock decreases, the entity is obligated to issue an additional X shares for each $1 decrease in the stock price.) ____ ____ ____

	Yes	No	N/A
b. have the terms of the transaction been disclosed in the footnotes to the financial statements, including the excess of the aggregate fair value of the instruments that the holder would receive at conversion over the proceeds received and the period over which the discount is amortized? [FASB ASC 505-10-50 par. 3 and 7–8]	_____	_____	_____
4. Has the entity considered disclosure of information about derivative instruments entered into in connection with the issuance of the contingently convertible securities that may be useful in terms of fully explaining the potential impact of the contingently convertible securities? That information might include the terms of those derivative instruments, including the terms of settlement, how those instruments relate to the contingently convertible securities, and the number of shares underlying the derivative instruments. One example is the purchase of a call option such that the terms of the purchased call option would be expected to substantially offset changes in value of the written call option embedded in the convertible security. Derivative instruments are also subject to additional disclosure information, as required by FASB ASC 815. [FASB ASC 505-10-50-10]	_____	_____	_____

Practice Tip

(FSP APB 14-1) Incremental disclosures may be required for debt with conversion and other options. See FASB ASC 470-20-10-2 and paragraphs 2–6 of FASB ASC 470-20-50.
["Pending Content" in FASB ASC 505-10-50-10A]

	Yes	No	N/A
5. Do disclosures include the number of shares issued upon conversion, exercise, or satisfaction of required conditions during at least the most recent annual fiscal period and any subsequent interim period presented? [FASB ASC 505-10-50-3]	_____	_____	_____
6. For preferred stock that has a preference in involuntary liquidation considerably in excess of par or stated value of the shares, is the liquidation preference disclosed in the equity section of the balance sheet in the aggregate, either parenthetically or "in short," rather than on a per share basis or in the notes to the financial statements? [FASB ASC 505-10-50-4]	_____	_____	_____
7. Are the following disclosed on the face of the balance sheet or in the notes to the financial statements:			
a. The aggregate or per-share amounts at which preferred stock may be called or are subject to redemption through sinking-fund operations or otherwise?	_____	_____	_____
b. The aggregate and per-share amounts of arrearages in cumulative preferred dividends? [FASB ASC 505-10-50-5]	_____	_____	_____

	Yes	No	N/A
8. For redeemable stock, do disclosures include the amount of redemption requirements, separately by issue or combined, for all issues of capital stock that are redeemable at fixed or determinable prices on fixed or redeemable dates in each of the five years following the date of the latest balance sheet? [FASB ASC 505-10-50-11]	_____	_____	_____
9. Do disclosures for contingently convertible securities include the significant quantitative and qualitative terms of the conversion features to enable users of the financial statements to understand the circumstances of the contingency and the potential impact of conversion, including			
a. events or changes in circumstances that would cause the contingency to be met and any significant features necessary to understand the conversion rights and the timing of those rights (for example, the periods in which (1) the contingency might be met and (2) the securities may be converted if the contingency is met)?	_____	_____	_____
b. the conversion price and the number of shares into which the security is potentially convertible?	_____	_____	_____
c. events or changes in circumstances, if any, that could adjust or change the contingency, conversion price, or number of shares, including significant terms of those changes?	_____	_____	_____
d. the manner of settlement upon conversion and any alternative settlement methods (for example, cash, shares, or a combination)? [FASB ASC 505-10-50-6]	_____	_____	_____
10. Do disclosures indicate whether the shares that would be issued if the contingently convertible securities were converted are included in the calculation of diluted earnings per share (EPS), and the reasons why or why not? [FASB ASC 505-10-50-9]	_____	_____	_____
11. Are appropriations of retained earnings for loss contingencies clearly identified and included in shareholders' equity? [FASB ASC 505-10-45-3]	_____	_____	_____
12. Has the entity disclosed any restrictions on the payment of dividends? [FASB ASC 440-10-50-1]	_____	_____	_____
13. After completion of a quasi-reorganization, is a new retained earnings account established and dated with the date being disclosed in subsequent financial statements until it is no longer deemed significant? [FASB ASC 852-20-50-2]	_____	_____	_____
14. Are the carrying basis, cost and number of shares of any treasury stock held by the reporting entity disclosed? [Common Practice]	_____	_____	_____
15. If treasury stock is purchased for purposes other than retirement or if ultimate disposition has not yet been decided is its cost:			

	Yes	No	N/A

a. Shown separately as a deduction from the total of capital stock, additional paid-in capital, and retained earnings? or ____ ____ ____

b. Accorded the accounting treatment appropriate for retired stock? ____ ____ ____
[FASB ASC 505-30-45-1]

16. If state laws relating to acquisition of stock restrict the availability of retained earnings for payment of dividends or other significant effects, is appropriate disclosure made? ____ ____ ____
[FASB ASC 505-30-50-2]

17. If treasury shares are purchased at a stated price significantly in excess of the current market price of the shares, is the allocation of the amounts paid and the accounting treatment for such amounts disclosed? ____ ____ ____
[FASB ASC 505-30-50 par. 3–4]

18. If the pension asset or liability that is recognized pursuant to FASB ASC 715-30-25-1, results in a temporary difference, as defined in the FASB ASC glossary, are the deferred tax effects of any temporary differences recognized in income tax expense or benefit for the year and allocated to various financial statement components, including OCI, pursuant to FASB ASC 740-20-45? ____ ____ ____
[FASB ASC 715-30-25-3]

T. Changes in Shareholders' Equity

1. Are changes in the separate accounts of shareholders' equity disclosed? ____ ____ ____
[FASB ASC 505-10-50-2]

2. Are changes in the number of shares of equity securities disclosed? ____ ____ ____
[FASB ASC 505-10-50-2]

3. If prior-period adjustments have been recorded during the current year, are the resulting effects (both gross and net of applicable income taxes and including the amounts of income tax applicable to the prior period adjustments) appropriately disclosed? ____ ____ ____

a. For single-period statements, does the disclosure indicate the effects of such restatement on the balance of retained earnings at the beginning of the period and on the net income of the immediately preceding period? ____ ____ ____

b. If financial statements of more than one period are presented, does disclosure include the effects for each of the periods presented in the statements? ____ ____ ____
[FASB ASC 250-10-50 par. 8–9]

Note: See part B, "Accounting Changes and Error Corrections," in the "Other Financial Statement Disclosures" section of this checklist for additional disclosures.

Yes No N/A

Practice Tip

Disclosure of restatements in financial statements of periods subsequent to the annual financial statements of the year of change should not be repeated.
[FASB ASC 250-10-50-10]

4. *(Issuers Only)* If interim financial reports contain an adjustment related to prior interim periods of the current fiscal year, do disclosures include
   a. the effect on income from continuing operations, net income, and related per share amounts for each prior interim period of the current fiscal year? ____ ____ ____
   b. income from continuing operations, net income, and related per share amounts for each prior interim period restated? ____ ____ ____
   [FASB ASC 250-10-50-11]
5. *(Issuers Only)* If the entity (1) regularly reports interim information, (2) makes an accounting change during the fourth quarter of its fiscal year, and (3) does not report the data specified by FASB ASC 270-10-50-1 in a separate fourth-quarter report or in its annual report, has the entity included disclosure of the effects of the accounting change on interim-period results (as required by FASB ASC 250-10-50-1) in a note to the annual financial statements for the fiscal year in which the change is made? ____ ____ ____
   [FASB ASC 250-10-45-15]

III. Income Statement

A. Revenue and Expenses

General

1. Are the important components of income, such as sales or other sources of revenue, cost of sales, selling and administrative expenses, interest expense and income taxes, separately disclosed on the face of the income statement? ____ ____ ____
   [Common Practice]
2. Has the entity made disclosures related to advertising that include
   a. the accounting policy for reporting advertising including whether such costs are expensed as incurred or the first time the advertising takes place? ____ ____ ____
   b. a description of direct-response-advertising reported as assets (if any), the related accounting policy, and the amortization method and period? ____ ____ ____
   c. the amount charged to advertising expense for each statement of income presented, with separate disclosure of amounts, if any, representing a write-down of capitalized advertising costs to net realizable value? ____ ____ ____

	Yes	No	N/A
d. the amount of advertising reported as assets in each balance sheet presented? [FASB ASC 720-35-50-1; FASB ASC 340-20-50-1]	_____	_____	_____
3. Are delinquency fees recognized in income when chargeable, assuming collectibility is reasonably assured? [FASB ASC 310-10-25-13]	_____	_____	_____

Practice Tip

The following question is based on the presumption that cash consideration (including a sales incentive) given by a vendor to a customer is a reduction of the selling prices of the vendor's products or services. That presumption is overcome and the consideration should be characterized as a cost incurred (question 5, following) if, and to the extent that, both of the conditions in FASB ASC 605-50-45-2 are met.

Customer Payments and Incentives

	Yes	No	N/A
4. Has the entity characterized as a reduction of revenue any cash consideration (including a sales incentive) given to a customer when recognized in the entity's income statement? [FASB ASC 605-50-45-2]	_____	_____	_____
5. If the entity provides a customer with a sales incentive or other consideration which consists of a free product or service (for example, a gift certificate from the vendor or a free airline ticket that will be honored by another, unrelated entity), or anything other than cash (including credits that the customer can apply against trade amounts owed to the vendor) or equity instruments (see FASB ASC 605-50-55-43), has the cost of the consideration been characterized as an expense (as opposed to a reduction of revenue) when recognized in the entity's income statement? [FASB ASC 605-50-45-3]	_____	_____	_____
6. If the entity is a service provider and provides incentives to a third-party manufacturer or reseller that ultimately benefits the service provider's customer, has this fact been disclosed? [FASB ASC 605-50-50-1]	_____	_____	_____

Nonrefundable Fees and Other Costs

	Yes	No	N/A
7. Are amounts of loan origination, commitment, and other fees and costs recognized as an adjustment of yield reported as part of interest income? [FASB ASC 310-20-45-3]	_____	_____	_____
8. Is amortization of other fees, such as commitment fees that are being amortized on a straight-line basis over the commitment period or included in income when the commitment expires, reported as service fee income? [FASB ASC 310-20-45-3]	_____	_____	_____

Interest Expense

	Yes	No	N/A
9. Is the following information concerning interest costs disclosed:			
a. For accounting periods in which no interest is capitalized, the amount of interest cost incurred and charged to expense during the period?	_____	_____	_____

	Yes	No	N/A
b. For an accounting period in which some interest cost is capitalized, the total amount of interest cost incurred during the period and the amount thereof that has been capitalized? [FASB ASC 835-20-50-1]	___	___	___
10. Are interest costs associated with product financing arrangements identified separately? [FASB ASC 470-40-25-4]	___	___	___
11. For redeemable preferred stock of a subsidiary accounted for as a liability in a parent's consolidated financial statements, are dividends included as interest expense in the determination of income? [FASB ASC 942-405-45-2]	___	___	___
Short Sales			
12. Is the fair value adjustment on short sales of securities classified in the income statement with gains and losses on securities? [FASB ASC 942-405-45-1]	___	___	___
13. Obligations incurred in short sales should be subsequently measured at fair value through the income statement at each reporting date. Is interest on the short positions accrued periodically and reported as interest expense? [FASB ASC 942-405-35-1]	___	___	___

Notes: In December 2007, FASB issued Emerging Issues Task Force (EITF) Issue No. 07-1, "Accounting for Collaborative Agreements Related to the Development and Commercialization if Intellectual Property." The objective of this issue is to define collaborative arrangements and to establish reporting requires for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*. Among other things, EITF Issue No. 07-1 changes income statement classification of costs and revenue generated by participants in a collaborative arrangement from transactions with third parties, as opposed to applying the equity method of accounting under Accounting Principles Board (APB) Opinion No. 18. The EITF also requires enhanced disclosures.

EITF Issue No. 07-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends), and interim periods within those fiscal years. The guidance should be applied retrospectively to all prior periods presented for all collaborative arrangements existing as of the effective date.

This checklist has been updated to include the presentation and disclosure requirements of EITF Issue No. 07-1.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example,

(continued)

	Yes	No	N/A

question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the issue on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 808-10-65-1.

14B. ***(EITF Issue No. 07-1)*** If the entity is a participant in a collaborative arrangement, has it disclosed all following in the period in which a collaborative arrangement is entered into (which may be an interim period) and all annual periods thereafter:

a. Information about the nature and purpose of its collaborative arrangements? _____ _____ _____

b. Its rights and obligations under the collaborative arrangements? _____ _____ _____

c. The accounting policy for collaborative arrangements in accordance with FASB ASC 235-10? _____ _____ _____

d. The income statement classification and amounts attributable to transactions arising from the collaborative arrangement between participants for each period an income statement is presented? _____ _____ _____
["Pending Content" in FASB ASC 808-10-50-1]

B. Income Taxes

Notes: In December 2007, FASB issued Statement No. 141(R) to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. FASB Statement No. 141(R) supersedes FASB Statement No. 141 but retains the fundamental requirements in FASB Statement No. 141 that the acquisition method of accounting (formerly called the purchase method in FASB Statement No. 141) be used for all business combinations and that an acquirer be identified for each business combination.

This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date.

(continued)

Yes No N/A

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 141(R).

As determined by the effective date of the guidance, entities for which the pronouncement has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 1B) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the pronouncement has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference.

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 805-10-65-1.

In September 2009, FASB issued Accounting Standards Update (ASU) No. 2009-006, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*. The amendments apply only to nonpublic entities as defined in FASB ASC 740-10-20.

The amendments to FASB ASC in this ASU provide implementation guidance, through examples, on how to apply the standards for uncertainty in income taxes. In addition, the ASU eliminates for nonpublic entities the disclosures required by both FASB ASC 740-10-50-15(a), which requires a tabular reconciliation of the total amount of unrecognized tax benefits at the beginning and end of the periods presented, and FASB ASC 740-10-50-15(b), which requires the disclosure of the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate.

For entities that are currently applying the guidance for accounting and uncertainty in income taxes, this guidance and the disclosure amendments are effective for financial statements issued for interim and annual periods ending after September 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends). For those entities that have deferred the application of accounting for uncertainty in income taxes in accordance with FASB ASC 740-10-65-1(e), the guidance and disclosure amendments are effective upon adoption of those standards.

This checklist has been updated to include the presentation and disclosure requirements of ASU No. 2009-006.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place

(continued)

Yes No N/A

an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entities year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the ASU on the FASB Web site at www.fasb.org.

1A. Has the entity disclosed the following:

a. The amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes? ____ ____ ____

b. Any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill or other noncurrent intangible assets of an acquired entity or directly to contributed capital? ____ ____ ____
[FASB ASC 740-10-50-3]

1B. ***(FASB Statement No. 141(R))*** Has the entity disclosed the following:

a. The amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes? ____ ____ ____

b. Any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be credited directly to contributed capital? ____ ____ ____
["Pending Content" in FASB ASC 740-10-50-3]

2A. Has the entity disclosed the following significant components of income tax expense attributable to continuing operations for each year presented:

a. Current tax expense (or benefit)? ____ ____ ____

b. Deferred tax expense (or benefit) (exclusive of the effects of other components in this list)? ____ ____ ____

c. Investment tax credits? ____ ____ ____

d. Government grants (to the extent recognized as a reduction of income tax expense)? ____ ____ ____

e. The benefits of operating loss carryforwards? ____ ____ ____

f. Tax expense that results from allocating certain tax benefits directly to contributed capital? ____ ____ ____

g. Adjustments of a deferred tax liability or asset for enacted changes in tax laws or rates or a change in the tax status of the reporting entity? ____ ____ ____

		Yes	*No*	*N/A*
	h. Adjustments of the beginning-of-the-year balance of a valuation allowance because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset in future years? [FASB ASC 740-10-50-9]	____	____	____
2B.	***(FASB Statement No. 141(R))*** Has the entity disclosed the following significant components of income tax expense attributable to continuing operations for each year presented:			
	a. Current tax expense (or benefit)?	____	____	____
	b. Deferred tax expense (or benefit) (exclusive of the effects of other components in this list)?	____	____	____
	c. Investment tax credits?	____	____	____
	d. Government grants (to the extent recognized as a reduction of income tax expense)?	____	____	____
	e. The benefits of operating loss carryforwards?	____	____	____
	f. Tax expense that results from allocating certain tax benefits directly to contributed capital?	____	____	____
	g. Adjustments of a deferred tax liability or asset for enacted changes in tax laws or rates or a change in the tax status of the reporting entity?	____	____	____
	h. Adjustments of the beginning-of-the-year balance of a valuation allowance because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset in future years (for example, any acquisition-date income tax benefits or expenses recognized from changes in the acquirer's valuation allowance for its previously existing deferred tax assets as a result of a business combination [see FASB ASC 805-740-30-3])? ["Pending Content" in FASB ASC 740-10-50-9]	____	____	____
3.	Are the amount of income tax expense or benefit allocated to continuing operations and the amounts separately allocated to other items (in accordance with the intraperiod tax allocation provisions of paragraphs 2–14 of FASB ASC 740-20-45 and FASB ASC 852-740-45-3) disclosed for each year for which those items are presented? [FASB ASC 740-10-50-10]	____	____	____
4.	***(Issuers Only)*** Is the following disclosed:			
	a. A reconciliation in both percentages and dollar amounts of the reported amount of income tax expense attributable to continuing operations for the year to the amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income from continuing operations?	____	____	____
	b. The estimated amount and the nature of each significant reconciling item? [FASB ASC 740-10-50-12]	____	____	____

	Yes	No	N/A
5. ***(Nonissuers Only)*** Is there disclosure of the nature of significant items required to reconcile the reported amount of income tax expense attributable to continuing operations for the year to the amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income from continuing operations (omission of numerical reconciliation is permitted)? [FASB ASC 740-10-50-13]	___	___	___
6. If not otherwise evident from the disclosures required by this section, have all entities disclosed the nature and effect of any other significant matters affecting comparability of information for all periods presented? [FASB ASC 740-10-50-14]	___	___	___
6A. Has the entity disclosed the following at the end of each annual reporting period presented:			
a. A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period, which include, at a minimum			
i. the gross amounts of the increases and decreases in unrecognized tax benefits as a result of tax positions taken during a prior period?	___	___	___
ii. the gross amounts of increases and decreases in unrecognized tax benefits as a result of tax positions taken during the current period?	___	___	___
iii. the amounts of decreases in the unrecognized tax benefits relating to settlements with taxing authorities?	___	___	___
iv. reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations?	___	___	___
b. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate?	___	___	___
c. The total amounts of interest and penalties recognized in the statement of operations and the total amounts of interest and penalties recognized in the statement of financial position?	___	___	___
d. For positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date, has the following been disclosed:			
i. The nature of the uncertainty?	___	___	___
ii. The nature of the event that could occur in the next 12 months that would cause the change?	___	___	___
iii. An estimate of the range of the reasonably possible change or a statement that an estimate of the range cannot be made?	___	___	___

	Yes	*No*	*N/A*
e. A description of tax years that remain subject to examination by major tax jurisdictions? [FASB ASC 740-10-50-15]	_____	_____	_____
6B. ***(ASU No. 2009-006)*** Has the entity disclosed the following at the end of each annual reporting period presented:			
a. The total amounts of interest and penalties recognized in the statement of operations and the total amounts of interest and penalties recognized in the statement of financial position?	_____	_____	_____
b. For positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date,			
i. the nature of the uncertainty?	_____	_____	_____
ii. the nature of the event that could occur in the next 12 months that would cause the change?	_____	_____	_____
iii. an estimate of the range of the reasonably possible change or a statement that an estimate of the range cannot be made?	_____	_____	_____
c. A description of tax years that remain subject to examination by major tax jurisdictions? ["Pending Content" in FASB ASC 740-10-50-15]	_____	_____	_____
7B. ***(ASU No. 2009-006) (Issuers Only)*** In addition to the items in question 6B, has the entity also disclosed the following at the end of each annual reporting period presented:			
a. A tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of the period, which should include at a minimum			
i. the gross amounts of the increases and decreases in unrecognized tax benefits as a result of tax positions taken during a prior period?	_____	_____	_____
ii. the gross amounts of increases and decreases in unrecognized tax benefits as a result of tax positions taken during the current period?	_____	_____	_____
iii. the amounts of decreases in the unrecognized tax benefits relating to settlements with taxing authorities?	_____	_____	_____
iv. reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations?	_____	_____	_____
b. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate? ["Pending Content" in FASB ASC 740-10-50-15A]	_____	_____	_____
8. ***(Issuers Only)*** If the entity is not subject to income tax because its income is taxed directly to its owners, has that fact and the net difference between the tax bases and the reported amounts of the entity's assets and liabilities been disclosed? [FASB ASC 740-10-50-16]	_____	_____	_____

Yes No N/A

9. If the entity is a member of a group that files a consolidated tax return, are the following items disclosed in its separately issued financial statements:

   a. The aggregate amount of current and deferred tax expense for each income statement presented and the amount of any tax-related balances due to or from affiliates as of the date of each balance sheet presented? _____ _____ _____

   b. The principal provisions of the method by which the consolidated amount of current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in that method (and in determining related balances to or from affiliates) during the years for which the disclosures in item (*a*) are presented? _____ _____ _____
   [FASB ASC 740-10-50-17]

10. Has the entity disclosed its policy on classification of interest and penalties in accordance with FASB ASC 740-10-45-25 in the footnotes to the financial statements? _____ _____ _____
    [FASB ASC 740-10-50-19]

11. If the entity presents a classified statement of financial position, does the entity classify a liability associated with an unrecognized tax benefit as a current liability (or the amount of a net operating loss carryforward or amount refundable is reduced) to the extent the enterprise anticipates payment (or receipt) of cash within one year or the operating cycle, if longer? Furthermore, has the liability for unrecognized tax benefits (or reduction in amounts refundable) not been combined with deferred tax liabilities or assets? _____ _____ _____
    [FASB ASC 740-10-45-11]

12. Is a liability that has been recognized as a result of applying FASB ASC 740-10-25-17 not classified as a deferred tax liability unless it arises from a taxable temporary difference? _____ _____ _____
    [FASB ASC 740-10-45-12]

13. If the entity is an S corporation, partnership, or proprietorship, is the reason that no income tax expense is recorded disclosed? _____ _____ _____
    [Common Practice]

C. Extraordinary Items

1. Has the nature and financial effects of each event or transaction that is unusual in nature or occurs infrequently, but not both, been disclosed on the face of the income statement, or alternatively, in notes to the financial statements? _____ _____ _____
   [FASB ASC 225-20-50-3]

2. Have extraordinary items been disclosed separately and included in the determination of net income for the interim period or periods in which they occurred? _____ _____ _____
   [FASB ASC 225-20-50-4]

	Yes	No	N/A

Practice Tip

FASB ASC 270-10-45-11A requires that extraordinary items, gains or losses from disposal of a component of an entity, and unusual or infrequently occurring items not be prorated over the balance of the fiscal year. [FASB ASC 225-20-50-4]

3. Are extraordinary items (as described in FASB ASC 225-10-45-2) segregated and shown (including applicable income taxes) following income before extraordinary items and before net income? ____ ____ ____
[FASB ASC 225-20-45-10]
4. Is the caption extraordinary items used to identify separately the effects of events and transactions, other than disposals of components of an entity, that meet the criteria for classification as extraordinary as discussed in paragraphs 1–6 of FASB ASC 225-20-45? ____ ____ ____
[FASB ASC 225-20-45-11]
5. Are descriptive captions and amounts presented for individual extraordinary events or transactions, preferably on the face of the income statement if practicable? ____ ____ ____
[FASB ASC 225-20-45-11]
6. Are the nature of each extraordinary event or transaction and the principle items entering into the determination of extraordinary gains or losses described? ____ ____ ____
[FASB ASC 225-20-45-11]
7. Are income taxes applicable to any extraordinary items disclosed on the face of the income statement (preferable) or disclosed in the notes to the financial statements? ____ ____ ____
[FASB ASC 225-20-45-11]
8. Are material events or transactions that are either unusual in nature or of infrequent occurrence, but not both (and therefore not meeting the criteria for extraordinary items)
    a. reported as a separate component of income from continuing operations? ____ ____ ____
    b. accompanied by disclosure of the nature and financial effects of each event? ____ ____ ____
    [FASB ASC 225-20-45-16]
9. If any extraordinary items that were reported in prior periods are adjusted during the current period, are the adjustments separately disclosed as to year of origin, nature, and amount and classified separately on the current period as an extraordinary item? ____ ____ ____
[FASB ASC 225-20-45-13]

Yes *No* *N/A*

D. Earnings Per Share

Practice Tip

The guidance in FASB ASC 260, *Earnings per Share*, requires presentation of EPS by all entities that have issued common stock or potential common stock (that is, securities such as options, warrants, convertible securities, or contingent stock agreements) if those securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market, including securities quoted only locally or regionally. FASB ASC 260 also requires presentation of EPS by an entity that has made a filing or is in the process of filing with a regulatory agency in preparation for the sale of those securities in a public market. [FASB ASC 260-10-15-2]

Notes: In March 2008, FASB issued Statement No. 160 to establish accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary, areas for which limited guidance previously existed. In addition to the overview of this statement provided in a note appearing in this checklist, readers should be aware that FASB Statement No. 160 clarifies that, if an entity has an outstanding noncontrolling interest (minority interest), amounts for both comprehensive income attributable to the parent and comprehensive income attributable to the noncontrolling interest in a less-than-wholly-owned subsidiary are reported on the face of the financial statement in which comprehensive income is presented in addition to presenting consolidated comprehensive income. Additionally, if an entity has an outstanding noncontrolling interest, the components of OCI attributable to the parent and noncontrolling interest in a less-than wholly-owned subsidiary are required to be disclosed as part of its equity reconciliation. FASB Statement No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 160.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

(continued)

Yes *No* *N/A*

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 810-10-65-1.

1. If the entity has a simple capital structure (only common stock outstanding), are basic per-share amounts for income from continuing operations and for net income presented on the face of the income statement for all periods for which an income statement or summary of earnings is presented? ____ ____ ____
[FASB ASC 260-10-45 par. 2 and 7]

2. If the entity has other than a simple capital structure, are basic and diluted per-share amounts for income from continuing operations and for net income presented on the face of the income statement with equal prominence for all periods for which an income statement or summary of earnings is presented? (***Note:*** If diluted EPS data are reported for at least one period, they should be reported for all periods presented, even if they are the same amounts as basic EPS.) ____ ____ ____
[FASB ASC 260-10-45 par. 2 and 7]

3. If discontinued operations, extraordinary items, or the cumulative effect of accounting changes are reported in the period, are the basic and diluted per share amounts for those line items presented on the face of the income statement or in the notes? ____ ____ ____
[FASB ASC 260-10-45-3]

4. If per share amounts not required to be presented by FASB ASC 260-10 are disclosed, are they disclosed only in the notes and do the disclosures indicate whether the per share amounts are pretax or net of tax? ____ ____ ____
[FASB ASC 260-10-45-5]

5. Are the following disclosed for each period for which an income statement is presented:

   a. A reconciliation of the numerators and denominators of the basic and diluted per share computations for income from continuing operations? ____ ____ ____

   b. The effect that has been given to preferred dividends in arriving at income available to common shareholders' in computing basic EPS? ____ ____ ____

   c. Securities (including those issuable pursuant to contingent stock agreements) that could potentially dilute basic EPS in the future that were not included in the computation of diluted EPS because to do so would have been antidilutive for the period(s) presented? ____ ____ ____
   [FASB ASC 260-10-50-1]

	Yes	No	N/A
6. For the latest period for which an income statement is presented, do disclosures include a description of any transaction that occurs after the end of the most recent period but before the financial statements are issued or are available to be issued (as discussed in FASB ASC 855-10-25) that would have changed materially the number of common shares or potential common shares outstanding at the end of the period if the transaction had occurred before the end of the period? [FASB ASC 260-10-50-2]	_____	_____	_____
7. If the number of common shares outstanding increases as a result of a stock dividend or stock split (see FASB ASC 505-20) or decreases as a result of a reverse stock split, the computations of basic and diluted EPS should be adjusted retroactively for all periods presented to reflect that change in capital structure. If per-share computations reflect such changes in the number of shares, is that fact disclosed? [FASB ASC 260-10-55-12]	_____	_____	_____
8. If changes in common stock resulting from stock dividends, stock splits, or reverse stock splits occur after the close of the period but before the financial statements are issued or are available to be issued (as discussed in FASB ASC 855-10-25), the per-share computations for those and any prior-period financial statements presented should be based on the new number of shares. If per-share computations reflect such changes in the number of shares, is that fact disclosed? [FASB ASC 260-10-55-12]	_____	_____	_____
9. When prior EPS amounts have been restated in compliance with an accounting standard requiring restatement, is the effect of the restatement, expressed in per share terms, disclosed in the period of restatement? [FASB ASC 260-10-55-16]	_____	_____	_____
10B. ***(FASB Statement No. 160)*** For purposes of computing EPS in consolidated financial statements (both basic and diluted), if one or more less-than-wholly-owned subsidiaries are included in the consolidated group, has the income attributable to the noncontrolling interest in subsidiaries been excluded from income from continuing operations and net income? ["Pending Content" in FASB ASC 260-10-45-11A]	_____	_____	_____

	Yes	No	N/A

E. Comprehensive Income

Notes: In March 2008, FASB issued Statement No. 160 to establish accounting and reporting standards for the noncontrolling interests in a subsidiary and for the deconsolidation of a subsidiary, areas for which limited guidance previously existed. In addition to the overview of this statement provided in a note appearing in this checklist, readers should be aware that FASB Statement No. 160 clarifies that, if an entity has an outstanding noncontrolling interest (minority interest), amounts for both comprehensive income attributable to the parent and comprehensive income attributable to the noncontrolling interest in a less-than-wholly-owned subsidiary are reported on the face of the financial statement in which comprehensive income is presented in addition to presenting consolidated comprehensive income. Additionally, if an entity has an outstanding noncontrolling interest, the components of OCI attributable to the parent and noncontrolling interest in a less-than wholly-owned subsidiary are required to be disclosed as part of its equity reconciliation. FASB Statement No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 160.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 810-10-65-1.

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In April 2009, FASB issued FSP 115-2 and FAS 124-2 to determine whether the holder on an investment in a debt or equity security for which changes in fair value are not regularly recognized in earnings (such as securities classified as held-to-maturity or available-for-sale) should recognize a loss in earnings when the investment is impaired. This FSP amends the other-than-temporary impairment guidance in

(continued)

	Yes	No	N/A

U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

FSP FAS 115-2 and FAS 124-2 is effective for interim and annual reporting periods ending after June 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends), with early adoption permitted for periods ending after March 15, 2009. Earlier adoption for periods ending before March 15, 2009, is not permitted. If an entity elects to adopt early either FSP FAS 157-4 or FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, then entity is also required to adopt early this FSP. Additionally, if an entity elects to adopt early this FSP, it is required to adopt FSP FAS 157-4. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoptions. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 115-2 and FAS 124-2.

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 320-10-65-1.

1. Are all components of comprehensive income reported in the financial statements in the period in which they are recognized? [FASB ASC 220-10-45-5] _____ _____ _____

2. Is a total amount for comprehensive income displayed in the financial statement where the components of OCI are reported? [FASB ASC 220-10-45-5] _____ _____ _____

3B. ***(FASB Statement No. 160)*** If the entity has an outstanding noncontrolling interest, are amounts for both comprehensive income attributable to the parent and comprehensive income attributable to the noncontrolling interest reported on the face of the financial statement in which comprehensive income is presented in addition to presenting consolidated comprehensive income? _____ _____ _____
[“Pending Content” in FASB ASC 220-10-45-5; “Pending Content” in FASB ASC 810-10-50-1A]

4. Is an amount for net income displayed and included as a component of comprehensive income? _____ _____ _____
[FASB ASC 220-10-45-6]

5. Are items included in OCI classified separately based on their nature, including

   a. foreign currency translation adjustments? _____ _____ _____

	Yes	No	N/A
b. gains and losses on foreign currency transactions that are designated as, and are effective as, economic hedges of a net investment in a foreign entity, commencing as of the designation date (see FASB ASC 830-20-35-3(a))?	____	____	____
c. gains and losses on intraentity foreign currency transactions that are of a long term investment nature (that is, settlement is not planned or anticipated in the foreseeable future), when the entities to the transaction are consolidated, combined, or accounted for by the equity method in the reporting entity's financial statements (see FASB ASC 830-20-35-3(b))?	____	____	____
d. gains and losses (effective portion) on derivative instruments that are designated as, and qualify as, cash flow hedges (see FASB ASC 815-20-35-1(c))?	____	____	____
e. unrealized holding gains and losses that result from a debt security being transferred into the available-for-sale category from the held-to-maturity category (see FASB ASC 320-10-35-10(c))?	____	____	____
f. subsequent decreases (if not an other-than-temporary impairment) or increases in the fair value of available-for-sale securities previously written down as impaired (see FASB ASC 320-10-35-18)?	____	____	____
g. gains or losses associated with pension or other postretirement benefits (that are not recognized immediately as a component of net periodic benefit cost) (see FASB ASC 715-20-50-1(j))?	____	____	____
h. prior service costs or credits associated with pension or other postretirement benefits (see FASB ASC 715-20-50-1(j))?	____	____	____
i. transition assets or obligations associated with pension or other postretirement benefits (that are not recognized immediately as a component of net periodic benefit cost) (see FASB ASC 715-20-50-1(j))?	____	____	____
["Pending Content" in FASB ASC 220-10-45-13; "Pending Content" in FASB ASC 220-10-55-2]			
6. Are reclassification adjustments made to avoid double counting in comprehensive income of items that are displayed as part of net income for a period that also had been displayed as part of OCI in that period or other periods presented on the face of the financial statement in which comprehensive income is reported or disclosed in the notes?	____	____	____
[FASB ASC 220-10-45-15]			

	Yes	No	N/A
7. Are comprehensive income and its components displayed in a financial statement that is displayed with the same prominence as the other financial statements? (***Note:*** FASB ASC 220-10 encourages but does not require that the components of OCI and total comprehensive income be displayed below the total for net income in a statement that reports results of operations or in a separate statement of comprehensive income that begins with net income.) [FASB ASC 220-10-45 par. 8–9]			
8B. ***(FASB Statement No. 160)*** If the entity has an outstanding noncontrolling interest, are the components of OCI attributable to the parent and noncontrolling interest in a less-than-wholly-owned subsidiary disclosed as part of its equity reconciliation? ["Pending Content" in FASB ASC 220-10-45-8; "Pending Content" in FASB ASC 810-10-50-1A]			
9. Are the components of OCI displayed either net of related tax effects, or before related tax effects with one amount shown for the aggregate tax effect related to the total of OCI items? [FASB ASC 220-10-45-11]			
10. Is the amount of income tax expense or benefit allocated to each component of OCI (including reclassification adjustments) displayed on the face of the statement in which those components are displayed or disclosed in the notes to the financial statements? [FASB ASC 220-10-45-12]			
11. Is the total of OCI for a period transferred to a component of equity that is displayed separately from retained earnings and additional paid-in-capital in the balance sheet with a descriptive title such as "accumulated OCI"? [FASB ASC 220-10-45-14]			
12. Are accumulated balances for each classification within accumulated OCI disclosed on the face of the balance sheet, in the statement of changes in shareholders' equity, or in the notes? [FASB ASC 220-10-45-14]			
13. Has the enterprise reported a total for comprehensive income in condensed financial statements of interim periods? [FASB ASC 220-10-45-18]			
14. Has the entity displayed as a separate classification within OCI the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments that are reported in comprehensive income pursuant to FASB ASC 815-20-25-65 and FASB ASC 815-30-35-3? [FASB ASC 815-30-45-1]			

	Yes	No	N/A
15. As part of the disclosures of accumulated OCI, pursuant to FASB ASC 220-10-45-14, has the entity separately disclosed the beginning and ending accumulated derivative gain or loss, the related net change associated with current period hedging transactions, and the net amount of any reclassification into earnings? [FASB ASC 815-30-50-2]	_____	_____	_____

IV. Statement of Cash Flows

Practice Tip

FASB ASC 230-10-45-25 encourages reporting entities to use the direct method of reporting cash flows.

Banks, savings institutions, and credit unions are not required to report gross amounts of cash receipts and cash payments for any of the following:

a. Deposits placed with other financial institutions and withdrawals of deposits

b. Time deposits accepted and repayments of deposits

c. Loans made to customers and principal collections of loans.

[FASB ASC 942-230-45-1]

See FASB ASC 942-230-55 for an example of a cash flow statement for a financial institution under the direct method.

	Yes	No	N/A
1. When banks, savings institutions, and credit unions constitute part of a consolidated entity, are net amounts of cash receipts and cash payments for deposit or lending activities of those entities reported separate from gross amounts of cash receipts and cash payments for other investing and financing activities of the consolidated entity, including those of a subsidiary of a bank, savings institution, or credit union that is not itself a bank, savings institution, or credit union? [FASB ASC 942-230-45-2]	_____	_____	_____
2. Does the statement of cash flows report net cash provided or used by the operating, investing, and financing activities and the effect of those flows on cash and cash equivalents during the period in a manner that reconciles beginning and ending cash and cash equivalents? [FASB ASC 230-10-45-24]	_____	_____	_____
3. Is the accounting policy for determining which items are treated as cash equivalents disclosed? [FASB ASC 230-10-50-1]	_____	_____	_____
4. If the direct method of reporting net cash flow from operating activities is used, do cash flows from operating activities separately report			
a. cash received from customers?	_____	_____	_____
b. interest and dividends received?	_____	_____	_____
c. other operating cash receipts?	_____	_____	_____
d. cash paid to employees and suppliers?	_____	_____	_____

	Yes	No	N/A
e. interest paid?	_____	_____	_____
f. income taxes paid and, separately, the cash that would have been paid for income taxes if increases in the value of equity instruments issued under share-based payment arrangements that are not recognizable as a cost of goods or services for accounting purposes also had not been deductible in determining taxable income (FASB ASC 230-10-45-14(e))?	_____	_____	_____
g. other operating cash payments (if any)? [FASB ASC 230-10-45-25]	_____	_____	_____
5. If the direct method is used, is a separate reconciling schedule provided to reconcile net income to net cash flow from operating activities? [FASB ASC 230-10-45-30]	_____	_____	_____
6. If the direct method of reporting net cash flow from operating activities is not used, is the net cash flow from operating activities reported indirectly by adjusting net income to reconcile it to net cash flow from operating activities? [FASB ASC 230-10-45-28]	_____	_____	_____
7. Is the reconciliation of net income to net cash flow from operating activities, including separate reporting of all major classes of reconciling items, presented? [FASB ASC 230-10-45-29]	_____	_____	_____
8. If the indirect method of reporting net cash flow from operating activities is used, are amounts of interest paid (net of amounts capitalized) and income taxes paid during the period provided in related disclosures? [FASB ASC 230-10-50-2]	_____	_____	_____
9. Are investing and financing activities that affect recognized assets or liabilities, but that do not result in cash receipts or cash payments in the period, disclosed? [FASB ASC 230-10-50-3]	_____	_____	_____
10. Are cash receipts and cash payments for the following transactions classified as cash flows from operating activities:			
a. Cash receipts from returns on loans, other debt instruments of other entities, and equity securities—interest and dividends?	_____	_____	_____
b. All other cash receipts that do not stem from transactions defined as investing or financing activities, such as amounts received to settle lawsuits; proceeds of insurance settlements except for those that are directly related to investing or financing activities, such as from destruction of a building; and refunds from suppliers?	_____	_____	_____
c. Cash payments to other suppliers and employees for other goods or services?	_____	_____	_____

	Yes	No	N/A
d. Cash payments to governments for taxes, duties, fines, and other fees or penalties and the cash that would have been paid for income taxes if increases in the value of equity instruments issued under share-based payment arrangements that are not included in the cost of goods or services recognizable for financial reporting purposes also had not been deductible in determining taxable income?	_____	_____	_____
e. Cash payments to lenders and other creditors for interest?	_____	_____	_____
f. All other cash payments that do not stem from transactions defined as investing or financing activities, such as payments to settle lawsuits, cash contributions to charities, and cash refunds to customers? [FASB ASC 230-10-45 par. 16–17]	_____	_____	_____
11. Are cash receipts and cash payments resulting from purchases and sales of securities, which have been classified as trading securities as discussed in FASB ASC 320, classified in the cash flow statement based on the nature and purpose for which the securities were acquired? [FASB ASC 230-10-45-19]	_____	_____	_____
12. Are cash receipts and cash payments resulting from purchases and sales of other securities and other assets classified as operating cash flows if those assets are acquired specifically for resale and are carried at market value in a trading account? [FASB ASC 230-10-45-20]	_____	_____	_____
13. Are cash receipts and cash payments resulting from acquisitions and sales of loans also classified as operating cash flows if those loans are acquired specifically for resale and are carried at market value or at the lower of cost or market value? [FASB ASC 230-10-45-21]	_____	_____	_____

Note: See paragraph 6.21 of the Audit and Accounting Guide *Depository and Lending Institutions* for additional investing and financing cash flows that may be reported for financial institutions.

	Yes	No	N/A
14. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities:			
a. Receipts from collections or sales of loans?	_____	_____	_____
b. Receipts from sales of property, plant, and equipment?	_____	_____	_____
c. Disbursements for loans made by the entity and payments to acquire debt instruments of other entities (other than cash equivalents and certain debt instruments that are acquired specifically for resale as discussed in FASB ASC 230-10-45-21)?	_____	_____	_____
d. Cash flows from purchases, sales, and maturities of available-for-sale securities?	_____	_____	_____
e. Payments to acquire property, plant, and equipment?	_____	_____	_____
f. Receipts from sales of equity instruments of other enterprises exclusive of those carried in the trading account?	_____	_____	_____

	Yes	No	N/A
g. Payments to acquire equity instruments of other enterprises, exclusive of those carried in the trading account?	_____	_____	_____
h. Receipts from sales of loans that were not specifically acquired for resale. That is, if loans were acquired as investments, are cash receipts from sales of those loans classified as investing cash inflows regardless of a change in the purpose for holding those loans? [FASB ASC 230-10-45 par. 12–13; FASB ASC 310-10-45-11]	_____	_____	_____
15. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities:			
a. Proceeds from issuing debt?	_____	_____	_____
b. Issuance of equity instruments?	_____	_____	_____
c. Payment of dividends?	_____	_____	_____
d. Repayments for amounts borrowed?	_____	_____	_____
e. Purchases of treasury stock?	_____	_____	_____
f. Other principal payments to creditors who have extended long term debt?	_____	_____	_____
g. Proceeds received from derivative instruments and distributions to counterparties of derivative instruments that include financing elements at inception?	_____	_____	_____
h. Cash retained as a result of the tax deductibility of increases in the value of equity instruments issued under share-based payment arrangements that are not included in the cost of goods or services that is recognizable for financial reporting purposes? For this purpose, excess tax benefits should be determined on an individual award (or a portion thereof) basis?	_____	_____	_____
i. Payments for debt issue costs? [FASB ASC 230-10-45 par. 14–15]	_____	_____	_____
16. Are cash payments made to settle an asset retirement obligation classified in the statement of cash flows as an operating activity? [FASB ASC 230-10-45-17(e)]	_____	_____	_____
17. Except for certain items whose turnover is quick, amounts are large, and maturities are short, are cash receipts and cash payments from investing and financing activities shown separately on the statement of cash flows? [FASB ASC 230-10-45 par. 8 and 26]	_____	_____	_____
18. For certain items, such as demand deposits of a bank and customer accounts payable of a broker-dealer, that the entity is substantively holding or disbursing cash on behalf of its customers, are only the net changes during the period in assets and liabilities with those characteristics reported? [FASB ASC 230-10-45-8]	_____	_____	_____

	Yes	No	N/A
19. Providing that the original maturity of the asset or liability is three months or less, are cash receipts and payments pertaining to investments (other than cash equivalents), loans receivable, and debt reported on a net basis? [FASB ASC 230-10-45-9]	_____	_____	_____
20. If an other-than-insignificant financing element is present at inception, other than a financing element inherently included in an at-the-market derivative instrument with no prepayments (that is, the forward points in an at-the-money forward contract), does the borrower report all cash inflows and outflows associated with that derivative instrument as financing activities? [FASB ASC 230-10-45-27]	_____	_____	_____

Practice Tip

If there are only a few noncash transactions, it may be convenient to include them on the same page as the statement of cash flows. Otherwise, the transactions may be reported elsewhere in the financial statements, clearly referenced to the statement of cash flows.
[FASB ASC 230-10-50-6]

V. Summary of Significant Accounting Policies

Practice Tips

As you evaluate the completeness of the significant accounting policies, consider whether additions or revisions are required in response to recently issued accounting guidance. Also consider whether disclosures of accounting policies covered in other sections of this checklist are included.

If the accounting policy disclosures called for in sections such as these are not included in notes elsewhere in the financial statements, they should be included in the summary of accounting policies.
[FASB ASC 235-10-50-4]

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Financial statement disclosure of accounting policies should not duplicate details (for example, composition of inventories or of plant assets) presented elsewhere as part of the financial statements. In some cases, the disclosure of accounting policies should refer to related details presented elsewhere as part of the financial statements; for example, changes in accounting policies during the period should be described with cross-reference to the disclosure required by FASB ASC 250.
[FASB ASC 235-10-50-5]

A. Accounting Policies

	Yes	No	N/A
1. Is a description of all significant accounting policies of the reporting entity presented as either a separate summary preceding the notes to the financial statements or as the initial note? [FASB ASC 235-10-50-6]	_____	_____	_____

	Yes	No	N/A
2. Do the summary or notes identify and describe all significant accounting principles followed by the reporting entity and the methods of applying those principles that materially affect the determination of financial position, cash flows, and results of operations? [FASB ASC 235-10-50-3]	_____	_____	_____
3. Do those principles and methods identified in question 2 include all instances in which there			
a. is a selection from existing acceptable alternatives?	_____	_____	_____
b. are principles and methods peculiar to the industry in which the reporting entity operates, even if such principles and methods are predominantly followed in that industry?	_____	_____	_____
c. are unusual or innovative applications of U.S. GAAP? [FASB ASC 235-10-50-3]	_____	_____	_____

B. Certain Significant Estimates

	Yes	No	N/A
1. If known information available before the financial statements are issued indicates that: (*a*) it is at least reasonably possible that the effect on the financial statements of a condition, situation, or set of circumstances that existed on the date of the financial statements will change in the near term due to one or more future confirming events, and (*b*) the effect of the change would be material to the financial statements:			
a. Is disclosure made of the nature of the uncertainty, including an indication that it is at least reasonably possible that a change in the estimate will occur in the near term?	_____	_____	_____
b. If the estimate involves a loss contingency covered by FASB Statement No. 5, does the disclosure include an estimate of the possible range of loss, or state that such an estimate cannot be made?	_____	_____	_____
c. Does the disclosure describe the factors that cause the estimate to be sensitive to change? [FASB ASC 275-10-50 par. 8–9]	_____	_____	_____

Practice Tip

For public entities, additional disclosures regarding concentration of credit risk may be required by applicable SEC rules and regulations (for example, Item 303 of Regulation S-K, *Management's Discussion and Analysis of Financial Conditions and Results of Operations*). For banks and bank holding companies subject to the requirements of SEC Regulation S-X, Rule 9-03, and SEC Industry Guide 3, additional disclosures may be required.

Yes *No* *N/A*

VI. Interim Financial Reporting

Notes: In March 2008, FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*, to enhance the current disclosure framework in FASB Statement No. 133. This statement has the same scope as FASB Statement No. 133 and, accordingly, applies to all entities.

This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (*a*) how and why an entity uses derivative instruments, (*b*) how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and its related interpretations, and (*c*) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

FASB Statement No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Early application is encouraged. This statement encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, it requires comparative disclosures only for periods subsequent to initial adoption.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 161.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 815-10-65-1.

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In April 2009, FASB issued FSP 107-1 and APB 28-1 to require disclosures about fair value of financial instruments for interim reporting

(continued)

	Yes	No	N/A

periods of publicly traded entities as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. This FSP applies to all financial instruments within the scope of FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, held by publicly traded companies, as defined by APB Opinion No. 28.

FSP FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends), with early adoption permitted for periods ending after March 19, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4 and FSP FAS 115-2 and FAS 124-2. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoptions. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 107-1 and APB 28-1.

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 825-10-65-1.

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In April 2009, FASB issued FSP 115-2 and FAS 124-2 to determine whether the holder on an investment in a debt or equity security for which changes in fair value are not regularly recognized in earnings (such as securities classified as held-to-maturity or available-for-sale) should recognize a loss in earnings when the investment is impaired. This FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

FSP FAS 115-2 and FAS 124-2 is effective for interim and annual reporting periods ending after June 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends). Earlier adoption for periods ending before March 15, 2009, is not permitted. If an entity elects to adopt early either FSP FAS 157-4 or FSP FAS 107-1 and APB 28-1, then entity is also required to adopt early this FSP. Additionally, if an entity elects to adopt early this FSP, it is required to adopt FSP FAS 157-4. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoptions. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption.

(continued)

	Yes	No	N/A

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 115-2 and FAS 124-2.

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 320-10-65-1.

1A. ***(Issuers Only)*** If the entity reports summarized financial information at interim dates (including reports on fourth quarters), has the following, at a minimum, been disclosed:

a. Sales or gross revenues, provision for income taxes, extraordinary items (including related income tax effects), net income, and comprehensive income? ____ ____ ____

b. Basic and diluted EPS data for each period presented, determined in accordance with the provisions of FASB ASC 260? ____ ____ ____

c. Seasonal revenue, costs, or expenses? ____ ____ ____

d. Significant changes in estimates or provisions for income taxes? ____ ____ ____

e. Disposal of a component of an entity and extraordinary, unusual, or infrequently occurring items? ____ ____ ____

f. Contingent items? ____ ____ ____

g. Changes in accounting principles or estimates? ____ ____ ____

h. Significant changes in financial position? ____ ____ ____

i. All of the following information about reportable operating segments determined according to the provisions of FASB ASC 280, including provisions related to restatement of segment information in previously issued financial statements:

i. Revenues from external customers? ____ ____ ____

ii. Intersegment revenues? ____ ____ ____

iii. A measure of segment profit or loss? ____ ____ ____

iv. Total assets for which there has been a material change from the amount disclosed in the last annual report? ____ ____ ____

v. A description of differences from the last annual report in the basis of segmentation or in the measurement of segment profit or loss? ____ ____ ____

vi. A reconciliation of the total of the reportable segments' measures of profit or loss to the entity's consolidated income before income taxes, extraordinary items, and discontinued operations? ____ ____ ____

Yes No N/A

Practice Tip

If an entity allocates items such as income taxes and extraordinary items to segments, the entity may choose to reconcile the total of the segments' measures of profit or loss to consolidated income after those items. Significant reconciling items should be separately identified and described in that reconciliation. [FASB ASC 270-10-50-1(i)(6)]

j. All of the following information about defined benefit pension plans and other defined benefit postretirement benefit plans, disclosed for all periods presented pursuant to the provisions of FASB ASC 715-20: _____ _____ _____

i. The amount of net periodic benefit cost recognized, for each period for which a statement of income is presented, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the gain or loss component, the prior service cost or credit component, the transition asset or obligation component, and the gain or loss recognized due to a settlement or curtailment? _____ _____ _____

ii. The total amount of the employer's contributions paid, and expected to be paid, during the current fiscal year, if significantly different from amounts previously disclosed pursuant to FASB ASC 715-20-50-1? Estimated contributions may be presented in the aggregate combining all of the following: _____ _____ _____

- Contributions required by funding regulations or laws. _____ _____ _____
- Discretionary contributions. _____ _____ _____
- Noncash contributions. _____ _____ _____

k. The information about the use of fair value to measure assets and liabilities recognized in the statement of financial position pursuant to paragraphs 1–6 of FASB ASC 820-10-50? _____ _____ _____

l. The information about derivative instruments as required by FASB ASC 815-10-50, 815-20-50, 815-25-50, 815-30-50, and 815-35-50? _____ _____ _____

m. The information about fair value of financial instruments as required by FASB ASC 825-10-50? _____ _____ _____

n. The information about certain investments in debt and equity securities as required by FASB ASC 320-10-50 and FASB ASC 942-320-50? _____ _____ _____

o. The information about other-than-temporary impairments as required by FASB ASC 320-10-50, 325-25-50, and 958-320-50? _____ _____ _____
["Pending Content" in FASB ASC 270-10-50-1]

Yes *No* *N/A*

Practice Tip

If summarized financial data are regularly reported on a quarterly basis, the foregoing information with respect to the current quarter and the current year-to-date or the last 12 months to date should be furnished together with comparable data for the preceding year.
["Pending Content" in FASB ASC 270-10-50-1]

1B. ***(FASB Statement No. 161) (Issuers Only)*** If the publicly traded entity reports summarized financial information at interim dates (including reports on fourth quarters), has the following, at a minimum, been disclosed:

a. Sales or gross revenues, provision for income taxes, extraordinary items (including related income tax effects), net income, and comprehensive income? _____ _____ _____

b. Basic and diluted EPS data for each period presented, determined in accordance with the provisions of FASB ASC 260? _____ _____ _____

c. Seasonal revenue, costs, or expenses? _____ _____ _____

d. Significant changes in estimates or provisions for income taxes? _____ _____ _____

e. Disposal of a component of an entity and extraordinary, unusual, or infrequently occurring items? _____ _____ _____

f. Contingent items? _____ _____ _____

g. Changes in accounting principles or estimates? _____ _____ _____

h. Significant changes in financial position? _____ _____ _____

i. All of the following information about reportable operating segments determined according to the provisions of FASB ASC 280, including provisions related to restatement of segment information in previously issued financial statements:

i. Revenues from external customers? _____ _____ _____

ii. Intersegment revenues? _____ _____ _____

iii. A measure of segment profit or loss? _____ _____ _____

iv. Total assets for which there has been a material change from the amount disclosed in the last annual report? _____ _____ _____

v. A description of differences from the last annual report in the basis of segmentation or in the measurement of segment profit or loss? _____ _____ _____

vi. A reconciliation of the total of the reportable segments' measures of profit or loss to the entity's consolidated income before income taxes, extraordinary items, and discontinued operations? _____ _____ _____

Yes *No* *N/A*

Practice Tip

(FASB Statement No. 161) If an entity allocates items such as income taxes and extraordinary items to segments, the entity may choose to reconcile the total of the segments' measures of profit or loss to consolidated income after those items. Significant reconciling items should be separately identified and described in that reconciliation.
[FASB ASC 270-10-50-1(i)(6)]

j. All of the following information about defined benefit pension plans and other defined benefit postretirement benefit plans, disclosed for all periods presented pursuant to the provisions of FASB ASC 715-20:

i. The amount of net periodic benefit cost recognized, for each period for which a statement of income is presented, showing separately the service cost component, the interest cost component, the expected return on plan assets for the period, the gain or loss component, the prior service cost or credit component, the transition asset or obligation component, and the gain or loss recognized due to a settlement or curtailment? _____ _____ _____

ii. The total amount of the employer's contributions paid, and expected to be paid, during the current fiscal year, if significantly different from amounts previously disclosed pursuant to FASB ASC 715-20-50-1? Estimated contributions may be presented in the aggregate combining all of the following: _____ _____ _____

- Contributions required by funding regulations or laws. _____ _____ _____
- Discretionary contributions. _____ _____ _____
- Noncash contributions. _____ _____ _____

k. The information about the use of fair value to measure assets and liabilities recognized in the statement of financial position pursuant to paragraphs 1–6 of FASB ASC 820-10-50? _____ _____ _____

l. The information about derivative instruments as required by FASB ASC 815-10-50, 815-20-50, 815-25-50, 815-30-50, and 815-35-50? _____ _____ _____
["Pending Content" in FASB ASC 270-10-50-1]

2. If the reporting entity is a publicly traded company and if interim financial data and disclosures are not separately reported for the fourth quarter, are accounting changes made during the fourth quarter, disposals of segments of a business, extraordinary, unusual, or infrequently occurring items recognized in the fourth quarter, and the aggregate effect of year-end adjustments that are material to the results of that quarter disclosed in a note to the financial statements? _____ _____ _____
[FASB ASC 270-10-50-2]

	Yes	No	N/A
3. Has the disclosure of the impact of the financial results for interim periods of the matters discussed in paragraphs 12–16 of FASB ASC 270-10-45 and paragraphs 5–6 of FASB ASC 270-10-50 been made? [FASB ASC 270-10-50-3]	____	____	____
4. Has balance sheet and cash flow data been published for the interim periods? ***(Encouraged, but not required)*** [FASB ASC 270-10-50-4]	____	____	____
5. Have extraordinary items been disclosed separately and including in the determination of net income for the period in which the occurred? [FASB ASC 270-10-50-5]	____	____	____

Practice Tip

The disclosures in question 6 should be repeated in interim and annual reports until the contingencies have been removed, resolved, or have become immaterial. The significance of a contingency or uncertainty should be judged in relation to annual financial statements. Disclosures of such items should include, but not be limited to, those matters that form the basis of a qualification of an independent auditor's report. [FASB ASC 270-10-50-6]

	Yes	No	N/A
6. Have contingencies and other uncertainties that could be expected to affect the fairness of presentation of financial data at an interim date been disclosed in the same manner required for annual reports? [FASB ASC 270-10-50-6]	____	____	____

VII. Other Financial Statement Disclosures

A. Business Combinations

Notes: For entities for which FASB Statement No. 141(R) is applicable, complete part A1, "Business Combinations (Subject to FASB Statement 141(R))."

Because FASB Statement No. 141(R) is to be applied prospectively, based on the transition guidance, and because FASB used a target effective date of December 31, 2008, when authoring FASB ASC, FASB Statement No. 141 was not codified and included in FASB ASC. FASB ASC 805, *Business Combinations*, was created using only FASB Statement No. 141(R) and related content. As noted, it excluded content from FASB Statement No. 141 and related standards. To maintain a consistent presentation, FASB ASC 805 presents all content as pending content even though some content applies to business combinations before the effective date of FASB Statement No. 141(R). Accordingly, for business combinations applicable before the effective date in FASB ASC 805-10-65-1, users need to access FASB Statement No. 141 and any other relevant standards. This decision results in this section of the checklist containing references to

(continued)

Yes *No* *N/A*

pre-FASB FASB Statement No. 141(R) guidance, which has not been codified.

In December 2007, FASB issued Statement No. 141(R) to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. FASB Statement No. 141(R) supersedes FASB Statement No. 141 but retains the fundamental requirements in FASB Statement No. 141 that the acquisition method of accounting (formerly called the purchase method in FASB Statement No. 141) be used for all business combinations and that an acquirer be identified for each business combination.

Among many other significant amendments to existing pronouncements precipitated by FASB Statement No. 141(R), this statement redefines *goodwill* in FASB Statement No. 142 to mean an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

FASB Statement No. 141(R) applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquiree), including those sometimes referred to as *true mergers* or *mergers of equals* and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. This statement applies to all business entities, including mutual entities that previously used the pooling-of-interests method of accounting for some business combinations. It does not apply to the following:

a. The formation of a joint venture

b. The acquisition of an asset or a group of assets that does not constitute a business

c. A combination between entities or businesses under common control

d. A combination between not-for-profit entities or the acquisition of a for-profit business by a not-for-profit entity

This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). An entity may not apply it before that date.

Part A1, “Business Combinations (Subject to FASB Statement No. 141(R)),” of this checklist (following) has been updated to include the presentation and disclosure requirements of FASB Statement No. 141(R).

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 805-10-65-1.

	Yes	No	N/A
1. Do the notes to the financial statements of a combined entity disclose the following information in the period in which a material business combination is completed:			
a. The name and a brief description of the acquired entity and the percentage of voting equity interests acquired?	____	____	____
b. The primary reasons for the acquisition, including a description of the factors that contributed to a purchase price that results in recognition of goodwill?	____	____	____
c. The period for which the results of operations of the acquired entity are included in the income statement of the combined entity?	____	____	____
d. The cost of the acquired entity and, if applicable, the number of shares of equity interests (such as common shares, preferred shares, or partnership interests) issued or issuable, the value assigned to those interests, and the basis for determining that value?	____	____	____
e. A condensed balance sheet disclosing the amount assigned to each major asset and liability caption of the acquired entity at the acquisition date?	____	____	____
f. Contingent payments, options, or commitments specified in the acquisition agreement and the accounting treatment that will be followed should any such contingency occur?	____	____	____
g. The amount of purchased research and development assets acquired and written off in the period (refer to paragraph 42 of FASB Statement No. 141) and the line item in the income statement in which the amounts written off are aggregated?	____	____	____
h. For any purchase price allocation that has not been finalized, that fact and the reasons therefore?	____	____	____
i. In subsequent periods, the nature and amount of any material adjustment made to the initial allocation of the purchase price? [SFAS 141 par. 51]	____	____	____
2. Is the following information disclosed in the notes to the financial statements in the period in which a material business combination is completed if the amounts assigned to goodwill or to other intangible assets acquired are significant in relation to the total cost of the acquired entity:			
a. For intangible assets subject to amortization,			
i. the total amount assigned and the amount assigned to a major intangible asset class?	____	____	____
ii. the amount of any significant residual value, in total and by major intangible asset class?	____	____	____
iii. the weighted-average amortization period, in total and by major intangible asset class?	____	____	____

	Yes	No	N/A
b. For intangible assets not subject to amortization the total amount assigned and the amount assigned to any major intangible asset class?	_____	_____	_____
c. For goodwill,			
i. the total amount of goodwill and the amount that is expected to be deductible for tax purposes?	_____	_____	_____
ii. the amount of goodwill by reportable segment (if the combined entity is required to disclose segment information in accordance with FASB Statement No. 131), unless not practicable? [SFAS 141 par. 52]	_____	_____	_____
3. If a series of individually immaterial business combinations completed during the period are material in the aggregate, is the following disclosed:			
a. The number of entities acquired and a brief description of those entities?	_____	_____	_____
b. The aggregate cost of the acquired entities, the number of equity interests, (such as common shares, preferred shares, or partnership interests) issued or issuable, and the value assigned to those interests?	_____	_____	_____
c. The aggregate amount of any contingent payments, options, or commitments and the accounting treatment that will be followed should any contingency occur (if potentially significant in relation to the aggregate cost of the acquired entities)?	_____	_____	_____
d. The information described in question 2, if the aggregate amount assigned to goodwill or to other intangible assets acquired is significant in relation to the aggregate cost of the acquired entities? [SFAS 141 par. 53]	_____	_____	_____
4. If the combined entity is a public business enterprises, is the following supplemental information on a pro forma basis for the period in which a material business combinations occurs (or for the period in which a series of individually immaterial business combinations occur that are material in the aggregate) disclosed:			
a. Results of operations for the current period as though the business combination or combinations had been completed at the beginning of the period unless the acquisition was at or near the beginning of the period?	_____	_____	_____
b. Results of operations for the comparable period as though the business combination or combinations had been completed at the beginning of that period if comparative financial statements are presented? [SFAS 141 par. 54]	_____	_____	_____

	Yes	No	N/A
5. Does the supplemental pro forma information display revenue, income before extraordinary items and the cumulative effect of accounting changes, net income, and earnings per share at a minimum? (***Note:*** In determining the pro forma amounts, income taxes, interest expense, preferred share dividends, and depreciation and amortization of assets shall be adjusted to the accounting base recognized for each in recording the combination. Pro forma information related to results of operations of periods prior to the combination shall be limited to the results of operations for the immediately preceding period.) [SFAS 141 par. 55]	_____	_____	_____
6. Does the supplemental pro forma information disclose the nature and amount of material, nonrecurring items included in the reported pro forma results of operations, if any? [SFAS 141 par. 55]	_____	_____	_____
7. In the period in which an extraordinary gain is recognized related to a business combination, do the notes to the financial statements disclose the information required by paragraph 11 of APB Opinion No. 30, *Disclosure of Lease Commitments by Lessees*? [SFAS 141 par. 56]	_____	_____	_____
8. If a material business combination is completed after the balance sheet date but before the financial statements are issued, is the information required by questions 1–2 disclosed if practicable? [SFAS 141 par. 57]	_____	_____	_____
Interim Financial Information			
9. For summarized interim financial information of a public business enterprise is the following information disclosed if a material business combination is completed during the current year up to the date of the most recent interim statement of financial position presented:			
a. The name and a brief description of the acquired entity and the percentage of voting equity interests acquired?	_____	_____	_____
b. The primary reasons for the acquisition, including a brief description of the factors that contributed to a purchase price that results in recognition of goodwill?	_____	_____	_____
c. The period for which the results of operations of the acquired entity are included in the income statement of the combined entity?	_____	_____	_____
d. The cost of the acquired entity and, if applicable, the number of shares of equity interests (such as common shares, preferred shares, or partnership interests) issued or issuable, the value assigned to those interests, and the basis for determining that value?	_____	_____	_____

	Yes	No	N/A
e. Supplemental pro forma information that discloses the results of operations for the current interim period and the current year up to the date of the most recent interim statement of financial position presented (and for the corresponding periods in the preceding year) as though the business combination had been completed as of the beginning of the period reported on?	____	____	____
f. The nature and amount of any material, nonrecurring items included in the reported pro forma results of operations?	____	____	____
g. Do the pro forma information disclosures in item (*e*) display at a minimum, revenue, income before extraordinary items and the cumulative effect of accounting changes (including those on an interim basis), net income and earnings per share? [SFAS 141 par. 58]	____	____	____
10. If, as part of a business combination accounted for as a purchase, a material liability is recognized by the combined company for costs incurred to (*a*) exit an activity, (*b*) involuntarily terminate employees of an acquired company, or (*c*) relocate employees of an acquired company,			
a. are the following disclosures made for the period in which a purchase business combination occurs:			
i. If the plans to exit an activity or involuntarily terminate (relocate) employees of the acquired company are not final as of the balance sheet date, a description of any unresolved issues, the types of additional liabilities that may result in an adjustment to the purchase price allocation, and how any adjustment will be reported?	____	____	____
ii. A description of the type and amount of liabilities assumed in the purchase price allocation for costs to exit an activity or involuntary terminate (relocate) employees?	____	____	____
iii. A description of the major actions comprising the plan to exit an activity or involuntarily terminate (relocate) employees of an acquired company?	____	____	____
iv. A description of activities of the acquired company that will not be continued, including the method of disposition, and the anticipated date of completion and description of employee group(s) to be terminated (relocated)?	____	____	____
b. are the following disclosures made for all periods presented subsequent to the acquisition date in which a purchase business combination occurred, until a plan to exit an activity or involuntarily terminate or relocate employees of an acquired company is fully executed:			

	Yes	No	N/A
i. A description of the type and amount of exit costs, involuntary employee termination costs, and relocation costs paid and charged against the liability?	_____	_____	_____
ii. The amount of any adjustment to the liability account and whether the corresponding entry was an adjustment of the costs of the acquired company or included in the determination of net income for the period? [EITF 95-3]	_____	_____	_____
11. Are the following disclosures made for business combinations between parties with a preexisting relationship:			
a. The nature of the preexisting relationship?	_____	_____	_____
b. The measurement of the settlement amount of the preexisting relationship, if any, and the valuation method used to determine the settlement amount?	_____	_____	_____
c. The amount of any settlement gain or loss recognized and its classification in the statement of operations? [EITF 04-1]	_____	_____	_____
12. Amounts previously recognized as goodwill should not be reclassified as an identifiable intangible asset, however, previously recognized goodwill should be tested for impairment by applying the consensuses in step 2 of a goodwill impairment test. As a result of the application of EITF Issue No. 04-1, "Accounting for Preexisting Relationships between the Parties to a Business Combination," is any effect on a goodwill impairment charge reported in operating income? [EITF 04-1]	_____	_____	_____

A1. Business Combinations (Subject to FASB Statement No. 141(R))

Notes: In December 2007, FASB issued Statement No. 141(R) to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. FASB Statement No. 141(R) supersedes FASB Statement No. 141 but retains the fundamental requirements in FASB Statement No. 141 that the acquisition method of accounting (formerly called the purchase method in FASB Statement No. 141) be used for all business combinations and that an acquirer be identified for each business combination.

Among many other significant amendments to existing pronouncements precipitated by FASB Statement No. 141(R), this statement redefines goodwill in FASB Statement No. 142 to mean an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

FASB Statement No. 141(R) applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquiree), including those sometimes referred to as *true*

(continued)

	Yes	No	N/A

mergers or *mergers of equals* and combinations achieved without the transfer of consideration, for example, by contract alone or through the lapse of minority veto rights. This statement applies to all business entities, including mutual entities that previously used the pooling-of-interests method of accounting for some business combinations. It does not apply to the following:

a. The formation of a joint venture

b. The acquisition of an asset or a group of assets that does not constitute a business

c. A combination between entities or businesses under common control

d. A combination between not-for-profit entities or the acquisition of a for-profit business by a not-for-profit entity

This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). An entity may not apply it before that date.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 141(R).

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 805-10-65-1.

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In April 2009, FASB amended FASB Statement No. 141(R) through the issuance of FSP FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*. The FSP amends the initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The FSP is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after

(continued)

	Yes	No	N/A

the beginning of the first annual reporting period beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). As indicated in FASB ASC 270-10-50, the disclosures also apply to interim periods.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 141(R)-1.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

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FASB Statement No. 141(R) and FSP FAS 141(R)-1 require disclosures that enable users of its financial statements to evaluate

a. the nature and financial effect of a business combination that occurs either during the current reporting period, or after the reporting date but before the financial statements are issued or are available to be issued (see FASB ASC 855-10-25).

b. the financial effects of adjustments recognized in the current reporting period that relate to business combinations that occurred in the current or previous reporting periods.

Practice Tip

(FASB Statement No. 141(R)) The acquirer should disclose information that enables users of its financial statements to evaluate the nature and financial effect of a business combination that occurs either during the current reporting period or after the reporting date but before the financial statements are issued or are available to be issued.
["Pending Content" in FASB ASC 805-10-50-1]

1B. ***(FASB Statement No. 141(R))*** For each business combination that occurs during the reporting period, has the entity disclosed

	Yes	No	N/A
a. the name and a description of the acquiree?	_____	_____	_____
b. the acquisition date?	_____	_____	_____
c. the percentage of voting equity interests acquired?	_____	_____	_____

	Yes	No	N/A
d. the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree?	_____	_____	_____
e. for transactions that are recognized separately from the acquisition of assets and assumptions of liabilities in the business combination (see FASB ASC 805-10-25-20), all of the following:			
i. A description of each transaction?	_____	_____	_____
ii. How the acquirer accounted for each transaction?	_____	_____	_____
iii. The amounts recognized for each transaction and the line item in the financial statements in which each amount is recognized?	_____	_____	_____
iv. If the transaction is the effective settlement of a preexisting relationship, the method used to determine the settlement amount?	_____	_____	_____
f. for separately recognized transactions required in item (e),			
i. the amount of acquisition-related costs, the amount recognized as an expense, and the line item or items in the income statement in which those expenses are recognized?	_____	_____	_____
ii. the amount of any issuance costs not recognized as an expense and how they were recognized?	_____	_____	_____
g. in a business combination achieved in stages, both of the following:			
i. The acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date?	_____	_____	_____
ii. The amount of any gain or loss recognized as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination (see FASB ASC 805-10-25-10) and the line item in the income statement in which that gain or loss is recognized?	_____	_____	_____
h. ***(Issuers Only)*** if the acquirer is a public business entity, are all of the following disclosed:			
i. The amounts of revenue and earnings of the acquiree since the acquisition date included in the consolidated income statement for the reporting period?	_____	_____	_____
ii. The revenue and earnings of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period (supplemental pro forma information)?	_____	_____	_____

	Yes	No	N/A
iii. If comparative financial statements are presented, the revenue and earnings of the combined entity for the comparable prior reporting period as though the acquisition date for all business combinations that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period (supplemental pro forma information)? ["Pending Content" in FASB ASC 805-10-50-2]	____	____	____

Practice Tips

(FASB Statement No. 141(R)) If disclosure of any of the information required by item (h) is impracticable, the acquirer should disclose that fact and explain why the disclosure is impracticable.
["Pending Content" in FASB ASC 805-10-50-2(h)]

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(FASB Statement No. 141(R)) If the acquisition date of a business combination is after the reporting date but before the financial statements are issued or are available to be issued, the acquirer should disclose the information required by question 1B unless the initial accounting for the business combination is incomplete at the time the financial statements are issued or are available to be issued. In that situation, the acquirer should describe which disclosures could not be made and the reason why they could not be made.
["Pending Content" in FASB ASC 805-10-50-4]

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(FASB Statement No. 141(R)) If the acquisition date of a business combination is in the previous reporting period, the acquirer should disclose information that enables users of its financial statements to evaluate the financial effects of adjustments recognized in the current reporting period related to that prior business combination.
["Pending Content" in FASB ASC 805-10-50-5]

	Yes	No	N/A
2B. ***(FASB Statement No. 141(R))*** For individually immaterial business combinations occurring during the reporting period that are material collectively, has the entity disclosed the information required by items (e)–(g) in question 1B in the aggregate? ["Pending Content" in FASB ASC 805-10-50-3]	____	____	____
3B. ***(FASB Statement No. 141(R))*** If the initial accounting for a business combination is incomplete (see paragraphs 13–14 of FASB ASC 805-10-25) and the amounts recognized in the financial statements have been determined only provisionally, has the entity disclosed the following information for each material business combination (or, in the aggregate for individually immaterial business combinations that are material collectively):			
a. The reasons why the initial accounting is incomplete?	____	____	____
b. The assets, liabilities, equity interests, or items of consideration for which the initial accounting is incomplete?	____	____	____
c. The nature and amount of any measurement period adjustments recognized during the reporting period in accordance with FASB ASC 805-10-25-17? ["Pending Content" in FASB ASC 805-10-50-6]	____	____	____

Yes No N/A

4B. ***(FASB Statement No. 141(R) and FSP FAS 141(R)-1)*** With respect to identifiable assets and liabilities and any noncontrolling interest, has the entity disclosed all of the following for each business combination that occurs during the reporting period:

a. For indemnification assets, all of the following:

i. The amount recognized as of the acquisition date? _____ _____ _____

ii. A description of the arrangement and the basis for determining the amount of the payment? _____ _____ _____

iii. An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated? (If the maximum amount of the payment is unlimited, the entity should disclose that fact.) _____ _____ _____

b. For acquired receivables not subject to the requirements of FASB ASC 310-30, all of the following (provided by major class of receivable, such as loans, direct financing leases in accordance with FASB ASC 840-30, and any other class of receivables):

i. The fair value of the receivables? _____ _____ _____

ii. The gross contractual amounts receivable? _____ _____ _____

iii. The best estimate at the acquisition date of the contractual cash flows not expected to be collected? _____ _____ _____

c. The amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed (see example 5 in FASB ASC 805-10-55-37)? _____ _____ _____

d. For contingencies, in the footnote that describes the business combination,

i. for assets and liabilities arising from contingencies recognized at the acquisition date (which may be aggregated for assets or liabilities arising from contingencies that are similar in nature), (1) the amounts recognized at the acquisition date and the measurement basis applied (that is, at fair value or at an amount recognized in accordance with FASB ASC 450, *Contingencies*, and FASB ASC 450-20-25), and (2) the nature of the contingencies? _____ _____ _____

ii. for contingencies that are not recognized at the acquisition date, the disclosures required by FASB ASC 450 if the criteria for disclosures therein are met (which may be aggregated for assets and liabilities arising from contingencies that are similar in nature)? _____ _____ _____

e. For each business combination in which the entity holds less than 100 percent of the equity interests in the acquiree,

	Yes	No	N/A
i. the fair value of the noncontrolling interest in the acquiree at the acquisition date?	_____	_____	_____
ii. the valuation technique(s) and significant inputs used to measure the fair value of the noncontrolling interest? ["Pending Content" in FASB ASC 805-20-50-1]	_____	_____	_____
5B. ***(FASB Statement No. 141(R))*** For individually immaterial business combinations occurring during the reporting period that are material collectively, has the entity disclosed the information required by question 4B in the aggregate? ["Pending Content" in FASB ASC 805-20-50-2]	_____	_____	_____
6B. ***(FASB Statement No. 141(R))*** If the acquisition date of a business combination is after the reporting date but before the financial statements are issued or are available to be issued (as discussed in FASB ASC 855-10-25), has the entity disclosed			
a. the information required by question 4B (FASB ASC 805-20-50-1)?	_____	_____	_____
b. if the initial accounting for the business combination is incomplete at the time the financial statements are issued or are available to be issued, a description of which disclosures could not be made and the reason why they could not be made? ["Pending Content" in FASB ASC 805-20-50-3]	_____	_____	_____
7B. ***(FASB Statement No. 141(R))*** With respect to goodwill, has the entity disclosed all of the following information for each business combination that occurs during the reporting period:			
a. A qualitative description of the factors that make up the goodwill recognized, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition, or other factors?	_____	_____	_____
b. The acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as the following:			
i. Cash?	_____	_____	_____
ii. Other tangible or intangible assets, including a business or subsidiary of the acquirer?	_____	_____	_____
iii. Liabilities incurred, for example, a liability for contingent consideration?	_____	_____	_____
iv. Equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of determining the fair value of those instruments or interests?	_____	_____	_____
c. For contingent consideration arrangements, all of the following:			
i. The amount recognized as of the acquisition date?	_____	_____	_____

	Yes	No	N/A
ii. A description of the arrangement and the basis for determining the amount of the payment?	_____	_____	_____
iii. An estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated? If the maximum amount of the payment is unlimited, the acquirer should disclose that fact.	_____	_____	_____
d. The total amount of goodwill that is expected to be deductible for tax purposes?	_____	_____	_____
e. If the acquirer is required to disclose segment information in accordance with FASB ASC 280-10, the amount of goodwill by reportable segment? (If the assignment of goodwill to reporting units required by paragraphs 41–44 of FASB ASC 350-20-35 has not been completed as of the date the financial statements are issued or are available to be issued, the acquirer should disclose that fact.)	_____	_____	_____
f. In a bargain purchase (see paragraphs 2–4 of FASB ASC 805-30-25), both of the following:			
i. The amount of any gain recognized in accordance with FASB ASC 805-30-25-2 and the line item in the income statement in which the gain is recognized?	_____	_____	_____
ii. A description of the reasons why the transaction resulted in a gain? ["Pending Content" in FASB ASC 805-30-50-1]	_____	_____	_____
8B. ***(FASB Statement No. 141(R))*** For individually immaterial business combinations occurring during the reporting period that are material collectively, has the entity disclosed the information required by question 7B in the aggregate? ["Pending Content" in FASB ASC 805-30-50-2]	_____	_____	_____
9B. ***(FASB Statement No. 141(R))*** If the acquisition date of a business combination is after the reporting date but before the financial statements are issued or are available to be issued (as discussed in FASB ASC 855-10-25), has the entity disclosed	_____	_____	_____
a. the information required by questions 1B, 4B, and 7B?	_____	_____	_____
b. if the initial accounting for the business combination is incomplete at the time the financial statements are issued or are available to be issued, a description of which disclosures could not be made and the reason why they could not be made? ["Pending Content" in FASB ASC 805-10-50-4, FASB ASC 805-20-50-3, and FASB ASC 805-30-50-3]	_____	_____	_____
10B. ***(FASB Statement No. 141(R))*** With respect to adjustments that relate to business combinations that occurred in the current or previous reporting periods, has the entity disclosed the following information for each material business combination:			

	Yes	No	N/A
a. For each reporting period after the acquisition date until the entity collects, sells, or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires, all of the following:			
i. Any changes in the recognized amounts, including any differences arising upon settlement?	____	____	____
ii. Any changes in the range of outcomes (undiscounted) and the reasons for those changes?	____	____	____
iii. The fair value disclosures required by paragraphs 1–3 of FASB ASC 820-10-50?	____	____	____
b. A reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period as required by FASB ASC 350-20-50-1? ["Pending Content" in FASB ASC 805-30-50-4]	____	____	____

Practice Tip

(FASB Statement No. 141(R)) Paragraphs 1–5 of FASB ASC 805-50-45 provide guidance on financial statement presentation in the period of transfer and for periods before the transfer of assets and liabilities between entities under common control. Question 11B addresses incremental disclosures related to such a transaction. The receiving entity also should consider whether additional disclosures are required in accordance with FASB ASC 850-10-50, which provides guidance on related party transactions and certain common control relationships.
["Pending Content" of FASB ASC 805-50-50 par. 1–4]

	Yes	No	N/A
11B. ***(FASB Statement No. 141(R))*** If the entity is the receiving entity in transactions between entities under common control, has the following been disclosed for the period in which the transfer of assets and liabilities or exchange of equity interests has occurred:			
a. The name and brief description of the entity included in the reporting entity as a result of the net asset transfer or exchange of equity interests?	____	____	____
b. The method of accounting for the transfer of net assets or exchange of equity interests? ["Pending Content" in FASB ASC 805-50-50-3]	____	____	____

Practice Tip

(FASB Statement No. 141(R)) FASB ASC 805-740-30-3 describes a situation in which an acquirer reduces its valuation allowance for deferred tax assets as a result of a business combination. FASB ASC 740-10-50-9(h) requires disclosure of adjustments of the beginning-of-the-year balance of a valuation allowance because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset in future years. That would include, for example, any acquisition date income tax benefits or expenses recognized from changes in the acquirer's valuation allowance for its previously existing deferred tax assets as a result of a business combination.
["Pending Content" in FASB ASC 805-740-50-1]

Yes No N/A

B. Accounting Changes and Error Corrections

Practice Tip

In determining materiality for the purpose of reporting the correction of an error, amounts should be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings. Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings should be separately disclosed in the interim period.
[FASB ASC 250-10-45-27]

Change in Accounting Principle

1. Is the following disclosed in the fiscal period in which a change in accounting principle is made (not required for subsequent periods):

   a. The nature of and reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable? _____ _____ _____

   b. The method of applying the change, including all of the following:

      i. A description of the prior-period information that has been retrospectively adjusted, if any? _____ _____ _____

      ii. The effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), any other affected financial statement line item, and any affected per-share amounts for the current period and any prior periods retrospectively adjusted? Presentation of the effect on financial statement subtotals and totals other than income from continuing operations and net income (or other appropriate captions of changes in the applicable net assets or performance indicator) is not required. _____ _____ _____

      iii. The cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented? _____ _____ _____

      iv. If retrospective application to all prior periods is impracticable, disclosure of the reasons therefore, and a description of the alternative method used to report the change (see paragraphs 5–7 of FASB ASC 250-10-45)? _____ _____ _____

   c. If indirect effects of a change in accounting principle are recognized,

      i. a description of the indirect effects of a change in accounting principle, including the amounts that have been recognized in the current period, and the related per-share amounts, if applicable? _____ _____ _____

	Yes	No	N/A
ii. unless impracticable, the amount of the total recognized indirect effects of the accounting change and the related per-share amounts, if applicable, that are attributable to each prior period presented? [FASB ASC 250-10-50-1]	_____	_____	_____
2. If a change in accounting principle has no material effect in the period of change but is reasonably certain to have a material effect in later periods, are the disclosures required by question 1(*a*) provided whenever the financial statements of the period of change are presented? [FASB ASC 250-10-50-1]	_____	_____	_____
3. In the fiscal year in which a new accounting principle is adopted, does financial information reported for interim periods after the date of adoption include disclosure of the effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and related per-share amounts, if applicable, for those postchange interim periods? [FASB ASC 250-10-50-3]	_____	_____	_____

Practice Tip

(Issuers Only) A change in accounting principle made in an interim period should be reported by retrospective application in accordance with FASB ASC 250-10-45-5. However, the impracticability exception in FASB ASC 250-10-45-9 may not be applied to prechange interim periods of the fiscal year in which the change is made. When retrospective application to prechange interim periods is impracticable, the desired change may only be made as of the beginning of a subsequent fiscal year.
[FASB ASC 250-10-45-14]

	Yes	No	N/A
4. ***(Issuers Only)*** If a public company that regularly reports interim information makes an accounting change during the fourth quarter of its fiscal year and does not report the data specified by FASB ASC 270-10-50-1, in a separate fourth-quarter report or in its annual report, does the entity include disclosure of the effects of the accounting change on interim-period results, as required by FASB ASC 250-10-50-1, in a note to the annual financial statements for the fiscal year in which the change is made? [FASB ASC 250-10-45-15]	_____	_____	_____
Change in Accounting Estimate			
5. Is the effect on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and any related per-share amounts of the current period disclosed for a change in estimate that affects several future periods, such as a change in service lives of depreciable assets? Disclosure of those effects is not necessary for estimates made each period in the ordinary course of accounting for items such as uncollectible accounts or inventory obsolescence; however, if the effect of a change in the estimate is material, is it disclosed? [FASB ASC 250-10-50-4]	_____	_____	_____

	Yes	No	N/A
6. When an entity effects a change in estimate by changing an accounting principle, are the disclosures required by questions 1–3 made? [FASB ASC 250-10-50-4]	_____	_____	_____
7. If a change in estimate does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, is a description of that change in estimate disclosed whenever the financial statements of the period of change are presented? [FASB ASC 250-10-50-4]	_____	_____	_____

Change in the Reporting Entity

	Yes	No	N/A
8. When there has been a change in the reporting entity, do the financial statements of the period of the change describe the nature of the change and the reason for it? [FASB ASC 250-10-50-6]	_____	_____	_____
9. Is the effect of the change on income before extraordinary items, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), other comprehensive income, and any related per-share amounts disclosed for all periods presented? [FASB ASC 250-10-50-6]	_____	_____	_____
10. If a change in reporting entity does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, is the nature of and reason for the change disclosed whenever the financial statements of the period of change are presented? [FASB ASC 250-10-50-6]	_____	_____	_____

Practice Tip

FASB ASC 805-10-50, FASB ASC 805-20-50, FASB ASC 805-30-50, and FASB ASC 805-740-50 describe the manner of reporting and the disclosures required for a business combination.
[FASB ASC 250-10-50-6]

	Yes	No	N/A
11. If a change in reporting entity results in financial statements that are, in effect, the statements of a different reporting entity, has the change been retrospectively applied to all periods presented? [FASB ASC 250-10-45-21]	_____	_____	_____

Correction of an Error in Previously Issued Financial Statements

	Yes	No	N/A
12. When financial statements are restated to correct an error, does the entity disclose that its previously issued financial statements have been restated, along with a description of the nature of the error? Does the entity also disclose the following:			
a. The effect of the correction on each financial statement line item and any per-share amounts affected for each prior period presented?	_____	_____	_____

	Yes	No	N/A
b. The cumulative effect of the change on retained earnings or other appropriate components of equity or net assets in the statement of financial position, as of the beginning of the earliest period presented? [FASB ASC 250-10-50-7]	____	____	____
13. In addition, does the entity make the following disclosures of prior-period adjustments and restatements (see also FASB ASC 205-10-45 and FASB ASC 205-10-50-1):			
a. For single period financial statements, the effects (including applicable income taxes) of such restatement on the balance of retained earnings at the beginning of the period and on the net income of the immediately preceding period?	____	____	____
b. For multiple-period financial statements, the effects (including applicable income taxes) for each of the periods included in the statements, in total and by class, of the correction on change in net assets for each of the periods presented? [FASB ASC 250-10-50-9]	____	____	____

C. Commitments and Contingencies (See also part I, "Guarantees.")

Notes: In June 2008, FASB issued a proposed Statement of Financial Accounting Standards titled *Disclosure of Certain Loss Contingencies—an amendment of FASB Statements No. 5 and 141(R)* that would replace the disclosure requirements in FASB Statement No. 5 for loss contingencies that are recognized as liabilities in a statement of financial position and for unrecognized loss contingencies that would be recognized as liabilities if the criteria for recognition in paragraph 8 of FASB Statement No. 5 were met. Loss contingencies that are (or would be) recognized as asset impairments would continue to be disclosed in accordance with FASB Statement No. 5. This proposed statement would also amend FASB Statement No. 141(R) to require the disclosures included in this statement for loss contingencies recognized in a business combination. This proposed statement would not change the recognition and measurement guidance for loss contingencies contained in FASB Statement No. 5 and in FASB Statement No. 141(R).

On September 24, 2008, FASB decided on a plan for redeliberations and directed the staff to prepare an alternative model that will attempt to address the concerns that certain constituents raised about this proposed statement. This alternative model will be field tested along with the model in the exposure draft. The board also decided that any final statement on this topic will be effective no sooner than for fiscal years ending after December 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends).

(continued)

	Yes	No	N/A

FASB began redeliberation of disclosure of certain loss contingencies at the August 19, 2009 meeting. They plan to continue redeliberations in a future meeting. FASB did not rule out the possibility that final guidance on this project could be effective for fiscal years ending after December 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends).

This checklist has not been updated to include the presentation and disclosure requirements of this proposed statement. Readers may continue to check the status of this proposed statement on the FASB Web site at www.fasb.org.

1. Is disclosure made of the nature of estimated loss contingencies accrued when (*a*) information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and (*b*) the amount of loss can be reasonably estimated? ____ ____ ____
[FASB ASC 450-20-25-2; FASB ASC 450-20-50-1]

2. If necessary to keep the financial statements from being misleading, are the amounts of contingencies accrued as described in question 1 disclosed? ____ ____ ____
[FASB ASC 450-20-50-1]

3. If the criteria in FASB ASC 275-10-50-8 are met, has the entity disclosed that it is at least reasonably possible that a change in an entity's estimate of its liability could occur in the near term? (FASB ASC 450-20-55-36 illustrates this disclosure for an entity involved in litigation.) ____ ____ ____
[FASB ASC 450-20-50-2; FASB ASC 275-10-50-9]

4. For loss contingencies not accrued because one or both of the conditions described in question 1 are not met or if an exposure to loss exists in excess of the amount accrued for a loss contingency, do disclosures indicate the
   a. nature of the contingency? ____ ____ ____
   b. estimate of possible loss or range of loss, or a statement that such estimate cannot be made? ____ ____ ____
   [FASB ASC 450-20-50 par. 3–4]

Practice Tips

Disclosure is preferable to accrual when a reasonable estimate of loss cannot be made. For example, disclosure should be made of any loss contingency that meets the condition in FASB ASC 450-20-25-2(a), question 1, but that is not accrued because the amount of loss cannot be reasonably estimated. Disclosure also should be made of some loss contingencies that do not meet the condition in FASB ASC 450-20-25-2(a), question 1, namely, those contingencies for which there is a reasonable possibility that a loss may have been incurred even though information may not indicate that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements.
[FASB ASC 420-10-50-5]

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(continued)

Yes No N/A

Disclosure is not required of a loss contingency involving an unasserted claim or assessment if there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless both of the following conditions are met:

- It is considered probable that a claim will be asserted.
- There is a reasonable possibility that the outcome will be unfavorable.

Further, disclosure of noninsured or underinsured risks in encouraged but not required.
[FASB ASC 450-20-50 par. 6–7]

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Disclosure of a loss, or a loss contingency, arising after the date of an entity's financial statements but before those financial statements are issued, as described in paragraphs 6–7 of FASB ASC 450-20-25, may be necessary to keep the financial statements from being misleading if an accrual is not required. If disclosure is deemed necessary, the financial statements should include both of the following:

- The nature of the loss or loss contingency
- An estimate of the amount or range of loss or possible loss or a statement that such an estimate cannot be made

Occasionally, in the case of a loss arising after the date of the financial statements if the amount of asset impairment or liability incurrence can be reasonably estimated, disclosure may best be made by supplementing the historical financial statements with pro forma financial data giving effect to the loss as if it had occurred at the date of the financial statements. It may be desirable to present pro forma statements, usually a balance sheet only, in columnar form on the face of the historical financial statements.
[FASB ASC 450-20-50 par. 9–10]

5. Are the nature and amount of guarantees disclosed (for example, guarantees of indebtedness of others, guarantees to repurchase receivables (or, in some cases, the related property) that have been sold or otherwise assigned) even though the possibility of loss may be remote? _____ _____ _____
[FASB ASC 460-10-50 par. 2–3]

6. Are gain contingencies adequately disclosed with care to avoid any misleading implications about likelihood of realization? _____ _____ _____
[FASB ASC 450-30-50-1]

7. Has the entity disclosed the following items:

   a. Unused letters of credit? _____ _____ _____

   b. Long term leases? _____ _____ _____

   c. Assets pledged as securities for loans? _____ _____ _____

   d. Pension plans? _____ _____ _____

   e. The existence of cumulative preferred stock dividends in arrears? _____ _____ _____

   f. Commitments for plant acquisitions to reduce debts, maintain working capital, or restrict dividends? _____ _____ _____

   [FASB ASC 440-10-50-1]

	Yes	No	N/A
8. Have any unconditional purchase obligations, exhibiting all of the following characteristics been disclosed in accordance with FASB ASC 440-10-50-4, question 10, (if not on the balance sheet) or in accordance with FASB ASC 440-10-50-6, question 11 (if recorded on the balance sheet):			
a. It is noncancelable, or cancelable only in any of the following circumstances:			
i. Upon the occurrence of some remote contingency?	_____	_____	_____
ii. With the permission of the other party?	_____	_____	_____
iii. If a replacement agreement is signed between the same parties?	_____	_____	_____
iv. Upon payment of a penalty in an amount such that continuation of the agreement appears reasonably assured?	_____	_____	_____
b. It was negotiated as part of arranging financing for the facilities that will provide the contracted goods or services or for costs related to those goods or services (for example, carrying costs for contracted goods)? A purchaser is not required to investigate whether a supplier used an unconditional purchase obligation to help secure financing, if the purchaser would otherwise be unaware of that fact.	_____	_____	_____
c. It has a remaining term in excess of one year? [FASB ASC 440-10-50-2]	_____	_____	_____
9. For long term unconditional purchase obligations that are not recorded in the purchaser's balance sheet, are the following disclosed:			
a. Nature and term of the obligations?	_____	_____	_____
b. Amount of the fixed and determinable portion of the obligations as of the date of the latest balance sheet presented in the aggregate and, if determinable, for each of the next five years?	_____	_____	_____
c. Nature of any variable components of the obligation?	_____	_____	_____
d. Amounts of purchases under the obligations for each year for which an income statement is presented? [FASB ASC 440-10-50-4]	_____	_____	_____
10. If an unconditional purchase obligation is subject to the requirements of both FASB ASC 440-10 and FASB ASC 815-10, has the entity complied with theose disclosure requirements of FASB ASC, including question 8? (See also part I, "Guarantees," in the "Other Financial Statement Disclosures" section of this checklist.) [FASB ASC 440-10-50-7]	_____	_____	_____

	Yes	No	N/A
11. For unconditional purchase obligations that meet the criteria of FASB ASC 440-10-50-2 and that have been recognized on the purchaser's balance sheet, has the entity disclosed for each of the 5 years following the date of the latest balance sheet presented the aggregate amount of payments? [FASB ASC 440-10-50-6]	_____	_____	_____

D. Current Vulnerability Due to Certain Concentrations

	Yes	No	N/A
1. If the entity has concentrations that exist at the date of the financial statements, those concentrations make the entity vulnerable to the risk of a near term severe impact, and it is at least reasonably possible that the events that could cause the severe impact will occur in the near term, have the concentrations been disclosed, including information that is adequate to inform users of the general nature of the risk associated with the concentration? [FASB ASC 275-10-50 par. 16 and 20]	_____	_____	_____

Practice Tip

Concentrations, including known group concentrations, described in the following list require disclosure if they meet the criteria of FASB ASC 275-10-50-16 (question 1). (Group concentrations exist if a number of counterparties or items that have similar economic characteristics collectively expose the reporting entity to a particular kind of risk.) Some concentrations may fall into more than one of the following categories:

- *Concentrations in the volume of business transacted with a particular customer, supplier, lender, grantor, or contributor.* The potential for the severe impact can result, for example, from total or partial loss of the business relationship. For purposes of FASB ASC 275-10, it is always considered at least reasonably possible that any customer, grantor, or contributor will be lost in the near term.
- *Concentrations in revenue from particular products or services.* The potential for the severe impact can result, for example, from volume or price changes or the loss of patent protection for the particular source of revenue.
- *Concentrations in the available sources of supply of labor or services, or of licenses or other rights used in the entity's operations.* The potential for the severe impact can result, for example, from changes in the availability to the entity of a resource or a right.
- *Concentrations in the market or geographic area in which an entity conducts its operations.* The potential for the severe impact can result, for example, from negative effects of the economic and political forces within the market or geographic area. For purposes of FASB ASC 275-10, it is always considered at least reasonably possible that operations located outside an entity's home country will be disrupted in the near term.

The concentrations of financial instruments, and other concentrations not described in the preceding list, may be required to be disclosed pursuant to other guidance included in FASB ASC. If adequate information about concentrations is presented in other parts of the financial statements in accordance with other guidance included in FASB ASC, that information need not be repeated.
[FASB ASC 275-10-50 par. 18–19]

	Yes	No	N/A
2. For those concentrations of labor subject to collective bargaining agreements and concentrations of operations located outside the reporting entity's home country that (*a*) exist at the date of the financial statements and (*b*) make the reporting entity vulnerable to the risk of a near term severe impact, where it is at least reasonably possible that the events that could cause the severe impact will occur in the near term, are the following disclosed:			
a. The percentage of labor force covered by a collective agreement and the percentage of the labor force covered by a collective bargaining agreement that will expire in one year?	____	____	____
b. For operations located outside the reporting entity's home country, the carrying amounts of net assets and the geographic areas in which they are located? [FASB ASC 275-10-50-20]	____	____	____

Practice Tip

FASB ASC 275-10-50 does not prohibit entities from also stating in disclosures of concentrations related to customers, grantors, or contributors or operations located outside the entity's home country that the entity does not expect that the business relationship will be lost or does not expect that the foreign operations will be disrupted if such is the case.
[FASB ASC 275-10-50-20]

	Yes	No	N/A
3. Certain loan products have contractual terms that expose entities to risks and uncertainties that fall into one or more categories, as discussed in FASB ASC 275-10-50-1. If they meet the requirements of FASB ASC 275-10-50-16, are the concentrations disclosed? [FASB ASC 310-10-50-25; FASB ASC 275-10-50-16]	____	____	____
4. Major categories of loans, including unusual risk concentrations disclosed, may include the following:			
a. Commercial, financial, and agricultural?	____	____	____
b. Real estate construction?	____	____	____
c. Real estate mortgage?	____	____	____
d. Installment loans to individuals?	____	____	____
e. Lease financing?	____	____	____
f. Foreign?	____	____	____
g. Loans in process?	____	____	____
h. Other? [Common Practice]	____	____	____
5. The terms of certain loan products may increase a reporting entity's exposure to credit risk and thereby may result in a concentration of credit risk, either as an individual product type or as a group of products with similar features. Has the entity considered possible shared characteristics on which significant concentrations may be determined which include, but are not limited to, the following:			

	Yes	No	N/A
a. Borrowers subject to significant payment increases?	____	____	____
b. Loans with terms that permit negative amortization?	____	____	____
c. Loans with high loan-to-value ratios? [FASB ASC 825-10-55-1]	____	____	____
6. Judgment is required to determine whether loan products have terms that give rise to a concentration of credit risk. Does the entity disclose how underwriting procedures are designed to control the credit risk that may arise from future payment increases? ***(Encouraged, but not required)*** [FASB ASC 825-10-55-1]	____	____	____
7. Other major concentrations of loan products whose contractual features may increase credit risk might include the following:			
a. Multiple loans on the same collateral that when combined, result in a high loan-to-value ratio?	____	____	____
b. An initial interest rate that is below the market interest rate for the initial period of a loan term and that may increase significantly when that period ends? [Common Practice]	____	____	____

Practice Tip

The guidance in FSP SOP 94-6-1, *Terms of Loan Products That May Give Rise to a Concentration of Credit Risk*, addresses the adequacy of disclosures for all lending products (including both secured and unsecured loans) and the effect of changes in market or economic conditions on the adequacy of those disclosures. An entity should provide the disclosures required by FASB ASC 825-10 for products that are determined to represent a concentration of credit risk.
[FASB ASC 825-10-50 par. 20–21; FASB ASC 825-10-55-1]

E. Employee Stock Ownership Plans

	Yes	No	N/A
1. For any employee stock ownership plans (ESOPs) sponsored by the entity, do the financial statements include disclosure of			
a. a description of the plan?	____	____	____
b. the basis for determining contributions?	____	____	____
c. the employee groups covered?	____	____	____
d. the nature and effect of significant matters affecting comparability of information for all periods presented?	____	____	____
e. for leveraged ESOPs and pension reversion ESOPs, the basis for releasing shares and how dividends on allocated and unallocated shares are used? [FASB ASC 718-40-50-1(a)]	____	____	____
2. A description of the accounting policies followed for ESOP transactions, including			
a. the method of measuring compensation?	____	____	____
b. the classification of dividends on ESOP shares?	____	____	____
c. the treatment of ESOP shares for EPS computation? [FASB ASC 718-40-50-1(b)]	____	____	____

	Yes	No	N/A
3. If the entity has both old ESOP shares for which it does not adopt the guidance in FASB ASC 718-40 [see FASB ASC 105-10-70-2(c)], and new ESOP shares for which the guidance in FASB ASC 718-40 is required, are the accounting policies set forth in question 2 disclosed for both blocks of shares? [FASB ASC 718-40-50-1(b)]	____	____	____
4. Is the amount of compensation cost recognized during the period disclosed? [FASB ASC 718-40-50-1(c)]	____	____	____
5. Is the number of allocated shares, committed-to-be-released shares, and suspense shares held by the ESOP at the balance-sheet date disclosed? (***Note:*** This disclosure should be made separately for shares accounted for under FASB ASC 718-40 and for grandfathered employee stock ownership plan shares [see FASB ASC 105-10-70-2(c)].) [FASB ASC 718-40-50-1(d)]	____	____	____
6. Is the fair value of unearned ESOP shares at the balance-sheet date for shares accounted for under FASB ASC 718-40 disclosed? [FASB ASC 718-40-50-1(e)]	____	____	____
7. Is disclosure made of the existence and nature of any repurchase obligation, including disclosure of the fair value (see FASB ASC 718-40-30-4) of the shares allocated as of the balance-sheet date, which are subject to a repurchase obligation? [FASB ASC 718-40-50-1(f)]	____	____	____
8. The amount and treatment in the EPS computation of the tax benefit related to dividends paid to any employee stock ownership plan, if material. [FASB ASC 718-40-50-1(g)]	____	____	____
9. If the reporting entity issues shares or sells treasury shares to an ESOP or if a leveraged ESOP buys outstanding shares on the market rather than from the employer, has a corresponding charge to unearned ESOP shares, a contra-equity account presented as a separate item in the balance sheet, been reported? [FASB ASC 718-40-45-2]	____	____	____
10. If the ESOP used assets from a terminated defined benefit pension plan to purchase employer shares, has a corresponding charge to unearned ESOP shares, a contra-equity account presented as a separate item in the balance sheet, been reported? [FASB ASC 718-40-25-4]	____	____	____
11. If the employer sponsors an ESOP with an indirect loan, is the outside loan reported as a liability and the receivable from the ESOP not reported on the employer's balance sheet? [FASB ASC 718-40-25-9(b)]	____	____	____
12. If the employer sponsors an ESOP with an employer loan, is the employer's note receivable from the ESOP not reported in the employer's balance sheet? [FASB ASC 718-40-25-9(e)]	____	____	____

	Yes	No	N/A
13. If any grandfathered shares (FASB ASC 105-10-70-2[c]) are still being accounted for in accordance with SOP 76-3, *Accounting Practices for Certain Employee Stock Ownership Plans* (AICPA, *Technical Practice Aids*, ACC sec. 10,130), is still being followed for ESOP shares purchased before December 31, 1992, and if the reporting entity has guaranteed the debt of an ESOP or made a commitment to make future contributions to the ESOP sufficient to meet debt service requirements, are the compensation element and the interest element of annual contributions reported separately and are the interest rate and debt terms disclosed in the notes to the financial statements? [SOP 76-3 par. 10 (ACC 10,130.10)]	____	____	____

F. Employers' Disclosures for Defined Benefit Pension and Other Postretirement Plans

Notes: In September 2006, FASB issued Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. FASB Statement No. 158 requires, among other provisions, an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position (see paragraphs 5–6 and 9 of FASB Statement No. 158) is effective for fiscal years ending after December 15, 2008 (that is, December 31, 2008, for entities with calendar year-ends). If in the last quarter of the preceding fiscal year an employer enters into a transaction that results in a settlement or experiences an event that causes a curtailment of the plan, the related gain or loss pursuant to FASB Statement No. 88 or FASB Statement No. 106 is required to be recognized in earnings or changes in unrestricted net assets of that quarter.

Earlier application of the recognition or measurement date provisions is encouraged; however, early application must be for *all* of an employer's benefit plans. Retrospective application of the statement is not permitted.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 158.

Readers can refer to the full text of FASB Statement No. 158 on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 715-20-65-1.

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In December 2008, FASB issued FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets*, to provide guidance on an

(continued)

	Yes	No	N/A

employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. One objective is to disclose information about fair value measurements of plan assets that would be similar to the disclosures required by FASB Statement No. 157, *Fair Value Measurements*.

The disclosures about plan assets required by this FSP should be provided for fiscal years ending after December 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends). Upon initial application, the provisions of this FSP are not required for earlier periods presented for comparative purposes. Earlier application is permitted.

This FSP also includes a technical amendment to FASB Statement No. 132(R) that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. This amendment was effective upon issuance.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 132(R)-1.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 715-20-65-2.

1A. ***(Issuers Only)*** If an employer sponsors one or more defined benefit pension plans or one or more defined benefit postretirement plans has the following information been provided, separately for pension plans and other postretirement benefit plans:

a. For each annual statement of income presented, the amounts recognized in OCI, showing separately the net gain or loss and net prior service cost or credit? Those amounts shall be separated into the following amounts arising during the period and reclassification adjustments of OCI as a result of being recognized as components of net periodic benefit cost for the period:

	Yes	No	N/A
i. Service cost?	____	____	____
ii. Interest cost?	____	____	____
iii. Contributions by plan participants?	____	____	____
iv. Actuarial gains and losses?	____	____	____

	Yes	No	N/A
v. Foreign currency rate changes (the effects of foreign currency exchange rate changes that are to be disclosed are those applicable to plans of a foreign operation whose functional currency is not the reporting currency pursuant to FASB ASC 830-10-45)?			
vi. Benefits paid?			
vii. Plan amendments?			
viii. Business combinations?			
ix. Divestitures?			
x. Curtailments, settlements, and special and contractual termination benefits?			
b. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following:			
i. Actual return on plan assets?			
ii. Foreign currency exchange rate changes?			
iii. Contributions by the employer?			
iv. Contributions by plan participants?			
v. Benefits paid?			
vi. Business combinations?			
vii. Divestitures?			
viii. Settlements?			
c. The funded status of the plans and the amounts recognized in the statement of financial position showing separately the assets and current and noncurrent liabilities recognized?			
d. The following information about plan assets:			
i. For each major category of plan assets (which should include but is not limited to equity securities, debt securities, real estate, and all other assets), the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented?			
ii. A narrative description of investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable, and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations?			

Yes No N/A

iii. A narrative description of the basis used to determine the overall expected long term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns, and how those adjustments were determined? _____ _____ _____

iv. Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long term rate of return on assets? _____ _____ _____

e. For defined benefit pension plans, the accumulated benefit obligation? _____ _____ _____

f. The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? The expected benefits should be estimated based on the same assumptions used to measure the entity's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service. _____ _____ _____

g. The employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position presented. Estimated contributions may be presented in the aggregate combining all of the following: (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions. _____ _____ _____

h. The amount of net benefit cost recognized, showing separately all of the following:

i. The service cost component? _____ _____ _____

ii. The interest cost component? _____ _____ _____

iii. The expected return on plan assets for the period? _____ _____ _____

iv. The gain or loss component? _____ _____ _____

v. The prior service cost or credit component? _____ _____ _____

vi. The transition asset or obligation component? _____ _____ _____

vii. The gain or loss recognized due to settlements or curtailments? _____ _____ _____

	Yes	No	N/A
i. Separately the net gain or loss and net prior service cost or credit recognized in OCI for the period pursuant to FASB ASC 715-30-35-11, FASB ASC 715-30-35-21, FASB ASC 715-60-35-16, and FASB ASC 715-60-35-25, and reclassification adjustments of OCI for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost?	____	____	____
j. The amounts in accumulated OCI that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation?	____	____	____
k. On a weighted-average basis, all of the following assumptions used in the accounting for the plans, specifying in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost:			
i. Assumed discount rates?	____	____	____
ii. Rates of compensation increase (for pay-related plans)?	____	____	____
iii. Expected long term rates of return on plan assets?	____	____	____
l. The funded status of the plans and the amounts recognized in the statement of financial position showing separately the assets and current and noncurrent liabilities recognized?	____	____	____
m. The effect of a one percentage point increase and the effect of a one percentage point decrease in the assumed health care cost trend rates on the aggregate of the service and interest cost components of net periodic postretirement health care benefit costs and the accumulated postretirement benefit obligation (APBO) for health care benefits? Measuring the sensitivity of the APBO and the combined service and interest cost components to a change in the assumed health care cost trend rates requires remeasuring the APBO as of the beginning and end of the year.	____	____	____
n. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts, including annuity contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period?	____	____	____
o. If applicable, any alternative method used to amortize prior service amounts or net gains and losses pursuant to FASB ASC 715-30-35-13 and FASB ASC 715-30-35-25 or FASB ASC 715-60-35-18 and FASB ASC 715-60-35-31?	____	____	____
p. If applicable, any substantive commitment, such as past practice or a history of regular benefit increases, used as the basis for accounting for the benefit obligation?	____	____	____

	Yes	*No*	*N/A*
q. If applicable, the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event?	_____	_____	_____
r. An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by FASB ASC 715-20?	_____	_____	_____
s. The amounts in accumulated OCI expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation?	_____	_____	_____
t. The amount and timing of any plan assets expected to be returned to the employer during the 12 month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented? ["Pending Content" in FASB ASC 715-20-50-1]	_____	_____	_____
1B. ***(FSP FAS 132(R)-1) (Issuers Only)*** If an employer sponsors one or more defined benefit pension plans or one or more defined benefit postretirement plans has the following information been provided, separately for pension plans and other postretirement benefit plans:			
a. A reconciliation of beginning and ending balances of the benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:			
i. Service cost?	_____	_____	_____
ii. Interest cost?	_____	_____	_____
iii. Contributions by plan participants?	_____	_____	_____
iv. Actuarial gains and losses?	_____	_____	_____
v. Foreign currency rate changes (the effects of foreign currency exchange rate changes that are to be disclosed are those applicable to plans of a foreign operation whose functional currency is not the reporting currency pursuant to FASB ASC 830-10-45)?	_____	_____	_____
vi. Benefits paid?	_____	_____	_____
vii. Plan amendments?	_____	_____	_____
viii. Business combinations?	_____	_____	_____
ix. Divestitures?	_____	_____	_____
x. Curtailments, settlements, and special and contractual termination benefits?	_____	_____	_____
b. A reconciliation of beginning and ending balances of the fair value of plan assets showing separately, if applicable, the effects during the period attributable to each of the following:			
i. Actual return on plan assets?	_____	_____	_____

	Yes	No	N/A
ii. Foreign currency exchange rate changes (see preceding practice tip)?	_____	_____	_____
iii. Contributions by the employer?	_____	_____	_____
iv. Contributions by plan participants?	_____	_____	_____
v. Benefits paid?	_____	_____	_____
vi. Business combinations?	_____	_____	_____
vii. Divestitures?	_____	_____	_____
viii. Settlements?	_____	_____	_____
c. The funded status of the plans and the amounts recognized in the statement of financial position showing separately the assets and current and noncurrent liabilities recognized?	_____	_____	_____
d. Have disclosures been made to provide users of financial statements with an understanding of the following (see FASB ASC 715-20-50-1 for example disclosures):			
i. For each major category of plan assets (which should include but is not limited to equity securities, debt securities, real estate, and all other assets), the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented?	_____	_____	_____
ii. The major categories of plan assets?	_____	_____	_____
iii. The inputs and valuation techniques used to measure the fair value of plan assets?	_____	_____	_____
iv. The effect of fair value measurements using significant unobservable inputs (level 3) on changes in plan assets for the period?	_____	_____	_____
v. Significant concentrations of risk within plan assets?	_____	_____	_____
e. For defined benefit pension plans, the accumulated benefit obligation?	_____	_____	_____
f. The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? The expected benefits should be estimated based on the same assumptions used to measure the entity's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service.	_____	_____	_____
g. The employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position presented. Estimated contributions may be presented in the aggregate combining all of the following: (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions.	_____	_____	_____

	Yes	No	N/A
h. The amount of net benefit cost recognized, showing separately all of the following:			
i. The service cost component?	____	____	____
ii. The interest cost component?	____	____	____
iii. The expected return on plan assets for the period?	____	____	____
iv. The gain or loss component?	____	____	____
v. The prior service cost or credit component?	____	____	____
vi. The transition asset or obligation component?	____	____	____
vii. The gain or loss recognized due to settlements or curtailments?	____	____	____
i. Separately the net gain or loss and net prior service cost or credit recognized in OCI for the period pursuant to FASB ASC 715-30-35-11, FASB ASC 715-30-35-21, FASB ASC 715-60-35-16, and FASB ASC 715-60-35-25, and reclassification adjustments of OCI for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost?	____	____	____
j. The amounts in accumulated OCI that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation?	____	____	____
k. On a weighted-average basis, all of the following assumptions used in the accounting for the plans, specifying in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost:			
i. Assumed discount rates?	____	____	____
ii. Rates of compensation increase (for pay-related plans)?	____	____	____
iii. Expected long term rates of return on plan assets?	____	____	____
l. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges), and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved?	____	____	____
m. The effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in the assumed health care cost trend rates on the aggregate of the service and interest cost components of net periodic postretirement health care benefit costs and the APBO for health care benefits? Measuring the sensitivity of the APBO and the combined service and interest cost components to a change in the assumed health care cost trend rates requires remeasuring the APBO as of the beginning and end of the year.	____	____	____

		Yes	No	N/A
n.	If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts, including annuity contracts issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period?			
o.	If applicable, any alternative method used to amortize prior service amounts or net gains and losses pursuant to FASB ASC 715-30-35-13 and FASB ASC 715-30-35-25 or FASB ASC 715-60-35-18 and FASB ASC 715-60-35-31?			
p.	If applicable, any substantive commitment, such as past practice or a history of regular benefit increases, used as the basis for accounting for the benefit obligation?			
q.	If applicable, the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event?			
r.	An explanation of any significant change in the benefit obligation or plan assets not otherwise apparent in the other disclosures required by FASB ASC 715-20?			
s.	The amounts in accumulated OCI expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation?			
t.	The amount and timing of any plan assets expected to be returned to the employer during the 12 month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented? ["Pending Content" in FASB ASC 715-20-50-1]			

Practice Tips

The disclosures required by FASB ASC 715-20 should be aggregated for all of an employer's defined benefit pension plans and for all of an employer's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by FASB ASC 715-20-50-3 and FASB 715-20-50-4.
[FASB ASC 715-20-50-2]

******

(continued)

Yes No N/A

Disclosures about pension plans with assets in excess of the accumulated benefit obligation generally may be aggregated with disclosures about pension plans with accumulated benefit obligations in excess of assets. The same aggregation is permitted for other postretirement benefit plans. If aggregate disclosures are presented, an employer should disclose both of the following:

- The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented
- The aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets

[FASB ASC 715-20-50-3]

2A. ***(Nonissuers Only)*** If the entity sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans has the following information been disclosed, separately for pension plans and other postretirement benefit plans:

a. The benefit obligation, fair value of plan assets, and funded status of the plan? _____ _____ _____

b. Employer contributions, participant contributions, and benefits paid? _____ _____ _____

c. The following information about plan assets:

i. For each major category of plan assets (which should include but is not limited to equity securities, debt securities, real estate, and all other assets), the percentage of the fair value of total plan assets held as of the measurement date used for each statement of financial position presented? _____ _____ _____

ii. A narrative description of investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable, and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations? _____ _____ _____

iii. A narrative description of the basis used to determine the overall expected long term rate-of-return-on-assets assumption, such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectations of future returns and how those adjustments were determined? _____ _____ _____

Yes | No | N/A

iv. Disclosure of additional asset categories and additional information about specific assets within a category is encouraged if that information is expected to be useful in understanding the risks associated with each asset category and the overall expected long term rate of return on assets? ____ ____ ____

d. For defined benefit pension plans, the accumulated benefit obligation? ____ ____ ____

e. The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? The expected benefits should be estimated based on the same assumptions used to measure the entity's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service. ____ ____ ____

f. The employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position presented? Estimated contributions may be presented in the aggregate combining any of the following: (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions. ____ ____ ____

g. The amounts recognized in the statements of financial position, showing separately the postretirement benefit assets and current and noncurrent postretirement benefit liabilities? ____ ____ ____

h. Separately, the net gain or loss and net prior service cost or credit recognized in OCI for the period pursuant to FASB ASC 715-30-35-11, 715-30-35-21, 715-60-35-16, and 715-60-35-25 and reclassification adjustments of OCI for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost? ____ ____ ____

i. The amounts in accumulated OCI that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? ____ ____ ____

j. On a weighted-average basis, all of the following assumptions used in the accounting for the plans, specifying in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost:

i. Assumed discount rates (refer to FASB ASC 715-30-35-45 for a discussion of representationally faithful disclosure)? ____ ____ ____

ii. Rates of compensation increase (for pay-related plans)? ____ ____ ____

Yes No N/A

iii. Expected long term rates of return on plan assets? ____ ____ ____

k. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges), and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved? ____ ____ ____

l. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts, including annuity contracts, issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period? ____ ____ ____

m. The nature and effect of significant nonroutine events, such as amendments, combinations, divestitures, curtailments, and settlements? ____ ____ ____

n. The amounts in accumulated OCI expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation? ____ ____ ____

o. The amount and timing of any plan assets expected to be returned to the employer during the 12 month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented? ____ ____ ____
["Pending Content" in FASB ASC 715-20-50-5]

2B. ***(FSP FAS 132(R)-1) (Nonissuers Only)*** If the entity sponsors one or more defined benefit pension plans or one or more other defined benefit postretirement plans, has the following information been disclosed, separately for pension plans and other postretirement benefit plans:

a. The benefit obligation, fair value of plan assets, and funded status of the plan? ____ ____ ____

b. Employer contributions, participant contributions, and benefits paid? ____ ____ ____

c. Have disclosures been made to provide users of financial statements with an understanding of the following (see FASB ASC 715-20-50-5(c) for example disclosures):

i. How investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies? ____ ____ ____

ii. The major categories of plan assets? ____ ____ ____

iii. The inputs and valuation techniques used to measure the fair value of plan assets? ____ ____ ____

	Yes	No	N/A
iv. The effect of fair value measurements using significant unobservable inputs (level 3) on changes in plan assets for the period?			
v. Significant concentrations of risk within plan assets?			
d. For defined benefit pension plans, the accumulated benefit obligation?			
e. The benefits (as of the date of the latest statement of financial position presented) expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter? The expected benefits should be estimated based on the same assumptions used to measure the entity's benefit obligation at the end of the year and should include benefits attributable to estimated future employee service.			
f. The employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the next fiscal year beginning after the date of the latest statement of financial position presented? Estimated contributions may be presented in the aggregate combining any of the following: (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions.			
g. The amounts recognized in the statements of financial position, showing separately the postretirement benefit assets and current and noncurrent postretirement benefit liabilities?			
h. Separately, the net gain or loss and net prior service cost or credit recognized in OCI for the period pursuant to FASB ASC 715-30-35-11, 715-30-35-21, 715-60-35-16, and 715-60-35-25 and reclassification adjustments of OCI for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost?			
i. The amounts in accumulated OCI that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation?			
j. On a weighted-average basis, all of the following assumptions used in the accounting for the plans, specifying in a tabular format, the assumptions used to determine the benefit obligation and the assumptions used to determine net benefit cost:			
i. Assumed discount rates (refer to FASB ASC 715-30-35-45 for a discussion of representationally faithful disclosure)?			
ii. Rates of compensation increase (for pay-related plans)?			
iii. Expected long term rates of return on plan assets?			

	Yes	No	N/A
k. The assumed health care cost trend rate(s) for the next year used to measure the expected cost of benefits covered by the plan (gross eligible charges), and a general description of the direction and pattern of change in the assumed trend rates thereafter, together with the ultimate trend rate(s) and when that rate is expected to be achieved?	____	____	____
l. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, the approximate amount of future annual benefits of plan participants covered by insurance contracts, including annuity contracts, issued by the employer or related parties, and any significant transactions between the employer or related parties and the plan during the period?	____	____	____
m. The nature and effect of significant nonroutine events, such as amendments, combinations, divestitures, curtailments, and settlements?	____	____	____
n. The amounts in accumulated OCI expected to be recognized as components of net periodic benefit cost over the fiscal year that follows the most recent annual statement of financial position presented, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation?	____	____	____
o. The amount and timing of any plan assets expected to be returned to the employer during the 12 month period, or operating cycle if longer, that follows the most recent annual statement of financial position presented?	____	____	____
p. The amount of net periodic benefit cost recognized? [“Pending Content” in FASB ASC 715-20-50-5]	____	____	____
3. ***(Issuers Only)*** Has the following been disclosed in the entities interim financial statements that include a statement of income:			
a. The amount of net benefit cost recognized, for each period for which a statement of income is presented, showing separately each of the following:			
i. The service cost component?	____	____	____
ii. The interest cost component?	____	____	____
iii. The expected return on plan assets for the period?	____	____	____
iv. The gain or loss component?	____	____	____
v. The prior service cost or credit component?	____	____	____
vi. The transition asset or obligation component?	____	____	____
vii. The gain or loss recognized due to a settlement or curtailment?	____	____	____

	Yes	No	N/A
b. The total amount of the employer's contributions paid, and expected to be paid, during the current fiscal year, if significantly different from amounts previously disclosed pursuant to FASB ASC 715-20-50-1(g)? Estimated contributions may be presented in the aggregate combining all of the following: (1) contributions required by funding regulations or laws, (2) discretionary contributions, and (3) noncash contributions. [FASB ASC 715-20-50-6]	_____	_____	_____

Practice Tip

With respect to question 4, estimated contributions may be presented in the aggregate combining all of the following:

- Contributions required by funding regulations or laws
- Discretionary contributions
- Noncash contributions

[FASB ASC 715-20-50-7]

	Yes	No	N/A
4. ***(Nonissuers Only)*** Has the entity disclosed, in interim periods for which a complete set of financial statements is presented, the total amount of the employer's contributions paid, and expected to be paid, during the current fiscal year, if significantly different from amounts previously disclosed pursuant to FASB ASC 715-20-50-5(f) (question 2A)? [FASB ASC 715-70-50-1]	_____	_____	_____
Defined Contribution Plans			
5. Does the entity disclose the amount of cost recognized for defined contribution pension plans and for other defined contribution postretirement benefit plans for all periods presented separately from the amount of cost recognized for defined benefit plans? [FASB ASC 715-70-50-1]	_____	_____	_____
6. Do the disclosures include a description of the nature and effect of any significant changes during the period affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [FASB ASC 715-70-50-1]	_____	_____	_____
Multiemployer Plans			
7. Has the entity disclosed the amount of contributions to multiemployer plans for each annual period for which a statement of income is presented? [FASB ASC 715-80-50-1]	_____	_____	_____

	Yes	No	N/A
8. If the entity chooses to disclose total contributions to multiemployer plans without disaggregating the amounts attributable to pension plans and other postretirement benefit plans, do the disclosures include a description of the nature and effect of any changes affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture? [FASB ASC 715-80-50-1]	_____	_____	_____
9. If it is either probable or reasonably possible that (*a*) an entity would withdraw from the plan under circumstances that would give rise to an obligation or (*b*) an entity's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage (a "maintenance of benefits" clause), has the entity applied the provisions of FASB ASC 450? [FASB ASC 715-80-50-2]	_____	_____	_____
Other Matters			
10. If the matters addressed in paragraphs 69–79 of FASB ASC 715-30-55 (Japanese governmental settlement transactions) apply, are the disclosure requirements of FASB ASC 715-20-50-10 complied with? [FASB ASC 715-20-50 par. 9–10]	_____	_____	_____
Medicare Prescription Drug, Improvement, and Modernization Act			
11. Until the entity is able to determine whether benefits provided by its plan are actuarially equivalent, does it disclose the following in financial statements for interim or annual periods:			
a. The existence of the act?	_____	_____	_____
b. That measures of the APBO or net periodic postretirement benefit cost do not reflect any amount associated with the subsidy because the employer is unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D under the act? [FASB ASC 715-60-50-6]	_____	_____	_____
12. In interim and annual financial statements for the first period in which the entity includes the effects of the subsidy in measuring the APBO and the first period in which the entity includes the effects of the subsidy in measuring net periodic postretirement benefit cost, has it disclosed the following:			
a. The reduction in the APBO for the subsidy related to benefits attributed to past service?	_____	_____	_____
b. The effect of the subsidy on the measurement of net periodic postretirement benefit cost for the current period? That effect includes (1) any amortization of the actuarial experience gain in a as a component of the net amortization called for by paragraphs 29–30 of FASB ASC 715-60-35, (2) the reduction in current period service cost due to the subsidy, and (3) the resulting reduction in interest cost on the APBO as a result of the subsidy.	_____	_____	_____

	Yes	No	N/A
c. Any other disclosures required by FASB ASC 715-20-50-1(r)? [FASB ASC 715-60-50-3]	_____	_____	_____
13. For purposes of the disclosures required by paragraphs 1(a) and (f) of FASB ASC 715-20-50, does the entity disclose gross benefit payments (paid and expected, respectively), including prescription drug benefits, and separately the gross amount of the subsidy receipts (received and expected, respectively)? [FASB ASC 715-60-50-4]	_____	_____	_____

G. Environmental Remediation Liabilities

Practice Tip

FASB ASC 450-20 provides the primary guidance applicable to disclosures of environmental remediation loss contingencies. The disclosure requirements of FASB ASC 275-10 also apply to environmental remediation liabilities. Example 1 (FASB ASC 410-30-55-7) illustrates the application of those disclosure requirements.
[FASB ASC 410-30-50 par. 5–6]

	Yes	No	N/A
1. Has the entity made the following disclosures:			
a. Whether accruals for environmental remediation liabilities are measured on a discounted basis? [FASB ASC 410-30-50-4]	_____	_____	_____
b. With respect to recorded accruals for environmental remediation loss contingencies and assets for third-party recoveries related to environmental remediation obligations: if any portion of the accrued obligation is discounted, the undiscounted amount of the obligation, and the discount rate used in the present-value determinations? [FASB ASC 410-30-50-7]	_____	_____	_____
c. The policy concerning the timing of recognition of recoveries? ***(Encouraged, but not required.)*** [FASB ASC 410-30-50-8]	_____	_____	_____
d. Any other additional specific disclosures with respect to environmental remediation loss contingencies that would be useful to further users' understanding of the entity's financial statements. ***(Encouraged, but not required.)*** [FASB ASC 410-30-50-9]	_____	_____	_____
2. Do the financial statements disclose the event, situation, or set of circumstances that triggered recognition of loss contingencies that arose out of the reporting entity's environmental remediation-related obligations? ***(Encouraged, but not required.)*** [FASB ASC 410-30-50-8]	_____	_____	_____

Reasonably Possible Loss Exposures

3. With respect to reasonably possible loss contingencies, including reasonably possible loss exposures in excess of the amount accrued, are the following disclosed ***(Encouraged, but not required.)***:

	Yes	No	N/A
a. The estimated time frame of disbursements for recorded amounts if expenditures are expected to continue over the long term?	_____	_____	_____
b. The estimated time frame for realization of recognized probable recoveries, if realization is not expected in the near term?	_____	_____	_____
c. If an estimate of the probable or reasonably possible loss or range of loss cannot be made, the reasons why it cannot be made?	_____	_____	_____
d. If information about the reasonably possible loss or the recognized and additional reasonably possible loss for an environmental remediation obligation related to an individual site is relevant to an understanding of the financial position, cash flows, or results of operations of the entity, the following with respect to the site:			
i. The total amount accrued for the site?	_____	_____	_____
ii. The nature of any reasonably possible loss contingency or additional loss, and an estimate of the possible loss or the fact that an estimate cannot be made and the reasons why it cannot be made?	_____	_____	_____
iii. Whether other potentially responsible parties are involved and the entity's estimated share of the obligation?	_____	_____	_____
iv. The status of regulatory proceedings?	_____	_____	_____
v. The estimated time frame for resolution of the contingency? [FASB ASC 410-30-50-10]	_____	_____	_____

Probable But Not Reasonably Estimable Losses

	Yes	No	N/A
4. If the reporting entity's probable but not reasonably estimable environmental remediation obligations may be material, are the nature of the probable contingency (that is, a description of the remediation obligation) and the fact that a reasonable estimate cannot currently be made disclosed? [FASB ASC 450-20-5-5]	_____	_____	_____
5. Is the estimated time frame for resolution of the uncertainty as to the amount of the loss disclosed? ***(Encouraged, but not required.)*** [FASB ASC 410-30-50-11]	_____	_____	_____

Environmental Remediation Costs Recognized Currently

	Yes	No	N/A
6. Is the amount of environmental remediation costs recognized in the income statement disclosed in the following detail: ***(Encouraged, but not required.)***			
a. The amount recognized for environmental remediation loss contingencies in each period?	_____	_____	_____
b. The amount of any recovery from third parties that is credited to environmental remediation costs in each period?	_____	_____	_____

	Yes	No	N/A
c. The income statement caption in which environmental remediation costs and credits are included? [FASB ASC 410-30-50-12]	_____	_____	_____

Other Matters

7. Do the financial statements include a *contingency conclusion* that addresses the estimated total unrecognized exposure to environmental remediation and other loss contingencies? ***(Encouraged, but not required.)*** [FASB ASC 410-30-50-14]	_____	_____	_____
8. Is there a description of the general applicability and impact of environmental laws and regulations upon their business and how the existence of such laws and regulations may give rise to loss contingencies for future environmental remediation? ***(Encouraged, but not required.)*** [FASB ASC 410-30-50-17]	_____	_____	_____

H. Financial Instruments

Derivative Instruments and Hedging Activities (Including Hybrid Financial Instruments)

Notes: In March 2008, FASB issued Statement No. 161 to enhance the current disclosure framework in FASB Statement No. 133. This statement has the same scope as FASB Statement No. 133 and, accordingly, applies to all entities.

This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (*a*) how and why an entity uses derivative instruments, (*b*) how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and its related interpretations, and (*c*) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

FASB Statement No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Early application is encouraged. This statement encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, it requires comparative disclosures only for periods subsequent to initial adoption.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 161.

(continued)

Yes No N/A

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of FASB Statement No. 161 on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 815-10-65-1.

1B. ***(FASB Statement No. 161)*** Have the following disclosures been made by the entity with derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66), which enable the users of the financial statements to understand the following:

a. How and why an entity uses derivative instruments (or such nonderivative instruments)? ____ ____ ____

b. How derivative instruments (or such nonderivative instruments) and related hedged items are accounted for under FASB ASC 815? ____ ____ ____

c. How derivative instruments (or such nonderivative instruments) and related hedged items affect the entity's financial position, performance and cash flows? ____ ____ ____
["Pending Content" in FASB ASC 815-10-50-1]

2A. If an entity holds or issues derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) have the following disclosures been made for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented:

a. Its objectives for holding or issuing those instruments? ____ ____ ____

b. The context needed to understand those objectives? ____ ____ ____

c. Its strategies for achieving those objectives? ____ ____ ____
["Pending Content" in FASB ASC 815-10-50-1A]

	Yes	No	N/A
2B. ***(FASB Statement No. 161)*** If an entity holds or issues derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) have the following disclosures been made for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented:			
a. Its objectives for holding or issuing those instruments?	_____	_____	_____
b. The context needed to understand those objectives?	_____	_____	_____
c. Its strategies for achieving those objectives?	_____	_____	_____
d. Information that would enable users of its financial statements to understand the volume of its activity in those instruments? (An entity should select the format and the specifics of disclosures relating to its volume of such activity that are most relevant and practicable for its individual facts and circumstances.)	_____	_____	_____
["Pending Content" in FASB ASC 815-10-50-1]			
3B. ***(FASB Statement No. 161)*** Are the disclosures described in question 2B in the context of each instrument's primary underlying risk exposure (for example, interest rate, credit, foreign exchange rate, interest rate and foreign exchange rate, or overall price)?	_____	_____	_____
["Pending Content" in FASB ASC 815-10-50-1B]			
4B. ***(FASB Statement No. 161)*** Are the financial instruments described in question 2B distinguished between those used or risk management purposes and those used for other purposes and is such information disclosed? Derivative instruments (and nonderivative instruments that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) used for risk management purposes include those designated as hedging instruments under FASB ASC 815-20 as well as those used as economic hedges and for other purposes related to the entity's risk exposures.	_____	_____	_____
["Pending Content" in FASB ASC 815-10-50-1B]			
5A. Do the disclosures required by FASB ASC 815-10-50-1A (question 2A) distinguish between each of the following (including the entity's risk management policy for each):			
a. Fair value hedging instruments?	_____	_____	_____
b. Cash flow hedging instruments?	_____	_____	_____
c. Hedges of foreign currency exposure of net investments in foreign operations?	_____	_____	_____
d. All other instruments?	_____	_____	_____
[FASB ASC 815-10-50 par. 2–3]			
5B. ***(FASB Statement No. 161)*** Do the disclosures required by question 2B distinguish between each of the following:	_____	_____	_____
a. Instruments used for risk management purposes, distinguished between each of the following:			

Yes No N/A

i. Derivative instruments designated as hedging instruments, distinguished between each of the following: (1) fair value hedging instruments, (2) cash flow hedging instruments, and (3) hedges of foreign currency exposure of net investments in foreign operations? _____ _____ _____

ii. Instruments used as economic hedges and for other purposes related to the entity's risk exposure? _____ _____ _____

b. Instruments used for other purposes? _____ _____ _____
["Pending Content" in FASB ASC 815-10-50-2]

6. Do the entities disclosures describe the purpose of holding or issuing derivatives which are not designated as hedging instruments? _____ _____ _____
["Pending Content" in FASB ASC 815-10-50-4]

Practice Tip

(FASB Statement No. 161) The qualitative disclosures required by FASB ASC 815-10-50-4A(a)–(b), question 7B, should be presented in tabular format except for the information required for hedged items by FASB ASC 815-10-50-4C(a). Information about hedged items can be presented in a tabular or nontabular format.
["Pending Content" in FASB ASC 815-10-50-4E]

7B. ***(FASB Statement No. 161)*** For every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented, has the entity disclosed the location and amounts of the gains and losses for derivative instruments (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) reported in the statement of financial performance (or when applicable, the statement of financial position) (for example, gains and losses initially recognized in OCI)? _____ _____ _____
["Pending Content" in FASB ASC 815-10-50-4A]

8B. ***(FASB Statement No. 161)*** Do the disclosures required by FASB ASC 815-10-50-A(a), as discussed in question 7B, provide the following: _____ _____ _____

a. The fair value of derivative instruments on a gross basis (even if the derivative instruments qualify for net presentation in the statement of financial position in accordance with FASB ASC 210-20 [general hedging activities])? _____ _____ _____

b. Separate asset and liability values segregated between derivatives that are designated and qualifying as hedging instruments under FASB ASC 815-20 and those that are not, and within those two broad categories, by type of derivative contract (for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and so forth)? _____ _____ _____

	Yes	No	N/A
c. The line item(s) in the statement of financial position in which the fair value amounts for the above categories of derivative instruments are included? ["Pending Content" in FASB ASC 815-10-50-4B]	_____	_____	_____
9B. ***(FASB Statement No. 161)*** Are the following gains and losses disclosed pursuant to FASB ASC 815-10-50-4A(b) presented separately for all of the following by type of contracts:	_____	_____	_____
a. Derivative instruments designated and qualifying as hedging instruments in fair value hedges and related hedged items designated and qualifying in fair value hedges?	_____	_____	_____
b. The effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges that was recognized in OCI during the current period?	_____	_____	_____
c. The effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges recorded in accumulated OCI during the term of the hedging relationship and reclassified into earnings during the current period?	_____	_____	_____
d. The portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges representing (i) the amount of the hedges' ineffectiveness and (ii) the amount, if any, excluded from the assessment of hedge effectiveness?	_____	_____	_____
e. Derivative instruments not designated or qualifying as hedging instruments under FASB ASC 815-20? ["Pending Content" in FASB ASC 815-10-50-4C]	_____	_____	_____
10B. ***(FASB Statement No. 161)*** Do the disclosures pursuant to question 9B, present information separately by type of derivative contract (for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and so forth)? ["Pending Content" in FASB ASC 815-10-50-4D]	_____	_____	_____
11B. ***(FASB Statement No. 161)*** Do the disclosures pursuant to question 9B, identify the line item(s) in the statement of financial performance in which the gains and losses for the categories of derivative instruments are included? ["Pending Content" in FASB ASC 815-10-50-4D]	_____	_____	_____

Practice Tip

(FASB Statement No. 161) If the disclosure option in question 12B is elected, the entity should include a footnote in the required tables referencing the use of alternative disclosures for trading activities.
["Pending Content" in FASB ASC 815-10-50-4F]

	Yes	No	N/A
12B. ***(FASB Statement No. 161)*** If an entity's policy is to include derivative instruments that are not designated or qualifying as hedging instruments under FASB ASC 815-20 in its trading activities, and the entity elects to exclude those derivative instruments from the disclosures pursuant to question 9B, has the entity disclosed the following information:			
a. The gains and losses on its trading activities (including both derivative and nonderivative instruments) recognized in the statement of financial performance, separately by major types of items (such as fixed income/interest rates, foreign exchange, equity, commodity, and credit)?	_____	_____	_____
b. The line items in the statement of financial performance in which trading activities gains and losses are included?	_____	_____	_____
c. A description of the nature of its trading activities and related risks, and how the entity manages those risks? ["Pending Content" in FASB ASC 815-10-50-4F]	_____	_____	_____
13B. ***(FASB Statement No. 161)*** For every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented, does the entity disclose the following information about derivative instruments it holds or issues (or nonderivative instruments it holds or issues that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) that have credit-risk-related contingent features and that are in a net liability position at the end of the reporting period:			
a. The existence and nature of credit-risk-related contingent features and the circumstances in which the features could be triggered in derivative instruments that are in a net liability position at the end of the reporting period?	_____	_____	_____
b. The aggregate fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liability position at the end of the reporting period?	_____	_____	_____
c. The aggregate fair value of assets that are already posted as collateral at the end of the reporting period and (1) the aggregate fair value of additional assets that would be required to be posted as collateral or (2) the aggregate fair value of assets needed to settle the instrument immediately, if the credit-risk-related contingent features were triggered at the end of the reporting period? ["Pending Content" in FASB ASC 815-10-50-4H]	_____	_____	_____
14B. ***(FASB Statement No. 161)*** If the disclosures related to derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to FASB ASC 815-20-25-58 and FASB ASC 815-20-25-66) are presented in more than a single footnote, does each derivative note cross-reference the other notes in which derivative-related information is disclosed? ["Pending Content" in FASB ASC 815-10-50-4I]	_____	_____	_____

	Yes	No	N/A

Fair Value Hedges

15A. For each reporting period for which a complete set of financial statements is presented, does the entity disclose the following for derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under FASB ASC 830-20, that have been designated and have qualified as fair value hedging instruments and for the related hedged items:

a. The net gain or loss recognized in earnings during the reporting period representing (i) the amount of the hedges' ineffectiveness, (ii) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and (iii) a description of where the net gain or loss is reported in the statement of income or other statement of financial performance? ____ ____ ____

b. The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? ____ ____ ____
[FASB ASC 815-25-50-1]

16B. ***(FASB Statement No. 161)*** For every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented, does the entity disclose the following for derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under FASB ASC 830-20, that have been designated and have qualified as fair value hedging instruments and for the related hedged items:

a. The net gain or loss recognized in earnings during the reporting period representing (i) the amount of the hedges' ineffectiveness, (ii) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and (iii) a description of where the net gain or loss is reported in the statement of income or other statement of financial performance? ____ ____ ____

b. The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? ____ ____ ____
["Pending Content" in FASB ASC 815-25-50-1]

Cash Flow Hedges

17A. For every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented, does the entity disclose the following for derivative instruments that have been designated and have qualified as cash flow hedging instruments and for the related hedged transactions:

a. The net gain or loss recognized in earnings during the reporting period representing each of the following:

i. The amount of the hedges' ineffectiveness? ____ ____ ____

	Yes	No	N/A
ii. The component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness?	_____	_____	_____
iii. A description of where the net gain or loss is reported in the statement of income or other statement of financial performance?	_____	_____	_____
b. A description of the transactions or other events that will result in the reclassification into earnings of gains and losses that are reported in accumulated OCI, and the estimated net amount of the existing gains or losses at the reporting date that is expected to be reclassified into earnings within the next 12 months?	_____	_____	_____
c. The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments?	_____	_____	_____
d. The amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period or within the additional period of time discussed in paragraphs 4–5 of FASB ASC 815-30-40-4? [FASB ASC 815-30-50-1]	_____	_____	_____
17B. ***(FASB Statement No. 161)*** For every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented, does the entity disclose the following for derivative instruments that have been designated and have qualified as cash flow hedging instruments and for the related hedged transactions:			
a. A description of the transactions or other events that will result in the reclassification into earnings of gains and losses that are reported in accumulated OCI, and the estimated net amount of the existing gains or losses at the reporting date that is expected to be reclassified into earnings within the next 12 months?	_____	_____	_____
b. The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments?	_____	_____	_____
c. The amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period or within the additional period of time discussed in paragraphs 4–5 of FASB ASC 815-30-40? ["Pending Content" in FASB ASC 815-30-50-1]	_____	_____	_____

	Yes	No	N/A
18. The quantitative disclosures about derivative instruments may be more useful, and less likely to be perceived to be out of context or otherwise misunderstood, if similar information is disclosed about other financial instruments or nonfinancial assets and liabilities to which the derivative instruments are related by activity. Accordingly, in such situations, an entity is encouraged, but not required, to present a more complete picture of its activities by disclosing that information. Have such disclosures been made (for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented)? [FASB ASC 815-35-50-2]	____	____	____
19A. Qualitative disclosures about an entity's objectives and strategies for using derivative instruments may be more meaningful if such objectives and strategies are described in the context of an entity's overall risk management profile. If appropriate, an entity is encouraged, but not required, to provide such additional qualitative disclosures. Have such disclosures been made (for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented)? [FASB ASC 815-10-50-5]	____	____	____
19B. ***(FASB Statement No. 161)*** Qualitative disclosures about an entity's objectives and strategies for using derivative instruments may be more meaningful if such objectives and strategies are described in the context of an entity's overall risk exposures relating to interest rate risk, foreign currency exchange rate risk, commodity price risk, credit risk, and equity price risk. If appropriate, an entity is encouraged, but not required, to provide such additional qualitative disclosures. Have such disclosures been made (for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented)? ["Pending Content" in FASB ASC 815-10-50-5]	____	____	____

Disclosure About Concentrations of Credit Risk of All Financial Instruments

	Yes	No	N/A
20. Except as indicated in FASB ASC 825-10-50-22, has the entity disclosed all significant concentrations of credit risk arising from all financial instruments, whether from an individual counterparty or groups of counterparties? (Group concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.) ["Pending Content" in FASB ASC 825-10-50-20]	____	____	____

	Yes	No	N/A

Notes: In September 2008, FASB issued FSP FAS 133-1 and FIN 45-5, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*, to amend current disclosures by sellers of credit derivatives under FASB Statement No. 161. This FSP applies to credit derivatives within the scope of FASB Statement No. 133, hybrid instruments that have embedded credit derivatives.

This FSP changes the disclosure requirements related to credit derivatives in that a seller of credit derivatives should disclose information about its credit derivatives and hybrid instruments that have embedded credit derivatives to enable users of financial statements to assess their potential effect on its financial position, financial performance, and cash flows.

This FSP clarifies FASB's intent that the disclosures required by FASB Statement No. 161 should be provided for any reporting period (annual or quarterly interim) beginning after November 15, 2008.

The FSP is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Early application is encouraged. This statement encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, it requires comparative disclosures only for periods subsequent to initial adoption.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 133-1 and FIN 45-5.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 815-10-65-2.

	Yes	No	N/A

Credit Derivatives

20B. ***(FSP FAS 133-1 and FIN 45-5)*** Is the following information disclosed by a seller of credit derivative, (as defined in FASB ASC 815-10-50-4J as a guarantor in a guarantee type contract or any party that provides the credit protection in an option type contract, a credit default swap, or any other credit derivative), even if the likelihood of the seller's having to make any payments under the credit derivative is remote:

a. The nature of the credit derivative, including all of the following:

i. The approximate term of the credit derivative? ____ ____ ____

ii. The reasons for entering into the credit derivative? ____ ____ ____

iii. The events or circumstances that would require the seller to perform under the credit derivative? ____ ____ ____

iv. The current status (that is, as of the date of the statement of financial position) of the payment/performance risk of the credit derivative? ____ ____ ____

v. If the entity uses internal groupings for the purposes of item (iv), how those groupings are determined and used for managing risk? ____ ____ ____

b. The maximum potential amount of future payments (undiscounted) that the seller could be required to make under the credit derivative, which should not be reduced by the effect of any amounts that may possibly be recovered under recourse or collateralization provisions in the credit derivative? ____ ____ ____

c. If the terms of the credit derivative provide for no limitation to the maximum potential future payments under the credit derivative, is that fact disclosed? ____ ____ ____

d. If the seller is unable to develop an estimate of the maximum potential amount of future payments under the credit derivative, are the reasons why the maximum potential amount cannot be estimated disclosed? ____ ____ ____

e. Is the fair value of the credit derivative as of the date of the statement of financial position disclosed? ____ ____ ____

f. The nature of

i. any recourse provisions that would enable the guarantor to recover from third parties any of the amounts paid under the guarantee? ____ ____ ____

ii. any assets held either as collateral or by third parties that, upon the occurrence of any triggering event or condition under the guarantee, the guarantor can obtain and liquidate to recover all or a portion of the amounts paid under the guarantee? ____ ____ ____

	Yes	No	N/A
g. If estimable, the approximate extent to which the proceeds from liquidation of those assets would be expected to cover the maximum potential amount of future payments under the guarantee? ["Pending Content" in FASB ASC 815-10-50-4J; "Pending Content" in FASB ASC 815-10-50-4K]	_____	_____	_____
21B. ***(FSP FAS 133-1 and FIN 45-5)*** With respect to hybrid instruments that have embedded credit derivatives, has the seller of the embedded credit derivative disclosed the information required by FASB ASC 815-10-50-4K, question 20, for the entire hybrid instrument, not just the embedded credit derivatives? ["Pending Content" in FASB ASC 850-10-50-4L]	_____	_____	_____
22. Has the entity disclosed its accounting policy for the premium paid (time value) to acquire an option that is classified as held to maturity or available for sale, if applicable? [FASB ASC 815-10-50-9]	_____	_____	_____

Unconditional Purchase Obligations

	Yes	No	N/A
23. If the entity has unconditional purchase obligations which are subject to the requirements of FASB ASC 440 and FASB ASC 815, are the disclosures required by both topics complied with, including FASB ASC 440-10-50-4? [FASB ASC 815-10-50-6]	_____	_____	_____

Balance Sheet Offsetting

	Yes	No	N/A
24. Is the entity's policy for offsetting or not offsetting in accordance with FASB ASC 815-10-45-6 disclosed? [FASB ASC 815-10-50-7]	_____	_____	_____

Practice Tip

A reporting entity should make an accounting policy decision to offset fair value amounts pursuant to FASB ASC 815-10-45-5. The reporting entity's choice to offset or not must be applied consistently. A reporting entity should not offset fair value amounts recognized for derivative instruments without offsetting fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral. A reporting entity that makes an accounting policy decision to offset fair value amounts recognized for derivative instruments pursuant to FASB ASC 815-10-45-5 but determines that the amount recognized for the right to reclaim cash collateral or the obligation to return cash collateral is not a fair value amount should continue to offset the derivative instruments.
[FASB ASC 815-10-45-6]

	Yes	No	N/A
25. Has the entity disclosed the amounts recognized at the end of each reporting period for the right to reclaim cash collateral or the obligation to return cash collateral as follows:			
a. If the entity has made an accounting policy decision to offset fair value amounts it should separately disclose amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral that have been offset against net derivative positions in accordance with FASB ASC 815-10-45-5?	_____	_____	_____

	Yes	No	N/A

Practice Tip

A reporting entity may offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instrument(s) recognized at fair value executed with the same counterparty under a master netting arrangement. Solely as it relates to the right to reclaim cash collateral or the obligation to return cash collateral, fair value amounts include amounts that approximate fair value. [FASB ASC 815-10-45-5]

b. Has the entity separately disclosed amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting arrangements that have not been offset against net derivative instrument positions? ____ ____ ____

c. If the entity has made an accounting policy decision to not offset fair value amounts, have they separately disclosed the amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral under master netting arrangements? ____ ____ ____
[FASB ASC 815-10-50-8]

Certain Hybrid Financial Instruments

Note: In February 2007, FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115*, which is effective for financial statements issued for fiscal years beginning after November 15, 2007 (that is, January 1, 2008, for entities with calendar year-ends). Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of FASB Statement No. 157. The choice to adopt early should be made after issuance of this statement but within 120 days of the beginning of the fiscal year of adoption, provided the entity has not yet issued financial statements, including required notes to those financial statements, for any interim period of the fiscal year of adoption.

This statement applies to all entities, including not-for-profit entities. Most of the provisions of this guidance apply only to entities that elect the fair value option. However, the amendment to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income.

This statement is primarily codified in FASB ASC 825, *Financial Instruments*.

See part AA, "Fair Value Measurements," for more information.

	Yes	No	N/A
26. If the entity measures hybrid instruments (financial instruments containing embedded derivatives) at fair value in accordance with the election and under the practicability exception in FASB ASC 815-15-30-1 on earnings (or other performance indicators for entities that do not report earnings), is the aggregate fair value of those instruments reported separately on the face of the statement of financial position from the aggregate carrying amounts of assets and liabilities measured using another measurement attribute? [FASB ASC 815-15-45-1]	____	____	____
27. For those hybrid financial instruments measured at fair value under the election and under the practicability exception in FASB ASC 815-15-30-1 on earnings (or other performance indicators for entities that do not report earnings), has the entity disclosed the information in paragraphs 28–32 of FASB ASC 825-10-50? [FASB ASC 815-15-50-1]	____	____	____
28. Has the entity provided information that will allow users to understand the effect of changes in the fair value of hybrid financial instruments measured at fair value under the election and under the practicability exception in FASB ASC 815-15-30-1 on earnings (or other performance indicators for entities that do not report earnings)? [FASB ASC 815-15-50-2]	____	____	____
29. For those embedded conversion options previously accounted for as a derivative instrument under FASB ASC 815-15 (embedded derivatives) which no longer meet the separation criteria has a description of the principal changes causing the embedded conversion option to not longer require bifurcation and the amount of the liability for the conversion option which has been reclassified to stockholders' equity been disclosed? [FASB ASC 815-15-50-3]	____	____	____
Fair Value Hedges			
30A. For every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented, does the entity disclose the following for derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under FASB ASC 830-20, that have been designated and have qualified as fair value hedging instruments and for the related hedged items:			
a. The net gain or loss recognized in earnings during the reporting period representing (*a*) the amount of the hedges' ineffectiveness, (*b*) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and (*c*) a description of where the net gain or loss is reported in the statement of income or other statement of financial performance?	____	____	____

	Yes	No	N/A
b. The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? [FASB ASC 815-25-50-1]	_____	_____	_____
30B. ***(FASB Statement No. 161)*** For every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented, does the entity disclose the following for derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under FASB ASC 830-20, that have been designated and have qualified as fair value hedging instruments and for the related hedged items:			
a. The net gain or loss recognized in earnings during the reporting period representing (*a*) the amount of the hedges' ineffectiveness and (*b*) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness?	_____	_____	_____
b. The amount of net gain or loss recognized in earnings when a hedged firm commitment no longer qualifies as a fair value hedge? ["Pending Content" in FASB ASC 815-25-50-1]	_____	_____	_____
Cash Flow Hedges			
31. Has the entity displayed, as a separate classification within OCI, the net gain or loss on any derivative instruments designated and qualifying as cash flow hedging instruments that are reported in comprehensive income pursuant to FASB ASC 815-20-25-65 and FASB ASC 815-30-35-3? [FASB ASC 815-30-45-1]	_____	_____	_____
32A. For every reporting period for which a statement of financial position and statement of financial performance are presented, does the entity disclose the following for derivative instruments that have been designated and have qualified as cash flow hedging instruments and for the related hedged transactions:			
a. The net gain or loss recognized in earnings during the reporting period representing (i) the amount of the hedges' ineffectiveness, (ii) the component of the derivative instruments' gain or loss, if any, excluded from the assessment of hedge effectiveness, and (iii) a description of where the net gain or loss is reported in the statement of income or other statement of financial performance?	_____	_____	_____
b. A description of the transactions or other events that will result in the reclassification into earnings of gains and losses that are reported in accumulated OCI, and the estimated net amount of the existing gains or losses at the reporting date that is expected to be reclassified into earnings within the next 12 months?	_____	_____	_____

	Yes	No	N/A
c. The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments?	_____	_____	_____
d. The amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period or within the additional period of time discussed in paragraphs 4–5 of FASB ASC 815-30-40? [FASB ASC 815-30-50-1]	_____	_____	_____
32B. ***(FASB Statement No. 161)*** For every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented, does the entity disclose the following for derivative instruments that have been designated and have qualified as cash flow hedging instruments and for the related hedged transactions:			
a. A description of the transactions or other events that will result in the reclassification into earnings of gains and losses that are reported in accumulated OCI, and the estimated net amount of the existing gains or losses at the reporting date that is expected to be reclassified into earnings within the next 12 months?	_____	_____	_____
b. The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments?	_____	_____	_____
c. The amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period or within the additional period of time discussed in paragraphs 4–5 of FASB ASC 815-30-40? ["Pending Content" in FASB ASC 815-30-50-1]	_____	_____	_____
33. Has the entity disclosed, as a separate component of OCI, the beginning and ending accumulated derivative instrument gain or loss, the related net change associated with current period hedging transactions, and the net amount of any reclassification into earnings? [FASB ASC 815-30-50-2]	_____	_____	_____

	Yes	No	N/A

Practice Tips

The entity should display as a separate classification within OCI the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments that are reported in comprehensive income pursuant to FASB ASC 815-20-25-65 and FASB ASC 815-30-35-3.
[FASB ASC 815-30-45-1]

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The quantitative disclosures about derivative instruments may be more useful, and less likely to be perceived to be out of context or otherwise misunderstood, if similar information is disclosed about other financial instruments or nonfinancial assets and liabilities to which the derivative instruments are related by activity. Accordingly, in such situations, an entity is encouraged, but not required, to present a more complete picture of its activities by disclosing that information.
[FASB ASC 815-35-50-2]

Contracts in Entity's Own Equity

34. Have changes in the fair value of all contracts classified as assets or liabilities disclosed, as long as the contracts remain classified as assets or liabilities? _____ _____ _____
[FASB ASC 815-40-50-1]

35. If contracts that are classified as assets or liabilities meet the FASB ASC glossary definition of a derivative instrument and meet the criteria under the provisions of FASB ASC 815-10, are the related disclosures required by FASB ASC 815-10-50, FASB ASC 815-25-50, FASB ASC 815-30-50, and FASB ASC 815-35-50 disclosed, as detailed in questions preceding? _____ _____ _____
[FASB ASC 815-40-50-2]

36. If contracts within the scope of FASB ASC 815-40 are reclassified into (or out of) equity during their lives (in whole or in part) pursuant to the provisions of paragraphs 8–13 of FASB ASC 815-40-35, related to reclassification of contracts, is the contract reclassification, the reason for the reclassification and the effect on the entity's financial statements disclosed? _____ _____ _____
[FASB ASC 815-40-50-3]

37. If the entity partially reclassifies a contract(s) subject to FASB ASC 815-40, is the accounting policy decision disclosed pursuant to FASB ASC 235, *Notes to the Financial Statements*? _____ _____ _____
[FASB ASC 815-40-50-4]

38. If the entity has contracts related to their capital structure of the following nature, have the following disclosures, pursuant to FASB ASC 505-10-50 (equity disclosures) been displayed?

    a. If the entity has an option or forward contract, has relevant information including (i) the forward rate, (ii) the option strike price, (iii) the number of shares to which the contract is indexed, (iv) the settlement date(s), and (v) the issuers accounting for the contract (asset, liability, or equity) been disclosed? _____ _____ _____

	Yes	No	N/A

b. If the entity's contract(s) provide settlement alternatives, has the relevant information including (i) who controls the settlement alternatives and (ii) the maximum number of shares that could be required to be issued to net share settle the contract been disclosed? _____ _____ _____

c. If the entity's contract(s) does not have a fixed or determinable maximum number of shares that may be required to be issued, is the fact that an infinite number may be required to settle the contract(s) disclosed? _____ _____ _____

d. For each of the entity's contract(s) has disclosure been made of the current fair value for each settlement alternative and how changes in the price of the issuer's equity instruments affect those settlement amounts? (For some issuers, a tabular format may provide the most concise and informative presentation of these data.) _____ _____ _____

e. If the entity has temporary equity (for example redeemable stock issued by nonpublic entities) have the disclosures required by FASB ASC 505-10-50-11 been made? _____ _____ _____
[FASB ASC 815-40-50-5]

Weather Derivatives

39. Weather derivative contracts within the scope of FASB ASC 815-45 are financial instruments, therefore, are the existing U.S. GAAP disclosures for financial instruments such as those required in FASB ASC 825-10-50 included? _____ _____ _____
[FASB ASC 815-45-50-1]

Disclosures About Fair Value of Financial Instruments

Notes: In April 2009, FASB issued FSP 107-1 and APB 28-1 to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded entities as well as in annual financial statements. This FSP also amends APB Opinion No. 28 to require those disclosures in summarized financial information at interim reporting periods. This FSP applies to all financial instruments within the scope of FASB Statement No. 107 held by publicly traded companies, as defined by APB Opinion No. 28.

FSP FAS 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends), with early adoption permitted for periods ending after March 19, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4 and FSP FAS 115-2 and FAS 124-2. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoptions. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 107-1 and APB 28-1.

(continued)

Yes No N/A

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 825-10-65-1.

Practice Tips

For interim reporting periods, the disclosure guidance in FASB ASC 825-10-50 applies to all entities but is optional for those entities that do not meet the FASB ASC definition of a publicly traded company.
["Pending Content" in FASB ASC 825-10-50-2A]

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U.S. GAAP requires disclosure of or subsequent measurement at fair value for many classes of financial instruments. Those requirements are not superseded or modified by FASB ASC 825-10-50.

FASB ASC 825-10-50-13 does not prohibit an entity from disclosing separately the estimated fair value of any of its nonfinancial intangible and tangible assets and nonfinancial liabilities.

FASB ASC 825-10-50-14 does not require separate disclosure of trade receivables and payables if the carrying amount approximates fair value.
[FASB ASC 825-10-50 par. 9 and 13–14]

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The disclosure about fair values of financial instruments is optional (for annual reporting periods) for reporting entities that

- are nonpublic entities as defined in the FASB ASC glossary,
- have total assets of less than $100 million on the date of the financial statements, and
- have no instrument that, in whole or in part, is accounted for as a derivative instrument under FASB ASC 815, *Derivatives and Hedging*, other than commitments related to the origination of mortgage loans to be held for sale during the reporting period.

["Pending Content" in FASB ASC 825-10-50-3]

This criterion should be applied to the most recent year presented in comparative financial statements to determine the applicability of FASB ASC 825-10-50.
[FASB ASC 825-10-50-4]

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The following table clarifies the requirements for disclosures if prior periods are presented in comparative financial statements.

If Disclosures for the Current Period Are:	And Disclosures for Prior Periods Were:	Then Disclosures for Prior Periods Presented in Comparative Statements Are:
Optional	Optional	Optional
Optional	Required	Optional
Required	Optional	Optional
Required	Required	Required

[FASB ASC 825-10-50 par. 5–7]

	Yes	No	N/A
40. Off-balance-sheet credit risk refers to credit risk on off-balance-sheet loan commitments, standby letters of credit, financial guarantees, and other similar instruments, except for instruments within the scope of FASB ASC 815. For financial instruments with off-balance sheet risk, except for those instruments within the scope of FASB ASC 815, is the following information disclosed by the entity:			
a. The face or contract amount?	____	____	____
b. The nature and terms, including, at a minimum, a discussion of the			
i. credit and market risk of those instruments?	____	____	____
ii. cash requirements of those instruments?	____	____	____
iii. related accounting policy pursuant to FASB ASC 235-10?	____	____	____
c. The entity's policy for requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? [FASB ASC 942-825-50-1]	____	____	____
41. Examples of activities and financial instruments with off-balance-sheet credit risk include obligations for loans sold with recourse (with or without a floating-interest-rate provision), fixed-rate and variable-rate loan commitments, financial guarantees, note issuance facilities at floating rates, and letters of credit. Has the guarantor disclosed and accounted for a financial guarantee under paragraphs 8–12 of FASB ASC 605-20-25? See FASB ASC 825-10-55-3 regarding disclosures about fair value of financial instruments. [FASB ASC 942-825-50-2]	____	____	____
42. Has the entity disclosed, either in the body of the financial statements or in the accompanying notes, the fair value of financial instruments for which it is practicable to estimate fair value, the method(s), significant assumptions used to estimate the fair value of the financial instruments and a description of the changes in the method(s) and significant assumptions used, if any, during the period? ["Pending Content" in FASB ASC 825-10-50-10]	____	____	____
43. Has the fair value disclosed in the notes been presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amounts relate to what is reported in the statement of financial position? [FASB ASC 825-10-50-11]	____	____	____

	Yes	No	N/A
44. If fair value information is disclosed in more than a single note, does one of the notes include a summary table of the fair value and related carrying amounts, and does the note cross-reference to the location(s) of the remaining required disclosures? [FASB ASC 825-10-50-12]	____	____	____
45. In disclosing the fair value of a financial instrument, has the entity taken care not to net that fair value with the fair value of other financial instruments—even if those financial instruments are of the same class or are otherwise considered to be related, for example, by a risk management strategy—except to the extent that the offsetting of carrying amounts in the statement of financial position is permitted under the general principle in FASB ASC 210-20-45-1, or the exceptions for master netting arrangements in FASB ASC 815-10-45-5 and for amounts related to certain repurchase and reverse repurchase agreements in paragraphs 11–17 of FASB ASC 210-25-45? [FASB ASC 825-10-50-15]	____	____	____
46. If it is not practicable (see paragraphs 16–19 of FASB ASC 825-10-50 for definition of practicable in this context) to estimate the fair value of a financial instrument or a class of financial instruments, are the following disclosed:			
a. Information pertinent to estimating the fair value of that financial instrument or class of financial instruments, such as the carrying amount, effective interest rate, and maturity?	____	____	____
b. The reasons why it is not practicable to estimate fair value? [FASB ASC 825-10-50-16]	____	____	____

Notes: In May 2009, FASB Statement No. 163, *Accounting for Financial Guarantee Insurance Contracts, an Interpretation of FASB Statement No. 60*, was released to amend FASB Statement No. 107 to eliminate inconsistencies in the recognition and measurement of claim liabilities. This statement clarifies how FASB Statement No. 60 applies to financial guarantee insurance contracts, including the recognition and measurement of premium revenue and claim liabilities. This statement also requires expanded disclosures about financial guarantee insurance contracts.

This statement applies to financial guarantee insurance (and reinsurance) contracts issued by enterprises that are included within the scope of paragraph 6 of FASB Statement No. 60 and that are not accounted for as derivative instruments.

(continued)

	Yes	No	N/A

FASB Statement No. 163 is effective for financial statements issued for fiscal years beginning after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends), and interim periods within those fiscal years. However, many of the disclosure requirements are effective for the first period (including interim periods) beginning after issuance.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 163.

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 944-20-65-1.

Practice Tips

Fair value disclosures are required for all financial instruments, whether recognized or not recognized in the statement of financial position, except that the disclosures about fair value in paragraphs 10–16 of FASB ASC 825-10-50 are not required for several classes of financial instruments (see FASB ASC 825-10-50-8).
[FASB ASC 825-10-50-8]

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(FASB Statement No. 163) Fair value disclosures are required for all financial instruments, whether recognized or not recognized in the statement of financial position, except that the disclosures about fair value in paragraphs 10–16 of FASB ASC 825-10-50 are not required for several classes of financial instruments (see "Pending Content" in FASB ASC 825-10-50-8).
["Pending Content" in FASB ASC 825-10-50-8]

Disclosure About Concentrations of Credit Risk of All Financial Instruments

47. Except as indicated in FASB ASC 825-10-50-22, has the entity disclosed all significant concentrations of credit risk arising from all financial instruments, whether from an individual counterparty or groups of counterparties? Group concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. ____ ____ ____
["Pending Content" in FASB ASC 825-10-50-20]

Yes No N/A

Practice Tip

The disclosure requirements of FASB ASC 825-10-50-21 do not apply to the following financial instruments, whether written or held:

- The financial instruments described in FASB ASC 825-10-50-8(a), (c), (e), and (f), except for reinsurance receivables and prepaid reinsurance premiums.
- Financial instruments of a pension plan, including plan assets, when subject to the accounting and reporting requirements of FASB ASC 715, *Compensation—Retirement Benefits* (financial instruments of a pension plan, other than the obligations for pension benefits, if subject to the accounting and reporting requirements of FASB ASC 960, *Plan Accounting—Defined Benefit Pension Plans*, are subject to the requirements of paragraphs 20–21 of FASB ASC 825-10-50).

[FASB ASC 825-10-50-22]

48. Has the entity made the following disclosures about each significant concentration:

    a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration? Possible shared characteristics on which significant concentrations may be determined include, but are not limited to (1) borrowers subject to significant payment increases, (2) loans with terms that permit negative amortization, and (3) loans with high loan-to-value ratios. ____ ____ ____

    b. The maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the entity would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the entity? ____ ____ ____

    c. The entity's policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity's access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments? ____ ____ ____

    d. The entity's policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements for which the entity is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the entity's maximum amount of loss due to credit risk? ____ ____ ____
    [FASB ASC 825-10-50-21]

49. Has the entity disclosed quantitative information, such as those listed below, about the market risks of financial instruments that is consistent with the way it manages or adjusts those risks? (***Encouraged, but not required.***)

    a. More details about current positions and perhaps activity during the period? ____ ____ ____

	Yes	No	N/A
b. The hypothetical effects on comprehensive income (or net assets), or annual income, of several possible changes in market prices?	____	____	____
c. A gap analysis of interest rate repricing or maturity dates?	____	____	____
d. The duration of the financial instruments?	____	____	____
e. The entity's value at risk from derivatives and from other positions at the end of the reporting period and the average value at risk during the year? [FASB ASC 825-10-50-23]	____	____	____
50. Are gains and losses (realized and unrealized) on all derivative instruments within the scope of FASB ASC 815, shown net when recognized in the income statement, whether or not settled physically, if the derivative instruments are held for trading purposes? [FASB ASC 815-10-45-9]	____	____	____

Registration Payment Arrangements

	Yes	No	N/A
51. If the entity is an issuer of a registration payment arrangement, has the following been disclosed:			
a. The nature of the registration payment, including all of the following:			
i. The approximate term of the arrangement?	____	____	____
ii. The financial instrument(s) subject to the arrangement?	____	____	____
iii. The events or circumstances that would require the issuer to transfer consideration under the arrangement?	____	____	____
b. Any settlement alternatives contained in the terms of the registration payment arrangement, including the party that controls the settlement alternatives?	____	____	____
c. The maximum potential amount of consideration, undiscounted, that the issuer could be required to transfer under the registration payment arrangement (including the maximum number of shares that may be required to be issued)?	____	____	____
d. If the terms of the arrangement provide for no limitation to the maximum potential consideration (including shares) to be transferred, that fact has been be disclosed?	____	____	____
e. The current carrying amount of the liability representing the issuer's obligations under the registration payment arrangement?	____	____	____
f. The income statement classification of any gains or losses resulting from changes in the carrying amount of the liability representing the issuer's obligations under the registration payment arrangement? [FASB ASC 825-20-50-1]	____	____	____

Yes No N/A

Practice Tip

The preceding disclosures are incremental to the disclosures that may be required under other applicable U.S. GAAP and are required even if the likelihood of the issuer having to make any payments under the arrangement is remote.
[FASB ASC 825-20-50-2]

Disclosures About Certain Financial Instruments With Characteristics of Both Liabilities and Equity

Notes: In November 2003, FASB issued FSP FAS 150-3, *Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests under FASB Statement No. 150*, to clarify and defer specific implementation of the provisions of FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*.

FASB Statement No. 150 as issued is effective for mandatorily redeemable financial instruments of nonpublic entities for the first fiscal period beginning after December 15, 2003. For mandatorily redeemable instruments of other entities, FASB Statement No. 150 as issued is effective for financial instruments entered into or modified after May 31, 2003, and for all other instruments for interim periods beginning after June 15, 2003.

FSP FAS 150-3 deferred the effective date for mandatorily redeemable financial instruments issued by nonpublic entities that are not SEC registrants, as follows:

1. For instruments that are mandatorily redeemable on fixed dates for amounts that either are fixed or are determined by reference to an interest rate index, currency index, or another external index, the classification, measurement, and disclosure provisions of FASB ASC 480-10-50 were effective for fiscal periods beginning after December 15, 2004.
2. For all other financial instruments that are mandatorily redeemable, the classification, measurement, and disclosure provisions of FASB ASC 480-10-50 are deferred indefinitely pending further FASB action.

Note that the effective dates for entities that are not nonpublic and are not SEC registrants differ and that early adoption for instruments within the scope of this deferral is prohibited during the deferral period. Readers should review this FSP or the relevant transition guidance to understand the various effective dates of FASB Statement No. 150, as discussed in FASB ASC 480-10-65-1.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 150-3.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should

(continued)

Yes	No	N/A

consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 480-10-65-1.

52B. ***(FSP FAS 150-3)*** For items within the scope of FASB ASC 480-10, are they presented as liabilities (or assets in some circumstances), and are those items not presented between the liabilities section and the equity section of the statement of financial position? ____ ____ ____
["Pending Content" in FASB ASC 480-10-45-1]

53B. ***(FSP FAS 150-3)*** For issuers of financial instruments with the scope of FASB ASC 480-10:

a. Are the nature and terms of the financial instruments and the rights and obligations embodied in those instruments disclosed? ____ ____ ____

b. Does that disclosure include information about settlement alternatives, if any, in the contract and identify the entity that controls the settlement alternatives? ____ ____ ____
["Pending Content" in FASB ASC 480-10-50-1]

54B. ***(FSP FAS 150-3)*** For all outstanding financial instruments within the scope of FASB ASC 480-10 and for each settlement alternative, does the entity disclose

a. the amount that would be paid, or the number of shares that would be issued and their fair value, determined under the conditions specified in the contract if the settlement were to occur at the reporting date? ____ ____ ____

b. how changes in the fair value of the issuer's equity shares would affect those settlement amounts (for example, "the issuer is obligated to issue an additional x shares or pay an additional y dollars in cash for each \$1 decrease in the fair value of one share")? ____ ____ ____

c. the maximum amount that the issuer could be required to pay to redeem the instrument by physical settlement, if applicable? ____ ____ ____

	Yes	No	N/A
d. the maximum number of shares that could be required to be issued, if applicable?	_____	_____	_____
e. that a contract does not limit the amount that the issuer could be required to pay or the number of shares that the issuer could be required to issue, if applicable?	_____	_____	_____
f. for a forward contract or an option indexed to the issuer's equity shares, the forward price or option strike price, the number of issuer's shares to which the contract is indexed, and the settlement date or dates of the contract, as applicable? ["Pending Content" in FASB ASC 480-10-50-2]	_____	_____	_____
55B. ***(FSP FAS 150-3)*** If the entity has no equity instruments outstanding but has financial instruments in the form of shares, all of which are mandatorily redeemable financial instruments,			
a. are they classified as liabilities?	_____	_____	_____
b. are they described in the statement of financial position as "shares subject to mandatory redemption"?	_____	_____	_____
c. are payments to holders of such instruments and related accruals presented separately from payments to and interest due to other creditors in statements of cash flows and income? ["Pending Content" in FASB ASC 480-10-45-2]	_____	_____	_____
56B. ***(FSP FAS 150-3)*** Do the entities referred to in question 52 disclose the components of the liability that would otherwise be related to shareholders' interest and OCI, if any, subject to the redemption feature (for example, par value and other paid-in amounts of mandatorily redeemable instruments should be disclosed separately from the amount of retained earnings or accumulated deficit)? ["Pending Content" in FASB ASC 480-10-50-4]	_____	_____	_____
57B. ***(FSP FAS 150-3)*** Is the cumulative transition adjustment and any subsequent adjustments reported as an excess of liabilities over assets (a deficit) and changes thereto even though the mandatorily redeemable shares are reported as a liability? ["Pending Content" in FASB ASC 480-10-45-2A]	_____	_____	_____
58B. ***(FSP FAS 150-3)*** Are unconditional mandatorily redeemable financial instruments classified as liabilities if those instruments are mandatorily redeemable on fixed dates unless the redemption is required to occur only upon the liquidation or termination of the reporting entity? (***Note:*** A mandatorily redeemable financial instrument is conditional if the obligation depends upon the occurrence of an event not certain to occur. Death is not uncertain of occurrence; thus, death is not a condition.) ["Pending Content" in FASB ASC 480-10-25 par. 4–5]	_____	_____	_____

	Yes	No	N/A
59B. ***(FSP FAS 150-3)*** Are financial instruments, other than an outstanding share, that, at inception, (*a*) embodies an obligation to repurchase the issuer's equity shares or is indexed to such an obligation, and (*b*) requires or may require the issuer to settle the obligation by transferring assets, classified as liabilities (or assets in some circumstances)? ["Pending Content" in FASB ASC 480-10-25-8]	____	____	____
60B. ***(FSP FAS 150-3)*** Are financial instruments that embody an unconditional obligation, or financial instruments other than an outstanding share that embodies a conditional obligation, that the issuer must or may settle by issuing a variable number of its equity shares, classified as liabilities (or assets in some circumstances) if, at inception, the monetary value of the obligation is based solely or predominantly on any one of the following:			
a. A fixed monetary amount known at inception (for example, a payable settable with a variable number of the issuer's equity shares)?	____	____	____
b. Variations in something other than the fair value of the issuer's equity shares (for example, a financial instrument indexed to the Standard and Poor's S&P 500 Index and settleable with a variable number of the issuer's equity shares)?	____	____	____
c. Variations inversely related to changes in the fair value of the issuer's equity shares (for example, a written put option that could be net share settled)? ["Pending Content" in FASB ASC 480-10-25-14]	____	____	____
61. Has the entity disclosed information about the pertinent rights and privileges of the various securities outstanding, including mandatory redemption requirements, in summary form? [FASB ASC 505-10-50-3]	____	____	____
62. Has the entity disclosed the amount of redemption requirements for all issues of stock that are redeemable at fixed or determinable prices on fixed or determinable dates in each of the next five years? [FASB ASC 505-10-50-11]	____	____	____

I. Guarantees

Notes: In September 2008, FASB issued FSP FAS 133-1 and FIN 45-5 to amend disclosures related to the current status of the payment/performance risk of a guarantee under FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others—an interpretation of FASB Statements No. 5, 57 and 107 and rescission of FASB Interpretation No. 34*. This FSP applies guarantees within the scope of FASB Interpretation No. 45.

This FSP also amends paragraph 13(a) of FASB Interpretation No. 45 to require disclosure of the current status of the payment/performance risk of the guarantee.

(continued)

Yes *No* *N/A*

The FSP is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Early application is encouraged. This statement encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, it requires comparative disclosures only for periods subsequent to initial adoption.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 133-1 and FIN 45-5.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the FSP on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 815-10-65-2.

Practice Tip

An entity should disclose certain loss contingencies even though the possibility of loss may be remote. The common characteristic of those contingencies is a guarantee that provides a right to proceed against an outside party in the event that the guarantor is called on to satisfy the guarantee. Examples include the following:

1. Guarantees of indebtedness of others, including indirect guarantees of indebtedness of others
2. Obligations of commercial banks under standby letters of credit
3. Guarantees to repurchase receivables (or, in some cases, to repurchase the related property) that have been sold or otherwise assigned
4. Other agreements that in substance have the same guarantee characteristic

The disclosure should include the nature and amount of the guarantee. Consideration should be given to disclosing, if estimable, the value of any recovery that could be expected to result, such as from the guarantor's right to proceed against an outside party.
[FASB ASC 460-10-50 par. 2–3]

	Yes	No	N/A
1A. Is the following information disclosed by a guarantor about each guarantee, or each group of similar guarantees, even if the likelihood of the guarantor's having to make any payments under the guarantee is remote:			
a. The nature of the guarantee, including the approximate term, how the guarantee arose, and the events or circumstances that would require the guarantor to perform under the guarantee?	_____	_____	_____
b. The maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee?	_____	_____	_____
c. If the terms of the guarantee provide for no limitation to the maximum potential future payments under the guarantee, is that fact disclosed?	_____	_____	_____
d. If the guarantor is unable to develop an estimate of the maximum potential amount of future payments under its guarantee, are the reasons why the maximum potential amount cannot be estimated disclosed?	_____	_____	_____
e. The current carrying amount of the liability, if any, for the guarantor's obligations under the guarantee, including the amount, if any, recognized under FASB ASC 450-20-30, regardless of whether the guarantee is freestanding or embedded in another contract?	_____	_____	_____
f. The nature of			
i. any recourse provisions that would enable the guarantor to recover from third parties any of the amounts paid under the guarantee?	_____	_____	_____
ii. any assets held either as collateral or by third parties that, upon the occurrence of any triggering event or condition under the guarantee, the guarantor can obtain and liquidate to recover all or a portion of the amounts paid under the guarantee?	_____	_____	_____
g. If estimable, the approximate extent to which the proceeds from liquidation of those assets would be expected to cover the maximum potential amount of future payments under the guarantee? [FASB ASC 460-10-50-4]	_____	_____	_____
1B. ***(FSP FAS 133-1 and FIN 45-5)*** Is the following information disclosed by a guarantor about each guarantee, or each group of similar guarantees, even if the likelihood of the guarantor's having to make any payments under the guarantee is remote:			
a. The nature of the guarantee, including all of the following:			
i. The approximate term of the guarantee?	_____	_____	_____
ii. How the guarantee arose?	_____	_____	_____
iii. The events or circumstances that would require the guarantor to perform under the guarantee?	_____	_____	_____

	Yes	No	N/A
iv. The current status (that is, as of the date of the statement of financial position) of the payment/ performance risk of the guarantee?	____	____	____
v. If the entity uses internal groupings for the purposes of item (iv), how those groupings are determined and used for managing risk?	____	____	____
b. The maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee?	____	____	____
c. If the terms of the guarantee provide for no limitation to the maximum potential future payments under the guarantee, is that fact disclosed?	____	____	____
d. If the guarantor is unable to develop an estimate of the maximum potential amount of future payments under its guarantee, are the reasons why the maximum potential amount cannot be estimated disclosed?	____	____	____
e. The current carrying amount of the liability, if any, for the guarantor's obligations under the guarantee, including the amount, if any, recognized under FASB ASC 450-20-30, regardless of whether the guarantee is freestanding or embedded in another contract?	____	____	____
f. The nature of			
i. any recourse provisions that would enable the guarantor to recover from third parties any of the amounts paid under the guarantee?	____	____	____
ii. any assets held either as collateral or by third parties that, upon the occurrence of any triggering event or condition under the guarantee, the guarantor can obtain and liquidate to recover all or a portion of the amounts paid under the guarantee?	____	____	____
g. If estimable, the approximate extent to which the proceeds from liquidation of those assets would be expected to cover the maximum potential amount of future payments under the guarantee? [FASB ASC 460-10-50-4]	____	____	____
2. Are the disclosure requirements in paragraphs 4–6 of FASB ASC 460-10-50 applied to all minimum revenue guarantees in financial statements of interim or annual periods? [FASB ASC 460-10-50 par. 4–6]	____	____	____
3. For product warranties and other guarantee contracts required to be disclosed by FASB ASC 460-10-15-9, is the following information disclosed:			
a. The information required to be disclosed in question 1A, except that a guarantor is not required to disclose the maximum potential amount of future payments in question 1A?	____	____	____

	Yes	No	N/A
b. The guarantor's accounting policy and methodology used in determining its liability for product warranties (including any liability associated with extended warranties)?	_____	_____	_____
c. A tabular reconciliation of the changes in the guarantor's aggregate product warranty liability for the reporting period?	_____	_____	_____
d. Does the tabular reconciliation present			
i. the beginning balance of the aggregate product warranty liability?	_____	_____	_____
ii. the aggregate reductions in that liability for payments made (in cash or in kind) under the warranty?	_____	_____	_____
iii. the aggregate changes in the liability for accruals related to product warranties issued during the reporting period, and the aggregate changes in the liability for accruals related to preexisting warranties, including adjustments related to changes in estimates?	_____	_____	_____
iv. the ending balance of the aggregate product warranty liability? [FASB ASC 460-10-50-8]	_____	_____	_____
4. Are the disclosure requirements in paragraphs 30–35 of FASB ASC 460-10-55 for intellectual property infringement indemnifications complied with? [FASB ASC 460-10-55 par. 30–35]	_____	_____	_____

J. Foreign Currency Matters

Note: In March 2008, FASB issued Statement No. 161 to enhance the current disclosure framework in FASB Statement No. 133. This statement has the same scope as FASB Statement No. 133 and, accordingly, applies to all entities.

This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (*a*) how and why an entity uses derivative instruments, (*b*) how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 and its related interpretations, and (*c*) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

FASB Statement No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Early application is encouraged. This statement encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, it requires comparative disclosures only for periods subsequent to initial adoption.

(continued)

	Yes	No	N/A

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 161.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 815-10-65-1.

Foreign Currency Transactions

1. If not disclosed in the financial statements, as discussed in FASB ASC 830-20-45-2, is the aggregate transaction gain or loss included in determining net income for the period disclosed in the notes to the financial statements? ____ ____ ____
[FASB ASC 830-20-50-1]

2. If significant rate changes have occurred after the date of the financial statements, are the effects on unsettled balances related to foreign currency transactions disclosed? ____ ____ ____
[FASB ASC 830-20-50-2]

3. Has management supplemented the preceding disclosures with an analysis and discussion of the effects of rate changes on the reported results of operations? This type of disclosure might include the mathematical effects of translating revenue and expenses at rates that are different from those used in a preceding period as well as the economic effects of rate changes, such as the effects on selling prices, sales volume, and cost structures. The purpose is to assist financial report users in understanding the broader economic implications of rate changes and to compare recent results with those of prior periods. ***(Encouraged but not required.)*** ____ ____ ____
[FASB ASC 830-20-50-3]

	Yes	No	N/A

Foreign Currency Translations

4. Has an analysis of the changes during the period in the accumulated amount of translation adjustments reported in equity been disclosed either in a separate financial statement, as a part of the statement of changes in equity or in the notes to the financial statements? (See FASB ASC 830-30-45-50 for minimum disclosure requirements.) _____ _____ _____
[FASB ASC 830-30-50-1]

5. If significant rate changes have occurred after the date of the financial statements, are the effects on unsettled balances related to foreign currency transactions disclosed? _____ _____ _____
[FASB ASC 830-30-50-2]

6. Are any foreign earnings reported beyond amounts received in the United States disclosed, if significant? _____ _____ _____
[FASB ASC 280-10-50-41]

K. Long-Lived Assets and Disposal Groups to Be Disposed Of

Reporting Discontinued Operations

1. Are the results of operations of a *component of an entity* (as that phrase is defined in FASB ASC glossary) that either has been disposed of or is classified as held for sale under the requirements of FASB ASC 360-10-45-9, reported in discontinued operations in accordance with FASB ASC 205-20-45-3 if both of the following conditions are met:

   a. The operations and cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the disposal transaction? _____ _____ _____

   b. The entity will not have any significant continuing involvement in the operations of the component after the disposal transaction? _____ _____ _____
   [FASB ASC 205-20-45-1]

2. In a period in which a component of an entity either has been disposed of or is classified as held for sale, does the income statement for current and prior periods report the results of operations of the component, including any gain or loss recognized in accordance with FASB ASC 360-10-35-40 and 360-10-40-5, in discontinued operations? _____ _____ _____
[FASB ASC 205-20-45-3]

3. Are the results of operations of a component classified as held for sale reported in discontinued operations in the period(s) in which they occur? _____ _____ _____
[FASB ASC 205-20-45-3]

4. Are the results of discontinued operations, less applicable income taxes (benefit), reported as a separate component of income before extraordinary items and the cumulative effect of accounting changes (if applicable)? _____ _____ _____
[FASB ASC 205-20-45-3]

	Yes	No	N/A
5. Is the gain or loss recognized on the disposal disclosed either on the face of the income statement or in the notes to the financial statements? [FASB ASC 205-20-45-3]	____	____	____
6. Are adjustments to amounts previously reported in discontinued operations that are directly related to the disposal of a component of an entity in a prior period classified separately in the current period in discontinued operations? [FASB ASC 205-20-50-5]	____	____	____
7. Are the nature and amount of such adjustments (as discussed in question 6) disclosed? [FASB ASC 205-20-45-4]	____	____	____
8. Has interest expense on debt assumed by the buyer and interest on debt that is required to be repaid as a result of a disposal transaction allocated to discontinued operations? (The allocation to discontinued operations of other consolidated interest that is not directly attributable to or related to other operations of the entity is permitted, but not required.) [FASB ASC 205-20-45 par. 6–7]	____	____	____
Reporting Disposal Gains or Losses in Continuing Operations			
9. Is a gain or loss that is recognized on the sale of a long-lived asset (disposal group) that is not a component of an entity included in income from continuing operations before income taxes in the income statement? [FASB ASC 360-10-45-5]	____	____	____
10. If a subtotal such as "income from operations" is presented, does it include the amounts of those gains or losses considered in question 9? [FASB ASC 360-10-45-5]	____	____	____
Reporting a Long-Lived Asset or Disposal Group Sold or Classified as Held for Sale			

Practice Tip

A long-lived asset (disposal group) to be sold shall be classified as held for sale in the period in which all of the criteria at FASB ASC 360-10-45-9 are met.
[FASB ASC 360-10-45-9]

	Yes	No	N/A
11. Is the following information disclosed in the notes to the financial statements that cover the period in which a long-lived asset (disposal group) either has been sold or is classified as held for sale:			
a. A description of the facts and circumstances leading to the expected disposal, the expected manner and timing of that disposal, and, if not separately presented on the face of the statement, the carrying amount(s) of the major classes of assets and liabilities included as part of a disposal group?	____	____	____

Yes No N/A

b. The gain or loss recognized in accordance with FASB ASC 360-10-35-40 and FASB ASC 360-10-40-5 and if not separately presented on the face of the income statement, the caption in the income statement that include that gain or loss? _____ _____ _____

c. If applicable, amounts of revenue and pretax profit or loss reported in discontinued operations? _____ _____ _____

d. If applicable, the segment in which the long-lived asset (disposal group) is reported under FASB ASC 280? _____ _____ _____
[FASB ASC 205-20-50-1]

12. Are the major classes of assets and liabilities that are classified as held for sale separately disclosed either on the face of the statement of financial position or in the notes to financial statements? _____ _____ _____
[FASB ASC 205-20-50-2]

13. If either paragraph 44 or 45 of FASB ASC 360-10-35 applies, is a description of the facts and circumstances leading to the decision to change the plan to sell the long-lived asset (disposal group) and its effect on the results of operations for the period and any prior periods presented disclosed in the notes to the financial statements that include the period of that decision? _____ _____ _____
[FASB ASC 205-20-50-3]

14. For each discontinued operation that generates continuing cash flows, has the following been disclosed:

a. The nature of the activities that give rise to continuing cash flows? _____ _____ _____

b. The period of time continuing cash flows are expected to be generated? _____ _____ _____

c. The principal factors used to conclude that the expected continuing cash flows are not direct cash flows of the disposed component? _____ _____ _____
[FASB ASC 205-20-50-4]

15. For each discontinued operation in which the ongoing entity will engage in a continuation of activities with the disposed component after its disposal and for which the amounts presented in continuing operations after the disposal transaction include a continuation of revenues and expenses that were intra-entity transactions (eliminated in consolidated financial statements) before the disposal transaction, have intra-entity amounts before the disposal transaction been disclosed for all periods presented? Further have the types of continuing involvement, if any, that the entity will have after the disposal transaction been disclosed? (That information should be disclosed in the period in which operations are initially classified as discontinued.) _____ _____ _____
[FASB ASC 205-20-50-6]

	Yes	No	N/A
16. If the criteria of FASB ASC 360-10-45-9 are met (and thus a long-lived asset is classified as held for sale) after the balance sheet date but before issuance of the financial statements, does the long-lived asset continue to be classified as held and used in those financial statements when issued and is the information required by FASB ASC 205-20-50-1(a) (question 11) disclosed in the notes to the financial statements? [FASB ASC 360-10-45-13]	_____	_____	_____
17. Is a long-lived asset that is classified as held for sale presented separately in the statement of financial position? [FASB ASC 360-10-45-14]	_____	_____	_____
18. Are the assets and liabilities of a disposal group that is classified as held for sale presented separately in the asset and liability sections, respectively, of the statement of financial position? [FASB ASC 205-20-45-10]	_____	_____	_____
19. Are those assets and liabilities considered in question 18 not offset and presented as a single amount? [FASB ASC 205-20-45-10]	_____	_____	_____
20. If a long-lived asset is to be disposed of other than by sale, does it continue to be classified as held and used until it is disposed of? [FASB ASC 360-10-45-15]	_____	_____	_____

Practice Tip

If circumstances arise that previously were considered unlikely and, as a result, an entity decides not to sell a long-lived asset (disposal group) previously classified as held for sale, the asset (disposal group) should be reclassified as held and used.
[FASB ASC 360-10-45-6]

L. Impaired Loans

	Yes	No	N/A
1. Is the following information about loans that meet the definition of impaired loans in paragraphs 16–17 of FASB ASC 310-10-35 disclosed as of the date of each balance sheet presented:			
a. The total recorded investment in the impaired loans?	_____	_____	_____
b. The amount of that recorded investment for which there is a related allowance for credit losses determined in accordance with FASB ASC 310-10-35 and the amount of that allowance?	_____	_____	_____
c. The amount of that recorded investment for which there is no related allowance for credit losses determined in accordance with FASB ASC 310-10-35? [FASB ASC 310-10-50-15]	_____	_____	_____
2. Is the policy for recognizing interest income on impaired loans, including how cash receipts are handled, disclosed? [FASB ASC 310-10-50-15]	_____	_____	_____
3. Are the following disclosures made for each period for which an income statement is presented:			

Yes No N/A

a. The average recorded investment in the impaired loans during the period?
[FASB ASC 310-10-50-15] _____ _____ _____

b. The related amount of interest income recognized during the time within the period that the loans were considered impaired?
[FASB ASC 310-10-50-15] _____ _____ _____

c. Unless not practicable, the amount of interest income recognized using a cash-basis method of accounting during the time within the period that the loans were impaired?
[FASB ASC 310-10-50-15] _____ _____ _____

d. Activity in the total allowance for credit losses related to loans, including the balance in the allowance for credit losses account at the beginning and end of each period, additions charged to operations, direct write-downs charged against the allowance, and recoveries of amounts previously charged off?
[FASB ASC 310-10-50-12] _____ _____ _____

Practice Tip

Information about impaired loans that have been restructured in a troubled debt restructuring involving a modification of terms need not be included in the disclosures required by questions 1 and 3(*a*)–(*c*) in years after the restructuring if (*a*) the restructuring agreement specifies an interest rate equal to or greater than the rate that the creditor was willing to accept at the time of the restructuring for a new loan with comparable risk and (*b*) the loan is not impaired based on the terms specified in the restructuring agreement. That exception must be applied consistently for questions 1 and 3(*a*)–(*c*) to all loans restructured in a troubled debt restructuring that meet the specified criteria.

4. Has the amount of write-down and recorded investment of a loan modified in a troubled debt restructuring been disclosed in the year of writedown?
[FASB ASC 310-40-50-4] _____ _____ _____

5. In years after a restructuring, are loans that are restructured in a troubled debt restructuring into 2 (or more) loan agreements considered separately when assessing the applicability of the disclosures in FASB ASC 310-10-50-15(a) and FASB ASC 310-10-50-15(c) (questions 1 and 3(*a*)–(*c*))?
[FASB ASC 310-40-50-5] _____ _____ _____

6. ***(Issuers Only)*** Is adequate disclosure made of the impact of multiple loan structures on impaired loan disclosures for loans restructured in troubled debt restructurings?
[FASB ASC 310-40-S99-1] _____ _____ _____

M. Impairment of Long-Lived Assets to Be Held and Used

1. Is an impairment loss recognized for a long-lived asset (asset group) to be held and used included in income from continuing operations before income taxes in the income statement? If a subtotal such as income from operations is presented, does it include the amount of the loss?
[FASB ASC 360-10-45-4] _____ _____ _____

	Yes	No	N/A

2. Is the following information disclosed in the notes to the financial statements that include the period in which an impairment loss is recognized:
   a. A description of the impaired long-lived asset (asset group) and the facts and circumstances leading to the impairment? ____ ____ ____
   b. If not separately presented on the face of the statement, the amount of the impairment loss and the caption in the income statement that includes the loss? ____ ____ ____
   c. The method or methods for determining fair value (whether based on a quoted market price, prices for similar assets, or another valuation technique)? ____ ____ ____
   d. If applicable, the segment in which the impaired long-lived asset (asset group) is reported under FASB ASC 280? ____ ____ ____
   [FASB ASC 360-10-50-2]
3. If the occurrence of a significant event or circumstance at any time during the assessment period results in an expectation that the criteria for reporting discontinued operations in FASB ASC 205-20-45-1 will be met by the end of the assessment period, is the component's operations presented as discontinued operations? ____ ____ ____
   [FASB ASC 205-20-55-22]
4. Is the following information disclosed in the notes to the financial statements for each discontinued operation that generates continuing cash flows:
   a. The nature of the activities that give rise to continuing cash flows? ____ ____ ____
   b. The period of time continuing cash flows are expected to be generated? ____ ____ ____
   c. The principal factors used to conclude that the expected continuing cash flows are not direct cash flows of the disposed component? ____ ____ ____
   d. Additionally, for each discontinued operation in which the ongoing entity will engage in a "continuation of activities" with the disposed component after its disposal and for which the amounts presented in continuing operations after the disposal transaction include a continuation of revenues and expenses that were intra-entity transactions before the disposal transaction, are those intra-entity amounts before the disposal transaction disclosed for all periods for comparability purposes? ____ ____ ____
   e. Are the types of continuing involvement, if any, that the entity will have after the disposal transaction disclosed in the period in which the operations are initially classified as discontinued? ____ ____ ____
   [FASB ASC 205-20-55 par. 9–12]

N. Leases—Lessors

1. For leasing transactions with related parties, are the nature and extent of the transaction disclosed? ____ ____ ____
   [FASB ASC 840-10-50-1]

	Yes	No	N/A
2. If leasing, exclusive of leveraged leasing, is a significant part of the lessor's business activities in terms of revenue, net income, or assets, is a general description of the lessor's leasing arrangements disclosed? [FASB ASC 840-10-50-4]	____	____	____
3. For sales-type and direct financing leases, do disclosures include			
a. the components of the net investment in sales-type and direct financing leases as of each balance-sheet date:			
i. Future minimum lease payments to be received, with separate deductions for (*a*) amounts representing executory costs, including any profit thereon, included in minimum lease payments and (*b*) the accumulated allowances for uncollectible minimum lease payments receivable?	____	____	____
ii. The unguaranteed residual values accruing to the benefit of the lessor?	____	____	____
iii. For direct financing leases only, initial direct costs?	____	____	____
iv. Unearned income?	____	____	____
b. future minimum lease payments to be received for each of the five succeeding fiscal years as of the latest balance sheet presented?	____	____	____
c. total contingent rentals included in income for each period for which an income statement is presented? [FASB ASC 840-30-50-4]	____	____	____
4. For operating leases, do disclosures include			
a. the cost and carrying amount (if different) of property on lease or held for leasing by major classes of property according to nature and function, and the amount of accumulated depreciation in total as of the latest balance-sheet date?	____	____	____
b. minimum future rentals on noncancelable leases as of the latest balance-sheet date presented, in the aggregate and for each of the five succeeding fiscal years?	____	____	____
c. total contingent rentals included in income for each period for which an income statement is presented? [FASB ASC 840-20-50-4]	____	____	____
5. For investments in leveraged leases, do disclosures include			
a. in the balance sheet, the amount of deferred taxes presented separately from the remainder of the net investment? [FASB ASC 840-30-45-5]	____	____	____
b. in the income statement or the notes thereto, separate presentation (from each other) of pretax income from the leveraged lease, the tax effect of pretax income, and the amount of investment tax credit recognized as income during the period? [FASB ASC 840-30-45-5]	____	____	____

	Yes	No	N/A

c. when leveraged leasing is a significant part of the lessor's business activities in terms of revenue, net income, or assets, the components of the net investment balance in leveraged leases in the notes to the financial statements? [FASB ASC 840-30-45-5] ____ ____ ____

6. If accounting for the effect on leveraged leases of the change in tax rates results in a significant variation from the customary relationship between income tax expense and pretax accounting income and the reason for that variation is not otherwise apparent, has the entity disclosed the reason for that variation? [FASB ASC 840-30-50-6] ____ ____ ____

7. For contingent rental income

   a. has disclosure been made of the lessor's accounting policy for contingent rental income? ____ ____ ____

   b. if the lessor accrues contingent rental income prior to the lessee's achievement of the specified target (provided achievement of that target is considered probable), has disclosure been made of the impact on rental income as if the lessor's accounting policy was to defer contingent rental income until the specified target is met? [FASB ASC 840-10-50-5] ____ ____ ____

O. Leases—Lessees

1. For leasing transactions with related parties, are the nature and extent of transactions disclosed? [FASB ASC 840-10-50-1] ____ ____ ____

2. For capital leases, do disclosures include

   a. the gross amounts of assets recorded as of each balance-sheet date presented by major classes according to nature or function? (***Note:*** This information may be combined with comparable information for owned assets.) [FASB ASC 840-30-50-1] ____ ____ ____

   b. future minimum lease payments as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years with separate deductions from the total for the amount representing executory costs, including any profit thereon, included in the minimum lease payments and for the amount of imputed interest necessary to reduce net minimum lease payments to present value? [FASB ASC 840-30-50-1] ____ ____ ____

   c. total of future minimum sublease rentals to be received in the future under noncancelable subleases as of the latest balance-sheet date? [FASB ASC 840-30-50-1] ____ ____ ____

   d. total contingent rentals actually incurred for each period for which an income statement is presented? [FASB ASC 840-30-50-1] ____ ____ ____

   e. are the following separately identified in the balance sheet or in the notes to the financial statements:

	Yes	No	N/A
i. Assets recorded under capital leases and the accumulated amortization thereon related obligations under the lease? [FASB ASC 840-30-45-1]	____	____	____
ii. The related obligations under the lease? [FASB ASC 840-30-45-2]	____	____	____
f. amortization expense, unless it is included in depreciation expense and that fact is disclosed? [FASB ASC 840-30-45-3]	____	____	____
3. For operating leases that have initial or remaining noncancelable lease terms in excess of one year, do disclosures include			
a. future minimum rental payments required as of the latest balance sheet presented, in the aggregate, and for each of the five succeeding fiscal years?	____	____	____
b. total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented? [FASB ASC 840-20-50-2]	____	____	____
4. For all operating leases			
a. do disclosures include rental expense for each period for which an income statement is presented?	____	____	____
b. are separate amounts presented for			
i. minimum rentals?	____	____	____
ii. contingent rentals?	____	____	____
iii. sublease rentals? [FASB ASC 840-20-50-1]	____	____	____
5. Do disclosures include a general description of the lessee's leasing arrangements including but not limited to			
a. the basis on which contingent rental payments are determined?	____	____	____
b. the existence and terms of renewal or purchase options or escalation clauses?	____	____	____
c. restrictions imposed by lease agreements, such as those concerning dividends, additional debt, or further leasing? [FASB ASC 840-10-50-2]	____	____	____
6. If there is a modification of lease terms and the increase in lease payments is a termination penalty, is the accounting policy disclosed in accordance with FASB ASC 235? [FASB ASC 840-20-55-6]	____	____	____
7. Do the financial statements of a seller-lessee include a description of the terms of the sale-leaseback transaction including future commitments, obligations, provisions, or circumstances that require or result in the seller-lessee's continuing involvement? [FASB ASC 840-40-50-1]	____	____	____
8. If a sale-leaseback transaction is accounted for using the deposit method or as a financing arrangement, are the following disclosures made:			

	Yes	No	N/A
a. The obligation for future minimum lease payments as of the date of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?	____	____	____
b. The total of minimum sublease rentals, if any, to be received in the future under noncancelable subleases in the aggregate and for each of the five succeeding fiscal years? [FASB ASC 840-40-50-2]	____	____	____

P. Nonmonetary Transactions

	Yes	No	N/A
1. Do disclosures for nonmonetary transactions during the period include			
a. nature of the transactions?	____	____	____
b. basis of accounting for the assets transferred?	____	____	____
c. gains or losses recognized on the transfers? [FASB ASC 845-10-50-1]	____	____	____
2. Has disclosure been made, in each period's financial statements, of the amount of gross operating revenue recognized as a result of nonmonetary transactions (see FASB ASC 505-50)? [FASB ASC 845-10-50-2]	____	____	____

Practice Tip

Examples 1–3 in paragraphs 11–26 of FASB ASC 845-10-55 discuss issues that develop when an entity sells inventory to another entity from which it also purchases inventory to be sold in the same line of business. The inventory purchase and sales transactions may be pursuant to a single arrangement or separate arrangements, and the inventory purchased or sold may be in the form of raw materials, work-in-process (WIP), or finished goods.

	Yes	No	N/A
3. If nonmonetary exchanges of inventory within the same line of business are recognized at fair value, is the classification of inventory as raw materials, WIP, and finished goods for purposes of FASB ASC 845-10 the same classification that an entity uses for external financial reporting purposes? [FASB ASC 845-10-45-1]	____	____	____
4. If nonmonetary exchanges of inventory within the same line of business are recognized at fair value, does an entity disclose the amount of revenue and costs (or gains and losses) associated with those inventory exchanges recognized at fair value? [FASB ASC 845-10-50-3]	____	____	____

Q. Postemployment Benefits

	Yes	No	N/A
1. If an obligation for postemployment benefits (for example, salary continuation, supplemental unemployment benefits, severance benefits, disability related benefits, job training and counseling, and continuation of health and insurance coverage [paragraphs 4–6 of FASB ASC 712-10-05]) has not been accrued because the amount cannot be reasonably estimated, is that fact disclosed in the financial statements? [FASB ASC 712-10-50-2]	____	____	____

	Yes	No	N/A

R. Related-Party Transactions and Economic Dependency

1. For related-party transactions, do disclosures include
   a. the nature of the relationships involved? ____ ____ ____
   b. for each period for which an income statement is presented
      i. a description of the transaction, including transactions to which no amounts or nominal amounts were ascribed? ____ ____ ____
      ii. other information deemed necessary to an understanding of the effects of the transaction on the financial statements? ____ ____ ____
      iii. the dollar amount of transactions? ____ ____ ____
      iv. the effect of any changes in the method of establishing the terms from that used in the preceding period? ____ ____ ____
   c. amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement? ____ ____ ____
   d. if the entity is a member of a group that files a consolidated tax return, have the following been disclosed in its separately issued financial statements:
      i. The aggregate amount of current and deferred tax expense for each statement of earnings presented and the amount of any tax-related balances due to or from affiliates as of the date of each statement of financial position presented? ____ ____ ____
      ii. The principal provisions of the method by which the consolidated amount of current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in that method (and in determining related balances to or from affiliates) during the years for which the preceding disclosures are presented? ____ ____ ____
      [FASB ASC 850-10-50-1; FASB ASC 740-10-50-17]
2. Have notes or accounts receivable from officers, employees, or affiliated entities been shown separately and have not been included under a general heading (such as notes receivable or accounts receivable)? ____ ____ ____
   [FASB ASC 850-10-50-2]
3. If representations about transactions with related parties are made, do they avoid the implication that the related party transactions were consummated at arm's length, or if such implications are made, can they be substantiated? ____ ____ ____
   [FASB ASC 850-10-50-5]

	Yes	No	N/A
4. If (*a*) the reporting entity and one or more other enterprises are under common ownership or management control and (*b*) the existence of the control could result in operating results or financial position of the reporting entity being significantly different from that if the enterprise were autonomous, is the nature of the control relationships disclosed (even if there are no transactions between the enterprises)? [FASB ASC 850-10-50-6]	____	____	____
5. Are the nature and extent of leasing transactions with related parties appropriately disclosed? [FASB ASC 840-10-50-1]	____	____	____
6. Are combined financial statements considered for entities under common control? [FASB ASC 810-10-55-1B]	____	____	____

Practice Tip

In some cases, aggregation of similar transactions by type of related party may be appropriate. Sometimes, the effect of the relationship between the parties may be so pervasive that disclosure of the relationship alone will be sufficient. If necessary to the understanding of the relationship, the name of the related party should be disclosed.

Further, it is not necessary to duplicate disclosures in a set of separate financial statements that is presented in the financial report of another entity (the primary reporting entity) if those separate financial statements also are consolidated or combined in a complete set of financial statements and both sets of financial statements are presented in the same financial report.
[FASB ASC 810-10-50 par. 3–4]

S. Exit or Disposal Activities

	Yes	No	N/A
1. Is the following information disclosed in notes to the financial statements that include the period in which an exit or disposal activity is initiated and any subsequent period until the activity is completed:			
a. A description of the exit or disposal activity, including the facts and circumstances leading to the expected activity and the expected completion date?	____	____	____
b. For each major type of cost associated with the activity (for example, one-time termination benefits, contract termination costs, and other associated costs)			
i. the total amount expected to be incurred in connection with the activity, the amount incurred in the period, and the cumulative amount incurred to date?	____	____	____
ii. a reconciliation of the beginning and ending liability balances showing separately the changes during the period attributable to costs incurred and charged to expense, costs paid or otherwise settled, and any adjustments to the liability with an explanation of the reason(s) therefore?	____	____	____
c. The line item(s) in the income statement in which the costs in item (*b*) are aggregated?	____	____	____

	Yes	No	N/A
d. For each reportable segment, as defined in FASB ASC 280-10-50-10			
i. the total amount of costs expected to be incurred in connection with the activity?	____	____	____
ii. the amount incurred in the period?	____	____	____
iii. the cumulative amount incurred to date, net of any adjustments to the liability with an explanation of the reason(s) why?	____	____	____
e. If a liability for a cost associated with the activity is not recognized because fair value cannot be reasonably estimated, that fact and the reasons why? [FASB ASC 420-10-50-1]	____	____	____
2. Are costs associated with an exit or disposal activity that involves a discontinued operation included in the results of discontinued operations in accordance with FASB ASC 205-20-45? [FASB ASC 420-10-45-2]	____	____	____
3. Are costs associated with an exit or disposal activity that does not involve a discontinued operation included in income from continuing operations before income taxes, for example, in a subtotal such as "income from operations"? [FASB ASC 420-10-45-3]	____	____	____
4. If an event or circumstance occurs that discharges or removes an entity's responsibility to settle a liability for a cost associated with an exit or disposal activity recognized in a prior period, is the liability reversed? [FASB ASC 420-10-40-1]	____	____	____
5. Are the related costs reversed through the same line item(s) in the income statement used when those costs were recognized initially? [FASB ASC 420-10-40-1]	____	____	____

T. Segment Reporting

Note: The guidance in the FASB ASC 280 applies to all public entities, with certain exceptions as follows. Entities other than public entities are also encouraged to provide the disclosures described in FASB ASC 280-10.

The guidance in FASB ASC 280-10 does not apply to the following entities:

- Parent entities, subsidiaries, joint ventures, or investees accounted for by the equity method if those entities' separate company statements also are consolidated or combined in a complete set of financial statements and both the separate company statements and the consolidated or combined statements are included in the same financial report. However, FASB ASC 280-10 does apply to those entities if they are public entities and their financial statements are issued separately.

(continued)

	Yes	No	N/A

- Not-for-profit entities (regardless of whether the entity meets the definition of a public entity as defined in the preceding list item).
- Nonpublic entities.

[FASB ASC 280-10-15 par. 2–3]

Practice Tips

A public entity should report separately information about each operating segment that meets both of the following criteria:

- Has been identified in accordance with FASB ASC 280-10-50-1 and paragraphs 3–9 of FASB ASC 280-10-50 or results from aggregating 2 or more of those segments in accordance with the following paragraph
- Exceeds the quantitative thresholds in FASB ASC 280-10-50-12

Public entities are encouraged to report information about segments that do not meet the quantitative thresholds if management believes that it is material.

Paragraphs 13–18 of FASB ASC 280-10-50 specify other situations in which separate information about an operating segment should be reported. FASB ASC 280-10-55-26 and examples 1–2 (see paragraphs 27–45 of FASB ASC 280-10-55) illustrate how to apply the main provisions in this section for identifying reportable operating segments.

A public entity should report separately information about an operating segment that meets any of the following quantitative thresholds:

- Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 percent or more of the combined revenue, internal and external, of all operating segments.
- The absolute amount of its reported profit or loss is 10 percent or more of the greater, in absolute amount, of either
  - — the combined reported profit of all operating segments that did not report a loss or
  - — the combined reported loss of all operating segments that did report a loss.
- Its assets are 10 percent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to readers of the financial statements.
[FASB ASC 280-10-50 par. 10 and 12–19]

If total of external revenue reported by operating segments constitutes less than 75 percent of total consolidated revenue, additional operating segments should be identified as reportable segments (even if they do not meet the criteria in FASB ASC 280-10-50-12) until at least 75 percent of total consolidated revenue is included in reportable segments.
[FASB ASC 280-10-50-14]

If management judges an operating segment identified as a reportable segment in the immediately preceding period to be of continuing significance, information about that segment should continue to be reported separately in the current period even if it no longer meets the criteria for reportability in FASB ASC 280-10-50-12.
[FASB ASC 280-10-50-16]

	Yes	No	N/A
1. ***(Issuers Only)*** Have the following disclosures been made for each period for which an income statement is presented:			
a. Factors used to identify the public entity's reportable segments, including the basis of organization (for example, whether management has chosen to organize the reporting entity around differences in products and services, geographic areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated)?	____	____	____
b. Types of products and services from which each reportable segment derives its revenues? [FASB ASC 280-10-50-21]	____	____	____
2. ***(Issuers Only)*** Are the factors used to identify the reporting entity's reportable segments, including the basis of organization (for example, whether management has chosen to organize the reporting entity around differences in products and services, geographic areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated) disclosed? [FASB ASC 280-10-50-21]	____	____	____
3. ***(Issuers Only)*** Has a measure of profit or loss and total assets been reported for each reportable segment? [FASB ASC 280-10-50-22]	____	____	____
4. ***(Issuers Only)*** If the following specified amounts (*a*) are included in the measure of segment profit or loss reviewed by the chief operating decision maker or (*b*) are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss, are they disclosed for each reportable segment:			
a. Revenues from external customers?	____	____	____
b. Revenues from transactions with other operating segments of the reporting entity?	____	____	____
c. Interest revenue?	____	____	____
d. Interest expense?	____	____	____
e. Depreciation, depletion, and amortization expense?	____	____	____
f. Unusual items as described in FASB ASC 225-20-45-16?	____	____	____
g. Equity in the net income of investees accounted for by the equity method?	____	____	____
h. Income tax expense or benefit?	____	____	____
i. Extraordinary items?	____	____	____
j. Significant noncash items other than depreciation, depletion, and amortization expense? [FASB ASC 280-10-50-22]	____	____	____

	Yes	No	N/A
5. ***(Issuers Only)*** Unless a segment has no or immaterial financial operations, has the entity reported interest revenue separately from interest expense for each reportable segment (unless a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment)? (In that situation, a public entity may report that segment's interest revenue net of its interest expense and disclose that it has done so.) [FASB ASC 280-10-50 par. 22–24]	_____	_____	_____
6. ***(Issuers Only)*** If the following specified amounts are (*a*) included in the determination of segment assets reviewed by the chief operating decision maker or (*b*) are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment assets, are they disclosed for each reportable segment:			
a. The amount of investment in equity method investees?	_____	_____	_____
b. Total expenditures for additions to long-lived assets other than any of the following: financial instruments, long term customer relationships of a financial institution, mortgage and other servicing rights, deferred policy acquisition costs, or deferred tax assets? [FASB ASC 280-10-50-25]	_____	_____	_____

Practice Tips

If no asset information is provided for a reportable segment, that fact and the reason therefore should be disclosed.
[FASB ASC 280-10-50-26]

Reconciliations of balance sheet amounts for reportable segments to consolidated balance sheet amounts are required only for each year for which a balance sheet is presented. Previously reported information for prior periods should be restated as described in paragraphs 34–35 of FASB ASC 380-10-50.
[FASB ASC 280-10-50-20]

	Yes	No	N/A
7. ***(Issuers Only)*** Is an explanation of the measurements of segment profit or loss and segment assets that discloses the following for each reportable segment provided:			
a. The basis of accounting for any transactions between reportable segments?	_____	_____	_____
b. The nature of any differences between the reporting entity's consolidated income before taxes, extraordinary items, discontinued operations, and the cumulative effect of changes in accounting principle?	_____	_____	_____
c. The nature of any differences between the measurements of the reportable segments' assets and the reporting entity's consolidated assets?	_____	_____	_____
d. The nature of any changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss?	_____	_____	_____

	Yes	No	N/A
e. The nature and effect of any asymmetrical allocations to segments? [FASB ASC 280-10-50-29]	_____	_____	_____
8. ***(Issuers Only)*** Are reconciliations of the totals of the reportable segments' revenues, measures of profit or loss, assets, and every other significant item of information disclosed to corresponding consolidated amounts presented with all significant reconciling items separately identified and described? [FASB ASC 280-10-50 par. 30–31]	_____	_____	_____
9. ***(Issuers Only)*** Has the following information about each reportable segment in condensed financial statements of interim periods been disclosed for current quarter and year-to-date amounts:			
a. Revenues from external customers?	_____	_____	_____
b. Intersegment revenues?	_____	_____	_____
c. A measure of segment profit or loss?	_____	_____	_____
d. Total assets for which there has been a material change from the amount disclosed in the last annual report?	_____	_____	_____
e. A description of differences from the last annual report in the basis of segmentation or in the basis of measurement of segment profit or loss?	_____	_____	_____
f. A reconciliation of the total of the reportable segments' measures of profit or loss to the public entity's consolidated income before income taxes, extraordinary items, and discontinued operations? If a public entity allocates items such as income taxes and extraordinary items to segments, the public entity may choose to reconcile the total of the segments' measures of profit or loss to consolidated income after those items. Significant reconciling items should be separately identified and described in that reconciliation. [FASB ASC 280-10-50 par. 32–33]	_____	_____	_____
10. ***(Issuers Only)*** If the reporting entity changes the structure of its internal organization in a manner that changes the composition of its reportable segments, is the corresponding information for prior periods restated and is the fact that the corresponding items of segment information for earlier periods have been restated disclosed? [FASB ASC 280-10-50-34]	_____	_____	_____
11. ***(Issuers Only)*** If the reporting entity changes the structure of its internal organization in a manner that changes the composition of its reportable segments and the corresponding information for prior periods is not restated, does disclosure in the year in which the change occurs include segment information for the current period under both the old basis and the new basis? [FASB ASC 280-10-50-35]	_____	_____	_____
12. ***(Issuers Only)*** For all reporting entities subject to FASB ASC 280-10, including those that have a single reportable segment, are the following enterprise-wide items disclosed:			

Yes No N/A

a. Revenues from external customers for each product and service or each group of similar products and services unless it is impracticable to do so? ____ ____ ____
[FASB ASC 280-10-50-40]

b. The following geographic information unless it is impracticable to do so:

i. Revenues from external customers (*a*) attributed to the reporting entity's country of domicile and (*b*) attributed to all foreign countries in total from which the reporting entity derives revenue? ____ ____ ____

ii. Revenues from external customers attributed to an individual foreign country, if material? ____ ____ ____

iii. The basis for attributing revenues from external customers to individual countries? ____ ____ ____

iv. Long-lived assets other than financial instruments, long term customer relationships of a financial institution, mortgage and other servicing rights, deferred policy acquisition costs, and deferred tax assets (*a*) located in the reporting entity's country of domicile and (*b*) located in all foreign countries in total in which the reporting entity holds assets? ____ ____ ____

v. Long-lived assets as described above in an individual foreign country, if material? ____ ____ ____
[FASB ASC 280-10-50-41]

c. Information about the extent of the reporting entity's reliance on its major customers, including the following:

i. If revenues from transactions with any single customer amount to 10 percent or more of the reporting entity's revenues, that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenue? ____ ____ ____
[FASB ASC 280-10-50-42]

13. ***(Issuers Only)*** If the information described in questions 12(*a*)–(*b*) has not been disclosed because it is impracticable, is that fact disclosed? ____ ____ ____
[FASB ASC 280-10-50 par. 40–41]

U. Stock Compensation Plans

1. If the entity has one or more share-based payment arrangements, does it disclose information that enables users of the financial statements to understand

a. the nature and terms of such arrangements that existed during the period and the potential effects of those arrangements on shareholders? ____ ____ ____

b. the effect of compensation cost arising from share-based payment arrangements on the income statement? ____ ____ ____

Yes No N/A

c. the method of estimating the fair value of the goods or services received, or the fair value of the equity instruments granted (or offered to grant), during the period? _____ _____ _____

d. the cash flow effects resulting from share-based payment arrangements? _____ _____ _____
[FASB ASC 718-10-50-1]

2. If the entity acquires goods or services other than employee services in share-based payment transactions, does it provide disclosures similar to those in question 1 required by FASB ASC 718-10-50-1 and FASB ASC 718-10-50-2 to the extent that those disclosures are important to an understanding of the effects of those transactions on the financial statements? _____ _____ _____
[FASB ASC 505-50-50-1]

3. Has the following, at a minimum, been disclosed with regards to stock-based compensation:

a. A description of the share-based payment arrangement(s), including the general terms of awards under the arrangement(s), such as

i. the requisite service period(s) and any other substantive conditions (including those related to vesting)? _____ _____ _____

ii. the maximum contractual term of equity (or liability) share options or similar instruments? _____ _____ _____

iii. the number of shares authorized for awards of equity share options or other equity instruments? _____ _____ _____

b. The method it uses for measuring compensation cost from share-based payment arrangements with employees? _____ _____ _____

c. For the most recent year for which an income statement is provided, both of the following:

i. The number and weighted-average exercise prices (or conversion ratios) (*a*) shares outstanding at the beginning of the year, (*b*) shares outstanding at the end of the year, (*c*) shares exercisable or convertible at the end of the year, and (*d*) those during the year that were granted, exercised or converted, forfeited and expired? _____ _____ _____

ii. The number and weighted-average grant-date fair value (or calculated value for a nonpublic entity that uses that method or intrinsic value for awards measured pursuant to FASB ASC 718-10-30-21) of equity instruments not specified in (c)(i), for (*a*) equity instruments nonvested at the beginning of the year, (*b*) nonvested at the end of the year, and (*c*) those during the year that were granted, vested and forfeited? _____ _____ _____

d. For each year for which an income statement is provided

	Yes	No	N/A
i. the weighted average grant-date fair values (or calculated value for a nonpublic entity that uses that method or intrinsic value for awards measured at that value pursuant to FASB ASC 718-10-30-21 and FASB ASC 718-10-30-22) of equity options or other equity instruments granted during the year?	____	____	____
ii. the total intrinsic value of options exercised (or share units converted), share-based liabilities paid, and the total fair value of shares vested during the year?	____	____	____
e. For fully vested share options (or share units) and share options expected to vest at the dated of the latest statement of financial position			
i. the number, weighted-average exercise price (or conversion ratio), aggregate intrinsic value (except for nonpublic entities), and weighted-average remaining contractual term of options (or share units) outstanding?	____	____	____
ii. the number, weighted-average exercise price (or conversion ratio), aggregate intrinsic value (except for nonpublic entities), and weighted-average remaining contractual term of options (or share units) currently exercisable (or convertible)?	____	____	____
f. For each year for which an income statement is presented, both of the following (an entity that uses the intrinsic value method pursuant to FASB ASC 718-10-30-21 and FASB ASC 718-10-30-22 is not required to disclose the following information for awards accounted for under that method):			
i. A description of the method used during the year to estimate the fair value (or calculated value) of awards under share-based payment arrangements?	____	____	____
ii. A description of the significant assumptions used during the year to estimate the fair value (or calculated value) of share-based compensation awards, including (if applicable)			
(1) expected term of share options and similar instruments, including a discussion of the method used to incorporate the contractual term of the instruments and employees' expected exercise and postvesting employment termination behavior into the fair value (or calculated value) of the instrument?	____	____	____

Yes No N/A

(2) expected volatility of the entity's shares and the method used to estimate it? An entity that uses a method that employs different volatilities during the contractual term should disclose the range of expected volatilities used and the weighted-average expected volatility. A nonpublic entity that uses the calculated value method should disclose the reasons why it is not practicable for it to estimate the expected volatility of its share price, the appropriate industry sector index that it has selected, the reasons for selecting that particular index, and how it has calculated historical volatility using that index. _____ _____ _____

(3) expected dividends? An entity that uses a method that employs different dividend rates during the contractual term should disclose the range of expected dividends used and the weighted-average expected dividends. _____ _____ _____

(4) risk-free rate(s)? An entity that uses a method that employs different risk-free rates should disclose the range of risk-free rates used. _____ _____ _____

(5) discount for post-vesting restrictions and the method for estimating it? _____ _____ _____

g. An entity that grants equity or liability instruments under multiple share-based payment arrangements with employees should provide the information specified in questions 3(*a*)–(*f*) separately for different types of awards to the extent that the differences in the characteristics of the awards make separate disclosure important to an understanding of the entity's use of share-based compensation. _____ _____ _____

h. For each year for which an income statement is presented, both of the following:

i. Total compensation cost for share-based payment arrangements (including recognized in income as well as the total recognized tax benefit related thereto and capitalized as part of the cost of an asset)? _____ _____ _____

ii. A description of the significant modifications, including the terms of the modifications, the number of employees affected, and the total incremental compensation cost resulting from the modifications? _____ _____ _____

i. As of the latest balance sheet date presented, the total compensation cost related to nonvested awards not yet recognized and the weighted-average period over which it is expected to be recognized? _____ _____ _____

j. If not separately disclosed elsewhere, the amount of cash received from exercise of share options and similar instruments granted under share-based payment arrangements and the tax benefit realized from stock options exercised during the annual period? _____ _____ _____

	Yes	No	N/A
k. If not separately disclosed elsewhere, the amount of cash used to settle equity instruments granted under share-based payment arrangements?	____	____	____
l. Description of the entity's policy, if any, for issuing shares upon share option exercise (or share unit conversion), including the source of those shares (that is, new shares or treasury shares). If as a result of its policy, an entity expects to repurchase shares in the following annual period, the entity should disclose an estimate of the amount (or a range, if more appropriate) of shares to be repurchased during that period? [FASB ASC 718-10-50-2]	____	____	____

Practice Tip

Question 3 indicates the minimum information needed to achieve those objectives and illustrate how the disclosure requirements might be satisfied. In some circumstances, an entity may need to disclose information beyond that listed to achieve the disclosure objectives.
[FASB ASC 718-10-50-2]

	Yes	No	N/A
4. Has the entity disclosed the nature of any changes in their accounting policy for income tax benefits of dividends on share-based-payment awards resulting in the adoption of the requirements in FASB ASC 718-740-45-8 through FASB ASC 718-740-45-12? [FASB ASC 718-740-50-1]	____	____	____
5. Have additional disclosures been made, as necessary, that would be useful to investors and creditors, such as a range of values calculated on the basis of different assumptions, provided that the supplemental information is reasonable and does not lessen the prominence and credibility of the information required by FASB ASC 718-10-50? [FASB ASC 718-10-50-4]	____	____	____

V. Subsequent Events

Notes: In May 2009, FASB issued Statement No. 165, *Subsequent Events*, to establish principles and requirements for subsequent events. In particular, this statement sets forth

a. the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements.

b. the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements.

c. the disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

(continued)

	Yes	No	N/A

This statement should be applied to the accounting for and disclosure of subsequent events not addressed in other applicable U.S. GAAP.

This statement moved the type I and type II subsequent event guidance from GAAS into U.S. GAAP and added disclosures that an entity should make about events or transactions that occurred after the balance sheet date.

This statement is effective for interim or annual financial periods ending after June 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends), and should be applied prospectively.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 165.

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

1. Has the entity disclosed (in both originally issued financial statements and any reissued financial statements) the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued? ____ ____ ____
   [FASB ASC 855-10-50-1; FASB ASC 855-10-50-4]
2. For nonrecognized subsequent events that are of such a nature that they must be disclosed to keep the financial statements from being misleading, has the entity disclosed
   a. the nature of the event? ____ ____ ____
   b. an estimate of its financial effect, or a statement that such an estimate cannot be made? ____ ____ ____
   [FASB ASC 855-10-50-2]
3. For nonrecognized subsequent events, has the entity considered supplementing the historical financial statements with pro forma financial data, including the presentation of pro forma statements (usually a balance sheet only, in columnar form on the face of the historical statements)? ____ ____ ____
   [FASB ASC 855-10-50-3]

W. Accounting for Servicing of Financial Assets

Notes: In December 2008, FASB issued FSP FAS 140-4 and FIN 46(R)-8 to amend FASB Statement No. 140 and to require public entities to provide additional disclosures about transfers of financial assets. It also amends FASB Interpretation No. 46 (revised December 2003) to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. Additionally, this FSP requires certain disclosures to be provided by a public enterprise that is (*a*) a sponsor of a QSPE that holds a variable interest in the QSPE but was not the transferor (nontransferor) of financial assets to the QSPE and (*b*) a servicer of a QSPE that holds a significant variable interest in the QSPE but was not the transferor

(continued)

Yes	No	N/A

(nontransferor) of financial assets to the QSPE. The disclosures required by this FSP are intended to provide greater transparency to financial statement users about a transferor's continuing involvement with transferred financial assets and an enterprise's involvement with VIEs and QSPEs.

This FSP applies to public entities that are subject to the disclosure requirements of FASB Statement No. 140 and public enterprises that are subject to the disclosure requirements of FASB Interpretation No. 46(R) as amended by this FSP.

This FSP is effective for the first reporting period (interim or annual) ending after December 15, 2008 (that is, December 31, 2008, for entities with calendar year-ends), with earlier application encouraged. This FSP applies to each annual and interim reporting period thereafter. An entity is encouraged, but not required, to disclose comparative information in periods earlier than the effective date for disclosures that were not previously required for public entities by FASB Statement No. 140 and FASB Interpretation No. 46(R). In periods after initial adoption, comparative disclosures for those disclosures that were not previously required for public entities by FASB Statement No. 140 and FASB Interpretation No. 46(R) are required only for periods subsequent to the effective date.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 140-4 and FIN 46(R)-8.

Readers can refer to the full text of the FSP on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 860-10-65-2.

Readers should be aware that this FSP was superseded by FASB Statement Nos. 166 and 167. Both FASB Statement No. 167 and FASB Statement No. 166 are effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

This checklist has not been updated to include the presentation and disclosure requirements of FASB Statement No. 166 or FASB Statement No. 167.

Readers can refer to the full texts of these statements on the FASB Web site at www.fasb.org.

Practice Tip

(Issuers Only) The principal objectives of the public-entity disclosure requirements of FASB ASC 860-10-50 are to provide financial statement users with an understanding of all of the following:

- A transferor's continuing involvement with financial assets that it has transferred in a securitization or asset-backed financing arrangement

(continued)

Yes No N/A

- The nature of any restrictions on assets reported by an entity in its statement of financial position that relate to a transferred financial asset, including the carrying amounts of such assets
- How servicing assets and servicing liabilities are reported under FASB ASC 860-50
- For securitization or asset-backed financing arrangements accounted for as sales if a transferor has continuing involvement with the transferred financial assets and transfers of financial assets accounted for as secured borrowings, how the transfer of financial assets affects an entity's financial position, financial performance, and cash flows

The entity should consider these objectives in providing the required public-entity disclosures required by FASB ASC 860. The disclosures should be presented in a manner that clearly and fully explains to financial statements users the risks related to the transferred financial assets and any restrictions on the assets of the entity.

Public-entity disclosures required by FASB ASC 860 may be reported in the aggregate for similar transfers if separate reporting of each transfer would not provide more useful information to financial statement users. A transferor should distinguish between transfers that are accounted for as secured borrowings and transfers that are accounted for as sales. A transferor should further distinguish between transfers to QSPE accounted for as sales and all other transfers accounted for as sales. In determining whether to aggregate the disclosures for multiple transfers, the reporting entity should consider quantitative and qualitative information about the characteristics of the transferred financial assets.

The entity should determine, in light of the facts and circumstances, how much detail it must provide to satisfy the public-entity disclosure requirements of FASB ASC 860, how much emphasis it places on different aspects of the requirements, and how it aggregates information for assets with different risk characteristics. ["Pending Content" in FASB ASC 860-10-50 par. 2–6]

Collateral

1. ***(Nonissuers Only)*** Is the policy for requiring collateral or other security disclosed if the reporting entity has entered into repurchase agreements or securities lending transactions? [FASB ASC 860-30-50-1] _____ _____ _____
2. ***(Nonissuers Only)*** If the entity has pledged any of its assets as collateral that are not reclassified and separately reported in the statement of financial position pursuant to FASB ASC 860-30-25-5(a), is the carrying amount and classification of those assets as of the date of the latest statement of financial position presented? [FASB ASC 860-30-50-1] _____ _____ _____
3. ***(Nonissuers Only)*** If the entity has accepted collateral that it is permitted by contract or custom to sell or repledge, is the fair value (as of the date of each statement of financial position presented) of that collateral and of the portion of that collateral that it has sold or repledged disclosed? [FASB ASC 860-30-50-1] _____ _____ _____

	Yes	No	N/A
4. If debt was considered to be extinguished by in-substance defeasance under the provisions of FASB Statement No. 76, *Extinguishment of Debt*, prior to the effective date of FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, do the disclosures include a general description of the transaction and the amount of debt that is considered extinguished at the end of the period so long as that debt remains outstanding? [FASB ASC 470-50-50-1]	_____	_____	_____
5. ***(Nonissuers Only)*** If the entity sets aside assets solely for the purpose of satisfying scheduled payments of a specific obligation, is disclosure made of the nature of restrictions placed on those assets? ["Pending Content" in FASB ASC 860-30-50-2]	_____	_____	_____
6. ***(Issuers Only)*** Has the following been disclosed regarding collateral:			
a. The policy for requiring collateral or other security disclosed if the reporting entity has entered into repurchase agreements or securities lending transactions?	_____	_____	_____
b. If the entity has pledged any assets as collateral, the carrying amount, and classification of those assets and associated liabilities as of the date of the latest statement of financial position presented, including qualitative information about the relationship(s) between those assets and associated liabilities?	_____	_____	_____
c. If the entity has accepted collateral that is permitted by contract or custom to sell or repledge, the following:			
i. The fair value, as of the date of each statement of financial position presented of that collateral?	_____	_____	_____
ii. The fair value, as of the date of each statement of financial position presented of the portion of that collateral that it has sold or repledged?	_____	_____	_____
iii. Information about the sources and uses of that collateral? ["Pending Content" in FASB ASC 860-30-50-4]	_____	_____	_____
7. If it is not practicable to estimate the fair value of certain assets obtained or liabilities incurred in transfers of financial assets during the period, are those items and the reasons why it is not practicable to estimate fair value described in the notes to the financial statements? [FASB ASC 860-10-50-1]	_____	_____	_____
Servicing Assets and Servicing Liabilities			
8. For all servicing assets and servicing liabilities, are the following disclosures made:			
a. Management's basis for determining its classes of servicing assets and servicing liabilities?	_____	_____	_____

	Yes	No	N/A
b. A description of the risks inherent in servicing assets and servicing liabilities and, if applicable, the instruments used to mitigate the income statement effect of changes in fair value of the servicing assets and servicing liabilities? (Disclosure of quantitative information about the instruments used to manage the risks inherent in servicing assets and servicing liabilities, including the fair value of those instruments at the beginning and end of the period, is encouraged but not required.)	_____	_____	_____
c. The amount of contractually specified servicing fees (as defined in the FASB ASC glossary), late fees, and ancillary fees earned for each period for which results of operations are presented, including a description of where each amount is reported in the statement of income? [FASB ASC 860-50-50-2]	_____	_____	_____
9. For servicing assets and servicing liabilities subsequently measured at fair value, are the following disclosures made:			
a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in fair value are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, the following:			
i. The beginning and ending balances?	_____	_____	_____
ii. Additions (through purchases of servicing assets, assumptions of servicing obligations, and servicing obligations that result from transfers of financial assets)?	_____	_____	_____
iii. Disposals?	_____	_____	_____
iv. Changes in the fair value during the period resulting from changes in valuation inputs or assumptions used in the valuation model?	_____	_____	_____
v. Changes in the fair value during the period resulting from other changes in fair value and a description of those changes?	_____	_____	_____
vi. Other changes that affect the balance and a description of those changes?	_____	_____	_____

Yes No N/A

b. A description of the valuation techniques or other methods used to estimate the fair value of servicing assets and servicing liabilities? If a valuation model is used, the description should include the methodology and model validation procedures, as well as quantitative and qualitative information about the assumptions used in the valuation model (for example, discount rates and prepayment speeds). (An entity that provides quantitative information about the instruments used to manage the risks inherent in the servicing assets and servicing liabilities, the entity is also encouraged, but not required, to disclose a description of the valuation techniques, as well as quantitative and qualitative information about the assumptions used to estimate the fair value of those instruments.) ____ ____ ____
[FASB ASC 860-50-50-3]

10. For servicing assets and servicing liabilities subsequently amortized in proportion to and over the period of estimated net servicing income or loss and assessed for impairment or increased obligation:

a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in the carrying amount are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, the following:

i. The beginning and ending balances? ____ ____ ____

ii. Additions (through purchases of servicing assets, assumption of servicing obligations, and servicing obligations that result from transfers of financial assets)? ____ ____ ____

iii. Disposals? ____ ____ ____

iv. Amortization? ____ ____ ____

v. Application of valuation allowance to adjust carrying value of servicing assets? ____ ____ ____

vi. Other-than-temporary impairments? ____ ____ ____

vii. Other changes that affect the balance and a description of those changes? ____ ____ ____

b. For each class of servicing assets and servicing liabilities, the fair value of recognized servicing assets and servicing liabilities at the beginning and end of the period if it is practicable to estimate the value? ____ ____ ____

Yes No N/A

c. A description of the valuation techniques or other methods used to estimate fair value of the servicing assets and servicing liabilities? If a valuation model is used, the description should include the methodology and model validation procedures, as well as quantitative and qualitative information about the assumptions used in the valuation model (for example, discount rates and prepayment speeds). (An entity that provides quantitative information about the instrument used to manage the risks inherent in the servicing assets and servicing liabilities, the entity is also encouraged, but not required, to disclose a description of the valuation techniques as well as quantitative and qualitative information about the assumptions used to estimate the fair value of those instruments.) ____ ____ ____

d. The risk characteristics of the underlying financial assets used to stratify recognized servicing assets for purposes of measuring impairment in accordance with FASB ASC 860-50-35-9? ____ ____ ____

e. The activity by class in any valuation allowance for impairment of recognized servicing assets—including beginning and ending balances, aggregate additions charged and recoveries credited to operations, and aggregate write-downs charged against the allowance—for each period for which results of operations are presented? ____ ____ ____
[FASB ASC 860-50-50-4]

Practice Tip

The entity should report recognized servicing assets and servicing liabilities that are subsequently measured using the fair value measurement method in a manner that separates those carrying amounts on the face of the statement of financial position from the carrying amounts for separately recognized servicing assets and servicing liabilities that are subsequently measured using the amortization method.

To accomplish that separate reporting, the entity may do either of the following:

- Display separate line items for the amounts that are subsequently measured using the fair value measurement method and amounts that are subsequently measured using the amortization method
- Present the aggregate of those amounts that are subsequently measured at fair value and those amounts that are subsequently measured using the amortization method and disclose parenthetically the amount that is subsequently measured at fair value that is included in the aggregate amount

[FASB ASC 860-50-45 par. 1–2]

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11. If the entity (public or nonpublic) has elected, under FASB ASC 860-50-35-3(d), to subsequently measure a class of servicing assets and servicing liabilities at fair value at the beginning of the fiscal year, has the amount of the cumulative-effect adjustment to retained earnings been separately disclosed? ____ ____ ____
[FASB ASC 860-50-50-5]

12. ***(Issuers Only)*** Have the following disclosures been made for all servicing assets and servicing liabilities:

	Yes	No	N/A
a. Management's basis for determining its classes of servicing assets and servicing liabilities?			
b. A description of the risks inherent in servicing assets and servicing liabilities?			
c. If applicable, a description of the instruments used to mitigate the income statement effect of changes in fair value of the servicing assets and servicing liabilities?			
d. The amount of contractually specified servicing fees, late fees, and ancillary fees earned for each period for which results of operations are presented, including a description of where each amount is reported in the statement of income?			
e. Quantitative and qualitative information about the assumptions used to estimate the fair value? ["Pending Content" in FASB ASC 860-50-50-7]			
13. ***(Issuers Only)*** Have the following disclosures been made for all servicing assets and servicing liabilities subsequently measured at fair value:			
a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in fair value are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, all of the following:			
i. The beginning and ending balances?			
ii. Additions (through purchases of servicing assets, assumption of servicing obligations, and servicing obligations that result from transfers of financial assets)?			
iii. Disposals?			
iv. Changes in fair value during the period resulting from (1) changes in valuation inputs or assumptions used in the valuation models and (2) other changes in fair value and a description of those changes?			
v. Other changes that affect the balance and a description of those changes? ["Pending Content" in FASB ASC 860-50-50-8]			
14. ***(Issuers Only)*** Have the following disclosures been made for all servicing assets and servicing liabilities subsequently amortized in proportion to and over the period of estimated net servicing income or loss:			
a. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities (including a description of where changes in the carrying amount are reported in the statement of income for each period for which results of operations are presented), including, but not limited to, the following:			

	Yes	No	N/A
i. The beginning and ending balances?			
ii. Additions (through purchases of servicing assets, assumption of servicing obligations, and servicing obligations that result from transfers of financial assets)?			
iii. Disposals?			
iv. Amortization?			
v. Application of valuation allowance to adjust carrying value of servicing assets?			
vi. Other-than-temporary impairments?			
vii. Other changes that affect the balance and a description of those changes?			
b. For each class of servicing assets and servicing liabilities, the fair value of recognized servicing assets and servicing liabilities at the beginning and end of the period if it is practicable to estimate the value?			
c. The risk characteristics of the underlying financial assets used to stratify recognized servicing assets for purposes of measuring impairment in accordance with the guidance in paragraphs 9–14 of FASB ASC 860-50-35?			
d. For each period for which results of operations are presented, the activity by class in any valuation allowance for impairment of recognized servicing assets, including (*a*) beginning and ending balances, (*b*) aggregate additions charged and recoveries credited to operations, and (*c*) aggregate write-downs charged against the allowance? ["Pending Content" in FASB ASC 860-50-50-9]			

Securitized Financial Assets Accounted for as a Sale

	Yes	No	N/A
15. If the entity has securitized financial assets during any period presented and accounts for that transfer as a sale, are the following items disclosed for each major asset type (for example, mortgage loans, credit card receivables, and automobile loans):			
a. Its accounting policies for initially measuring the interests that continue to be held by the transferor, if any, and servicing assets or servicing liabilities, if any, including the methodology (whether quoted market price, prices based on sales of similar assets and liabilities, or prices based on valuation techniques) used in determining their fair value?			
b. The characteristics of securitizations (a description of the transferor's continuing involvement with the transferred assets, including, but not limited to, servicing, recourse, and restrictions on interests that continue to be held by the transferor) and the gain or loss from sale of financial assets in securitizations?			

	Yes	No	N/A

Practice Tip

With regard to question 15(*c*) following, if an entity has made multiple securitizations of the same major asset type during a period, it may disclose the range of assumptions.
[FASB ASC 860-20-50-3]

	Yes	No	N/A
c. The key assumptions used in measuring the fair value of interests that continue to be held by the transferor and servicing assets or servicing liabilities, if any, at the time of securitization (including, at a minimum, quantitative information about discount rates, expected prepayments including the expected weighted-average life of prepayable financial assets, and anticipated credit losses, if applicable)?	____	____	____
d. Cash flows between the securitization special purpose entity and the transferor, unless reported separately elsewhere in the financial statements or notes (including proceeds from new securitizations, proceeds from collections reinvested in revolving-period securitizations, purchases of delinquent or foreclosed loans, servicing fees, and cash flows received on interests that continue to be held by the transferor)? [FASB ASC 860-20-50-3]	____	____	____
16. ***(Issuers Only)*** Has the entity disclosed, for each income statement presented, the following related to securitization or asset-backed financing arrangements accounted for as sales:			
a. Its accounting policies for subsequently measuring those interests, if any?	____	____	____
b. The characteristics of the transfer including a description of the transferor's continuing involvement with the transferred financial assets and the gain or loss from the sale of transferred assets?	____	____	____
c. Cash flows between a transferee and the transferor, including proceeds from new transfers, proceeds from collections reinvested in revolving-period transfers, purchases of previously transferred financial assets, servicing fees, and cash flows received on interests that continue to be held by the transferor? ["Pending Content" in FASB ASC 860-20-50-8]	____	____	____

Interests in Financial Assets That Continue to Be Held by the Transferor

17. If the entity has interest that continues to be held by the transferor in financial assets that it has securitized or servicing assets or servicing liabilities relating to assets that it has securitized, at the date of the latest statement of financial position presented, are the following items disclosed for each major asset type (for example, mortgage loans, credit card receivables, and automobile loans):

	Yes	No	N/A
a. Its accounting policies for subsequently measuring those interests, including the methodology (whether quoted market price, prices based on sales of similar assets and liabilities, or prices based on valuation techniques) used in determining their fair value?	_____	_____	_____
b. The key assumptions used in subsequently measuring the fair value of those interests (including, at a minimum, quantitative information about discount rates, expected prepayments including the expected weighted-average life of prepayable financial assets, and anticipated credit losses, including expected static pool losses, if applicable)?	_____	_____	_____
c. A sensitivity analysis or stress test showing the hypothetical effect on the fair value of those interests (including any servicing assets or servicing liabilities) of two or more unfavorable variations from the expected levels for each key assumption that is reported under item (*b*) independently from any change in another key assumption, and a description of the objectives, methodology, and limitations of the sensitivity analysis or stress test?	_____	_____	_____

Practice Tip

With regard to question 17(*d*) following, this question excludes securitized assets that an entity continues to service but with which it has no other continuing involvement.
[FASB ASC 860-20-50-4]

	Yes	No	N/A
d. For the securitized assets and any other financial assets that it manages together with them,			
i. the total principal amount outstanding, the portion that has been derecognized, and the portion that continues to be recognized in each category reported in the statement of financial position, at the end of the period?	_____	_____	_____
ii. delinquencies at the end of the period?	_____	_____	_____
iii. credit losses, net of recoveries, during the period? [FASB ASC 860-20-50-4]	_____	_____	_____

18. ***(Issuers Only)*** Have the following disclosures been made, in each statement of financial position presented, related to securitization or asset-backed financing arrangements accounted for sales if the transferor has continuing involvement:

a. Qualitative and quantitative information about the transferor's continuing involvement with transferred financial assets that provides financial statement users with sufficient information to assess the reasons for the continuing involvement and the risks related to the transferred financial assets to which the transferor continues to be exposed after the transfer and the extent that the transferor's risk profile has changed as a result of the transfer (including, but not limited to, credit risk, interest rate risk, and other risks), including the following:

	Yes	No	N/A
i. The nature, purpose, size, and activities of special-purpose entities used to facilitate a transfer of financial assets, if applicable, including how the special-purpose entities are financed?	_____	_____	_____
ii. The total principal amount outstanding, the portion that has been derecognized, and the portion that continues to be recognized in each category reported in the statement of financial position, at the end of the period?	_____	_____	_____
iii. The terms of any arrangements that could require the transferor to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the transferee or its beneficial interest holders, including a description of any events or circumstances that could expose the transferor to loss. All available evidence should be considered, including, but not limited to all of the following: (1) explicit written arrangements, (2) communications between the transferor and the transferee or its beneficial interest holders, and (3) unwritten arrangements customary to similar transfers?	_____	_____	_____
iv. Whether the transferor has provided financial or other support during the periods presented that it was not previously contractually required to provide to the transferee or its beneficial interest holders, including—when the transferor assisted the transferee or its beneficial interest holders in obtaining support—both the type and amount of support and the primary reasons for the support?	_____	_____	_____

Practice Tip

(Issuers Only) The entity also is encouraged to disclose information about any liquidity arrangements, guarantees, or other commitments by third parties related to the transferred financial assets that may affect the fair value or risk of interest that continues to be held by the transferor.
["Pending Content" in FASB ASC 860-20-50-9]

	Yes	No	N/A
b. The accounting policies for subsequently measuring assets or liabilities that relate to the continuing involvement?	_____	_____	_____
c. The key inputs and assumptions used in measuring the fair value of assets or liabilities that relate to the transferor's continuing involvement including, at a minimum, (1) quantitative information about discount rates, (2) expected prepayments, including the expected weighted-average life of prepayable financial assets, and (3) anticipated credit losses, including expected static pool losses?	_____	_____	_____

Yes No N/A

Practice Tip

(Issuers Only) If the entity has aggregated multiple transfers during a period in accordance, it may disclose the range of assumptions for each aggregated group provided it does not obscure important information. [“Pending Content” in FASB ASC 860-20-50-9]

d. For interests that continue to be held by the transferor in financial assets, both of the following:

i. A sensitivity analysis or stress test showing the hypothetical effect on the fair value of those interests, including any servicing assets or servicing liabilities, of two or more unfavorable variations from the expected levels for each key assumption that is reported under item (*c*), independently from any change in another key assumption? _____ _____ _____

ii. A description of the objectives, methodology, and limitations of the sensitivity analysis or stress test? _____ _____ _____

Practice Tip

(Issuers Only) The information in question 18(*e*) following should be separated between assets that have been derecognized and assets that continue to be recognized in the statement of financial position. This information is intended to provide financial statement users with an understanding of the risks inherent in the transferred financial assets as well as in other financial assets and liabilities that it manages together with transferred financial assets. In determining the information that should be disclosed, an entity should consider other U.S. GAAP disclosure requirements applicable to the transferred financial asset. [“Pending Content” in FASB ASC 860-20-50-9]

e. Information about the asset quality of transferred financial assets and any other financial assets that it manages together with them. _____ _____ _____
[“Pending Content” in FASB ASC 860-20-50-9]

X. Troubled Debt Restructurings—Creditors

1. Is the amount of commitments, if any, to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings disclosed either in the body of the financial statements or in the notes thereto as of the date of each balance sheet presented? _____ _____ _____
[FASB ASC 310-40-50-1]

Practice Tip

For Restructurings in Fiscal Years Beginning Before December 16, 1994. Per “Pending Content” in FASB ASC 105-10-70-2(d), an entity may continue to account for “grandfathered” loans (restructured in a troubled debt restructuring before the effective date of FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, described in paragraph 24 of FASB Statement No. 118, *Accounting by Creditors for Impairment of a Loan—Income Recognition and Disclosures*) in accordance with the provisions of FASB Statement No. 15 prior to its amendment by FASB Statement No. 118.

Yes No N/A

For Restructurings in Fiscal Years Beginning Before December 16, 1994

2. For outstanding "grandfathered" receivables whose terms have been modified in troubled debt restructurings, are the following disclosed by major category either in the body of the financial statements or the notes thereto as of the date of each balance sheet presented:
   a. The aggregate recorded investment? ____ ____ ____
   b. The gross interest income that would have been recorded in the period then ended if those receivables had been current in accordance with their original terms and had been outstanding throughout the period or since origination? ____ ____ ____
   c. The amount of interest income on those receivables that was included in net income for the period? ____ ____ ____
   [SFAS 15 par. 40a]
3. For outstanding "grandfathered" receivables whose terms have been modified in troubled debt restructurings, are the amount of commitments, if any, to lend additional funds to debtors owing receivables whose terms have been modified in troubled debt restructurings disclosed? ____ ____ ____
   [SFAS 15 par. 40a]

Notes: A financial institution, or other creditor, may disclose the preceding information by major category, for the aggregate of outstanding reduced-earning and nonearning loans rather than separately for outstanding loans whose terms have been modified in troubled debt restructurings.
[SFAS 15 par. 41]

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See part H, *Financial Instruments*, and part L, *Impaired Loans* in the "Other Financial Statement Disclosures" section of this checklist for possible additional disclosure requirements.)

Y. Troubled Debt Restructurings—Debtors

1. For a troubled debt restructuring occurring during the current period, do disclosures include
   a. a description of the principal changes in terms, the major features of settlement, or both? ____ ____ ____
   b. aggregate gain on restructuring of payables? ____ ____ ____
   c. aggregate net gain or loss on transfers of assets recognized during the period? ____ ____ ____
   d. per-share amount of the aggregate gain on restructuring of payables? ____ ____ ____
   [FASB ASC 470-60-50-1]
2. For periods after a troubled debt restructuring, do disclosures include

	Yes	No	N/A
a. the extent to which amounts contingently payable are included in the carrying amount of restructured payables pursuant to the provisions of FASB ASC 470-60-35-7?	_____	_____	_____
b. if required by paragraphs 1–6 and 9–10 of FASB ASC 450-20-50, total amounts contingently payable on restructured payables and conditions under which those amounts would become payable or forgiven? [FASB ASC 470-60-50-2]	_____	_____	_____

Practice Tip

A troubled debt restructuring of a short term obligation after the date of a debtor's balance sheet but before that balance sheet is issued or is available to be issued may affect the classification of that obligation in accordance with FASB ASC 470-10.
[FASB ASC 470-60-45-2A]

Z. Asset Retirement Obligations

	Yes	No	N/A
1. Does the entity disclose the following information about its asset retirement obligations:			
a. A general description of the asset retirement obligations and the associated long-lived assets?	_____	_____	_____
b. The fair value of assets that are legally restricted for purposes of settling asset retirement obligations?	_____	_____	_____
c. A reconciliation of the beginning and ending aggregate carrying amount of asset retirement obligations showing separately the changes attributable to (1) liabilities incurred in the current period, (2) liabilities settled in the current period, (3) accretion expense, and (4) revisions in estimated cash flows, whenever there is a significant change in one or more of those four components during the reporting period? [FASB ASC 410-20-50-1]	_____	_____	_____
2. If the fair value of an asset retirement obligation cannot be reasonably estimated, is that fact and the reasons therefore disclosed? [FASB ASC 410-20-50-2]	_____	_____	_____
3. Is, on a pro forma basis, in the footnotes to the financial statements, for the beginning of the earliest period presented and at the end of all periods presented during the year of adoption, the amount of liability for asset retirement obligations as if FASB ASC 410-20 had been applied during all periods affected presented? (These pro forma amounts should be measured using the information, assumptions, and interest rates used to measure the obligation recognized upon adoption of the provisions of FASB ASC 410-20.) [FASB ASC 410-20]	_____	_____	_____

Practice Tip

For environmental asset retirement obligations under the requirements of FASB ASC 410-30, see part G, "Environmental Remediation Liabilities," in the "Other Financial Statement Disclosures" section of this checklist.

Yes No N/A

AA. Fair Value Measurements

Notes: In February 2007, FASB issued Statement No. 159, primarily codified in FASB ASC 825, which was effective for financial statements issued for fiscal years beginning after November 15, 2007.

This statement applies to all entities, including not-for-profit entities. Most of the provisions of this statement apply only to entities that elect the fair value option. However, the amendment to FASB Statement No. 115 applies to all entities with available-for-sale and trading securities. Some requirements apply differently to entities that do not report net income.

The statement permits an organization to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and financial liabilities on a contract-by-contract basis, with changes in fair value recognized in earnings (or another performance indicator if the business entity does not report earnings) at each subsequent reporting date. The provisions of this statement need not be applied to immaterial items.

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In September 2006, FASB issued Statement No. 157, codified in FASB ASC 820, *Fair Value Measurements and Disclosures*, which was effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. However, FSP FAS 157-2, *Effective Date of FASB Statement No. 157*, delayed the effective date of FASB Statement No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends), and interim periods within those fiscal years for items within the scope of this FSP. This FSP does not apply to entities that have issued interim or annual financial statements that include the application of the measurement and disclosure provisions of FASB Statement No. 157.

FASB Statement No. 157 establishes a single definition of *fair value* and a framework for measuring fair value in U.S. GAAP and also expands disclosures about fair value measurements. The statement applies under other accounting pronouncements that require or permit fair value measurements because FASB previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this statement does not require any new fair value measurements, but the application of it will change current practice. However, FSP FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13*, established that FASB Statement No. 157 does not apply under FASB Statement No. 13, *Accounting for Leases*, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under FASB Statement

(continued)

Yes	No	N/A

No. 13. This scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under FASB Statement No. 141 or FASB Statement No. 141(R), regardless of whether those assets and liabilities are related to leases.

FASB Statement No. 157 retains the exchange price notion already established within U.S. GAAP but clarifies, among other matters, that fair value is the price that would be received to sell the asset or paid to transfer the liability (that is, an exit price) and not the price that would be paid to acquire the asset or paid to transfer the liability (that is, an entry price). Additionally, the statement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into 3 broad levels.

This checklist has been updated to include the presentation and disclosure requirements of FASB Statement No. 157 and FSP FAS 157-2.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

******

In September, 2008, FASB issued EITF Issue No. 08-5, "Issuer's Accounting for Liabilities Measured at Fair Values with a Third-Party Credit Enhancement," to determine an issuer's unit of accounting for a liability issued with an inseparable third-party credit enhancement when it is measured or disclosed at fair value on a recurring basis and to amend the required disclosures. This issue applies to liabilities issued with an inseparable third-party credit enhancement (for example, debt that is issued with a contractual third-party guarantee) when they are measured or disclosed at fair value on a recurring basis.

This EITF issue states that the issuer of a liability with a third-party credit enhancement that is inseparable from the liability should not include the effect of the credit enhancement in the fair value measurement of the liability. For example, in determining the fair value of debt with a third-party guarantee, the issuer would consider its own credit standing and not that of the third-party guarantor. Further, this issue requires an issuer disclose the existence of a third-party credit enhancement on its issued liability that is within the scope of this issue.

(continued)

Yes No N/A

This EITF issue is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). The effect of initially applying the guidance in this Issue should be included in the change in fair value in the period of adoption. Earlier application is permitted.

The EITF reached a consensus that in the period of adoption an entity should disclose the valuation technique(s) used to measure the fair value of liabilities in the scope of this issue and include a discussion of changes, if any, from the valuation techniques used to measure those liabilities in prior periods.

This checklist has been updated to include the presentation and disclosure requirements of EITF Issue No. 08-5.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 820-10-65-3.

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In April, 2009, FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, was released to provide additional guidance for estimating fair value in accordance with FASB Statement No. 157 when the volume and level of activity for the asset or liability have significantly decreased and to provide guidance on identifying circumstances that indicate a transaction is not orderly. Further, this FSP superseded FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*.

This FSP is effective for interim and annual reporting periods ending after June 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends), and should be applied prospectively. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption.

(continued)

Yes	No	N/A

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 157-4.

Readers can refer to the full text of the FSP on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 820-10-65-4.

******

In September 2009, FASB issued ASU No. 2009-012, *Fair Value Measurements and Disclosures*.

The amendments in this ASU apply to all reporting entities that hold an investment that is required or permitted to be measured or disclosed at fair value on a recurring or nonrecurring basis and, as of the reporting entity's measurement date, if the investment meets both of the following criteria:

1. The investment does not have a readily determinable fair value.
2. The investment is in an entity that has all of the attributes specified in FASB ASC 946-10-15-2 (those attributes include investment activity, unit ownership, pooling of funds, and reporting entity) or, if one or more of the attributes in FASB ASC 946-10-15-2 are not present, is an entity for which it is industry practice to issue financial statements using guidance that is consistent with the measurement principles in FASB ASC 946.

This ASU provides amendments to FASB ASC 820 for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). Further, this ASU requires disclosures by major category of investment about the attributes of investments within the scope of the amendments in the update.

The amendments in this ASU are effective for interim and annual periods ending after December 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends). Early application is permitted in financial statements for earlier interim and annual periods what have not been issued. (If an entity elects to early adopt ASU No. 2009-012, the entity is permitted to defer the adoption of the disclosure provisions of FASB 820-10-50-6A until periods ending after December 15, 2009.

This checklist has been updated to include the presentation and disclosure requirements of ASU No. 2009-012.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has

(continued)

	Yes	*No*	*N/A*

been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the ASU on the FASB Web site at www.fasb.org.

1. For assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition (for example, trading securities), the reporting entity should disclose information that enables users of its financial statements to assess the inputs used to develop those measurements and for recurring fair value measurements using significant unobservable inputs (level 3), the effect of the measurements on earnings (or changes in net assets) for the period. To meet that objective, the reporting entity should disclose the following information for each interim and annual period (except as otherwise specified) separately for each major category of assets and liabilities:

   a. The fair value measurements at the reporting date? ____ ____ ____

   b. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (level 1), significant other observable inputs (level 2), and significant unobservable inputs (level 3)? ____ ____ ____

   c. For fair value measurements using significant unobservable inputs (level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following (may be presented net):

      i. Total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets), and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities)? ____ ____ ____

      ii. Purchases, sales, issuances, and settlements (net)? ____ ____ ____

      iii. Transfers in and out, or both, of level 3 (for example, transfers due to changes in the observability of significant inputs)? ____ ____ ____

	Yes	No	N/A

d. The amount of the total gains or losses for the period in question 1(*c*)(i) included in earnings (or changes in net assets) that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of income (or activities)? _____ _____ _____

e. The inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period? _____ _____ _____
[FASB ASC 820-10-50 par. 1 and 3; "Pending Content" in FASB ASC 820-10-50-2]

Practice Tip

(EITF Issue No. 08-05) With regards to question 2B following, FASB ASC 820-10-35-18A states that, for the issuer, the unit of accounting for a liability measured or disclosed at fair value does not include the third-party credit enhancement.
["Pending Content" in FASB ASC 820-10-50-4A]

2B. ***(EITF Issue No. 08-05)*** For a liability having the characteristics set forth in FASB ASC 820-10-25-1, has the entity disclosed the existence of a third-party credit enhancement on its issued liability, if such an enhancement exists? _____ _____ _____
["Pending Content" in FASB ASC 820-10-50-4A]

3. Are the quantitative disclosures required by FASB ASC 820-10-50 presented using a tabular format? _____ _____ _____
[FASB ASC 820-10-50-8]

4A. If the entity has not voluntarily applied the guidance of FASB ASC 820 in interim or annual financial statements to the nonfinancial assets and nonfinancial liabilities as discussed in FASB ASC 820-10-15-1A, have disclosures been made (*a*) that the entity has not applied the guidance of FASB ASC 820 to such nonfinancial assets and nonfinancial liabilities and (*b*) to detail each major category of assets and liabilities that are recognized or disclosed at fair value for which the entity has not voluntarily applied the guidance in FASB ASC 820? _____ _____ _____
[FASB ASC 820-10-50-8A]

4B. ***(FSP FAS 157-2)*** [Not used. The item preceding has been removed due to the effective date of FSP FAS 157-2.]

5. Is the fair value information disclosed under FASB ASC 820-10-50 and the fair value information disclosed as required by other FASB ASC topics (for example, FASB ASC 825-10-50) combined in the periods in which those disclosures are required, if practicable? ***(Encouraged, but not required.)*** _____ _____ _____
[FASB ASC 820-10-50-9]

6. Is information about other similar measurements (for example, inventories measured at market value under FASB ASC 330, *Inventory*) disclosed, if practicable? ***(Encouraged, but not required.)*** _____ _____ _____
[FASB ASC 820-10-50-9]

	Yes	No	N/A
7. If the organization reports assets and liabilities at fair value pursuant to the fair value option in FASB ASC 825, has it either (*a*) presented the aggregate of fair value and non-fair-value amounts in the same line item in the statement of financial position and parenthetically disclosed the amount measured at fair value included in the aggregate amount or (*b*) presented 2 separate line items to display the fair value and non-fair-value carrying amounts of similar assets and liabilities? [FASB ASC 825-10-45 par. 1–2]	_____	_____	_____

Practice Tip

The principal objectives of the disclosures required by paragraphs 28–32 of FASB ASC 825-10-50 (questions 8–11 following) are to facilitate (*a*) comparisons between entities that choose different measurement attributes for similar assets and liabilities and (*b*) comparisons between assets and liabilities in the financial statements of an entity that selects different measurement attributes for similar assets and liabilities.

The disclosure requirements are expected to result in the following:

- Information to enable users of its financial statements to understand management's reasons for electing or partially electing the fair value option
- Information to enable users to understand how changes in fair values affect earnings for the period
- The same information about certain items (such as equity investments and nonperforming loans) that would have been disclosed if the fair value option had not been elected
- Information to enable users to understand the differences between fair values and contractual cash flows for certain items

To meet those objectives, the disclosures described in questions 8–11 are required for items measured at fair value under the option in FASB ASC 825-10 and the fair value option for hybrid instruments in FASB ASC 815-15-25-4. Those disclosures are not required for securities classified as trading securities under FASB ASC 320, life settlement contracts measured at fair value pursuant to FASB ASC 325-30, or servicing rights measured at fair value pursuant to FASB ASC 860-50. Guidance therein includes disclosure requirements not affected by FASB ASC 825-10.

Entities should provide the disclosures in questions 8–11 in both interim and annual financial statements. These disclosure requirements do not eliminate disclosure requirements otherwise required by U.S. GAAP, including other disclosure requirements relating to fair value measurement. Entities are encouraged but are not required to present the disclosures required by FASB ASC 825-10 in combination with related fair value information required to be disclosed by other FASB ASC topics.
[FASB ASC 825-10-50 par. 24–27]

	Yes	No	N/A
8. As of each date for which a statement of financial position is presented, has the organization disclosed the following information about items measured at fair value under the option in FASB ASC 825:			
a. Management's reasons for electing a fair value option for each eligible item or group of similar eligible items?	_____	_____	_____
b. The following information if the fair value option is elected for some but not all eligible items within a group of similar eligible items:			
i. A description of those similar items and the reasons for partial election?	_____	_____	_____

	Yes	No	N/A
ii. Information to enable users to understand how the group of similar items relates to individual line items on the statement of financial position?	____	____	____
c. The following information for each line item in the statement of financial position that includes an item or items for which the fair value option has been elected:			
i. Information to enable users to understand how each line item in the statement of financial position relates to major categories of assets and liabilities presented in accordance with the fair value disclosure requirements in FASB ASC 820?	____	____	____
ii. The aggregate carrying amount of items included in each line item in the statement of financial position that are not eligible for the fair value option, if any?	____	____	____
d. The difference between the aggregate fair value and the aggregate unpaid principal balance of			
i. Loans and long term receivables (other than securities subject to FASB ASC 320) that have contractual principal amounts and for which the fair value option has been elected?	____	____	____
ii. Long term debt instruments that have contractual principal amounts and for which the fair value option has been elected?	____	____	____
e. For loans held as assets for which the fair value option has been elected			
i. The aggregate fair value of loans that are 90 days or more past due?	____	____	____
ii. If the entity's policy is to recognize interest income separately from other changes in fair value, the aggregate fair value of loans in nonaccrual status?	____	____	____
iii. The difference between the aggregate fair value and the aggregate unpaid principal balance for loans that are 90 days or more past due, in nonaccrual status, or both?	____	____	____
f. The information required by FASB ASC 323-10-50-3 (equity method and joint venture investments) for investments that would have been accounted for under the equity method if the entity had not chosen to apply the fair value option? [FASB ASC 825-10-50-28]	____	____	____

Practice Tip

Per FASB ASC 825-10-50-29, the disclosure in FASB ASC 825-10-50-28(f), question 8 applies to investments in common stock, investments in in-substance common stock, and other investments (for example, partnerships and certain limited liability corporations) that both

1. would otherwise be required to be accounted for under the equity method under other U.S. GAAP, and

(continued)

Yes No N/A

2. would be required to satisfy the disclosure requirements of FASB ASC 323-10-50-3.

When applying this item, an entity should apply the guidance from paragraphs 2 and 3(a)–(c) of FASB ASC 323-10-50.
[FASB ASC 825-10-50-29]

9. As of each period for which an interim or annual income statement is presented, has the entity disclosed the following information about items measured at fair value under the option in FASB ASC 825:

   a. For each line item in the statement of financial position, the amounts of gains and losses from fair value changes during the period included in earnings and in an intermediate measure of operations, if one is presented, and in which line in the income statement those gains and losses are reported? (An entity may meet this requirement by disclosing amounts of gains and losses that include amounts of gains and losses for other items measured at fair value, such as items required to be measured at fair value.) _____ _____ _____

   b. A description of how interest and dividends are measured and where they are reported in the income statement? _____ _____ _____

   c. For loans and other receivables held as assets, (1) the estimated amount of gains or losses included in earnings during the period attributable to changes in instrument-specific credit risk and (2) how the gains or losses attributable to changes in instrument-specific credit risk were determined? _____ _____ _____

   d. For liabilities with fair values that have been significantly affected during the reporting period by changes in the instrument-specific credit risk, (1) the estimated amount of gains and losses from fair value changes included in earnings that are attributable to changes in the instrument-specific credit risk, (2) qualitative information about the reasons for those changes, and (3) how the gains and losses attributable to changes in instrument-specific credit risk were determined? _____ _____ _____
   [FASB ASC 825-10-50-30]

10. In its annual period only, has the entity disclosed the methods and significant assumptions used to estimate the fair value of items for which the fair value option has been elected? _____ _____ _____
[FASB ASC 825-10-50-31]

11. If an entity elects the fair value option at a remeasurement event, has it disclosed the following for the period of the election:

   a. Qualitative information about the nature of the event? _____ _____ _____

   b. Quantitative information by line item in the statement of financial position indicating which line items in the income statement include the effect of initially electing the fair value option for an item? _____ _____ _____
   [FASB ASC 825-10-50-32]

Yes No N/A

Practice Tip

(ASU No. 2009-012) ASU No. 2009-012 changes the definition of *major category*, as used in the questions 12–13 following, to be defined as a major security type as described in FASB ASC 320-15-50-1B, even if the equity securities or debt securities are not within the scope of FASB ASC 320-10 and, for a reporting entity within the scope of FASB ASC 942, *Financial Services–Depository and Lending*, as described in FASB ASC 942-320-50-2.
["Pending Content" in FASB ASC 820-10-50-2; "Pending Content" in FASB ASC 820-10-50-5]

12. For assets and liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition (for example, trading securities), the reporting entity should disclose information that enables users of its financial statements to assess the inputs used to develop those measurements and for recurring fair value measurements using significant unobservable inputs (level 3), the effect of the measurements on earnings (or changes in net assets) for the period. To meet that objective, the reporting entity should disclose the following information for each interim and annual period (except as otherwise specified) separately for each major category of assets and liabilities:
    a. The fair value measurements at the reporting date? _____ _____ _____
    b. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (level 1), significant other observable inputs (level 2), and significant unobservable inputs (level 3)? _____ _____ _____
    c. For fair value measurements using significant unobservable inputs (level 3), a reconciliation of the beginning and ending balances, separately presenting changes during the period attributable to the following (may be presented net):
        i. Total gains or losses for the period (realized and unrealized), segregating those gains or losses included in earnings (or changes in net assets), and a description of where those gains or losses included in earnings (or changes in net assets) are reported in the statement of income (or activities)? _____ _____ _____
        ii. Purchases, sales, issuances, and settlements (net)? _____ _____ _____
        iii. Transfers in and out, or both, of level 3 (for example, transfers due to changes in the observability of significant inputs)? _____ _____ _____
    d. The amount of the total gains or losses for the period in question 12(*c*)(i) included in earnings (or changes in net assets) that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date and a description of where those unrealized gains or losses are reported in the statement of income (or activities)? _____ _____ _____

Yes No N/A

e. The inputs and valuation technique(s) used to measure fair value and a discussion of changes in valuation techniques, if any, during the period? ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-2; FASB ASC 820-10-50-3]

For assets and liabilities that are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition (for example, impaired assets), the reporting entity should disclose information that enables users of its financial statements to assess the inputs used to develop those measurements? To meet that objective, the reporting entity should disclose the following information for each interim and annual period (except as otherwise specified) separately for each major category of assets and liabilities:

a. The fair value measurements recorded during the period and the reasons for the measurements? ____ ____ ____

b. The level within the fair value hierarchy in which the fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (level 1), significant other observable inputs (level 2), and significant unobservable inputs (level 3)? ____ ____ ____

c. For fair value measurements using significant unobservable inputs (level 3), a description of the inputs and the information used to develop the inputs? ____ ____ ____

d. The inputs and valuation technique(s) used to measure fair value and a discussion of changes, if any, in the valuation technique(s) used to measure similar assets and/or liabilities in prior periods? ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-5]

14B. ***(ASU No. 2009-012)*** For investments that are within the scope of paragraphs 4–5 of FASB ASC 820-10-15 and that are measured at fair value (on a recurring or nonrecurring basis), has the entity disclosed information that enables that users of its financial statements to understand the nature and risks of the investments and whether the investments are probable of being sold at amounts different from net asset value (or its equivalent)? (See FASB ASC 820-10-50-6A for example disclosures.) ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-6A]

15B. ***(EITF Issue No. 08-5)*** For a liability having the characteristics set forth in FASB ASC 820-10-25-1, has the entity disclosed the existence of the third-party credit enhancement on its issued liability? (***Note:*** FASB ASC 820-10-35-18A states that, for the issuer, the unity of accounting for a liability measured or disclosed at fair value does not include the third-party credit enhancement.) ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-4A]

Yes	No	N/A

Practice Tip

The disclosure provisions in FASB ASC 250 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique of its application.
[FASB ASC 820-10-50-7]

Notes: In December 2008, FASB issued FSP FAS 132(R)-1 to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. One objective is to disclose information about fair value measurements of plan assets that would be similar to the disclosures required by FASB Statement No. 157.

The disclosures about plan assets required by this FSP should be provided for fiscal years ending after December 15, 2009 (that is, December 31, 2009, for entities with calendar year-ends). Upon initial application, the provisions of this FSP are not required for earlier periods presented for comparative purposes. Earlier application is permitted.

This FSP also includes a technical amendment to FASB Statement No. 132(R) that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of income is presented. This amendment was effective upon issuance.

This checklist has been updated to include the presentation and disclosure requirements of FSP FAS 132(R)-1.

As determined by the effective date or early implementation decision, entities for which this guidance has not been implemented should consider all questions indicated with an "A" reference (for example, question 1A and question 2A) and should place an "N/A" mark in questions indicated with a "B" reference. Entities for which the guidance has been implemented should consider all questions indicated by a "B" reference (for example, question 1B and question 2B) and place an "N/A" mark by questions indicated with an "A" reference. Therefore, based upon your entity's year-end and decision to early implement or not (if allowed), the following additional questions will be answered when provided in this section (check one that applies for your entity):

__A __B

Readers can refer to the full text of the statement on the FASB Web site at www.fasb.org.

This guidance is labeled as "Pending Content" due to the transition and open effective date information discussed in FASB ASC 715-20-65-2.

16B. ***(FSP FAS 132(R)-1)*** Plan assets of a defined pension or other postretirement plan that are accounted for under FASB ASC 715 are not subject to the disclosure requirements in paragraphs 1–9 of FASB ASC 820-10-50 but are subject to disclosure requirements under FASB ASC 715-20-50-1(d)(iv) and FASB ASC 715-20-50-5(c)(iv). Have the proper disclosures been made under the listed paragraphs of FASB ASC 715? ____ ____ ____
["Pending Content" in FASB ASC 820-10-50-10]

	Yes	No	N/A

BB. Regulatory Capital Matters

> ***Note:*** The disclosures required by paragraphs 1–1F of FASB ASC 942-505-50 should be presented for banks and savings institutions and all significant subsidiaries of a holding company. Bank holding companies should also present the disclosures required by paragraphs 1–1F of FASB ASC 942-505-50 as they apply to the holding company, except for the prompt corrective action disclosure required by FASB ASC 942-505-50-1(d). Savings institution holding companies are not subject to regulatory capital requirements separate from those of their subsidiaries. Bank holding companies are not subject to the prompt corrective action provisions of the Federal Deposit Insurance Act of 2005.
> [FASB ASC 942-505-50-1G]

Regulatory Capital Disclosures for Banks and Savings Institutions and Holding Companies

1. At a minimum, does the entity disclose the following in the notes to the financial statements:
   a. A description of regulatory capital requirements for capital adequacy purposes and established by the prompt corrective action provisions of Section 38 of the Federal Deposit Insurance Act? ____ ____ ____
   b. The actual or possible material effects of noncompliance with such requirements? ____ ____ ____
   c. Whether the entity is in compliance with the regulatory capital requirements, including, as of each balance sheet date presented, both of the following with respect to quantitative measures:
      i. The entity's required and actual ratios and amounts of Tier I leverage, Tier I risk-based, and total risk-based capital, (for savings institutions) tangible capital, and (for certain banks and bank holding companies) Tier 3 capital for market risk? ____ ____ ____
      ii. Factors that may significantly affect capital adequacy such as potentially volatile components of capital, qualitative factors, and regulatory mandates? ____ ____ ____
   d. As of the most recent balance sheet date presented, the prompt corrective action category in which the institution was classified as of its most recent notification? ____ ____ ____
   e. As of the most recent balance sheet date, whether management believes any conditions or events since notification have changed the institution's category? ____ ____ ____
   [FASB ASC 942-505-50-1]
2. Are disclosures presented for any state-imposed capital requirements that are more stringent than or significantly differ from federal requirements? ____ ____ ____
   [FASB ASC 942-505-50-1A]

	Yes	No	N/A
3. If, as of the most recent balance sheet presented, the institution is either not in compliance with capital adequacy requirements, or considered less than adequately capitalized under prompt corrective action provisions or both, are the possible material effects of such conditions and events on amounts and disclosures in the financial statements disclosed? [FASB ASC 942-505-50 par. 1D–1E]	____	____	____
4. For *adequately capitalized* or *undercapitalized* entities:			
a. Does the disclosure in FASB ASC 942-505-50-1A(c) present the minimum amounts and ratios the institution must have to be categorized as adequately capitalized under the prompt corrective action framework and include the effect of any supervisory action that has been imposed? (The amounts disclosed under that paragraph may be presented in either narrative or tabular form. The percentages disclosed should be those applicable to the entity Entities with CAMELS ratings of 1 that are not anticipating or experiencing significant growth and have well-diversified risk are required to maintain a minimum leverage ratio of 3.0 percent. An additional 100 to 200 basis points are required for all but these most highly rated entities.)	____	____	____
b. If the institution has been advised that it must meet capital adequacy levels that exceed the statutory minimums, are those higher levels disclosed? (Such institution-specific requirements also shall be the basis for management's assertion in FASB ASC 942-505-50-1(c) about whether the entity is in compliance.) [FASB ASC 942-505-50-1B]	____	____	____
5. Has the institution disclosed the following information in situations where there is substantial doubt about the institution's ability to continue as a going concern for a reasonable period of time:			
a. Pertinent conditions and events giving rise to the assessment of substantial doubt about the institution's ability to continue as a going concern for a reasonable period of time?	____	____	____
b. Possible effect of such conditions and events?	____	____	____
c. Management's evaluation of the significance of those conditions and events and any mitigating factors?	____	____	____
d. Possible discontinuance of operations?	____	____	____
e. Management's plans (including relevant prospective financial information)?	____	____	____
f. Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities? [AAG-DEP 17.34]	____	____	____

	Yes	No	N/A
6. If other regulatory limitations exist that could materially affect the economic resources of the institution and claims to those resources, are they disclosed in the footnotes to the financial statements? [FASB ASC 942-505-50-1]	____	____	____

Regulatory Capital Disclosures for Credit Unions

Note: Under current regulation, corporate credit unions are subject to regulatory capital requirements and not prompt corrective action. In applying the disclosure requirements of FASB ASC 942-505-50, the prompt corrective action disclosures are not applicable for corporate credit unions.

	Yes	No	N/A
7. At a minimum, does the credit union or corporate credit union within the scope of FASB ASC 942-10-15-2 disclose the following in the notes to the financial statements:			
a. A description of the regulatory requirements for capital adequacy purposes and mandated by prompt corrective action?	____	____	____
b. The actual or possible material effects of noncompliance with those requirements?	____	____	____
c. Whether the entity is in compliance with the regulatory capital requirements, including, as of each balance-sheet date presented, the following with respect to quantitative measures:			
i. Whether the institution meets the definition of a complex credit union as defined by the National Credit Union Administration?	____	____	____
ii. The institution's required and actual capital ratios and required and actual capital amounts?	____	____	____
iii. Factors that may significantly affect capital adequacy, such as potentially volatile components of capital, qualitative factors, and regulatory mandates?	____	____	____
d. As of each balance-sheet date presented, the prompt corrective action category in which the institution was classified?	____	____	____
e. If, as of the most recent balance-sheet date or date financial statements are issued or are available to be issued (as discussed in FASB ASC 855-10-25), the institution is not in compliance with capital adequacy requirements, the possible material effects of such conditions on amounts and disclosures in the financial statements?	____	____	____
f. Whether subsequent to the balance-sheet date and prior to issuance of the financial statements, if management believes any events or changes have occurred to change the institution's prompt corrective action category? [FASB ASC 942-505-50-1H]	____	____	____

	Yes	No	N/A
8. Are disclosures presented for any state-imposed capital requirements that are more stringent than or significantly differ from federal requirements? [FASB ASC 942-505-50-2]	____	____	____
9. Has the institution disclosed the following information in situations in which there is substantial doubt about the institution's ability to continue as a going concern for a reasonable period of time:			
a. Pertinent conditions and events giving rise to the assessment of substantial doubt about the institution's ability to continue as a going concern for a reasonable period of time?	____	____	____
b. Possible effects of such conditions and events?	____	____	____
c. Management's evaluation of the significance of those conditions and events and any mitigating factors?	____	____	____
d. Possible discontinuance of operations?	____	____	____
e. Management's plans (including any relevant financial information)?	____	____	____
f. Information about the recoverability or classification of recorded asset amounts or the amounts or classifications of liabilities? [AAG DEP 17.56 and 17.86]	____	____	____
10. Are the possible material effects of such conditions and events on amounts and disclosures in the financial statements disclosed if the institution's actual ratio is nearing noncompliance? [Common Practice]	____	____	____
Regulatory Capital Disclosures for Mortgage Banking Entities			
11. Noncompliance with minimum net worth (capital) requirements imposed by secondary market investors or state-imposed regulatory mandates could materially affect the economic resources of a mortgage banking entity and claims to those resources. To the extent an entity is subject to such requirements, did the entity disclose all of the following in the notes to financial statements:			
a. A description of the minimum net worth requirements related to secondary market investors and state-imposed regulatory mandates?	____	____	____
b. The actual or possible material effects of noncompliance with those requirements?	____	____	____
c. Whether the institution is in compliance with the regulatory capital requirements, including, as of each balance-sheet date presented, both of the following with respect to quantitative measures:			
i. The institution's required and actual net worth amounts?	____	____	____
ii. Factors that may significantly affect adequacy of net worth such as potentially volatile components of capital, qualitative factors, or regulatory mandates?	____	____	____

Yes *No* *N/A*

d. If, as of the most recent balance-sheet date, the institution is not in compliance with capital adequacy requirements, the possible material effects of such conditions on amounts and disclosures in the notes to the financial statements? [FASB ASC 948-10-50-3] ____ ____ ____

12. Further, noncompliance with minimum net worth requirements may, when considered with other factors, raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time. Additional information that might be disclosed in these situations might include the following:

a. Pertinent conditions and events giving rise to the assessment of substantial doubt about the institution's ability to continue as a going concern for a reasonable period of time. ____ ____ ____

b. Possible effects of such conditions and events. ____ ____ ____

c. Management's evaluation of the significance of those conditions and events and any mitigating factors. ____ ____ ____

d. Possible discontinuance of operations. ____ ____ ____

e. Management's plans (including any relevant financial information). ____ ____ ____

f. Information about the recoverability or classification of recorded asset amounts or the amounts or classifications of liabilities. ____ ____ ____
[FASB ASC 948-10-50-4]

13. Do servicers with net worth requirements from multiple sources disclose, in the notes to the financial statements, the net worth requirement of the following:

a. Significant servicing covenants with secondary market investors with commonly defined servicing requirements (common secondary market investors include the U.S. Department of Housing and Urban Development, Federal National Mortgage Association, Government National Mortgage Association, and Federal Home Loan Mortgage Corporation)? ____ ____ ____

b. Any other secondary market investor where violation of the requirement would have a significant adverse effect on the business? ____ ____ ____

c. The most restrictive third-party agreement if not included in the preceding items? ____ ____ ____
[FASB ASC 948-10-50-5]

	Yes	No	N/A

Regulatory Capital Disclosures for Branches of Foreign Institutions

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Note: Branches of foreign financial institutions, although they do not have regulatory capital requirements, may be required to maintain capital-equivalent deposits and, depending on facts and circumstances, supervisory-mandated reserves. These requirements carry regulatory uncertainty of a nature similar to that posed by the regulatory capital rules in that failure to meet such mandates can result in supervisory action and ultimately going-concern questions.

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14. Do branches disclose requirements to maintain capital equivalent deposits and, depending on facts and circumstances, supervisory-mandated reserves? ___ ___ ___
    [FASB ASC 942-505-50-3]
15. Are quantitative disclosures made highlighting mandated deposit or reserve requirements and actual balances in those reserves or deposit accounts at the balance-sheet date(s) reported? ___ ___ ___
    [FASB ASC 942-505-50-3]
16. If an uncertainty exists related to a parent that creates a higher-than-normal risk as to the viability of a branch or subsidiary, is that matter adequately disclosed in the notes to the financial statements of the branch or subsidiary? (If factors do not exist that indicate a higher than normal amount of risk or uncertainty regarding parent capital and other regulatory matters, then disclosures of capital and supervisory issues of the parent would not be required.) ___ ___ ___
    [FASB ASC 942-505-50-4]

Regulatory Capital Disclosures for Trust Operations

17. If an institution is subject to capital requirements based on trust assets under management, are the following disclosed in the notes to the financial statements:
    a. A discussion of the existence of these requirements? ___ ___ ___
    b. Ramifications of failure to meet the requirements? ___ ___ ___
    c. A measurement of the institution's position relative to imposed requirements? ___ ___ ___
    [FASB ASC 942-505-50-5]

FSP Section 2200
Auditors' Reports Checklist

This section of the checklist has been developed primarily to address the requirements most likely to be encountered when reporting on financial statements of commercial corporations in accordance with generally accepted auditing standards (GAAS) as issued by the Auditing Standards Board (ASB), a senior technical committee of the AICPA. Certain key differences in reporting requirements between audits conducted in accordance with GAAS and audits conducted in accordance with the rules and standards of the Public Company Accounting Oversight Board (PCAOB) are identified in bold text throughout this section of the checklist. However, the differences identified are not intended to be all inclusive, and readers should seek appropriate guidance for a comprehensive source of reporting requirements associated with audits conducted in accordance with the rules and standards of the PCAOB.

		Yes	*No*	*N/A*
1.	Is each financial statement audited specifically identified in the introductory paragraph of the auditor's report? [AU 508.06]	_____	_____	_____
2.	Do the titles of the financial statements referred to in the introductory paragraph of the auditor's report match the titles of the financial statements presented? [Common Practice]	_____	_____	_____
3.	Do the dates of the financial statements referred to in the introductory paragraph of the auditor's report match the dates of the financial statements presented? [Common Practice]	_____	_____	_____
4.	Is the report appropriately addressed? [AU 508.09]	_____	_____	_____

Practice Tip

Interpretation No. 17, "Clarification in the Audit Report of the Extent of Testing of Internal Control Over Financial Reporting in Accordance With Generally Accepted Auditing Standards," of AU section 508, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .85–.88), provides language that may be added to the auditor's standard report on the financial statements of a nonissuer to clarify differences between a GAAS audit and an audit conducted in accordance with the standards of the PCAOB. Interpretation No. 18, "References to PCAOB Standards in an Audit Report on a Nonissuer," of AU section 508 (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .89–.92) explains how the auditor should report if engaged to also follow PCAOB auditing standards in the audit of a nonissuer.

		Yes	*No*	*N/A*
5.	Does the independent auditor's report include the following elements:			
	a. A title that includes the word *independent*? [AU 508.08*a*]	_____	_____	_____
	b. The titles of each financial statement in the introductory paragraph of the report? [AU 508.06]	_____	_____	_____

	Yes	No	N/A
c. If the financial statements include a separate statement of changes in stockholders' equity accounts, it is identified in the introductory paragraph of the report? [AU 508.06]	____	____	____
d. A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express an opinion on the financial statements based on his or her audit? [AU 508.08*c*]	____	____	____
e. For audits conducted in accordance with GAAS in the United States, a statement that the audit was conducted in accordance with GAAS and an identification of the country of origin of those standards (for example, auditing standards generally accepted in the United States of America or U.S. GAAS)? [AU 508.08*d*]	____	____	____
f. ***(Audits of Issuers Only)*** A statement that the audit was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States)? [PCAOB Auditing Standard No. 1 par. 3]	____	____	____
g. A statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement? [AU 508.08*e*]	____	____	____
h. A statement that an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation? [AU 508.08*f*]	____	____	____
i. A statement that the auditor believes that his or her audit provides a reasonable basis for his or her opinion? [AU 508.08*g*]	____	____	____
j. When the auditor reports on financial statements presented in conformity with U.S. generally accepted accounting principles (GAAP), an opinion concerning whether the financial statements present fairly, in all material respects, the financial position of the reporting entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended in conformity with GAAP? The opinion should include an identification of the United States of America as the country of origin of those accounting principles. [AU 508.08*h*]	____	____	____

Notes: Interpretation No. 19, "Financial Statements Prepared in Conformity With International Financial Reporting Standards as Issued by the International Accounting Standards Board," of AU section 508 (AICPA,

(continued)

	Yes	No	N/A

Professional Standards, vol. 1, AU sec. 9508 par. .93–.97) provides that, when the auditor of a nonissuer reports on financial statements prepared in conformity with International Financial Reporting Standards (IFRSs), the auditor would refer, in the auditor's report, to the IFRSs rather than U.S. GAAP.

When an auditor of a nonissuer reports on financial statements presented in conformity with both the IFRSs as issued by the International Accounting Standards Board (IASB) and a jurisdictional variation of the IFRSs, the auditor would refer, in the auditor's report, to both the IFRSs and the IFRSs as endorsed by [*insert name of endorsing country or economic union*].

When an auditor of a nonissuer reports on financial statements presented in conformity with a jurisdictional variation of the IFRSs such that the entity's financial statements do not contain an explicit and unreserved statement of compliance with the IFRSs as issued by the IASB, paragraphs .14–.15 of AU section 534, *Reporting on Financial Statements Prepared for Use in Other Countries* (AICPA, *Professional Standards*, vol. 1), and paragraphs .35–.60 of AU section 508 (AICPA, *Professional Standards*, vol. 1) apply to financial statements prepared for more than limited distribution in the United States.

k. When the auditor reports on financial statements presented in conformity with the IFRSs, an opinion concerning whether the financial statements present fairly, in all material respects, the financial position of the reporting entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended in conformity with the IFRSs as issued by the IASB? ____ ____ ____
[AU 9508.93–.97]

l. When the auditor reports on financial statements presented both in conformity with the IFRSs and a jurisdictional variant of the IFRSs, an opinion concerning whether the financial statements present fairly, in all material respects, the financial position of the reporting entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended in conformity with the IFRSs as issued by the IASB and with the IFRSs as endorsed by [*insert name of endorsing country or economic union*]? ____ ____ ____
[AU 9508.93–.97]

m. When the auditor reports on financial statements presented in conformity with a jurisdictional variation of the IFRSs such that the entity's financial statements do not contain an explicit and unreserved statement of compliance with the IFRSs as issued by the IASB, a variation of the standard report that reflects the guidance in paragraphs .14–.15 of AU section 534 and paragraphs .35–.60 of AU section 508 (AICPA, *Professional Standards*, vol. 1) for financial statements prepared for more than limited distribution in the United States? ____ ____ ____
[AU 9508.93–.97]

		Yes	No	N/A
n.	The manual or printed signature of the auditor's firm? [AU 508.08*i*]	_____	_____	_____
o.	The date of the audit report? [AU 508.08*j*; AU 530.05]	_____	_____	_____

Practice Tip

The independent auditor has 2 methods available for dating the report when a subsequent event disclosed in the financial statements occurs after the original date of the auditor's report but before the issuance of the related financial statements. The auditor may use "dual dating" (for example, "February 16, 20__, except for Note __, for which the date is March 1, 20__,") or may date the report as of the later date. In the former instance, the responsibility for events occurring subsequent to the original report date is limited to the specific event referred to in the note (or otherwise disclosed). In the latter instance, the independent auditor's responsibility for subsequent events extends to the date of the report, and, accordingly, the procedures outlined in paragraph .12 of AU section 560, *Subsequent Events* (AICPA, *Professional Standards*, vol. 1), generally should be extended to that date.

		Yes	No	N/A
6.	Does the reporting language conform with the auditor's standard report on			
a.	financial statements of a single year or period?	_____	_____	_____
b.	comparative financial statements? [AU 508.08]	_____	_____	_____
7.	Does the report include appropriate language for the following situations:			
a.	Only one basic financial statement is presented and there are no scope limitations? [AU 508.33–.34]	_____	_____	_____
b.	Audited and unaudited financial statements are presented in comparative form? [AU 504.15–.17]	_____	_____	_____
c.	Different opinions are expressed on comparative financial statements? [AU 508.05]	_____	_____	_____

Note: Interpretation No. 14, "Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and in Accordance With International Standards on Auditing," of AU section 508 (AICPA, *Professional Standards*, vol. 1, AU sec. 9508 par. .56–.59) provides that, when the audit of a nonissuer is conducted both in accordance with standards generally accepted in the United States of America and in accordance with the International Standards on Auditing (ISAs), the auditor may so indicate in the auditor's report. To determine whether an audit was conducted in accordance with the ISAs, it is necessary to consider the text of the ISAs in their entirety, including the basic principles and essential procedures together with the related guidance included in the ISAs.

	Yes	No	N/A

Practice Tip

If the audit of financial statements to be used in the United States was conducted in accordance with auditing standards generally accepted in the United States of America and ISAs as issued by the International Auditing and Assurance Standards Board, in their entirety, although not required, has the auditor considered indicating in the auditor's report that the audit was also conducted in accordance with ISA as allowed. [AU 9508.57–.59]

8. Is the reporting form, content, and timing of paragraphs .20–.30 of AU section 325A, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, vol. 1), followed when communicating matters related to an organization's internal control over financial reporting identified in an audit of financial statements? [AU 325A.20–.30] ____ ____ ____

Note: Auditors are required to communicate control deficiencies identified during an audit that are significant deficiencies or material weaknesses as defined by AU section 325A, including significant deficiencies or material weaknesses that were communicated in previous audits and have not yet been remediated. Those control deficiencies must be communicated in writing to management and those charged with governance. In October 2008, the ASB issued Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 325), to eliminate differences within the AICPA's Audit and Attest Standards resulting from the issuance of Statement on Standards for Attestation Engagements (SSAE) No. 15, *An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements* (AICPA, *Professional Standards*, vol. 1, AT sec. 501). SAS No. 115 supersedes SAS No. 112 and revises the information in AU section 325A. SAS No. 115 is effective for audits of financial statements for periods ending on or after December 15, 2009. Earlier application is permitted. Due to the issuance of SAS No. 115, the content of SAS No. 112 has been moved to AU section 325A of *Professional Standards* until the effective date of SAS No. 115.

9. If a subsequent event disclosed in the financial statements occurs after the original date of the independent auditor's report but before the issuance of the related financial statements, has the auditor followed one of the following two methods available for dating the report:
   a. Dual dating, in which the independent auditor's responsibility for events occurring subsequent to the original report date is limited to the specific event referred to in an explanatory note in the report (or otherwise disclosed)? ____ ____ ____
   b. Dating the report as of the later date, in which the independent auditor's responsibility for subsequent events extends to the date of the report? ____ ____ ____
   [AU 530.03–.05]

	Yes	No	N/A
10. (***Audits of Issuers Only***) If the auditor obtains knowledge about a subsequent event that			
a. materially and adversely affects the effectiveness of the entity's internal control over financial reporting as of the date specified in the assessment, has the auditor either			
i. issued an adverse opinion on internal control over financial reporting (and followed the direction in paragraph C2 of PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Auditing Standards), if management's assessment states that internal control over financial reporting is effective)?	_____	_____	_____
ii. disclaimed an opinion if the auditor is unable to determine the effect of the subsequent event on the effectiveness of the entity's internal control over financial reporting?	_____	_____	_____
b. relates to conditions that did not exist at the date specified in the assessment but arose subsequent to that date and before issuance of the auditor's report, and the subsequent event has a material effect on the entity's internal control over financial reporting, has the auditor included in his or her report an explanatory paragraph describing the event and its effects or directed the reader's attention to the event and its effects as disclosed in management's report?	_____	_____	_____
[PCAOB Auditing Standard No. 5 par. .96–.97]			
11. If the accountant is not independent, has he or she followed one of the two reporting alternatives available:			
a. Disclaiming the opinion with respect to the financial statements and specifically stating that he or she is not independent?	_____	_____	_____
b. Issuing a compilation report in accordance with Statements on Standards for Accounting and Review Services indicating the lack of independence (nonpublic entities only)?	_____	_____	_____
[AU 504.05 and .09–.10; AR 100.21 and .48]			

Note: The Accounting and Review Services Committee (ARSC) issued an exposure draft that would revise the standards for compilation and review engagements. Significant changes to SSARSs include the following:

- The introduction of new terms, such as *review evidence* and *review risk*, to the review literature to harmonize with international review standards.
- A discussion of materiality in the context of a review engagement.
- A requirement that an accountant document the establishment of an understanding with management through a written communication (that is, an engagement letter) regarding the services to be performed.
- The establishment of enhanced documentation requirements for compilation and review engagements.

(continued)

	Yes	*No*	*N/A*

- The ability for an accountant to include a general description in the accountant's compilation report regarding the reason(s) for an independence impairment.

The ARSC voted to issue these revisions as a final standard, SSARS No. 19, *Compilation and Review Engagements* (AICPA, *Professional Standards*, vol. 2). The standard is expected to be issued in December 2009. The effective date is for compilations and reviews of financial statements for periods beginning on or after December 15, 2010. Early application would be permitted with respect to permitting an accountant to disclose the reasons for a lack of independence in a compilation report.

12. If the opinion is based in part on the report of another auditor,

    a. does the introductory paragraph of the standard report disclose the fact that the opinion is based, in part, on the report of other auditors? _____ _____ _____

    b. does the opinion paragraph include a reference to the report of the other auditor? _____ _____ _____
    [AU 508.11*a* and .12–.13]

13. If, to prevent the financial statements from being misleading because of unusual circumstances, the financial statements contain a departure from an accounting principle promulgated by a body designated by the AICPA Council to establish such principles, does the report include, in a separate paragraph or paragraphs, the information required by the rule? _____ _____ _____
    [AU 508.11*b* and .15]

14. If the auditor uses the work of a specialist in performing an audit, have they added an optional explanatory paragraph? _____ _____ _____
    [AU 336.16]

Note: Reference to and identification of the specialist may be added if the auditor believes such a reference will facilitate an understanding of the reason for the explanatory paragraph.
[AU 336.16]

15. If there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited,

    a. does the report include an explanatory paragraph, following the opinion paragraph, to reflect that conclusion? _____ _____ _____

    b. is that conclusion expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern" or similar wording that includes the terms substantial doubt and going concern? _____ _____ _____
    [AU 508.11*c*; AU 341.12]

	Yes	No	N/A

Practice Tip

In evaluating whether there is substantial doubt about the entity's ability to continue as a going concern, the auditor's evaluation is based on his or her knowledge of relevant conditions that exist at or have occurred prior to *the date of the auditor's report*. If, after considering identified conditions and events and management's plans, the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, the audit report should include an explanatory paragraph to reflect that conclusion.

In a going concern paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity's ability to continue as a going concern. See paragraph .13 of AU section 341, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* (AICPA, *Professional Standards*, vol. 1), for an example.

16. Is the report dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the auditor's opinion on the financial statements? ____ ____ ____
[AU 530.01]

17. ***(Audits of Issuers Only)*** Is the report dated no earlier than the date on which the auditor has obtained sufficient competent evidence to support the auditor's opinion on the financial statements? ____ ____ ____
[PCAOB Auditing Standard No. 5 par. 89]

18. ***(Audits of Issuers Only)*** When performing an integrated audit of financial statements and internal control over financial reporting, are the auditor's reports on the entity's financial statements and on internal control over financial reporting dated the same? ____ ____ ____
[PCAOB Auditing Standard No. 5 par. 89]

19. ***(Audits of Issuers Only)*** Prior to the report release date, among other matters, has the auditor obtained sufficient evidence to support the representations in the auditor's reports? ____ ____ ____
[PCAOB Auditing Standard No. 3 par. 15]

Practice Tip

Changes in Accounting Estimates

Paragraph .15 of AU section 420, *Consistency of Application of Generally Accepted Accounting Principles* (AICPA, *Professional Standards*, vol. 1), clarifies that the change in an accounting estimate that does not include a change in accounting principle does not require an explanatory paragraph in the auditor's report. However, an accounting change of this type having a material effect on the financial statements may require disclosure in a note to the financial statements.

Changes in Classification

Paragraph .17 of AU section 420 clarifies that changes in classification from the prior year's financial statements are usually not of sufficient importance to necessitate disclosure; however, material changes in classification should be indicated and explained in the financial statements or notes.

Error Corrections

Paragraph .16 of AU section 420 states that the correction of an error in previously issued financial statements resulting from mathematical mistakes, oversight, or misuse of facts that existed at the time the financial statements were originally prepared does not involve the consistency standard if no element of accounting principles or their application is included. Accordingly, the independent auditor need not recognize the

(continued)

Yes	No	N/A

correction in his report. However, if the independent auditor had previously reported on the financial statements containing the error, the auditor has concluded, based on the considerations in paragraph .05 of AU section 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report* (AICPA, *Professional Standards*, vol. 1), that action should be taken to prevent future reliance on his report, and the issuance of financial statements accompanied by the auditor's report for a subsequent period is imminent, the auditor should disclose the revision in such statements instead of reissuing the earlier statements.

Notes: For audits of issuers, certain circumstances, although not affecting the auditor's unqualified opinion, may require that the auditor add explanatory language to the standard report as described in paragraphs .11–.19 of AU section 508, *Reports on Audited Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Interim Standards).

Other circumstances may require a departure from an unqualified opinion, either in the form of a qualified opinion, an adverse opinion, or a disclaimed opinion as described in paragraphs .20–.63 of AU section 508 (AICPA, *PCAOB Standards and Related Rules*, Interim Standards).

For special reporting situations relating to the auditor's report on internal control over financial reporting, refer to appendix C, *Special Reporting Situations*, of Auditing Standard No. 5.

******

PCAOB Auditing Standard No. 6, *Evaluating Consistency of Financial Statements* (AICPA, *PCAOB Standards and Related Rules*, Auditing Standards), updated the auditor's responsibilities to evaluate and report on the consistency of an entity's financial statements and align the auditor's responsibilities with Financial Accounting Standards Board (FASB) Statement No. 154, *Accounting Changes and Error Corrections*.

One significant difference in terminology between FASB Statement No. 154 (which is codified in FASB *Accounting Standards Codification* (ASC) 250, *Accounting Changes and Error Corrections*) and Auditing Standard No. 6 is the use of the term *error* in the FASB standard whereas the PCAOB standard uses the term *misstatement* and specifically states that the meaning is the same for purposes of the PCAOB Auditing Standards. Auditing Standard No. 6 also establishes that the auditor's report should indicate whether an adjustment to previously issued financial statements results from a change in accounting principle or the correction of a misstatement.

Auditing Standard No. 6 contains numerous amendments to AU section 508 (AICPA, *PCAOB Standards and Related Rules*, Interim Standards) and other interim PCAOB Auditing Standards. If Auditing Standard No. 6 is applicable to issuers' financial statements, answer questions 21–22; otherwise, skip questions 21–22. For more information and for the full text of the auditing standard, refer to the PCAOB Web site at www.pcaob.org. Also refer to the Securities and Exchange Commission (SEC) Web site at www.sec.gov.

	Yes	*No*	*N/A*

20. If there has been a material change between periods in accounting principles or in the method of their application, including a change from an accounting principle that is not generally accepted to one that is generally accepted and a change in accounting principle that is inseparable from the effect of a change in estimate, that has a material effect on the comparability of the reporting entity's financial statements,

    a. does the report include an explanatory paragraph, following the opinion paragraph that refers to the change? ____ ____ ____

    b. does the explanatory paragraph identify the nature of the change and refer the reader to the note to the financial statements that discusses the change in detail? ____ ____ ____
    [AU 508.05–.06 and .12–.13]

    c. if the change in the accounting principle is a change in reporting entity that did not result from a transaction or an event, is an explanatory paragraph included in the auditor's report? (***Note:*** A change in the reporting entity resulting from a transaction or event, such the creation, cessation, or complete or partial purchase or disposition of a subsidiary or other business unit, does not require that an explanatory paragraph about consistency be included in the auditor's report.) ____ ____ ____
    [AU 420.08]

21. ***(Audits of Issuers Only)*** If there has been a change in accounting principle that has a material effect on the financial statements, including a change in the method of applying an accounting principle, a change in estimate effected by a change in accounting principle, and a change in classification that represents a change in accounting principle, and meets the four criteria established in paragraph 7 of PCAOB Auditing Standard No. 6,

    a. does the report include an explanatory paragraph, following the opinion paragraph, in the year of the change and in subsequent years until the new accounting principle is applied in all periods presented? ____ ____ ____

    b. does the explanatory paragraph identify the nature of the change and include a reference to the note disclosure describing the change? ____ ____ ____

    c. if the change in the accounting principle is a change in reporting entity that did not result from a transaction or an event, is an explanatory paragraph included in the auditor's report? (***Note:*** A change in the reporting entity resulting from a transaction or event, such the creation, cessation, or complete or partial purchase or disposition of a subsidiary or other business unit, does not require recognition in the auditor's report.) ____ ____ ____
    [PCAOB Auditing Standard No. 6 par. 4–8 and 11]

	Yes	No	N/A

22. ***(Audits of Issuers Only)*** If there has been a correction of a material misstatement in previously issued financial statements, including a change from an accounting principle that is not generally accepted to one that is generally accepted and a change in classification that represents the correction of a material misstatement, does the auditor's report contain an explanatory paragraph, following the opinion paragraph, that includes

    a. a statement that the previously issued financial statements have been restated for the correction of a misstatement in the respective period? ___ ___ ___

    b. a reference to the entity's disclosure of the correction of the misstatement? ___ ___ ___
    [PCAOB Auditing Standard No. 6 par. 5 and 9–11]

23. In an updated report on the individual financial statements of one or more prior periods presented on a comparative basis with those of the current period, if the opinion is different from the opinion previously expressed on the financial statements of a prior period,

    a. does the report include an explanatory paragraph, preceding the opinion paragraph that discloses all of the substantive reasons for the different opinion? ___ ___ ___

    b. does the explanatory paragraph disclose

    i. the date of the auditor's previous report? ___ ___ ___

    ii. the type of opinion previously expressed? ___ ___ ___

    iii. the circumstances or events that caused the auditor to express a different opinion? ___ ___ ___

    iv. that the auditor's updated opinion on the financial statements of the prior period is different from his or her previous opinion on those statements? ___ ___ ___
    [AU 508.11*e* and .69]

24. If financial statements of a prior period (presented for comparative purposes) have been audited by a predecessor auditor whose report is not presented,

    a. does the introductory paragraph of the report indicate

    i. that the financial statements of the prior period were audited by another auditor? ___ ___ ___

    ii. the date of the predecessor auditor's report? ___ ___ ___

    iii. the type of report issued by the predecessor auditor? ___ ___ ___

    iv. if the report was other than a standard report, the substantive reasons therefore, including a description of the nature of and reasons for the explanatory paragraph added to the predecessor's report or his or her opinion qualification? ___ ___ ___

    b. if the financial statements have been restated, does the introductory paragraph indicate that the predecessor auditor reported on the financial statements of the prior period before restatement? ___ ___ ___
    [AU 508.11*e* and .74]

	Yes	No	N/A
25. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if			
a. the auditor wishes to clarify that an audit performed in accordance with GAAS does not require the same level of testing and reporting on internal control over financial reporting as an audit of an issuer when Section 404(b) of the Sarbanes-Oxley Act is applicable? (***Note:*** Not required—Interpretation No. 17 of AU section 508 [AICPA, *Professional Standards*, vol. 1] provides an example report.) [AU 9508.85–.88]	_____	_____	_____
b. the audit is conducted in accordance with both GAAS and the PCAOB's Auditing Standards as allowed by Interpretation No. 18 of AU section 508 (AICPA, *Professional Standards*, vol. 1)? (***Note***: Not required—Interpretation No. 18 of AU section 508 [AICPA, *Professional Standards*, vol. 1] provides an example report.) [AU 9508.89–.92]	_____	_____	_____
26. Is an explanatory paragraph (or other explanatory language) added to the standard auditor's report if the prior period's financial statements are audited by a predecessor auditor who has ceased operations? [AU 9508.60–.75]	_____	_____	_____
27. If selected quarterly financial data required by SEC Regulation S-K has been omitted or has not been reviewed, does the report include an additional paragraph stating that fact? [AU 508.11*f*; AU 722.50]	_____	_____	_____

Note: In February 2009, the ASB issued SAS No. 116, *Interim Financial Information* (AICPA, *Professional Standards*, vol. 1, AU sec. 722). SAS No. 116 amends AU section 722 to accommodate reviews of interim financial information of nonissuers, including companies offering securities pursuant to SEC Rule 144A or participating in private equity exchanges. SAS No. 116 is effective for audits of financial statements for periods beginning on or after December 15, 2009. Earlier application is permitted.

	Yes	No	N/A
28. If other information in a document containing audited financial statements is materially inconsistent with information appearing in the financial statements, has it been determined whether the financial statements, the auditor's report, or both require revision? [AU 508.11*h*; AU 550.04]	_____	_____	_____
29. If the auditor decides to emphasize a matter regarding the financial statements in the report, is the matter being emphasized disclosed in the financial statements' and is the explanatory information presented in a separate paragraph that avoids use of phrases such as "with the foregoing (following) explanation?" [AU 508.11 and .19; AU 9410.18; AU 9342.03]	_____	_____	_____

	Yes	No	N/A
30. If it has not been possible to conduct the audit in accordance with GAAS or to apply all of the procedures considered necessary in the circumstances, has consideration been given to the need to issue a qualified opinion or to disclaim an opinion? [AU 508.22]	_____	_____	_____
31. If a qualified opinion is to be expressed because of a scope limitation,			
a. are all of the substantive reasons for the qualification disclosed in one or more explanatory paragraphs preceding the opinion paragraph?	_____	_____	_____
b. does the qualified opinion include the word *except* or *exception* in a phrase such as *except for* or *with the exception of*?	_____	_____	_____
c. is the situation described and referred to in both the scope and opinion paragraphs?	_____	_____	_____
d. does the wording in the opinion paragraph indicate that the qualification pertains to the possible effects on the financial statements and not to the scope limitation itself? [AU 508.22–.32; AU 318.76]	_____	_____	_____

Practice Tip

Scope limitations can be imposed by the client or by circumstances such as the timing of the auditor's work, the inability to obtain sufficient appropriate audit evidence, or an inadequacy in the accounting records. Sufficient appropriate audit evidence includes, among other things, management having asserted responsibility for the final financial statements. As provided in Technical Questions and Answers (TIS) section 9100.06, "The Effect of Obtaining the Management Representation Letter on Dating the Auditor's Report" (AICPA, *Technical Practice Aids*), the auditor will need to have the signed management representation letter in hand prior to releasing the auditor's report because management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified opinion.

In circumstances in which the auditor is unable to obtain sufficient appropriate audit evidence to support management's assertions about the nature of a matter involving an uncertainty and its presentation or disclosure in the financial statements, the auditor should consider the need to express a qualified opinion or to disclaim an opinion because of a scope limitation.

It also includes situations in which the auditor's only evidence of the existence, valuation, or both, of (*a*) investments without readily determinable fair value, or (*b*) interests held in trust by a third-party trustee, is receiving confirmation from a third party for those assets.

In circumstances in which the auditor is unable to audit the existence or measurement of interests in investments in securities and interests in trusts, the auditor should consider whether that scope limitation requires the auditor to either qualify his or her opinion or to disclaim an opinion, as discussed in paragraphs .22–.26 of AU section 508 (AICPA, *Professional Standards*, vol. 1); Interpretation No. 1, "Auditing Interests in Trusts Held by a Third-Party Trustee and Reported at Fair Value," of AU section 328, *Auditing Fair Value Measurements and Disclosures* (AICPA, *Professional Standards*, vol. 1, AU sec. 9328 par. .01–.04); and Interpretation No. 1, "Auditing Investments in Securities Where a Readily Determinable Fair Value Does Not Exist," of AU section 332, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities* (AICPA, *Professional Standards*, vol. 1, AU sec. 9332 par. .01–.04).

32. Is a qualified opinion or disclaimer of opinion expressed if the auditor's understanding of internal control raises doubts about the auditability of an entity's financial statements, such as

	Yes	No	N/A
a. concerns about the integrity of an entity's management cause the auditor to conclude that the risk of management misrepresentation in the financial statements is such that an audit cannot be conducted?	_____	_____	_____
b. concerns about the condition and reliability of an entity's records cause the auditor to conclude that it is unlikely that sufficient appropriate audit evidence will be available to support an unqualified opinion on the financial statements? [AU 314.109]	_____	_____	_____
33. If, in the auditor's judgment, the two-way communication between the auditor and those charged with governance as described in AU section 380 is not adequate and the situation cannot be resolved, thereby prohibiting the auditor from obtaining all the audit evidence required to form an opinion on the financial statements, has the auditor considered the following:			
a. Modifying the audit opinion on the basis of a scope limitation?	_____	_____	_____
b. Obtaining legal advice about the consequences of different courses of action?	_____	_____	_____
c. Communicating with an appropriate third party (for example, a regulator)?	_____	_____	_____
d. Withdrawing from the engagement? [AU 380.63]	_____	_____	_____
34. If, in the auditor's judgment, significant difficulties in dealing with management such as those described in AU section 380, have been encountered, has the auditor considered modifying the audit opinion on the basis of a scope limitation? [AU 380.39]	_____	_____	_____
35. If an opinion is disclaimed because of a scope limitation,			
a. are all of the substantive reasons for the disclaimer stated in a separate paragraph or paragraphs?	_____	_____	_____
b. does the report state that the scope of the audit was not sufficient to warrant the expression of an opinion?	_____	_____	_____
c. does the report avoid identifying procedures that were performed?	_____	_____	_____
d. is the scope paragraph omitted?	_____	_____	_____
e. if there are reservations about fair presentation of the financial statements in conformity with GAAP, are they described in the report? [AU 508.62–.63]	_____	_____	_____

Note: Consult the Topical Index to AICPA *Professional Standards* under "Scope of Audit—Limitations" for additional references to specific types of scope limitations that could result in either a qualified or disclaimer of opinion.

	Yes	*No*	*N/A*
36. If the financial statements are materially affected by a departure from GAAP (including, for example, inadequate disclosure, inappropriate accounting principles, and unreasonable accounting estimates), has the auditor issued a qualified opinion or an adverse opinion? [AU 508.35]	____	____	____
37. If a qualified opinion is to be expressed because of a GAAP departure,			
a. are all of the substantive reasons that have led to the conclusion that there is a departure from GAAP disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	____	____	____
b. does the qualified opinion include the word *except* or *exception* in a phrase such as *except for* or *with the exception of* and a reference to the explanatory paragraph?	____	____	____
c. does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable? [AU 508.21 and .37–.39]	____	____	____
38. If an adverse opinion is to be expressed because of a GAAP departure,			
a. are all of the substantive reasons for the adverse opinion disclosed in one or more separate explanatory paragraphs preceding the opinion paragraph?	____	____	____
b. does the explanatory paragraph disclose the principle effects of the departure on financial position, results of operations, and cash flows, if practicable, or state that the effects are not reasonably determinable?	____	____	____
c. state that the financial statements do not present fairly the financial position, or results of operations or cash flows in conformity with GAAP? [AU 508.58–.59]	____	____	____
39. If essential data concerning an impending change in GAAP and the future resulting restatement are not disclosed, has the auditor issued a qualified or adverse opinion? [AU 9410.15]	____	____	____
40. If the auditor concludes that an illegal act has a material effect on the financial statements and the act has not been properly accounted for or disclosed, has the auditor issued a qualified or adverse opinion (depending on the materiality effect on the financial statements taken as a whole)? [AU 317.18]	____	____	____

Note: Consult the Topical Index to AICPA *Professional Standards* under "Departures From Standard Report" for additional information.

Readers may also wish to refer to TIS section 1400.31, "GAAP Departure for FASB ASC 810" (AICPA, *Technical Practice Aids*), for assistance in determining the implications on the auditors report if the reporting entity does not consolidate a variable interest entity.

Yes No N/A

Practice Tip

Reporting on financial statements prepared in conformity with an other comprehensive basis of accounting (OCBOA) is addressed in AU section 623, *Special Reports* (AICPA, *Professional Standards*, vol. 1). For purposes of that section, a comprehensive basis of accounting other than GAAP is one of the following:

a. A basis of accounting that the reporting entity uses to comply with the requirements or financial reporting provisions of a governmental regulatory agency to whose jurisdiction the entity is subject. An example is a basis of accounting insurance companies use pursuant to the rules of a state insurance commission.

b. A basis of accounting that the reporting entity uses or expects to use to file its income tax return for the period covered by the financial statements.

c. The cash receipts and disbursements basis of accounting, and modifications of the cash basis having substantial support, such as recording depreciation on fixed assets or accruing income taxes.

d. A definite set of criteria having substantial support that is applied to all material items appearing in financial statements, such as the price-level basis of accounting.

In considering whether the financial statements (including the accompanying notes) include all informative disclosures that are appropriate for the basis of accounting used, paragraph .09 of AU section 623 states that the auditor should apply essentially the same criteria to financial statements prepared on an other comprehensive basis of accounting as he or she does to financial statements prepared in conformity with GAAP.

41. When reporting on financial statements prepared in conformity with a comprehensive basis of accounting other than GAAP, as defined in paragraph .04 of AU section 623, does the independent auditor's report include the following elements (for audits prepared in conformity with GAAS):

   a. A title that includes the word *independent*? [AU 623.05*a*] _____ _____ _____

   b. A paragraph that states that

      i. the financial statements identified in the report were audited? _____ _____ _____

      ii. the financial statements are the responsibility of the entity's management and that the auditor is responsible for expressing an opinion on the financial statements based on the audit? [AU 623.05*b*] _____ _____ _____

   c. A paragraph that states that

      i. the audit was conducted in accordance with GAAS with specific identification of the United States of America as the country of origin of those standards? _____ _____ _____

      ii. those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement? _____ _____ _____

      iii. an audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation? _____ _____ _____

	Yes	No	N/A
iv. the auditor believes that his or her audit provides a reasonable basis for the opinion? [AU 623.05*c*]	_____	_____	_____
d. A paragraph that states			
i. the basis of presentation and refers to the note to the financial statements that describes the basis?	_____	_____	_____
ii. that the basis of presentation is a comprehensive basis of accounting other than GAAP? [AU 623.05*d*]	_____	_____	_____
e. A paragraph that expresses the auditor's opinion (or disclaims an opinion) on whether the financial statements are presented fairly, in all material respects, in conformity with the basis of accounting described? [AU 623.05*e*]	_____	_____	_____
f. If the financial statements are prepared in conformity with the requirements or financial reporting provisions of a governmental regulatory agency, a separate paragraph at the end of the report stating that the report is intended solely for the information and use of those within the entity and the regulatory agencies to whose jurisdiction the entity is subject, and is not intended to be and should not be used by anyone other than these specified parties? [AU 623.05*f*]	_____	_____	_____
g. The manual or printed signature of the auditor's firm? [AU 623.05*g*]	_____	_____	_____
h. The date of the audit report? [AU 623.05*h*]	_____	_____	_____
42. When the financial statements are prepared in conformity with the requirements or financial reporting provisions of a governmental regulatory agency and the financial statements and reports will be used by parties or distributed by the entity to parties other than the regulatory agencies to whose jurisdiction the entity is subject, has the standard form of report been modified as appropriate because of the departures from GAAP and has an additional paragraph been added to express an opinion on whether the financial statements are presented in conformity with the regulatory basis of accounting? (***Note:*** Interpretation 15, "Auditor Reports on Regulatory Accounting or Presentation When the Regulated Entity Distributes the Financial Statements to Parties Other Than the Regulatory Agency Either Voluntarily or Upon Specific Request," of AU section 623 [AICPA, *Professional Standards*, vol. 1, AU sec. 9623 par. .96–.98] provides an example report.) [AU 544.04; AU 9623.96–.98]	_____	_____	_____

	Yes	No	N/A
43. If certain other information, including supplementary information required by GAAP, contained in annual reports and other client-prepared documents described in paragraph .02 of AU section 550, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1), that contain audited financial statements has been subjected to auditing procedures applied in the audit of the basic financial statements, does the auditor express an opinion on whether the information is fairly stated in all material respects in relation to those financial statements taken as a whole in the auditor's report and does the report describe clearly the character of the auditor's work and the degree of responsibility the auditor is taking? [AU 550.07; AU 558.09]	____	____	____
44. If other information contained in annual reports and other client-prepared documents described in AU section 550 paragraph .02 that contain audited financial statements is materially inconsistent with information appearing in the financial statements, has it been determined whether the financial statements, the auditor's report, or both require revision? [AU 508.11*h*; AU 550.04]	____	____	____
45. If other information contained in annual reports and other client-prepared documents described in AU section 550 paragraph .02 that contain audited financial statements is materially inconsistent with information appearing in the financial statements, and the auditor has determined that neither the financial statements nor the auditor's report require revision, has the auditor either			
a. requested that the client revise the other information to eliminate the material consistency?	____	____	____
b. considered other actions such as revising the audit report to include an explanatory paragraph describing the material inconsistency, withholding the use of the audit report in the document, and withdrawing from the engagement? [AU 550.04]	____	____	____
46. If information accompanies the basic financial statements and auditor's report in an auditor-submitted document, is it accompanied by a report that			
a. states that the audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole?	____	____	____
b. specifically identifies the accompanying information?	____	____	____
c. states that the accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements?	____	____	____
d. includes either an opinion on whether the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion (depending on whether the information was subjected to the auditing procedures applied in the audit of the basic financial statements)? [AU 551.05–.06]	____	____	____

	Yes	No	N/A
47. If information accompanying the basic financial statements and auditor's report in an auditor-submitted document is materially misstated in relation to the basic financial statements taken as a whole, has the auditor either			
a. requested that the client revise the accompanying information to eliminate the material misstatement?	_____	_____	_____
b. considered other actions such as modifying the audit report to describe the misstatement or refusing to include the accompanying information in the auditor-submitted document? [AU 551.09]	_____	_____	_____
48. When the basic financial statements are accompanied by supplementary information required by GAAP and such supplementary information has not been audited as part of the basic financial statements, does the auditor's report exclude any language that refers to the supplementary information or the limited procedures applied (except in the circumstances described in AU section 558 paragraph .08)? [AU 558.08]	_____	_____	_____
49. When the basic financial statements are accompanied by supplementary information required by GAAP and such supplementary information has been audited as part of the basic financial statements, has the audit report been expanded in accordance with AU section 550 paragraph .07? [AU 558.09]	_____	_____	_____
50. If supplementary information required by GAAP has been omitted, the presentation of such information departs materially from prescribed guidelines, the auditor is unable to complete prescribed procedures with respect to such information, or the auditor is unable to remove substantial doubt about whether the supplementary information conforms to prescribed guidelines, does the report include an additional paragraph stating that fact? [AU 558.08]	_____	_____	_____

FSP Section 2300

Supplemental Information for Depository and Lending Institutions That Are Securities and Exchange Commission Registrants

.01 Regulation S-X is the primary source of requirements for financial statements and related footnotes required to be included in documents filed with the Securities Exchange Commission (SEC). In addition to Regulation S-X, preparers and auditors of financial statements should be familiar with the SEC's Financial Reporting Releases (FRRs) and Staff Accounting Bulletins (SABs). The FRRs communicate the SEC's position on accounting and auditing principles and practices. The SABs represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant of the SEC.

.02 Bank holding companies disclose supplemental statistical disclosures in filings following the guidance of Industry Guide No. 3, *Statistical Disclosures by Bank Holding Companies.* SAB No. 69, *Application of Article 9,* includes the SEC staff view that Article 9 of Regulation S-X and Industry Guide No. 3, "while applying literally only to bank holding companies, provide useful guidance to certain other SEC registrants, including savings and loan holding companies, on certain disclosures relevant to an understanding of the registrant's operations."

.03 When determining compliance with SEC requirements, preparers and auditors should refer to the appropriate SEC pronouncements to ensure compliance with SEC disclosure rules. In particular, the following documents should be consulted:

- Regulation S-X Article 3, *General Instructions as to Financial Statements*
- Regulation S-X Article 4, *Rules of General Application*
- Regulation S-X Article 9, *Bank Holding Companies*
- SABs that reflect the SEC staff's views regarding accounting-related disclosure practices (SABs represent interpretations and policies followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the federal securities laws)
- FRRs that adopt, change, or interpret requirements relating to accounting, auditing, and disclosure issues

FSP Section 2400

Illustrative Financial Statements, Notes, and Auditor's Report

Introduction

.01 The following illustrative financial statements demonstrate one form of currently acceptable practice. The illustrative financial statements are intended to provide sample financial statement formats and disclosures, and are not intended to provide all financial statement formats and disclosures, or all of the disclosures covered in the financial statement checklist. Other forms of financial statements are acceptable. More or less detail should appear either in the financial statements or in the notes, depending on the circumstances. Preparers and auditors should consult authoritative pronouncements for guidance on presenting such other information.

.02 Preparers of financial statements of entities regulated by the federal banking agencies and the National Credit Union Administration should be familiar with rules and regulations that relate to the form and content of general-purpose financial statements, rather than regulatory financial reports, filed with regulators. Such requirements may involve additional information that is prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) (rather than regulatory accounting practices) but that is not necessary for financial statements to be in conformity with U.S. GAAP.

.03 The entities illustrated herein present unclassified balance sheets.

.04 The illustrative financial statements for banks and savings institutions assume that the entity is a registrant of the Securities and Exchange Commission (SEC). Accordingly, the illustrative financial statements reflect the application of Articles 3, 3A, 4 and 9 (to the extent that such articles are applicable to these illustrative financial statements) of Regulation S-X of the SEC. For SEC registrants, such articles have an authority similar to other officially established accounting principles. Preparers and auditors should consult all pertinent SEC rules and releases for guidance on presenting all information that may be required in individual situations.

.05 In addition, financial statements of nonpublic entities (as defined by U.S. GAAP and including mutual institutions and credit unions) may substantially differ from those presented herein for banks and savings institutions. Principal differences relate to the inclusion herein of

- a stockholders' equity section in the statement of financial condition of a stock institution.
- a statement of changes in stockholders' equity which replaces the statement of changes in retained earnings as presented by a mutual institution.
- earnings-per-share data.
- segment information.
- expanded disclosures about pensions, income taxes and stock-based-compensation.
- parent-company-only financial statements.
- supplemental quarterly operations data.

.06 The illustrative financial statements are in conformity with accounting standards issued up to and including Financial Accounting Standards Board (FASB) Statement No. 161, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*, FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, FASB Emerging Issues Task Force consensuses adopted through the June 18, 2009, meeting, and FASB Staff Positions issued and effective as of June 30, 2009.

.07 Preparers and auditors of financial statements should refer to subsequent FASB Statements and Accounting Standards Updates and other GAAP for additional requirements.

.08 This section contains illustrative financial statements for the following types of depository institutions:

- Banks and savings institutions
- Credit unions
- Mortgage companies

Illustrative Financial Statements for Banks and Savings Institutions[1]

.09

SAMPLE BANCORP, INC. AND SUBSIDIARY
Consolidated Balance Sheets

	December 31, 20X3	*20X2*
	(in thousands)	
Cash and due from banks	$ 6,732	$ 7,233
Federal funds sold and securities purchased under resale agreements	6,154	1,232
Cash and cash equivalents	12,886	8,465
Interest-bearing deposits in banks	7,000	6,584
Trading assets	8,059	3,000
Securities available for sale	39,391	52,653
Securities held to maturity (including $12,021 and $0 at fair value at December 31, 20X3 and 20X2)[2]	11,853	—
Federal Home Loan Bank stock, at cost	5,186	5,186
Loans held for sale	4,000	1,000
Loans	421,616	413,476
Allowance for loan losses	4,761	4,391
Net loans	407,855	409,085
Mortgage servicing rights (includes $495 and $185 carried at fair value at December 31, 20X3 and 20X2)[3]	1,000	500
Foreclosed assets, net of valuation allowance of $1,200 in 20X3 and $75 in 20X2	2,609	1,256
Premises and equipment, net	5,093	3,717
Other assets	6,030	8,371
	$510,962	$499,317

(continued)

[1] Generally the number of years illustrated in the financial statement and in the notes to the financial statements is two. For Securities and Exchange Commission (SEC) registrants that are not smaller reporting companies, three years of information would be shown for all items not balance-sheet related.

[2] Disclosure of fair value of held-to-maturity securities on the face of the balance sheet is not required for nonpublic entities. Nonpublic entities may disclose this balance in the notes to the financial statements.

[3] Under paragraph 1–2 of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 860-50-45, an entity should report servicing assets and servicing liabilities that are subsequently measured using the fair value measurement method in a manner that separates those carrying amounts on the face of the statement of financial position from the carrying amounts for separately recognized servicing assets and servicing liabilities that are subsequently measured using the amortization method. To accomplish that separate reporting, an entity may do either of the following:

a. Display separate line items for the amounts that are subsequently measured using the fair value measurement method and amounts that are subsequently measured using the amortization method.

b. Present the aggregate of those amounts that are subsequently measured at fair value and those amounts that are subsequently measured using the amortization method (see paragraphs 9–11 of FASB ASC 860-50-35) and disclose parenthetically the amount that is subsequently measured at fair value that is included in the aggregate amount.

Option (*b*) is shown in the illustrative financial statements.

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Liabilities and Stockholders' Equity		
Deposits:		
Noninterest-bearing	$35,623	$35,222
Interest-bearing	340,914	322,899
Total deposits	376,537	358,121
Short-term borrowings (federal funds sold and securities borrowed under resale agreements)	20,385	37,900
Acceptances outstanding	1,000	—
Long-term debt	35,501	27,705
Accrued expenses and other liabilities	2,954	2,777
Total liabilities	436,337	426,503
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.10 par value, 5,000,000 shares authorized; none issued	—	—
Common stock, $.10 par value, 15,000,000 shares authorized; 3,742,076 shares issued	374	374
Additional paid-in capital	52,679	52,613
Retained earnings	40,672	39,446
Accumulated other comprehensive income (loss)	1,348	(1,633)
Treasury Stock, at cost (20X3—1,335,635 shares; 20X2—1,095,635 shares)	(20,545)	(18,000)
Total Sample Bancorp Inc. stockholders' equity	74,528	72,800
Noncontrolling interest	57	14
Total equity	74,585	72,814
Total liabilities and equity	$510,962	$499,317

The accompanying notes are an integral part of these consolidated financial statements.

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SAMPLE BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Income

	Years Ended December 31,		
	20X3	*20X2*	*20X1*
	(in thousands, except per share data)		
Interest and dividend income:			
Loans, including fees	$41,718	$38,111	$30,069
Debt securities:			
Taxable	3,600	4,500	5,310
Tax-exempt	22	76	14
Dividends	605	698	711
Trading assets	440	325	108
Other	863	1,695	1,794
Total interest and dividend income	47,248	45,405	38,006
Interest expense:			
Deposits	25,645	25,399	22,337
Short-term borrowings	2,672	3,512	896
Long-term debt	2,961	1,546	246
Total interest expense	31,278	30,457	23,479
Net interest income	15,970	14,948	14,527
Provision for loan losses	334	745	270
Net interest income, after provision for loan losses	15,636	14,203	14,257
Noninterest income:			
Customer service fees	863	834	805
Loan servicing fees	100	117	109
Net gain on sales of loans	230	120	350
Net gain (loss) on sales of available-for-sale securities	(960)	(591)	892
Net gain (loss) on trading activities	(701)	286	700
Net other-than-temporary impairment losses on investments recognized in earnings (includes total other-than-temporary impairment losses of $62 and $23, net of $12 and $0 recognized in other comprehensive income for the year ended December 31, 20X3 and 20X2, respectively, before taxes)[4]	(50)	(23)	—
Other	21	36	20
Total noninterest income (charges)	(497)	779	2,876

(continued)

[4] FASB ASC 320-10-55-21A provides an example that illustrates the presentation on the face of the statement of earnings required by FASB ASC 320-10-45-8A.

	Years Ended December 31, 20X3	20X2	20X1
Noninterest expenses:			
Salaries and employee benefits	5,329	4,983	3,733
Occupancy and equipment	1,282	1,087	1,026
Data processing	680	686	533
Advertising	500	480	375
Foreclosed assets, net	1,353	125	15
Other general and administrative	1,601	1,181	1,361
Total noninterest expenses	10,746	8,542	7,043
Income from continuing operations before income taxes	4,394	6,440	10,090
Provision for income taxes	1,747	2,538	4,294
Net income from continuing operations	2,647	3,902	5,796
Discontinued operations, net of tax	—	—	(295)
Net income	2,647	3,902	5,501
Net income attributable to noncontrolling interests	(1)	(5)	(5)
Net income applicable to Sample Bancorp, Inc.	$2,646	$3,897	$5,496
Earnings per share—basic[5]			
Income from continuing operations attributable to Sample Bancorp, Inc. common shareholders	$1.21	$1.59	$1.72
Disconcontinued operations attributable to Sample Bancorp, Inc. common shareholders	—	—	(0.01)
Net income attributable to Sample Bancorp, Inc. common shareholders	$1.21	$1.59	$1.71
Earnings per share—diluted	1.14	1.49	1.71
Amounts attributable to Sample Bancorp, Inc common share holders:			
Income from continuing operations, net of tax	$ 2,646	$ 3,897	$ 5,676
Discontinued operations, net of tax	—	—	(180)
Net Income	$ 2,646	$ 3,897	$ 5,496

The accompanying notes are an integral part of these consolidated financial statements.

[5] See the "Earnings Per Share" topic in FASB ASC 260-10-15 for additional information regarding which entities should apply this guidance.

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SAMPLE BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity
Years Ended December 31, 20X3, 20X2 and 20X1

	Shares of Common Stock	*Common Stock*	*Additional Paid-in Capital*	*Retained Earnings*	*Accumulated Other Comprehensive Income (Loss)*[6]	*Treasury Stock*	*Non-controlling Interest*	*Total*
				(in thousands, except share data)				
Balance at December 31, 20X0	**3,742,076**	**$ 374**	**$ 52,617**	**$ 32,082**	**$ (3,479)**	**$ (5,957)**	**$ 50**	**$ 75,687**
Cumulative effect from a change in accounting for servicing of financial assets				350				350
Adjusted balance at December 31, 20X0	**3,742,076**	**$ 374**	**$ 52,617**	**$ 32,432**	**$ (3,479)**	**$ (5,957)**	**$ 50**	**$ 76,037**
Purchase of subsidary shares from noncontrolling interest			(8)		2		(24)	(30)
Comprehensive income:								
Net income	—	—	—	5,496	—	—	5	5,501
Change in net unrealized gain (loss) on securities available for sale, net of reclassification adjustment and tax effect	—	—	—	—	1,479	—	2	1,481
Total comprehensive income								6,982
Purchase of treasury stock (695,000 shares)	—	—	—	—	—	(8,340)		(8,340)
Cash dividends declared ($.42 per share)	—	—	—	(1,313)	—	—		(1,313)
Balance at December 31, 20X1	**3,742,076**	**374**	**52,609**	**36,615**	**(1,998)**	**(14,297)**	**33**	**73,336**

[6] "Pending Content" in FASB ASC 220-10-45-8 states that an entity should display comprehensive income and its components in a financial statement that is displayed with the same prominence as other financial statements that constitute a full set of financial statements. This guidance is labeled as "Pending Content" due to the transition and open effective date information under FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51*, which is discussed in FASB ASC 810-10-65-1. FASB ASC 220-10 does not require a specific format for that financial statement but requires that an entity display net income as a component of comprehensive income in that financial statement. Paragraphs 4–27 of FASB ASC 220-10-55 (examples 1–2) provide illustrations of the components of other comprehensive income and total comprehensive income being reported below the total for net income in a statement that reports results of operations, in a separate statement of comprehensive income that begins with net income, and in a statement of changes in equity.

	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interest	Total
				(in thousands, except share data)				
Cumulative effect from changes in accounting for defined benefit pension and other postretirement plans				225				225
Cumulative effect from a change in accounting for uncertainty in income taxes				173				173
Adjusted balance at December 31, 20X1	**3,742,076**	**374**	**52,609**	**37,013**	**(1,998)**	**(14,297)**	**33**	**73,734**
Purchase of subsidiary shares from noncontrolling interest			(7)		4		(25)	(28)
Comprehensive income:								
Net income	—	—	—	3,897	—	—	5	3,902
Change in net unrealized gain (loss) on securities available for sale, net of reclassification adjustment and tax effect	—	—	—	—	437	—	1	438
Change in fair value of derivatives used for cash flow hedges, net of tax effect	—	—	—	—	(84)	—	0	(84)
Change in gains or losses, prior service costs or credits and transition assets or obligations, net of tax					8			8
Total comprehensive income								4,264
Purchase of treasury stock (405,000 shares)	—	—	—	—	—	(3,968)		(3,968)
Reissuance of treasury stock under stock option plan (27,000 shares)	—	—	11	—	—	265		276
Cash dividends declared ($.52 per share)	—	—	—	(1,464)	—	—		(1,464)
Exercise of stock options, net of tax benefit	—	—	—	—	—	—		—
Balance at December 31, 20X2	**3,742,076**	**374**	**52,613**	**39,446**	**(1,633)**	**(18,000)**	**14**	**72,814**
Sale of subsidiary shares from noncontrolling interest			10		(1)		40	49
Distribution paid to noncontrolling interest							(2)	(2)

	Shares of Common Stock	*Common Stock*	*Additional Paid-in Capital*	*Retained Earnings*	*Accumulated Other Comprehensive Income (Loss)*	*Treasury Stock*	*Non-controlling Interest*	*Total*
				(in thousands, except share data)				
Comprehensive income:								
Net income	—	—	—	2,646	—	—	1	2,647
Change in net unrealized gain (loss) on securities available for sale, net of reclassification adjustment and tax effect	—	—	—	—	3,220	—	4	3,224
Change in fair value of derivatives used for cash flow hedges, net of tax effect	—	—	—	—	(200)	—		(200)
Change in gains or losses, prior service costs or credits and transition assets or obligations, net of tax					34			34
Other-than-temporary impairment related to factors other than credit on debt securities held-to-maturity					(12)			(12)
Total comprehensive income								5,693
Purchase of treasury stock (250,000 shares)	—	—	—	—	—	(2,674)		(2,674)
Reissuance of treasury stock under stock option plan (10,000 shares)	—	—	(25)	—	—	129		104
Stock compensation expense, net of tax benefits			81					81
Cash dividends declared ($.60 per share)	—	—	—	(1,480)	—	—		(1,480)
Adoption of a change in accounting for other-than-temporary impairment losses on debt securities	—	—	—	60	(60)	—		—
Balance at December 31, 2005	3,742,076	$ 374	$ 52,679	$ 40,672	$ 1,348	$ (20,545)	$ 57	$ 74,585

The accompanying notes are an integral part of these consolidated financial statements.

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SAMPLE BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows

	Years Ended December 31,		
	20X3	*20X2*	*20X1*
		(in thousands)	
Cash flows from operating activities:			
Net income before attribution of noncontrolling interests	2,647	3,902	5,501
Net income attributable to noncontrolling interests	(1)	(5)	(5)
Sample Bancorp, Inc. net income	$ 2,646	$ 3,897	$ 5,496
Loss from discontinued operations, net of taxes	—	—	(250)
Income from continuing operations—excluding noncontrolling interests	$ 2,646	$ 3,897	$ 5,246
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Provision for loan losses	370	745	270
Provision for foreclosed asset losses	1,246	75	—
Net amortization of securities	866	110	80
Amortization of deferred loan (fees) costs	(97)	(86)	86
Change in fair value of mortgage servicing rights	(310)	(35)	—
Stock compensation expense, net of tax benefits	81	—	—
Excess tax benefits related to the exercise of stock options	(10)	—	—
Depreciation and amortization of premises and equipment	360	339	294
Net gains on sales of loans	(230)	(120)	(350)
Realized loss (gain) on available-for-sale securities, net	1,010	614	(892)
Mortgage servicing rights amortization and provision for losses	160	35	55
Deferred income tax benefit	(349)	(294)	(279)
Net change in:			
Trading assets	(5,059)	(3,000)	—
Loans held for sale	(3,000)	893	1,725
Other assets and liabilities, net	(1,869)	(589)	(186)
Net cash provided (used) by operating activities	(4,185)	2,084	6,049

	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Cash flows from investing activities:			
Net change in interest-bearing deposits in banks	(416)	7,408	12,990
Activity in available-for-sale securities:			
Sales	5,162	14,726	31,384
Maturities, prepayments and calls	25,127	35,550	33,475
Purchases	(13,452)	(39,304)	(34,316)
Purchases of securities held to maturity	(11,859)	—	—
Loan purchases	(2,711)	(1,506)	—
Loan principal collections (originations), net	3,704	(45,734)	(85,852)
Proceeds from sales of foreclosed assets	150	—	—
Additions to premises and equipment	(1,736)	(135)	(364)
Net cash provided (used) by investing activities	3,969	(28,995)	(42,683)
Cash flows from financing activities:			
Net increase in deposits	18,416	11,027	7,584
Net change in federal funds purchased and securities sold under agreements to repurchase	(17,515)	(2,700)	33,600
Proceeds from issuance of long-term debt	11,500	20,900	5,200
Repayment of long-term debt	(3,704)	—	(400)
Proceeds from issuance of treasury stock under stock option plan	104	276	—
Payments to acquire treasury stock	(2,674)	(3,968)	(8,340)
Cash dividends paid on common stock	(1,480)	(1,464)	(1,313)
Excess tax benefit from stock option exercises	(10)	—	—
Net cash provided by financing activities	4,637	24,071	36,331
Net change in cash and cash equivalents	4,421	(2,340)	(303)
Cash and cash equivalents at beginning of year	8,465	10,805	11,108
Cash and cash equivalents at end of year	$12,886	$8,465	$10,805
Supplementary cash flow information:			
Interest paid on deposits and borrowed funds	$30,155	$31,200	$22,337
Income taxes paid	2,523	2,919	3,480
Transfer of loans to foreclosed assets	—	2,478	

The accompanying notes are an integral part of these consolidated financial statements.

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Sample Bancorp, Inc. and Subsidiary
Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

(*in thousands*)

Principles of Consolidation

The consolidated financial statements include the accounts of Sample Bancorp, Inc. (the Corporation) and its wholly-owned subsidiary, ABC Bank (the Bank). All significant intercompany balances and transactions have been eliminated in consolidation. The Corporation consolidates subsidiaries in which it holds, directly or indirectly, more than 50 percent of the voting rights or where it exercises control. Entities where the corporation holds 20 percent to 50 percent of the voting rights, or has the ability to exercise significant influence, or both, are accounted for under the equity method. As discussed below, the corporation consolidates entities deemed to be variable interest entities (VIEs) when it is determined to be the primary beneficiary.

Nature of Operations

The Corporation provides a variety of financial services to individuals and small businesses through its offices in the Northeast. Its primary deposit products are savings and term certificate accounts and its primary lending products are consumer and commercial mortgage loans.

Variable Interest Entities[7]

A legal entity is referred to as a VIE if any of the following conditions exist, which are outlined in the Financial Accounting Standards Board (FASB) *Accounting Standards Codification*™ (ASC) variable interest accounting guidance (FASB ASC 810-10-15-14): (1) the total equity investment at risk is insufficient to permit the legal entity to finance its activities without additional subordinated financial support from other parties, or (2) the entity has equity investors that cannot make significant decisions about the entity's operations or that do not absorb their proportionate share of the expected losses or receive the expected returns of the entity.

In addition, as specified in VIE accounting guidance (FASB ASC 810-10-25-38), a VIE must be consolidated by the corporation if it is deemed to be the primary beneficiary of the VIE, which is the party involved with the VIE that will absorb a majority of the expected losses, receive a majority of the expected residual returns, or both. Along with the VIEs that are consolidated in accordance with these guidelines, the corporation has significant variable interests in other VIEs that are not consolidated because the corporation is not the primary beneficiary.

All facts and circumstances are taken into consideration when determining whether the Corporation has variable interests that would deem it the primary beneficiary and, therefore, require consolidation of the related VIE or otherwise rise to the level where disclosure would provide useful information to the users of the Corporation's financial statements. In some cases, it is qualitatively clear based on the

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[7] The Variable Interest Entity subsection of FASB ASC 810-10-50 provides the additional disclosures requirements related to the consolidation of variable interest entities for public and nonpublic companies.

Note that the "Pending Content" in certain paragraphs of this section does not change the existing disclosure requirements for nonpublic entities. This guidance is labeled as "Pending Content" due to the transition and open effective date information under FASB Staff Position (FSP) FAS 140-4 and FIN 46(R)-8, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, which is discussed in FASB ASC 860-10-65-2.

Readers should be aware that this guidance was superseded by FASB Statements No. 167, *Amendments to FASB Interpretation No. 46(R)*, and FASB Statement No. 166, *Accounting for Transfers of Financial Assets–an amendment of FASB Statement No. 140*. These statements include certain disclosure requirements related to the consolidation of variable interest entities that were also include in the FSP. Both FASB Statement Nos. 167 and 166 are effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

extent of the Corporation's involvement or the seniority of its investments that the Corporation is not the primary beneficiary of the VIE. In other cases, a more detailed and quantitative analysis is required to make such a determination.

The Corporation generally considers the following types of involvement to be significant:

- Assisting in the structuring of a transaction and retaining any amount of debt financing (for example, loans, notes, bonds or other debt instruments) or an equity investment (for example, common shares, partnership interests or warrants)
- Writing credit protection (for example, guarantees, letters of credit, credit default swaps or total return swaps where the Corporation receives the total return or risk on the assets held by the VIE)

The VIEs, as well as all other unconsolidated VIEs are regularly monitored by the Corporation to determine if any reconsideration events have occurred that could cause its primary beneficiary status to change.

Use of Estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, loan servicing rights, the valuation of deferred tax assets, other-than-temporary impairments of securities, and the fair value of financial instruments.

Significant Group Concentrations of Credit Risk

Most of the Corporation's activities are with customers located within the Northeast region of the country. The types of securities that the Corporation invests in are included in notes 4 and 5. The types of lending that the Corporation engages in are included in note 6. The Corporation does not have any significant concentrations to any one industry or customer [*include industry concentrations, if applicable*].

Commercial real estate, including commercial construction loans, represented X and X percent of the total portfolio at December 31, 20X3 and 20X2.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold and securities purchased under resale agreements, all which have original maturities of 90 days or less.

Interest-Bearing Deposits in Banks

Interest-bearing deposits in banks mature within one year and are carried at cost.

Reclassification

Certain amounts in the 20X2 consolidated financial statements have been reclassified to conform to the 20X3 presentation.

Trading Assets

The Corporation engages in trading activities for its own account. Securities that are held principally for resale in the near term are recorded in the trading assets account at fair value with changes in fair value recorded in earnings. Interest and dividends are included in net interest income.

Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

FASB recently issued accounting guidance related to the recognition and presentation of other-than-temporary impairment ("Pending Content" of FASB ASC 320-10). See the "Recent Accounting Pronouncement" section for additional information.

Prior to the adoption of the recent accounting guidance on April 1, 20X3, management considered, in determining whether other-than-temporary impairment exists, (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Corporation to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

For equity securities, when the Corporation has decided to sell an impaired available-for-sale security and the entity does not expect the fair value of the security to fully recover before the expected time of sale, the security is deemed other-than-temporarily impaired in the period in which the decision to sell is made. The Corporation recognizes an impairment loss when the impairment is deemed other than temporary even if a decision to sell has not been made.

Federal Home Loan Bank Stock

The Corporation, as a member of the Federal Home Loan Bank (FHLB) *(state which FHLB—for example, Chicago or Dallas)* system, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. In December 20X2, the FHLB declared a moratorium on the redemption of its stock. At its discretion, the FHLB may declare dividends on the stock. However, in 20X3 the FHLB suspended its first quarter 20X3 dividend and disclosed that dividends for the remainder of 20X3 are unlikely. Management reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock.

Loans Held For Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value (LOCOM) or fair value under the fair value option accounting guidance for financial instruments. For loans carried at LOCOM, gains and losses on loan sales (sales proceeds minus carrying value) are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

The Corporation grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout the Northeast. The ability of the

Corporation's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for unearned income, the allowance for loan losses, and any unamortized deferred fees or costs on originated loans, and premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Corporation's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

Servicing

Mortgage servicing assets are recognized separately when rights are acquired through purchase or through sale of financial assets. Under the servicing assets and liabilities accounting guidance in FASB ASC (FASB ASC 860-50), servicing rights resulting from the sale or securitization of loans originated by the Corporation are initially measured at fair value at the date of transfer. The Corporation subsequently measures each class of servicing asset using either the fair value or the amortization method. The Corporation has elected to initially and subsequently measure the mortgage servicing rights for consumer mortgage loans using the fair value method. Under the fair value method, the servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur. Amortized mortgage servicing rights include commercial mortgage servicing rights. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model[8] incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with [*insert financial statement line*] on the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower

[8] Describe valuation model methodology and model validation procedures, and quantitative and qualitative information about the assumptions used (for example, discount rates, prepayment speeds, and credit losses).

of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance [*any direct write-downs*] are included in net expenses from foreclosed assets.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation and amortization computed on the straight-line method over the estimated useful lives of the assets or the expected terms of the leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

Derivatives

Derivativs are recognized as assets and liabilities on the consolidated balance sheet and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies, or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Interest Rate Swap Agreements

For asset/liability management purposes, the Corporation uses interest rate swap agreements to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. These swap agreements are derivative instruments and generally convert a portion of the Corporation's variable-rate debt to a fixed rate (cash flow hedge), and convert a portion of its fixed-rate loans to a variable rate (fair value hedge).

The gain or loss on a derivative designated and qualifying as a fair value hedging instrument, as well as the offsetting gain or loss on the hedged item attributable to the risk being hedged, is recognized currently in earnings in the same accounting period. The effective portion of the gain or loss on a derivative designated and qualifying as a cash flow hedging instrument is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized currently in earnings.

For cash flow hedges, the net settlement (upon close-out or termination) that offsets changes in the value of the hedged debt is deferred and amortized into net interest income over the life of the hedged debt. For fair value hedges, the net settlement (upon close-out or termination) that offsets changes in the value of the loans adjusts the basis of the loans and is deferred and amortized to loan interest income over the life of the loans. The portion, if any, of the net settlement amount that did not offset changes in the value of the hedged asset or liability is recognized immediately in noninterest income.

Interest rate derivative financial instruments receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Corporation to risk. Those derivative financial instruments that do not meet specified hedging criteria would be recorded at fair value with changes in fair value recorded in income. If periodic assessment indicates derivatives no longer provide an effective hedge, the derivative contracts would be closed out and settled, or classified as a trading activity.

Cash flows resulting from the derivative financial instruments that are accounted for as hedges of assets and liabilities are classified in the cash flow statement in the same category as the cash flows of the items being hedged.

Derivative Loan Commitments

Mortgage loan commitments that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments under the derivatives and hedging accounting guidance (FASB ASC 815, *Derivatives and Hedging*). Loan commitments that are derivatives are recognized at fair value on the consolidated balance sheet in other assets and other liabilities with changes in their fair values recorded in noninterest income.

Effective January 1, 20X2, the Corporation adopted the Securities and Exchange Commission's (SEC's) Staff Accounting Bulletin (SAB) No. 109, *Written Loan Commitments Recorded at Fair Value Through Earnings*, and began including the value associated with servicing of loans in the measurement of all written loan commitments issued after that date. SAB No. 109 requires that the expected net future cash flows related to servicing of a loan be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. In estimating fair value, the Corporation assigns a probability to a loan commitment based on an expectation that it will be exercised and the loan will be funded. The adoption of SAB No. 109 generally has resulted in higher fair values being recorded upon initial recognition of derivative loan commitments.

Forward Loan Sale Commitments

The Corporation carefully evaluates all loan sales agreements to determine whether they meet the definition of a derivative under the derivatives and hedging accounting guidance (FASB ASC 815) as facts and circumstances may differ significantly. If agreements qualify, to protect against the price risk inherent in derivative loan commitments, the Corporation uses both "mandatory delivery" and "best efforts" forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. Mandatory delivery contracts are accounted for as derivative instruments. Accordingly, forward loan sale commitments are recognized at fair value on the consolidated balance sheet in other assets and liabilities with changes in their fair values recorded in other noninterest income.

The Corporation estimates the fair value of its forward loan sales commitments using a methodology similar to that used for derivative loan commitments.

Transfers of Financial Assets[9]

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Corporation—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Corporation does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Advertising Costs

Advertising costs are expensed as incurred.

Retirement Plan

The compensation cost of an employee's pension benefit is recognized on the projected unit credit method over the employee's approximate service period. The aggregate cost method is utilized for funding purposes.

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[9] "Pending Content" of paragraphs 5–9 of FASB ASC 860-50-50 provides additional disclosures related to transfers and servicing of financial assets and extinguishments of liabilities for public companies. Note that the "Pending Content" does not change the existing disclosure requirements for nonpublic entities. This guidance is labeled as "Pending Content" due to the transition and open effective date information under FSP FAS 140-4 and FIN 46(R)-8, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, which is discussed in FASB ASC 860-10-65-2.

Readers should be aware that this guidance was superseded by FASB Statement No. 166. FASB Statement No. 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

Stock Compensation Plans

Stock compensation accounting guidance (FASB ASC 718, *Compensation—Stock Compensation*) requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Sholes model is used to estimate the fair value of stock options, while the market price of the Corporation's common stock at the date of grant is used for restricted stock awards.

Income Taxes

The Corporation accounts for Income Taxes in accordance with income tax accounting guidance (FASB ASC 740, *Income Taxes*). On January 1, 20X1, the Corporation adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Corporation determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Corporation recognizes interest and penalties on income taxes as a component of income tax expense.

Treasury Stock

Common stock shares repurchased are recorded as treasury stock at cost.

Earnings Per Share[10]

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the

[10] See footnote 5.

assumed issuance. Potential common shares that may be issued by the Corporation relate solely to outstanding stock options, and are determined using the treasury stock method.

Treasury shares are not deemed outstanding for earnings per share calculations.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains on securities available for sale, and unrealized losses related to factors other than credit on debt securities, unrealized gains and losses on cash flow hedges, and changes in the funded status of the pension plan which are also recognized as separate components of equity.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in note 25. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Recent Accounting Pronouncements

> **Note:** These illustrative financial statements include certain FASB ASC references as a tool to familiarize constitutions with FASB ASC.

Effective July 1, 20X3, the Corporation adopted new accounting guidance related to U.S. GAAP (FASB ASC 105, *Generally Accepted Accounting Principles*). This guidance establishes FASB ASC[11] as the source of authoritative U.S GAAP recognized by FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. FASB ASC supersedes all existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in FASB ASC has become nonauthoritative. FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP or any requirements of the SEC. This guidance is effective for the Corporation as of December 31, 20X3.

The Corporation adopted new accounting guidance for interim disclosures about fair value of financial instruments ("Pending Content" of FASB ASC 825, *Financial Instruments*). This recent accounting guidance requires disclosure of qualitative and quantitative information about the fair value of all financial instruments on a quarterly basis, including methods and significant assumptions used to estimate fair

[11] The SEC staff has encouraged companies to make financial statements more useful to users by drafting financial statement disclosures to avoid specific generally accepted accounting principles of the United States (U.S. GAAP) references and to more clearly explain accounting concepts.

If references to specific U.S. GAAP are made in financial statements for periods ending on or before September 15, 2009 (for example, before FASB ASC became effective) the SEC staff believes pre-FASB ASC U.S. GAAP references continue to be acceptable, even if those financial statements were issued after September 15, 2009 (for example, in a Form 10-K or Form 10-Q for the annual or quarterly period ended August 31, 2009). Further, the SEC staff will not object if those financial statements refer to either FASB ASC or both FASB ASC and pre-FASB ASC U.S. GAAP literature.

Once a company issues financial statements for a period ending after September 15, 2009, the SEC staff believes any references to specific elements of U.S. GAAP should use FASB ASC references. That is, if references to specific U.S. GAAP are made in financial statements for periods ending after September 15, 2009 (for example, annual or interim financial statements as of September 30, 2009), those references should be to FASB ASC. Moreover, references to specific U.S. GAAP throughout the financial statements should be on a consistent basis for all periods (for example, disclosures for comparative periods should not refer to only pre-FASB ASC U.S. GAAP literature).

Readers are encouraged to read the Center for Audit Quality (CAQ) Alert #2009-76 for additional information regarding the SEC's views regarding FASB ASC. The references contained in the illustrative financial statement presented herein are provided for educational purposes only and are not intended to reflect the SEC's preferences regarding the use of FASB ASC references.

value during the period. These disclosures were previously only required annually. The adoption of this guidance has no effect on how the Corporation accounts for these instruments.

Effective April 1, 20X3, the Corporation adopted new accounting guidance related to recognition and presentation of other-than-temporary impairment ("Pending Content" of FASB ASC 320-10). This recent accounting guidance amends the recognition guidance for other-than-temporary impairments of debt securities and expands the financial statement disclosures for other-than-temporary impairment losses on debt and equity securities. The recent guidance replaced the "intent and ability" indication in current guidance by specifying that (*a*) if a company does not have the intent to sell a debt security prior to recovery and (*b*) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security, and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

As a result of this guidance, the Corporation's consolidated statement of income as of December 31, 20X3 reflects the full impairment (that is, the difference between the security's amortized cost basis and fair value) on debt securities that the Corporation intends to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale and held-to-maturity debt securities that management has no intent to sell and believes that it more-likely-than-not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the non-credit loss is recognized in accumulated other comprehensive income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections. As a result of the adoption of the other-than-temporary impairment accounting guidance, the Corporation's income in 20X3 was higher by $15 on a pretax basis. The cumulative effect of the change included an increase in retained earnings of $500 on a pretax basis. See note 5 to the Consolidated Financial Statements for disclosures related to the Corporation's investment in securities and other-than-temporary impairments.

The Corporation adopted new accounting guidance for disclosures about derivative instruments and hedging activities ("Pending Content" of FASB ASC 815-10). The recent derivatives and hedging activities accounting guidance requires expanded qualitative, quantitative and credit-risk disclosures about derivatives and hedging activities and their effects on the Corporation's financial position, financial performance and cash flows. This guidance is effective for the Corporation's financial statements for the year beginning on January 1, 20X3. The adoption of the recent derivative and hedging activities accounting guidance will not impact the Corporation's financial condition and results of operations.

The Corporation adopted new accounting guidance related to noncontrolling interests in consolidated financial statements ("Pending Content" of FASB ASC 810, *Consolidation*). The recent consolidation accounting guidance requires all entities to report noncontrolling (that is, minority) interests in subsidiaries as equity in the Consolidated Financial Statements and to account for transactions between an entity and noncontrolling owners as equity transactions if the parent retains its controlling financial interest in the subsidiary. The recent guidance also requires expanded disclosure that distinguishes between the interests of the controlling owners and the interests of the noncontrolling owners of a subsidiary. This consolidation accounting guidance was effective for the Corporation's financial statements for the year beginning on January 1, 20X3.

The Corporation adopted accounting guidance related to fair value measurements and disclosures (FASB ASC 820, *Fair Value Measurements and Disclosures*). This guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The effect of adoption was not material.

The Corporation adopted accounting guidance related to the fair value option for financial assets and financial liabilities (FASB ASC 825, *Financial Instruments*). This guidance provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. This guidance was effective for the Corporation on January 1, 20X2. The adoption did not have a material effect on the Corporation's financial statements.

FASB issued ASU 2009-05 ("Pending Content" of FASB ASC 820) which describes the valuation techniques companies should use to measure the fair value of liabilities for which there is limited observable market data. If a quoted price in an active market is not available for an identical liability, an entity should use one of the following approaches: (1) the quoted price of the identical liability when traded as an asset, (2) quoted prices for similar liabilities or similar liabilities when traded as an asset, or (3) another valuation technique that is consistent with the accounting guidance in FASB ASC for fair value measurements and disclosures. When measuring the fair value of liabilities, this guidance reiterates that companies should apply valuation techniques that maximize the use of relevant observable inputs, which is consistent with existing accounting provisions for fair value measurements. In addition, this guidance clarifies when an entity should adjust quoted prices of identical or similar assets that are used to estimate the fair value of liabilities. This guidance is effective for the Corporation as of December 31, 20X3 with adoption applied prospectively.

The Corporation adopted accounting guidance related to employers' disclosures about postretirement benefit plan assets ("Pending Content" in FASB ASC 715-20). The recent guidance requires new disclosures that are applicable to the plan assets of the Corporation's pension plan. The objectives of the new disclosures are to provide an understanding of how investment allocation decisions are made, the major categories of plan assets, the inputs and valuation techniques used to measure fair value, the effect of fair value measurements using significant unobservable inputs on the changes in plan assets, and significant concentrations of risk within plan assets. The new disclosures on postretirement benefits will be required prospectively for fiscal years ending after December 15, 20X3.

In addition, the following accounting pronouncements were issued by FASB, but are not yet effective.

FASB issued accounting guidance (FASB Statement No. 166) which modifies certain guidance contained in the *Transfers and Servicing* topic of FASB ASC (FASB ASC 860). This standard eliminates the concept of qualifying special purpose entities, provides guidance as to when a portion of a transferred financial asset can be evaluated for sale accounting, provides additional guidance with regard to accounting for transfers of financial assets and requires additional disclosures. This guidance is effective for the Corporation as of January 1, 20X4, with adoption applied prospectively for transfers that occur on and after the effective date.

FASB also amended several key consolidation provisions related to VIEs (FASB Statement No. 167), which are included in the *Consolidation* topic of FASB ASC (FASB ASC 810). First, the scope of the recent guidance includes entities that are currently designated as QSPEs. Second, this guidance changes the approach companies use to identify the VIEs for which they are deemed to be the primary beneficiary and are required to consolidate. Under existing rules, the primary beneficiary is the entity that absorbs the majority of a VIE's losses and receives the majority of the VIE's returns. The guidance identifies a VIE's primary beneficiary as the entity that has the power to direct the VIE's significant activities, and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. Third, this guidance requires companies to continually reassess whether they are the primary beneficiary of a VIE. Existing rules only require companies to reconsider primary beneficiary conclusions when certain triggering events have occurred. This guidance requires additional disclosures about VIE. The recent guidance is effective for the Corporation as of January 1, 20X4, and applies to all current QSPEs and VIEs, and VIEs created after the effective date.

Application of the recently issued pronouncements may result in the consolidation of certain QSPEs and VIEs that are not currently included in the consolidated financial statements.

Note 2: Restrictions on Cash and Amounts Due From Banks

(in thousands)

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 20X3 and 20X2, these reserve balances amounted to $1,250 and $1,575, respectively.

Note 3: Securities Purchased Under Agreements to Resell

(in thousands)

The Bank enters into purchases of securities under agreements to resell substantially identical securities. These agreements are classified as secured loans. Securities purchased under agreements to resell at December 31, 20X3 and 20X2 consist of U.S. Treasury securities.

The amounts advanced under these agreements are reflected as assets in the consolidated balance sheet. It is the Bank's policy to take possession of securities purchased under agreements to resell. Agreements with third parties specify the Bank's rights to request additional collateral, based on its monitoring of the fair value of the underlying securities on a daily basis. The securities are delivered by appropriate entry into the Bank's account maintained at the Federal Reserve Bank or into a third-party custodian's account designated by the Bank under a written custodial agreement that explicitly recognizes the Bank's interest in the securities. At December 31, 20X3, these agreements are scheduled to mature within 90 days and no material amount of agreements to resell securities purchased was outstanding with any individual dealer.

Note 4: Trading Assets

(in thousands)

Trading assets, at fair value, consist of the following:

	December 31,	
	20X3	*20X2*
	(in thousands)	
Trading Assets:		
U.S. government and agency securities	$1,300	$ —
Mortgage-backed securities	1,050	2,000
Marketable equity securities	4,709	1,000
Equity securities	1,000	—
Total trading assets	$8,059	$3,000

For the years ended December 31, 20X3, 20X2, and 20X1, the net gains (losses) on trading assets were $500, $300, and $280, respectively.

Note 5: Securities

(in thousands)

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	December 31, 20X3			
	Amortized Cost	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Fair Value*
	(in thousands)			
Securities Available-for-Sale				
Debt securities:				
U.S. government and federal agency	$7,174	$2,060	$(5)	$9,229
U.S. government-sponsored enterprises (GSEs)*	3,500	—	(25)	3,475
Corporate	13,130	1,097	(154)	14,073
Mortgage-backed				
GSE residential	2,000	—	(10)	1,990
Private-label residential	4,524	200	(25)	4,699
Private-label commercial	3,424	300	(10)	3,714
Other	1,525	—	(20)	1,505
Total debt securities	35,277	3,657	(249)	38,685
Marketable equity securities		—		
Financial services	398	—	(300)	98
Other	1,000	—	(392)	608
Total marketable equity securities	1,398	—	(692)	706
Total securities available-for-sale**	$ 36,675	$ 3,657	$ (941)	$ 39,391

* Such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Banks.

** At December 31, 20X3, we held no securities of any single issuer (excluding the U. S. government and federal agencies) with a book value that exceeded 10% of stockholders' equity.

	December 31, 20X3					
	Amortized Cost	Total Other-Than-Temporary Impairment Recognized in Accumulated Other Comprehensive Income	Adjusted Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)					
Securities Held-to-Maturity						
U.S. government and federal agency	$3,070	$ —	$3,070	$123	$(1)	$3,192
GSE obligations	5,373	—	5,373	89	(3)	5,459
Non-agency mortgage-backed securities	3,425	(15)	3,410	—	(40)	3,370
	$11,868	$(15)	$11,853	$212	$(44)	$12,021

	December 31, 20X2			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Securities Available-for-Sale				
Debt securities:				
U.S. government and federal agency	$19,505	$5	$(11)	$19,499
Corporate	15,990	10	(4)	15,996
Other	12,038	4	(233)	11,809
Total debt securities	47,533	19	(248)	47,304
Marketable equity securities				
Financial services	5,849	—	(2,000)	3,849
Other	2,000	60	(560)	1,500
Total marketable equity securities	7,849	60	(2,560)	5,349
Total securities available-for-sale	$55,382	$79	$ (2,808)	$52,653

At December 31, 20X3, U.S. government obligations with a carrying value of $1,800 were pledged to secure public deposits and for other purposes required or permitted by law. At December 31, 20X3, the carrying amount of U.S. government securities pledged to secure repurchase agreements was $10,244.

The amortized cost and fair value of available for sale and held to maturity debt securities by contractual maturity at December 31, 20X3 follows:

	Available for Sale	
	Amortized Cost	Fair Value
	(in thousands)	
Within 1 year	$ 10,286	$ 11,499
After 1 year through 5 years	10,421	11,827
After 5 years through 10 years	3,245	3,465
Over 10 years	1,377	1,486
	25,329	28,277
Mortgage-backed securities	9,948	10,408
Total	$35,277	$38,685

	Held to Maturity	
	Adjusted Carrying Value	Fair Value
	(in thousands)	
Within 1 year	$ 2,858	$ 2,906
After 1 year through 5 years	3,622	3,815
After 5 years through 10 years	1,963	1,930
Over 10 years	—	—
	8,443	8,651
Mortgage-backed securities	3,410	3,370
Total	$11,853	$12,021

For the years ended December 31, 20X3, 20X2, and 20X1, proceeds from sales of securities available for sale amounted to $5,162, $14,726, and $31,384, respectively; gross realized gains were $1,250, $750, and

$1,040, respectively; gross realized losses were $1,760, $1,864, and $148, respectively. The tax benefit (provision) applicable to these net realized gains and losses were $404, $245, and $(357), respectively.

For the year ended December 31, 20X3, gross gains of $82 and gross losses of $426 were included in the net loss on trading activities as a result of transfers of securities from the available-for-sale category to the trading category.

Temporarily Impaired Securities

The following table shows the gross unrealized losses and fair value of the entity's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 20X3.

Available for sale and held to maturity securities that have been in a continuous unrealized loss position are as follows:

	Less Than Twelve Months		*Over Twelve Months*		
	Gross Unrealized Losses	*Fair Value*	*Gross Unrealized Losses*	*Fair Value*	*Total Unrealized Losses*
			(in thousands)		
December 31, 20X3:					
Available for Sale Securities					
Debt Securities					
U.S. government and federal agencies	$ 10	$ 200	$ —	$ —	$ 10
GSEs	20	140	—	—	20
Corporate bonds	154	1,430	20	498	174
Mortgage-backed securities					
GSE residential	10	350	5	200	15
Private-label residential	10	260	5	129	15
Private-label commercial	15	610	—	—	15
Total debt securities	35	1,220	—	—	45
Marketable equity securities					
Financial services	400	406	—	—	400
Other	292	300	—	—	292
Total marketable equity securities	692	706	—	—	692
Total	$911	$ 3,696	$30	$827	$941
Held to Maturity Securities					
U.S. government and federal agency	$ —	$ —	$ —	$ —	$ —
GSE obligations	—	—	—	—	—
Nonagency mortgage-backed securities	—	—	4	2,475	4
Total	$ —	$ —	$ 4	$2,475	$ 4

> **Note:** This example illustrates the application of paragraphs 6–8 of FASB ASC 320-10-50 and, in doing so, describes the investor's rationale for not recognizing all unrealized losses presented in the table as other-than-temporary impairments. In the application of FASB ASC 320-10-50-6(b), the investor should provide meaningful disclosure about individually significant unrealized losses. This information is required as of each date for which a statement of financial position is presented, except in the period of initial application of the other-than-temporary impairment guidance in FASB ASC 320-10.

U.S. government and federal agency obligations. The unrealized losses on the eight investments in U.S. government obligations and direct obligations of U.S. government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Corporation does not intend to sell the investments and it is not more likely than not that the Corporation will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Corporation does not consider those investments to be other-than-temporarily impaired at December 31, 20X3.

GSE debt securities. The unrealized losses on the two investments in GSEs were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Corporation does not intend to sell the investments and it is not more likely than not that the Corporation will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Corporation does not consider those investments to be other-than-temporarily impaired at December 31, 20X3.

Corporate bonds. The Corporation's unrealized losses on investments in two corporate bonds relates to investments in companies within the financial services sector. The unrealized losses are primarily caused by recent decreases in profitability and profit forecasts by industry analysts resulting from the sub-prime mortgage market and a recent sector downgrade by several industry analysts. The contractual terms of those investments do not permit the Corporation to settle the security at a price less than the par value of the investment. The Corporation currently does not believe it is probable that it will be unable to collect all amounts due according to the contractual terms of the investments. Because the Corporation does not intend to sell the investment and it is not more likely than not that the Corporation will be required to sell the investment before recovery of its par value, which may be maturity, it does not consider these investments to be other-than-temporarily impaired at December 31, 20X3.

GSE residential mortgage-backed securities. The unrealized losses on the Corporation's investment in four GSE mortgage-backed securities were caused by interest rate increases. The Corporation purchased those investments at a discount relative to their face amount, and the contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Corporation's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Corporation does not intend to sell the investments and it is not more likely than not that the Corporation will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Corporation does not consider those investments to be other-than-temporarily impaired at December 31, 20X3.

Private-label residential mortgage-backed securities: The unrealized losses associated with five private residential mortgage-backed securities are primarily driven by higher projected collateral losses, wider credit spreads and changes in interest rates. We assess for credit impairment using a cash flow model. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared to our credit enhancement, we expect to recover the entire amortized cost basis of these securities.

Commercial mortgage-backed securities: The unrealized losses associated with nine commercial mortgage-backed securities are primarily driven by higher projected collateral losses, wider credit spreads and changes in interest rates. These investments are almost exclusively investment grade. We assess for credit impairment using a cash flow model. Based upon our assessment of the expected credit losses of the security given the performance of the underlying collateral compared to the credit enhancement, the Corporation expects to recover the entire amortized cost basis of these securities.

Marketable equity securities. The Corporation's investments in 18 marketable equity securities consist primarily of investments in common stock of entities in the financial services industry. Within the Corporation's portfolio of common stocks in the financial services industry (all of which are in an unrealized loss position), approximately 30 percent of the total fair value and 20 percent of the Corporation's total unrealized losses are in Entity X. The remaining fair value and unrealized losses are distributed in 6 other entities. The severity of the impairment (fair value is approximately 5 to 10 percent less than cost) and the duration of the impairment (less than 3 months) are driven by higher projected collateral losses, wider credit spreads and changes in interest rates within the financial services industry. The Corporation evaluated the prospects of the issuer in relation to the severity and duration of the impairment. Based on that evaluation and the Corporation's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Corporation does not consider those investments to be other-than-temporarily impaired at December 31, 20X3.

Other-Than-Temporary Impairment

Upon acquisition of a security, the Corporation decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments in debt and equity securities.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of the debt securities within the scope of the guidance for investments in debt and equity securities. For securities where the security is a beneficial interest in securitized financial assets, the Corporation uses the beneficial interests in securitized financial asset impairment model. For securities where the security is not a beneficial interest in securitized financial assets, the Corporation uses debt and equity securities impairment model.

> **Note:** For interim and annual periods in which an other-than-temporary impairment of a debt security is recognized and only the amount related to a credit loss was recognized in earnings, an entity should disclose by major security type, the methodology and significant inputs used to measure the amount related to credit loss. Examples of significant inputs include, according to FASB ASC 320-10-50-8A, performance indicators of the underlying assets in the security, loan-to-collateral value ratios, third-party guarantees, current levels of subordination, vintage, geographic concentration, and credit ratings.

We routinely conduct periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. Economic models are used to determine whether an other-than-temporary impairment has occurred on these securities. While all securities are considered, the securities primarily impacted by other-than-temporary impairment testing are private-label mortgage-backed securities. For each private-label mortgage-backed security in the investment portfolio (including but not limited to those whose fair value is less than their amortized cost basis), an extensive, regular review is conducted to determine if an other-than-temporary impairment has occurred. Various inputs to the economic models are used to determine if an unrealized loss is other-than-temporary. The most significant inputs are the following:

- Default rate

- Severity

Other inputs may include the actual collateral attributes, which include geographic concentrations, credit ratings, and other performance indicators of the underlying asset.

To determine if the unrealized loss for private-label mortgage-backed securities is other-than-temporary, we project total estimated defaults of the underlying assets (mortgages) and multiply that calculated amount by an estimate of realizable value upon sale in the marketplace (severity) in order to determine the projected collateral loss. We also evaluate the current credit enhancement underlying the bond to determine the impact on cash flows. If we determine that a given mortgage-backed security position will be subject to a write-down or loss, we record the expected credit loss as a charge to earnings.

For those securities for which an other-than-temporary impairment was determined to have occurred as of December 31, 20X3 (that is, a determination was made that the entire amortized cost bases will not likely be recovered), the following table presents the inputs used to measure the amount of the credit loss recognized in earnings. The table shows the projected weighted average default rates and loss severities for the recent-vintage (that is, 20X3, 20X2 and 20X1) private-label mortgage-backed securities portfolios at December 31, 20X3.

At December 31, 2005, ten debt securities have unrealized losses with aggregate depreciation of X percent from the Corporation's amortized cost basis. These unrealized losses relate principally to the telecommunications industry, and such losses have been diminishing within the second half of 2005 as the industry continues to show improved earnings. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available for sale, no declines are deemed to be other than temporary.

At December 31, 2005, 10 marketable equity securities have unrealized losses with aggregate depreciation of Y percent from the Corporation's cost basis. These unrealized losses have existed for less than three months and relate principally to the home goods industry. Although the issuers have shown declines in earnings as a result of the weakened economy, no credit issues have been identified that cause management to believe the declines in market value are other than temporary. In analyzing the issuer's financial condition, management considers industry analysts' reports, financial performance and projected target prices of investment analysts within a one-year time frame.

	December 31, 20X3	
	Default Rate	*Severity*
Alt-A	30%	50%
Subprime	50%	75%
Prime	10%	25%

The following roll forward reflects the amount related to credit losses recognized in earnings (in accordance with FASB ASC 320-10-35-34D):

	December 31, 20X3	
	Available for sale	*Held to maturity*
Beginning balance as of December 31, 20X2*	$ 100	$ 150
Add: Amount related to the credit loss for which an other-than-temporary impairment was not previously recognized	—	25
Add: Increases to the amount related to the credit loss for which an other-than-temporary impairment was previously recognized	—	25
Less: Realized losses for securities sold	(10)	—
Less: Securities for which the amount previously recognized in other comprehensive income was recognized in earnings because the Corporation intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	—	—
Less: Increases in cash flows expected to be collected that are recognized over the remaining life of the security (see FASB ASC 320-10-35-35)	—	—
Ending balance as of December 31, 20X3	$ 90	$ 200

* The beginning balance represents the amount related to credit losses on debt securities held by the Corporation at the beginning of the period for which a portion of an other-than-temporary impairment was recognized in other comprehensive income.

During the year ended December 31, 20X3, the Corporation recorded other-than-temporary impairment losses for debt securities as follows [*not required*]:

	Total Other-Than-Temporary Impairment Losses (Unrealized and Realized)	*Unrealized Other-Than-Temporary Impairment Losses Recognized in OCI*	*Net Impairment Losses Recognized in Earnings*
Alt-A mortgage-back securities	($35)	$ 5	($30)
Subprime mortgage-backed securities	(17)	7	(10)
Prime mortgage-backed securities	(5)		(5)
Other	(5)	—	(5)
Total	($62)	$12	($50)

Note 6: Loans

(in thousands)

A summary of the balances of loans follows:

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Mortgage loans on real estate:		
Residential 1-4 family	$237,255	$239,698
Commercial	121,942	109,717
Construction	7,453	14,791
Second mortgages	7,657	9,388
Equity lines of credit	5,129	1,667
Total mortgage loans on real estate	379,436	375,261
Commercial loans	24,449	25,419
Consumer installment loans:		
Personal	6,671	10,020
Credit cards	2,508	3,170
Total consumer installment loans	9,179	13,190
Net deferred loan fees	(448)	(394)
Total loans	412,616	413,476
Less: Allowance for loan losses	(4,761)	(4,391)
Loans, net	$407,855	$409,085

An analysis of the allowance for loan losses follows:

	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Balance at beginning of year	$ 4,391	$ 3,751	$ 3,486
Provision for loan losses	334	745	270
Loans charged-off	(589)	(110)	(5)
Recoveries of loans previously charged-off	625	5	—
Balance at end of year	$4,761	$ 4,391	$ 3,751

A loan is considered impaired, in accordance with the impairment accounting guidance (FASB ASC 310-10-35-16), when based on current information and events, it is probable that the Corporation will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

Included in certain loan categories in the impaired loans are troubled debt restructurings that were classified as impaired. At December 31, 20X3, the Corporation had $200 residential mortgages, $50 of home equity, $120 of commercial domestic loans, and $203 of real estate loans that were modified in troubled debt restructurings and impaired. In addition to these amounts the Corporation had troubled debt restructurings that were performing in accordance with their modified terms of $120 residential mortgage, $20 of home equity, $32 of real estate, and $12 of commercial domestic loans at December 31, 20X3.

The following table presents the Corporation's nonaccrual loans at December 31, 20X3 and 20X2. This table excludes purchased impaired loans and performing troubled debt restructurings.

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Impaired loans without a valuation allowance	$ 500	$ 300
Impaired loans with a valuation allowance	1,500	1,735
Total impaired loans	$2,000	$2,035
Valuation allowance related to impaired loans	$ 350	$ 400
Total nonaccrual loans	$2,050	$2,070
Total loans past-due ninety days or more and still accruing	$ 125	$ 107

	Years Ended December 31, 20X3	20X2	20X1
	(in thousands)		
Average investment in impaired loans	$1,500	$649	$600
Interest income recognized on impaired loans	$126	$24	$52
Interest income recognized on a cash basis on impaired loans	$126	$24	$52

Note 7: Accounting for Certain Loans Acquired in a Transfer

(in thousands)

The Corporation acquired loans in a transfer, during the year ended December 31, 20X3. At acquisition, the transferred loans evidenced deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected.

Loans purchased with evidence of credit deterioration since origination and for which it is probable that all contractually required payments will not be collected are considered to be credit impaired. Evidence of credit quality deterioration as of the purchase date may include information such as past due and nonaccrual status, borrower credit scores and recent loan to value percentages. Purchased credit-impaired loans are accounted for under the accounting guidance for loans and debt securities acquired with deteriorated credit quality (FASB ASC 310-30) and initially measured at fair value, which includes estimated future credit losses expected to be incurred over the life of the loan. Accordingly, an allowance for credit losses related to these loans is not carried over and recorded at the acquisition date. Management estimated the cash flows expected to be collected at acquisition using our internal risk models, which incorporate the estimate of current key assumptions, such as default rates, severity, and prepayment speeds.

The carrying amount of those loans is included in the balance sheet amounts of loans receivable at December 31. The amounts of loans at December 31, 20X3 are as follows:

	(in thousands)
Commercial	$1,711
Consumer	1,000
Outstanding balance	$2,711
Carrying amount, net of allowance of $27	$1,833

Accretable yield, or income expected to be collected, is as follows:

	Accretable Yield
	(in thousands)
Balance at December 31, 20X2	$ —
Additions	558
Accretion	(34)
Reclassifications from nonaccretable difference	2
Disposals	—
Balance at December 31, 20X3	$ 526

During the year ended December 31, 20X3, the Corporation increased the allowance for loan losses by a charge to the income statement by $27. No allowances for loan losses were reversed in 20X3.

Loans acquired during 20X3 for which it was probable at acquisition that all contractually required payments would not be collected are as follows:

	December 31, 20X3
	(in thousands)
Contractually required payments receivable at acquisition	
Commercial	$3,273
Consumer	1,021
Subtotal	$4,294
Cash flows expected to be collected at acquisition	$3,237
Basis in acquired loans at acquisition	$2,711

Certain of the loans acquired by the Corporation that are within the scope of this guidance (FASB ASC 310-30) are not accounted for using the income recognition model for loans and debt securities acquired with deteriorated credit quality (FASB ASC 310-30) because the Corporation cannot reasonably estimate cash flows expected to be collected. The carrying amounts of such loans (which are included in the carrying amount, net of allowance, described above) are as follows:

	December 31, 20X3
	(in thousands)
Loan purchased during the year	$ 1,050
Loans at end of year	$ 1,050

Note: These illustrative financial statements assume the Corporation only acquired loans with deteriorated credit quality within the scope of FASB ASC 310-30 (formerly Statement of Position (SOP) 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer* [AICPA, *Technical Practice Aids*, ACC sec. 10,880]). For acquired debt securities within the scope of FASB ASC 310-30, refer to paragraphs 1, 2, and 8 of FASB ASC 310-30-50 and 310-30-55.

Note 8: Servicing

(in thousands)

Loans serviced for others are not included in the accompanying consolidated balance sheets. The risks inherent in mortgage servicing assets relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage and other loans serviced for others were $42 and $40 at December 31, 20X3 and 20X2, respectively.

The fair values of these rights were $540,000 and $320,000, respectively, at December 31, 2005 and 2004. The fair value of servicing rights was determined using discount rates ranging from X percent to X percent, prepayment speeds ranging from X percent to X percent, depending on the stratification of the specific right, and anticipated credit losses of X percent.

The following summarizes the activity pertaining to mortgage servicing rights measured using the amortization method, along with the aggregate activity in related valuation allowances:

> **Note:** The following disclosures must be provided for each class measured under the amortization method according to FASB ASC 860-50-50-4. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities should be disclosed (including a description of where changes in fair value are reported in the statement of income for each period for which results of operations are presented).

	Years Ended December 31,		
	20X3	*20X2*	*20X1*
Mortgage servicing rights:		*(in thousands)*	
Balance at beginning of year	$315	$100	$ —
Additions	350	250	110
Disposals	—	—	—
Amortization	(80)	(35)	(10)
Balance at end of year	$ 585	$ 315	$ 100
Valuation allowances:			
Balance at beginning of year	$ —	$ —	$ —
Additions	80	—	45
Reductions	—	—	(45)
Write-downs	—	—	—
Balances at end of year	$ 80	$ —	$ —
Mortgage servicing assets, net	$ 505	$ 315	$ 100
Fair value disclosures:			
Fair value as of the beginning of the period	$ 320	$ 105	$ 76
Fair value as of the end of the period	$ 540	$ 320	$ 105

During 20X3, a valuation allowance of $80 was necessary to adjust the aggregate cost basis of the mortgage servicing right asset to fair market value. At December 31, 20X2, no allowance for impairment in the Corporation's mortgage servicing rights was necessary. The estimated fair value of interest rate contracts designated as hedges against mortgage servicing rights as of December 31, 20X3 and December 31, 20X2 was $79 and $3 respectively.

The following summarizes the activity in mortgage servicing rights measured using the fair value method, for the years ended December 31, 20X3 and 20X2:

> **Note:** The following disclosures must be provided for each class measured under the fair value method according to FASB ASC 860-50-50-3. For each class of servicing assets and servicing liabilities, the activity in the balance of servicing assets and the activity in the balance of servicing liabilities should be disclosed (including a description of where changes in fair value are reported in the statement of income for each period for which results of operations are presented).

	Year ended December 31,		
	20X3	*20X2*	*20X1*
Fair value as of the beginning of the period	$ 185	$ 150	$ 100
Additions:			
Purchases	200	45	30

	Year ended December 31, 20X3	20X2	20X1
Assumption of servicing obligations	150	—	30
Servicing obligations that result of asset transfers	28	—	
Subtractions:			
Disposals	(48)	—	
Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model[1]	(20)	(10)	(10)
Other changes	—	—	
Fair value at the end of the period	$ 495	$ 185	$ 150

[1] Reflects changes in discount rates and prepayment speed assumptions.

The following fees are included in loan servicing fee income:

	Year Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Contractually specified servicing fees	$85	$80	$77
Late fees	12	9	8
Ancillary fees	10	4	2
Total	$107	$93	$87

Note 9: Foreclosed Assets

(in thousands)

Foreclosed assets are presented net of an allowance for losses. An analysis of the allowance for losses on foreclosed assets is as follows:

	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Balance at beginning of year	$75	$ —	$ —
Provision for losses	1,246	75	—
Charge-offs	(171)	—	—
Recoveries	50	—	—
Balance at end of year	$1,200	$75	$ —

Expenses applicable to foreclosed assets include the following:

	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Net loss (gain) on sales of real estate	$ —	$ —	$ —
Provision for losses	1,246	75	—
Operating expenses, net of rental income	107	50	15
	$ 1,353	$125	$15

Note 10: Premises, Equipment, and Lease Commitments

(in thousands)

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31,		
	20X3	*20X2*	*Estimated Useful Life*
	(in thousands)		
Premises:			
Land	$295	$ 295	N/A
Buildings	4,004	2,925	35–40 years
Leasehold improvements	435	540	5–10 years
Equipment	2,828	2,066	3–5 years
	7,562	5,826	
Accumulated depreciation	(2,469)	(2,109)	
	$5,093	$3,717	

Depreciation and amortization expense for the years ended December 31, 20X3, 20X2 and 20X1 amounted to $360, $339, and $294, respectively.

Pursuant to the terms of noncancelable lease agreements in effect at December 31, 20X3, pertaining to banking premises and equipment, future minimum rent commitments under various operating leases are as follows:

Year Ended December 31,	*Amount (in thousands)*
20X4	$550
20X5	545
20X6	520
20X7	480
20X8	425
Thereafter	500
	$3,020

The leases contain options to extend for periods from three to ten years. The cost of such rentals is not included above. Total rent expense for the years ended December 31, 20X3, 20X2, and 20X1 amounted to $274, $285, and $258, respectively.

Note 11: Deposits

(in thousands)

The aggregate amount of time deposits in denominations of $100, or more, at December 31, 20X3 and 20X2 was $25,345 and $22,560, respectively.

The scheduled maturities of time deposits (in thousands) are as follows:

Year Ended December 31,	*Amount (in thousands)*
20X4	$104,433
20X5	42,531
20X6	23,330
20X7	8,000
20X8	2,000
Thereafter	200
	$180,494

Note 12: Short-Term Borrowings

(in thousands)

FHLB Advances

FHLB advances amounting to $8,385 and $37,900 at December 31, 20X3 and 20X2, respectively, mature within one year at a weighted average rate of 4.50 percent and 3.79 percent, respectively.

The Bank also has an available line of credit with the FHLB of Boston at an interest rate that adjusts daily. Borrowings under the line are limited to 2 percent of the Bank's total assets. All borrowings from the FHLB of Boston are secured by a blanket lien on qualified collateral, defined principally as 75 percent of the carrying value of first mortgage loans on owner-occupied residential property and 90 percent of the market value of U.S. government and federal agency securities in an aggregate amount equal to outstanding advances. As of December 31, 20X3, the Corporation had no outstanding advances.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase amounted to $12 million at December 31, 20X3, mature on a daily basis and are secured by U.S. government securities with a fair value of $12.4 million. The weighted average interest rate on these agreements was .88 percent at December 31, 20X3.

Note 13: Long-Term Debt

(in thousands)

Long-term debt at December 31, 20X3 and 20X2 consists of the following FHLB advances:

	Amount		*Weighted Average Rate*	
	20X3	*20X2*	*20X3*	*20X2*
	(in thousands)			
Fixed rate advances maturing:				
20X3	$ —	$3,500	— %	4.3%
20X4	8,400	8,400	4.6	4.6
20X5	14,400	10,600	5.0	5.2
20X6*	6,800	—	5.6	—
Amortizing advance, due February 20X4, requiring monthly principal and interest of $25	2,301	2,535	5.9	5.9
	31,901	25,035	5.1%	4.9%
Variable rate advances maturing:				
20X3	—	2,670	—%	5.2%
20X4	2,400	—	5.8	—
20X5	1,200	—	5.6	—
	3,600	2,670	5.7	5.2
Total FHLB advances	$35,501	$27,705	5.7%	4.9%

* Includes advances callable on June 30, 20X4 aggregating $6,000 with a weighted average rate of 5.2%.

The Bank's fixed-rate, long-term debt of $31,901 at December 31, 20X3, matures through 20X6. At December 31, 20X3 and 20X2, the interest rates on fixed-rate, long-term debt ranged from 4.55 percent to 6.50 percent and from 4.1 percent to 6.5 percent, respectively. At December 31, 20X3 and 20X2, the weighted average interest rate on fixed-rate, long-term debt was 5.69 percent and 6.00 percent, respectively.

The Bank's floating-rate, long-term debt of $3,600 at December 31, 20X3, matures through 20X5. The majority of the floating rates are based on three- and six-month London Interbank Offer Rate (LIBOR). At December 31, 20X3and 20X2, the interest rates on floating-rate, long-term debt ranged from 5.1 percent to 6.1 percent and from 4.9 percent to 5.5 percent, respectively. At December 31, 20X3 and 20X2, the weighted average interest rate on floating-rate, long-term debt was 5.6 percent and 5.2 percent, respectively.

At December 31, 20X3, the Corporation also had $20 million available under a long-term line of credit that expires in 20X7. As of December 31, 20X3 and 20X2, the balance on the line of credit was zero.

The Corporation formed a statutory business trust under the laws of the state of Delaware, which exists for the exclusive purposes of (i) issuing Trust Securities representing undivided beneficial interests in the assets of the Trust; (ii) investing the gross proceeds of the Trust securities in junior subordinated deferrable interest debentures (subordinated debentures); and (iii) engaging in only those activities necessary or incidental thereto.

In 20X2, the Corporation adopted new accounting guidance related to the consolidation of VIEs (FASB ASC 810-10). The adoption of this accounting guidance resulted in the assets and liabilities, as well as the related income and expenses of the Trust, being excluded from the Corporation's Consolidated Financial Statements. However, the subordinated debentures issued by the Corporation and purchased by the Trust remain on the Consolidated Balance Sheet. In addition, the related interest expense continues to be included in the Consolidated Income Statement.

For regulatory capital purposes, these Trust Securities qualify as a component of Tier 1 Capital.

The debentures mature in 20Y5 and may not be redeemed, except under limited circumstances, until February 1, 20Y0 at par.

Note 14: Income Taxes

(in thousands)

Allocation of federal, state, and local income taxes between current and deferred portions is as follows:

	Years Ended December 31,		
	20X3	*20X2*	*20X1*
		(in thousands)	
Current tax provision:			
Federal	$ 1,339	$ 1,856	$ 3,268
State and local	757	976	1,105
	$ 2,096	$ 2,832	$ 4,373
Deferred tax benefit:			
Federal	$(269)	$(294)	$(279)
State and local	(80)	—	—
	(349)	(294)	(279)
Total provision for income taxes	$1,747	$2,538	$4,094

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	Years Ended December 31,		
	20X3	*20X2*	*20X1*
Statutory federal tax rate	34.0%	34.0%	34.0%
Increase (decrease) resulting from:			
State taxes, net of federal tax benefit	6.5	11.7	11.2
Dividends received deduction	(3.8)	(3.5)	(1.8)
Other, net	(3.1)	(2.8)	(0.7)

	Years Ended December 31, 20X3	20X2	20X1
Effective tax rate	33.6%	39.4%	42.7%

The components of the net deferred tax asset, included in other assets, are as follows:

	December 31, 20X3	20X2
	(in thousands)	
Deferred tax assets:		
Net unrealized loss on securities available-for-sale	$ —	$1,166
Other-than-temporary impairment losses on debt securities	20	
Deferred loan fees	144	182
Allowance for loan losses	1,203	921
Employee benefit plans	418	380
Net unrealized loss on derivatives used for cash flow hedges	197	56
Other	427	451
	$2,409	$3,156
Deferred tax liabilities:		
Net unrealized gain on securities available-for-sale	(1,059)	—
Depreciation	(271)	(342)
	$(1,330)	$(342)
Net deferred tax asset	$1,079	$2,814

Realization of deferred tax assets associated with the net operating loss carryforwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance to reflect management's estimate of the temporary deductible differences that may expire prior to their utilization has been recorded at year end 20X3.

The Corporation or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Corporation is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 20X0. The IRS commenced an examination of the Corporation's U.S. income tax returns for 20X1 through 20X3 in the first quarter of 20X3 that is anticipated to be completed by the end of 20X4. As of December 31, 20X3, the IRS has proposed certain significant adjustments to the Corporation's tax positions. Management is currently evaluating those proposed adjustments to determine if it agrees, but if accepted, the Corporation does not anticipate the adjustments would result in a material change to its financial position. However, the Corporation anticipates that it is reasonably possible that an additional payment in the range of $100 to $500 may be required by the end of 20X4. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	20X3	December 31, 20X2	20X1
		(in thousands)	
Balance as of January 1	$ 1,000	$ 300	$ 400
Additions based on tax positions related to the current year	400	200	40

	December 31,		
	20X3	20X2	20X1
	(in thousands)		
Additions for tax positions of prior years	150	50	100
Reductions for tax positions of prior years	(50)	(50)	(140)
Settlements	(100)	(30)	(60)
Balance as of December 31	$ 1,400	$ 470	$ 340

At December 31, 20X3, 20X2, and 20X1, there are $60, $50, and $40 of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

The Corporation recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 20X3, 20X2, and 20X1, the Corporation recognized approximately $10, $11, and $12 in interest and penalties. The Corporation had approximately $60 and $50 for the payment of interest and penalties accrued at December 31, 20X3, and 20X2, respectively.

Note 15: Off-Balance Sheet Activities

(in thousands)

Credit-related financial instruments. The Corporation is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Corporation's exposure to credit loss is represented by the contractual amount of these commitments. The Corporation follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

At December 31, 20X3 and 20X2, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	20X3	20X2
	(in thousands)	
Commitments to grant loans	$3,281	$5,265
Unfunded commitments under lines of credit	3,907	7,205
Standby letters of credit	3,000	2,500

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Corporation, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Corporation is committed.

Standby letters-of-credit are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Corporation generally holds collateral supporting those commitments, and at December 31, 20X3 and 20X2 such collateral amounted to $2,500 and $1,800, respectively.

Guarantees that are not derivative contracts have been recorded on the Corporation's consolidated balance sheet at their fair value at inception. The Corporation considers standby letters of credit to be guarantees, and the amount of the recorded liability related to such guarantees at December 31, 20X3 was $35.

Note 16: Derivatives and Hedging Activities

(in thousands)

The Corporation is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. Interest rate swaps are entered into to manage interest rate risk associated with the Corporation's fixed- and variable-rate borrowing. The derivatives and hedging accounting guidance (FASB ASC 815-10) requires that the Corporation recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. In accordance with this guidance, the Corporation designates interest rate swaps on fixed-rate loans, asset-backed securities, deposits, and long-term debt as fair value hedges. Interest rate swaps on variable-rate borrowing are designated as cash flow hedges.

Derivative instruments are generally either negotiated over-the-counter (OTC) contracts or standardized contracts executed on a recognized exchange. Negotiated OTC derivative contracts are generally entered into between two counterparties that negotiate specific agreement terms, including the underlying instrument, amount, exercise prices and maturity.

The Corporation is exposed to credit-related losses in the event of nonperformance by the counterparties to these agreements. The Corporation controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect any counterparties to fail their obligations. The Corporation deals only with primary dealers.

As permitted under the derivatives and hedging accounting guidance (FASB ASC 815-10-45), the Corporation has elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists. The company has made an accounting policy decision to offset fair value amounts pursuant to this guidance (FASB ASC 815-10-45-5), which has been applied consistently. The Corporation has not offset fair value amounts recognized for derivative instruments without offsetting fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral.

If certain hedging criteria specified in derivatives and hedging accounting guidance are met, including testing for hedge effectiveness, hedge accounting may be applied. The hedge effectiveness assessment methodologies for similar hedges are performed in a similar manner and are used consistently throughout the hedging relationships.

Fair Value Hedges

For hedges of fixed-rate loans, asset-backed securities, deposits, and long-term debt, the hedge documentation specifies the terms of the hedged items and the interest rate swaps. The documentation also indicates that the derivative is hedging a fixed-rate item, that the hedge exposure is to the changes in the fair value of the hedged item, and that the strategy is to eliminate fair value variability by converting fixed-rate interest payments to LIBOR.

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. The Corporation includes the gain or loss on the hedged items in the same line item—interest expense—as the offsetting loss or gain on the related interest rate swaps.

The fixed rate loans hedged generally have an original maturity of 9 to 12 years and are not callable. These loans are hedged with "pay fixed rate, receive variable rate" swaps with similar notional amounts, maturities, and fixed rate coupons. The swaps are not callable. At December 31, 20X3, $1 of loans were hedged with interest rate swaps, which had notional values of $1.

The asset-backed securities hedged generally have a weighted average life of 10 years or less and are callable six months prior to maturity. These securities are hedged with "pay fixed rate, receive variable rate" swaps of like maturity, repricing and fixed rate coupon. The swaps are callable six months prior to maturity. At December 31, 20X3, $.2 of securities were hedged with interest rate swaps that had notional values of $.2.

The fixed rate deposits hedged generally have original maturities of 3 to 12 years, and are not callable. These deposits are hedged with "receive fixed rate, pay variable rate" swaps of similar maturity, repricing and fixed rate coupon. At December 31, 20X3, $.2 of deposits were hedged with interest rate swaps that had notional values of $.2.

The fixed rate long-term debt hedged generally has an original maturity of 5 to 30 years. We issue both callable and noncallable debt. The noncallable debt is hedged with simple interest rate swaps similar to those described for deposits. Callable debt is hedged with callable swaps where the call dates of the swaps exactly match the call dates of the debt. At December 31, 20X3, $.1 of debt was hedged with interest rate swaps that had notional values of $.1.

Cash Flow Hedges

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

For hedges of variable-rate loans, the hedge documentation specifies the terms of the hedged items and the interest rate swaps and indicates that the derivative is hedging a variable-rate item and is a cash flow hedge, that the hedge exposure is to the changes in interest payments due to changes in interest rates, and that the strategy is to limit the variability of a portion of the interest payments by converting variable interest rate interest payments to fixed interest rate payments during the contract period.

Derivative Loan Commitments

Mortgage loan commitments are referred to as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Corporation enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Corporation to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock.

The Corporation made an election allowed by the servicing assets and liabilities accounting guidance in FASB ASC (FASB ASC 860) and accounts for mortgage servicing rights at fair market value with any changes to fair value being recorded within mortgage income. Concurrent with the election to use the fair value measurement method, the Corporation uses various derivative instruments, primarily in the form of forward loan sale commitments.

Outstanding derivative loan commitments expose the Corporation to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases. The notional amount of undesignated mortgage loan commitments was $6.5 million and $5 million at December 31, 20X3 and 20X2, respectively. The fair value of such commitments was a liability of $115 and $112, respectively.

Forward Loan Sale Commitments

To protect against the price risk inherent in derivative loan commitments, the Corporation utilizes both "mandatory delivery" and "best efforts" forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

With a "mandatory delivery" contract, the Corporation commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. If the Corporation fails to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a "pair-off" fee, based on then-current market prices, to the investor to compensate the investor for the shortfall.

With a "best efforts" contract, the Corporation commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded (for example, on the same day the lender commits to lend funds to a potential borrower).

The Corporation expects that these forward loan sale commitments will experience changes in fair value opposite to the change in fair value of derivative loan commitments. The notional amount of undesignated forward loan sale commitments was $4 million and $3 million at December 31, 20X3 and 20X2, respectively. The fair value of such commitments was an asset of $71 and $67, respectively.

Note: The following example illustrates the disclosure, in tabular format, of fair value amounts of derivative instruments and gains and losses on derivative instruments as required by paragraphs 4A–4D of FASB ASC 815-10-50. FASB ASC 815-10-65-1 encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, this guidance requires comparative disclosures only for periods subsequent to initial adoption. For example, a December 31, 2009, calendar-year entity would present annual comparative disclosures for 2009 beginning in the December 31, 2010, statement of financial position. If the entity presents three-year comparative statements of financial performance, its financial report for year-end 2010 would require comparative income statement disclosures for 2009 but not for 2008. For simplicity, this note only reflects the fair value of derivative instruments as of the most recent statement of financial position.

Effect of Derivative Instruments on the Balance Sheet

	Fair Value of Derivative Intruments					
	Asset Derivatives***			Liability Derivatives***		
December 31, 20X3 (in thousands)	*Balance Sheet Location*	*Notional Amounts*	*Fair Value*	*Balance Sheet Location*	*Notional Amounts*	*Fair Value*
Derivatives designated as hedging instruments under the derivatives and hedging accounting guidance						
Interest rate contracts	Other assets	$1,000	$1,800	Other liabilities	$5,000	$5,500
Total derivatives designated at hedging instruments			$1,800			$5,500
Derivatives not designated as hedging instruments under derivatives and hedging accounting guidance *						
Interest rate contracts	Other assets	$3,000	$3,200	Other liabilities	$2,000	$2,800
Interest rate futures and forward commitments	Other assets	4,000	7,000	Other liabilities	3,000	6,000
Total derivatives not designated at hedging instruments			10,200			8,800
Total derivatives fair value**			12,000			14,300
Effective of master netting agreements			(1,000)			(2,000)
Fair value after effect of master netting agreement			$11,000			$12,300

* See note 16 for additional information on the Corporation's purpose for entering into derivative instruments not designated as hedging instruments and its overall risk management strategies.

** Fair values are on a gross basis, before consideration of master netting agreements, as required FASB ASC 815-10.

*** Derivative financial instruments are reported net of cash collateral received and paid of $1,000 and $3,000, respectively at December 31, 20X3 and $4,000 and $5,000, respectively at December 31, 20X2.

Effect of Derivative Instruments on the Statement of Financial Performance

For the Years Ended December 31, 20X3 and 20X2

(in thousands)

Fair value hedges

Derivatives Under Derivatives and Hedging Accounting Guidance	*Location of Gain or (Loss) Recognized in Income on Derivative*	*Amount of Gain or (Loss) Recognized in Income on Derivative*	
		20X3	*20X2*
		(in thousands)	
Interest rate contracts	Interest income	$150	$175
Total		$150	$175

Derivative Not Designated as Hedging Instrument Under the Derivatives and Hedging Accounting Guidance	*Location of Gain or (Loss) Recognized in Income on Derivative*	*Amount of Gain or (Loss) Recognized in Income on Derivative*	
		20X3	*20X2*
		(in thousands)	
Interest rate contracts	Noninterest income	$ 300	$ 250
Interest rate futures and forward commitments		500	1,000
Total		$ 800	$ 1,250

Cash flow hedges

Derivatives Under the Derivatives and Hedging Accounting Guidance	*Amount of Gain or (Loss) Recognized in Other Comprehensive Income (OCI) on Derivative (Effective Portion)*		*Location of Gain or (Loss) Reclassified From Accumulated OCI Into Income (Effective Portion)*	*Amount of Gain or (Loss) Reclassified From Accumulated OCI Into Income (Effective Portion)*		*Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded From Effectiveness Testing)*	*Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded From Effectiveness Testing*[**]	
	20X3	*20X2*		*20X3*	*20X2*		*20X3*	*20X2*
				(in thousands)				
Interest rate contracts	$70	$120	Interest income	$15	$80	Other income	$50	$10
Total	$70	$120		$15	$80		$50	$10

[**] The amount of gain or (loss) recognized in income represents $20 related to the ineffective portion of the hedging relationships and $55 related to the amount excluded from the assessment of hedge effectiveness.

Ineffectiveness related to derivatives and hedging relationships was recorded in income as follows:

Ineffectiveness	*December 31,* *20X3*	*20X2*
	(in thousands)	
Fair value hedge of loans	$ 200	$ 300
Fair value hedge of securities	100	150
Fair value hedge of deposits and long-term debt	50	75
Cash flow hedges	(20)	(40)
Total	$ 330	$ 485

Trading Activities

Certain derivative instruments do not meet hedging requirements under the derivatives and hedging accounting guidance. These undesignated derivative instruments are recognized on the consolidated balance sheet at fair value, with changes in fair value recorded in other noninterest income.

> **Note:** This example illustrates one approach for presenting the quantitative information required under FASB ASC 815-10-50-4F when an entity elects the alternative disclosure for gains and losses on derivative instruments included in its trading activities.

Type of Instrument	*Trading Revenue*	
	20X3	*20X2*
	(in thousands)	
Fixed income/interest rate	$ 1,500	$ 450
Total	$ 1,500	$ 450

Line Item Statement of Financial Performance	*Trading Revenue*	
	20X3	*20X2*
	(in thousands)	
Principal transactions	$ 1,000	$ 200
Noninterest income	500	250
Total	$ 1,500	$ 450

Collateral Requirements

To reduce credit risk related to the use of derivative instruments, the Corporation might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Corporation's credit evaluation of the customer. [*Describe collateral, if applicable.*] (Sample: Collateral held varies but may include cash, securities, accounts receivable, inventory, property, plant and equipment and real-estate.) If the counterparty does not have the right and ability to redeem the collateral or the Corporation is permitted to sell or re-pledge the collateral on short notice, the Corporation records the collateral in its balance sheet at fair value with a corresponding obligation to return it.

Note 17: Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Corporation's consolidated financial statements.

Note 18: Minimum Regulatory Capital Requirements

The Corporation (on a consolidated basis) and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the

Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 20X3 and 20X2, that the Corporation and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 20X3, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Corporation's and the Bank's actual capital amounts and ratios as of December 31, 20X3 and 20X2, are also presented in the table.

	Actual		*Minimum Capital Requirement*		*Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions*	
	Amount	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
			(in thousands)			
December 31, 20X3:						
Total Capital to Risk Weighted Assets:						
Consolidated	$74,585	20.2%	$29,436	8.0%	N/A	N/A
ABC Bank	68,139	19.2	28,391	8.0	$35,489	10.0%
Tier 1 Capital to Risk Weighted Assets:						
Consolidated	72,566	19.7	14,718	4.0	N/A	N/A
ABC Bank	65,674	18.5	14,200	4.0	21,300	6.0
Tier 1 Capital to Average Assets:						
Consolidated	72,566	13.2	21,990	4.0	N/A	N/A
ABC Bank	65,674	12.2	21,532	4.0	26,916	5.0
December 31, 20X2:						
Total Capital to Risk Weighted Assets:						
Consolidated	$74,814	19.5%	$30,557	8.0%	N/A	N/A
ABC Bank	69,845	18.3	30,533	8.0	$38,167	10.0%
Tier 1 Capital to Risk Weighted Assets:						
Consolidated	73,091	19.1	15,307	4.0	N/A	N/A
ABC Bank	67,683	17.8	15,210	4.0	22,814	6.0
Tier 1 Capital to Average Assets:						
Consolidated	73,091	14.2	20,589	4.0	N/A	N/A
ABC Bank	67,683	13.4	20,204	4.0	25,255	5.0

Note: If the consolidated assets of the Corporation were less than $500 million at the beginning of the year, then consolidated ratios are not required to be disclosed. The previous disclosures are for well capitalized institutions. The disclosure requirements are different for institutions that are classified as "Adequately capitalized."

Note 19: Restrictions on Dividends, Loans and Advances

(in thousands)

Federal and state banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Corporation. The total amount of dividends which may be paid at any date is generally limited to the retained earnings of the Bank, and loans or advances are limited to 10 percent of the Bank's capital stock and surplus on a secured basis.

At December 31, 20X3, the Bank's retained earnings available for the payment of dividends was $10,837. Accordingly, $59,449 of the Corporation's equity in the net assets of the Bank was restricted at December 31, 20X3. Funds available for loans or advances by the Bank to the Corporation amounted to $5,296.

In addition, dividends paid by the Bank to the Corporation would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

Note 20: Pension Plan

(in thousands)

In 20X1, the Corporation adopted a change in accounting for defined benefit pension and other postretirement plans (FASB ASC 715-20). This guidance requires that defined benefit plan assets and obligations are to be measured as of the date of the employer's fiscal year-end. As a result of this adoption, the Corporation was required to change the measurement date for the pension plan assets and benefit obligations from October 31 to December 31 beginning in 20X2. To reflect this change, the Corporation recorded a $50 million (after tax) adjustment to the 20X2 beginning balance of retained earnings.

The Corporation provides pension benefits for eligible employees through a defined benefit pension plan. Substantially all employees participate in the retirement plan on a noncontributing basis, and are fully vested after three years of service. Information pertaining to the activity in the plan, using a measurement date of December 31, is as follows:

	Years Ended December 31,		
	20X3	*20X2*	*20X1*
		(in thousands)	
Change in benefit obligation:[12]			
Benefit obligation at beginning of year	$2,143	$1,940	$1,796
Service cost	202	114	96
Interest cost	170	165	138
Actuarial loss	25	—	—
Benefits paid	(125)	(76)	(90)
Benefit obligation at end of year	2,415	2,143	1,940
Change in plan assets:			
Fair value of plan assets at beginning of year	2,200	2,006	1,861
Actual return on plan assets	41	150	150
Employer contribution	75	120	85
Benefits paid	(125)	(76)	(90)
Fair value of plan assets at end of year	2,191	2,200	2,006

[12] Reduced disclosure requirements for nonissuers can be found in FASB ASC 715-10-50-5.

	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Funded status	(224)	57	66
Unrecognized net actuarial loss	187	80	90

The following table provides information for benefit obligations in excess of plan assets:

	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Projected benefit obligation	$2,509	$2,490	$2,409
Fair value of plan assets	2,191	2,200	2,006
Accumulated benefit obligation	2,235	2,956	2,385

Note: Nonpublic entities are not required to provide information in the preceding tables; they are required to disclose the employer's contributions, participants' contributions, benefit payments, and the funded status.

Amount recognized in the statement of financial position consist of the following:

	Years Ended December 31, 20X3	20X2
	(in thousands)	
Noncurrent assets	$ 50	$ 34
Current liabilities	(40)	(20)
Noncurrent liabilities	(75)	(47)
Total	$ (65)	$ (33)

Amounts recognized in accumulated other comprehensive income consists of the following as December 31:

	20X3	20X2
	(in thousands)	
Net loss	$ 10	$ 12
Prior service costs (benefit)	$ (4)	$ 5
Total	$ 6	$ 17

The following are the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year ending 20X4 (*in thousands*):

Gain/loss	$ 2,121
Prior service costs (benefit)	$ 302
Transition asset/obligation	$ 126

The following table provides the components of net periodic benefit cost and other amounts recognized in other comprehensive income.

	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Service cost	$ 35	$ 62	$ 55
Interest cost	23	23	23
Expected return on plan assets	(34)	(10)	(34)
Amortization of prior service cost	(4)	(3)	(4)

	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Amortization of net actuarial (gain) loss	1	4	2
Net periodic benefit cost	$21	$76	$42
Net loss (gain)	$31	$12	$ —
Prior service costs (credit)	4	4	—
Amortization of prior service cost	2	1	—
Total recognized in other comprehensive income	$37	$17	$ —
Total recognized in net periodic benefit cost and other comprehensive income	$58	$93	

The estimated net loss and prior service costs for defined benefit pension plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $40 and $50.

The assumptions used to determine the benefit obligation are as follows:

	December 31, 20X3	20X2
Discount rate	5.75%	6.25%
Rate of compensation increase	4.00%	6.00%

The assumptions used to determine net periodic pension cost are as follows:

	Years Ended December 31, 20X3	20X2	20X1
Discount rate	6.50%	7.00%	7.75%
Expected long-term rate of return on plan assets	6.50%	7.00%	7.75%
Annual salary increase	6.00%	6.00%	6.00%

[*Include a description of the basis used to determine the overall expected long-term rate of return on assets assumption.*]

The company's overall investment strategy is to achieve a mix of approximately 70 percent of investments for long-term growth and 30 percent for near-term benefit payments with a wide diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are 60 percent equity securities, 20 percent corporate bonds and U.S. Treasury securities, and 20 percent to all other types of investments. Equity securities primarily include investments in large-cap and mid-cap companies primarily located in the United States. Fixed income securities include corporate bonds of companies from diversified industries, mortgage-backed securities, and U.S. Treasuries. Other types of investments include investments in hedge funds and private equity funds that follow several different strategies.

The fair value of the Corporation's pension plan assets at December 31, 20X3, by asset category are as follows:

Note: The two methods for disclosing the fair value of major categories of plan assets presented below are not intended to be treated as a template. While they both provide examples of disclosures that comply with the requirements of the "Pending Content" in FASB ASC 715-20-50-5(d)(ii), the major categories disclosed should be tailored to the nature and risks of assets in an employer's plan(s). Additionally, an employer should consider the overall objectives in the "Pending Content" in FASB ASC 715-20-50-5(d)(1), 715-20-50-5(d)(2), and 715-20-50-5(d)(5). For purposes of this illustration, the disclosures required by paragraphs 5(d)(ii) and 5(d)(iv) of FASB ASC 715-20-50 are provided for only the fiscal year ending December 31, 20X3. However, those paragraphs indicate that the disclosures are required to be presented as of each date for which a statement of financial position is presented. See the related transition guidance which is located in FASB ASC 715-20-65-2.

Method 1

		Fair Value Measurements at December 31, 20X3		
Asset Category	*Total*	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
		(in thousands)		
Cash	$150	$150	—	—
Equity securities				
U.S large-cap	250	250	—	—
U.S. mid-cap	300	300	—	—
Emerging markets growth	125	125	—	—
International mid-cap	100	100	—	—
Fixed income securities				
U.S. Treasuries	110	110	—	—
Corporate bonds	50	—	$ 50	
Mortgage-backed securities	40	—	40	—
Other types of investments				
Equity long/short hedge funds	70	—	—	$70
Global opportunity hedge funds	45	—	—	45
Real estate	40	—	—	40
Total	$1,280	$1,035	$90	$155

Method 2

Asset Category	*Total*	*Fair Value Measurements at December 31, 20X3* — *Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
		(in thousands)		
Cash	$150	$150	—	—
Equity securities				
U.S. companies	250	250	—	—
International companies	140	140	—	—
Mutual funds	180	100	80	—
U.S. Treasury securities	70	70	—	—
AAA Corporate bonds	20	—	20	—
Mortgage-backed securities	45	—	45	—
Global hedge funds	50	—	—	50
Private equity hedge funds	30	—	—	30
Real estate	100	—	—	100
Total	$1,035	$710	$145	$180

Note: An entity shall disclose the following information regardless of its method for disclosing major categories of plan assets.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) — *Global Hedge Funds*	*Private Equity Hedge Funds*	*Private Equity Hedge Funds*	*Total*
		(in thousands)		
Beginning balance at December 31, 20X2	$35	$15	$55	$105
Actual return on plan assets:				
Relating to assets still held at the reporting date	(10)	5	(5)	(10)
Relating to assets sold during the period	—	—	25	25
Purchases, sales, and settlements	25	10	25	60
Transfers in and/or out of Level 3	—	—	—	—
Ending balance at December 31, 20X3	$50	$30	$100	$180

Note: Entity-specific narrative description of investment policies and strategies for plan assets, including weighted-average target asset allocations [if used as part of those policies and strategies] as described in FASB ASC 715-20-50-1(d)(ii) would be included here. In accordance with FASB ASC 715-20-50-5(d)(5), significant concentrations of risk should be disclosed within plan assets. See the Financial Statements and Notes Checklist section for the specific required disclosures.

The Corporation expects to contribute $120 to its pension plan in 20X4.

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows:

Year Ending December 31,	*Amount (in thousands)*
20X4	$ 200
20X5	208
20X6	215
20X7	225
20X8	235
Years 20X9–2014	$ 5,312

401(k) Plan

The Corporation has a 401(k) Plan whereby substantially all employees participate in the Plan. Employees may contribute up to 15 percent of their compensation subject to certain limits based on federal tax laws. The Corporation makes matching contributions equal to 25 percent of the first 6 percent of an employee's compensation contributed to the Plan. Matching contributions vest to the employee equally over a five-year period. For the years ended December 31, 20X3, 20X2, and 20X1, expense attributable to the Plan amounted to $50, $45, and $20, respectively.

Note 21: Stock Option Plans

(in thousands, except for individual option values)

Under the Corporation's Employee Stock Option Plan, the Corporation may grant options to its directors, officers and employees for up to 368 shares of common stock. Both incentive stock options and nonqualified stock options may be granted under the Plan. The exercise price of each option equals the market price of the Corporation's stock on the date of grant and an option's maximum term is ten years. Vesting periods range from immediate to five years from the date of grant.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	20X3	*20X2*	*20X1*
Dividend yield	1.5%	1.5%	1.5%
Expected life	6 years	5 years	5 years
Expected volatility	24%	29%	28%
Risk-free interest rate	6.5%	6.5%	7.5%

The expected volatility is based on historical volatility. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on the Corporation's history and expectation of dividend payouts.

A summary of the status (shares in thousands) of the Corporation's stock option plan is presented below:

	Years Ended December 31,						
	20X3			20X2		20X1	
	Shares	*Weighted Average Exercise Price*	*Average Intrinsic Value*[1]	*Shares*	*Weighted Average Exercise Price*	*Shares*	*Weighted Average Exercise Price*
Outstanding at beginning of year	286	$11.17		244	$10.50	244	$10.50
Granted	—	—		76	13.00	—	—
Exercised	(10)	10.50		(27)	10.50	—	—
Forfeited	(19)	14.00		(7)	10.50	—	—
Outstanding at end of year	257	$11.30	$1,236	286	$11.17	244	$10.50
Options exercisable at year-end	181	$10.50		242	$10.50	206	$10.50
Weighted-average fair value of options granted during the year	$ —		$1,720	$4.19		$ —	

[1] This table refers to assets. The aggregate intrinsic value of a stock option in the table above represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that would have been received by the option holders had all option holders exercised their options on December 31, 20X3. This amount changes based on changes in the market value of the Corporation's stock. The fair value (present value of the estimated future benefit to the option holder) of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

Information pertaining to options outstanding (in thousands) at December 31, 20X3 is as follows:

	Options Outstanding			*Options Exercisable*	
Range of Exercise Prices	*Number Outstanding*	*Weighted Average Remaining Contractual Life*	*Weighted Average Exercise Price*	*Number Exercisable*	*Weighted Average Exercise Price*
$10.00–$12.00	221	3.6 years	$10.50	181	$10.50
$12.25–$14.25	36	5.0 years	14.00	—	—
Outstanding at end of year	257	3.8 years	$11.30	181	$10.50

	Number of Shares	*Weighted Average Grant Date Fair Value*
Nonvested options, December 31, 20X2	144	$13.25
Granted	—	—
Vested	(50)	$10.88
Forfeited/expired	(18)	$10.63
Nonvested options, December 31, 20X3	76	$13.23

The weighted-average grant-date fair value of options granted during the years ended December 31, 20X3, 20X2, and 20X1 was $4.19, $3.97, and $4.30. The total intrinsic value of options exercised during the years ended December 31, 20X3, 20X2, and 20X1 was $45, $70, and $36.

For the years ended December 31, 20X3, 20X2, and 20X1, share-based compensation expense applicable to the Plan was $150, $150, and $100, respectively, and the recognized tax benefit related to this expense was $30, $25, and $20.

As of December 31, 20X3, unrecognized share-based compensation expense related to nonvested options amounted to $1. This amount is expected to be recognized over a weighted average period of 3.0 years.

Note 22: Earnings Per Common Share

(in thousands)

Earnings per common share has been computed based on the following:

	Years Ended December 31,		
	20X3	*20X2*	*20X1*
		(*in thousands*)	
Income before attribution of noncontrolling interest	$2,647	$3,902	$5,796
Noncontrolling interest	(1)	(5)	(5)
Net income from continuing operations (for EPS purposes)	$2,646	$3,897	$5,791
Income from discontinued operations, net of taxes			(295)
Sample Bancorp, Inc's net income	$2,646	$3,897	$5,496
Less: Preferred stock dividends	—	—	—
Income available to common stockholders for basic EPS	$2,646	$3,897	$5,496
Average number of common shares issued	3,500	3,400	3,700
Less: Average treasury shares	(1,200)	(900)	(500)
Less: Average nonvested equity incentive plan shares	100	50	—
Average number of common shares outstanding	2,200	2,450	3,200

	Years Ended December 31, 20X3	20X2	20X1
	(in thousands)		
Effect of dilutive options	120	180	30
Average number of common shares outstanding used to calculate diluted earnings per common share	2,320	2,630	3,230

Stock options for 25, 15, and 10 shares of common stock were not considered in computing diluted earnings per common share for 2005, 2004 and 2003, respectively, because they were antidilutive.

Note 23: Comprehensive Income[13]

(in thousands)

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale and unrealized gains and losses on cash flow hedges which are also recognized as separate components of equity.

The components of other comprehensive income and related tax effects are as follows:

	Years Ended December 31, 20X3	20X2	20X1
	(in thousands)		
Unrealized holding gains on available-for-sale Securities	$4,435	$114	$3,357
Reclassification adjustment for losses (gains) realized in income	1,010	614	(892)
Net unrealized gains	5,445	728	2,465
Tax effect	(2,225)	(291)	(986)
Net-of-tax amount	3,220	437	1,479
Noncredit portion of other-than-temporary impairment losses on debt securities held to maturity	(17)	—	—
Accretion on noncredit portion of impairment losses on debt securities	3	—	—
Tax effect	2	—	—
Net-of-tax amount	(12)		
Change in fair value of derivatives used for cash flow hedges	(341)	(140)	—
Tax effect	141	56	—
Net-of-tax amount	(200)	(84)	—
Net actuarial gain (loss)	31	12	
Amortization of net actuarial (gain) loss and prior service cost included in net income	6	5	
Net gains (losses) arising during the year	37	17	
Tax effect	(3)	(9)	

[13] See footnote 6.

	Years Ended December 31, 20X3	20X2	20X1
	(in thousands)		
Net-of-tax amount	34	8	
Change in subsidiary shares for noncontrolling interest	(2)	5	
Tax effect	1	(1)	
Net-of-tax amount	(1)	4	
Total	$3,041	$366	$1,479

The components of accumulated other comprehensive income (loss), included in stockholders' equity, are as follows:[14]

	December 31, 20X3	20X2
	(in thousands)	
Net unrealized gain (loss) on securities available for sale	$2,716	$(2,729)
Tax effect	(1,059)	1,166
Net-of-tax amount	1,657	(1,563)
Net unrealized gain (loss) on derivatives used for cash flow hedges	(481)	(140)
Tax effect	197	56
Net-of-tax amount	(284)	(84)
Unrealized loss on pension benefits	54	17
Tax effect	(12)	(9)
Net-of-tax amount	42	8
Noncredit portion of other-than-temporary impairment losses on debt securities held to maturity	(14)	
Tax effect	2	
Net-of-tax amount	(12)	
Change in subsidiary shares for noncontrolling interest	5	6
Adoption of a change in accounting for other-than-temporary impairment losses on debt securities	(60)	
Total other comprehensive income	$1,348	$(1,633)

[14] Alternatively, the balances of each classification within accumulated other comprehensive income can be displayed in a statement of changes in equity or in a statement of financial position, as stated in FASB ASC 220-10-55-16.

Note 24: Related Party Transactions

(in thousands)

In the ordinary course of business, the Bank has granted loans to principal officers and directors and their affiliates.

Annual activity consisted of the following:

	20X3	*20X2*
Beginning balance	$3,462	$3,352
New loans	184	200
Repayments	(87)	(90)
Ending balance	$3,559	$3,462

Deposits from related parties held by the Bank at December 31, 20X3 and 20X2 amounted to $14 and $12, respectively.

Note 25: Fair Value of Assets and Liabilities[15]

(in thousands)

Determination of Fair Value

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with this guidance, the Corporation groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1—Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities gener-

[15] FASB has issued a proposed Accounting Standards Update (ASU) for the "Fair Value Measurements and Disclosures" topic in FASB ASC (FASB ASC 820), *Improving Disclosures about Fair Value Measurements*. The proposed ASU would improve the Fair Value Measurements and Disclosures Topic and would affect all entities that are required to make disclosures about recurring and nonrecurring fair value measurements. The comment letter deadline on the proposed ASU was October 12, 2009. Amendments to fair value disclosures as a result of the final ASU have not been incorporate in to these illustrative financial statements. Readers are encouraged to visit the FASB Web site for recent development regarding this topic.

ally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2—Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3—Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Corporation in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents and Interest-Bearing Deposits in Banks

The carrying amounts of cash and short-term instruments approximate fair values based on the short-term nature of the assets.

Fair values of other interest-bearing deposits are estimated using discounted cash flow analyses based on current rates for similar types of deposits.

Trading Assets

Fair values for trading assets are based on quoted market prices in an active exchange market. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Securities

Where quoted prices are available in an active market, we classify the securities within level 1 of the valuation hierarchy. Securities are defined as both long and short positions. Level 1 securities include highly liquid government bonds and exchange-traded equities.

If quoted market prices are not available, we estimate fair values using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, and credit spreads. Examples of such instruments, which would generally be classified within level 2 of the valuation hierarchy, include GSE obligations, corporate bonds, and other securities. Mortgage-backed securities are included in level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, we classify those securities in level 3.

Loans Receivable

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (for example, one-to-four family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for other loans for example, commercial real estate and investment property mortgage loans, commercial and industrial loans) are estimated using discounted cash flow analyses, using market interest rates for comparable loans. Fair values for nonperforming loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Mortgage Servicing Rights

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income.

Deposit Liabilities

The fair values disclosed for demand deposits (for example, interest and noninterest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates on comparable instruments to a schedule of aggregated expected monthly maturities on time deposits.

Short-Term Borrowings

The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within ninety days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on current market rates for similar types of borrowing arrangements.

Long-Term Borrowings

Current market rates for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair value of long-term debt is based on quoted market prices or dealer quotes for the identical liability when traded as an asset in an active market. If a quoted market price is not available, an expected present value technique is used to estimate fair value.

Accrued Interest

The carrying amounts of accrued interest approximate fair value.

Interest Rate Swap Agreements

Fair values for interest rate swap agreements are based upon the amounts required to settle the contracts.

Forward Loan Sale Commitments and Derivative Loan Commitments

Fair values for derivative loan commitments and forward loan sale commitments are based on fair values of the underlying mortgage loans and the probability of such commitments being exercised. Significant management judgment and estimation is required in determining these fair value measurements.

Off-Balance Sheet Credit-Related Instruments

Fair values for off-balance-sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

> **Note:** For assets and liabilities measured at fair value on a recurring basis during the period, FASB ASC 820-10 requires quantitative disclosures about the fair value measurements separately for each major category of assets and liabilities (see paragraph 2(a)–(b) of FASB ASC 820-10-50). For equity and debt securities major category should be defined as major security type as described in FASB ASC 942-320-50-2 even if the equity securities or debt securities are not within the scope of FASB ASC 942-320. For simplicity, this note only

reflects assets and liabilities measured at fair value as of the most recent statement of financial position.

	Fair Value Measurements at December 31, 20X3 Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Netting*	*Total*
Assets			*(in thousands)*		
Trading assets	$7,059	$1,000	—	—	$8,059
Derivatives	3,500	5,500	3,000	(1,000)	11,000
Securities available for sale					
Debt securities	10,000	15,000	13,685	—	38,685
Marketable equity securities	706	—	—	—	706
Total securities available for sale	10,706	15,000	13,685	—	39,391
Loans held for sale	—	150	—	—	150
Mortgage servicing rights	—	—	1,000	—	1,000
Total assets at fair value	$21,265	$21,650	$17,685	$(1,000)	$59,600

	Fair Value Measurements at December 31, 20X3 Using			
	Quoted Prices in Active Markets for Identical Liabilities (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Fair Value*
Liabilities		*(in thousands)*		
Derivatives	$1,300	$1,000	$10,000	$12,300
Total liabilities at fair value	$1,300	$1,000	$10,000	$12,300

Note: For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3) during the period, FASB ASC 820-10 requires a reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net (see paragraph 2(c)–(d) of FASB ASC 820-10-50).

The following table below presents, for the year ended December 31, 20X3, the changes in level 3 assets and liabilities that are measured at fair value on a recurring basis.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Balance as of January 1, 20X2	*Total Realized/Unrealized Gains (Losses) Included in* Net Income	*Total Realized/Unrealized Gains (Losses) Included in* Other Comprehensive Income	*Purchases, Sales, Issuances, and Settlements, Net*	*Transfers In and/or Out of Level 3*	*Balance as of January 1, 20X3*
			(in thousands)			
Securities available for sale						
Prime residential mortgage-backed securities	$642	$(2)	$(10)	$(30)	$(100)	$500
Subprime residential mortgage-backed securities	955	(5)	(50)	(100)	(50)	750
Total available for sale	1,597	(7)	(60)	(130)	(150)	1,250
Forward loan sale commitments	1,185	(25)	(10)	(50)	(100)	1,000
Mortgage servicing rights	5,668	(61)	(12)	(45)	(550)	5,000
Total assets	$8,450	$(93)	$(82)	$(225)	$(800)	$7,250
Derivative and forward loan commitments, Net	$(1,010)	$ —	$ —	$10	$ —	$(1,000)
Total liabilities	$(1,010)	$ —	$ —	$10	$ —	$(1,000)

Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances we make adjustments to fair value for our assets and liabilities although they are not measured at fair value on an ongoing basis. The following table presents the financial instruments carried on the consolidated balance sheet by caption and by level in the fair value hierarchy at December 31, 20X3, for which a nonrecurring change in fair value has been recorded:

> **Note:** For assets and liabilities that are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition (for example, impaired assets), the reporting Corporation shall disclose information that enables users of its financial statements to assess the inputs used to develop those measurements. For each major category of assets and liabilities measured at fair value on a nonrecurring basis during the period, FASB ASC 820-10 requires disclosures about the fair value measurements (see paragraph 5(a)–(b) of FASB ASC 820-10-50).

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Total Gains (Losses)*
Impaired loans	$—	$40	$—	$40
Total	$—	$40	$—	$40

In accordance with the provisions of the loan impairment guidance (FASB ASC 310-10-35), individual loans with a carrying amount of $70 million were written down to their fair value of $40 million, resulting in an impairment charge of $30 million, which was included in earnings for the period. Loans applicable to write downs of impaired loans are estimated using the present value of expected cash flows or the appraised value of the underlying collateral discounted as necessary due to management's estimates of changes in economic conditions.

The estimated fair values, and related carrying or notional amounts, of the Corporation's financial instruments are as follows:

	December 31,			
	20X3		*20X2*	
	Carrying Amount	*Fair Value*	*Carrying Amount*	*Fair Value*
	(in thousands)			
Financial assets:				
Cash and cash equivalents	$12,886	$12,886	$8,465	$8,465
Interest-bearing deposits in banks	7,000	7,000	6,584	6,584
Trading assets	8,059	8,059	3,000	3,000
Securities available-for-sale	39,391	39,391	52,653	52,653
Securities held-to-maturity	11,853	12,021	—	—
Federal Home Loan Bank stock	5,186	5,186	5,186	5,186
Loans held for sale	4,000	4,050	1,000	1,021
Loans, net	407,855	407,994	409,085	409,250
Mortgage service rights	1,000	1,035	500	505
Accrued interest receivable	3,823	3,823	4,081	4,081
Financial liabilities:				
Deposits	376,537	378,200	358,121	359,270
Short-term borrowings	20,385	21,000	37,900	38,000
Long-term debt	35,501	34,000	27,705	26,000
Accrued interest payable	565	565	489	489

	December 31,			
	20X3		20X2	
	Carrying amount	Fair value	Carrying amount	Fair value
	(in thousands)			
Unrecognized financial instruments*				
Commitments to extend credit		42		
Standby letters of credit		12		10
Financial guarantees written		—		5

* The amount shown under carrying amount represented accruals or deferred income (fees) arising from those recognized financial instruments. Other derivative instruments entered into as trading activities are included in trading account assets.

Note: FASB ASC 825-10-55-3 provides an illustrative disclosure regarding the fair values of financial instruments for a financial entity.

Note 26: Segment Reporting[16]

(in thousands)

The Corporation has two reportable segments, the consumer bank and the commercial bank. The consumer bank segment provides customers such products as credit cards, mortgages and automobile financing. The commercial bank segment provides its commercial customers such products as working capital loans, equipment loans and leases, and other business financing arrangements.

Information about reportable segments, and reconciliation of such information to the consolidated financial statements as of and for the years ended December 31, follows:

20X3	*Consumer*	*Commercial*	*Intersegment Elimination*	*Other*	*Consolidated Totals*
			(in thousands)		
Net interest income	$9,526	$6,261	$—	$183	$15,970
Other revenue—external customers	851	363	—	—	1,214
Other revenue—from other segments	—	60	(60)	—	—
Depreciation and amortization	257	103	—	—	360
Provision for loan losses	59	275	—	—	334
Provision for foreclosed asset losses	441	805	—	—	1,246
Profit (loss)	3,846	2,589	—	(3,789)	2,646
Assets	310,080	200,585	(50)	347	510,962
Expenditures for additions to premises and equipment	1,156	580	—	—	1,736
20X2					
Net interest income	$8,221	$6,571	$—	$156	$14,948
Other revenue—external customers	635	472	—	—	1,107
Other revenue—from other segments	—	75	(75)	—	—

[16] See the scope section of Segment Reporting Topic in FASB ASC 280-10-15 for additional information regarding which entities should apply this guidance.

20X3	Consumer	Commercial	Intersegment Elimination	Other	Consolidated Totals
			(in thousands)		
Depreciation and amortization	203	136	—	—	339
Provision for loan losses	245	500	—	—	745
Provision for foreclosed asset losses	—	75	—	—	75
Profit (loss)	4,390	2,691	—	(3,184)	3,897
Assets	349,234	149,671	—	412	499,317
Expenditures for additions to premises and equipment	55	80	—	—	135
20X1					
Net interest income	$9,074	$4,886	$—	$567	$14,527
Other revenue—external customers	815	449	—	—	1,264
Other revenue—from other segments	—	78	(78)	—	—
Depreciation and amortization	169	125	—	—	294
Provision for loan losses	90	180	—	—	270
Profit (loss)	6,303	2,101	—	(2,908)	5,496
Assets	285,270	190,180	—	370	475,820
Expenditures for additions to premises and equipment	—	364	—	—	364

Amounts included in the "Other" column are as follows:

	20X3	*20X2*	*20X1*
		(in thousands)	
Net interest income:			
Parent company	$183	$156	$567
Profit (loss)			
Parent company operating expenses, net of miscellaneous income	$(260)	$(318)	$(406)
Income taxes not allocated to segments	(1,818)	(2,538)	(4,094)
Net gain (loss) on sales of available-for-sale securities and trading activities not allocated to segments	(1,711)	(328)	1,592
	$(3,789)	$(3,184)	$(2,908)
Segment assets:			
Parent company assets, after intercompany elimination	$347	$412	$370

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Corporation evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains or losses.

The Corporation's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment appeals to different markets and, accordingly, require different technology and marketing strategies.

The Corporation derives a majority of its revenues from interest income and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segments and make decisions about resources to be allocated to the segment. Therefore, the segments are reported below using net interest income for the years ended December 31. The Corporation does not allocate income taxes to the segments. Other revenue represents noninterest income, exclusive of the net gain (loss) on sales of available-for-sale securities and the net gain (loss) on trading activities which are also not allocated to the segments.

The Corporation does not have operating segments other than those reported. Parent company financial information is included in the Other category, and is deemed to represent an overhead function rather than an operating segment.

The Corporation does not have a single external customer from which it derives 10 percent or more of its revenues and operates in one geographical area.

Note 27: Condensed Financial Statements of Parent Corporation[17]

(in thousands)

Financial information pertaining only to Sample Bancorp, Inc. is as follows:

Balance Sheets	*December 31, 20X3*	*December 31, 20X2*
	(in thousands)	
Assets		
Cash and due from banks	$23	$41
Short-term investments with ABC Savings Bank	4,525	4,292
Total cash and cash equivalents	4,548	4,333
Investment in common stock of ABC Savings Bank	70,286	69,262
Other assets	324	371
Total assets	$75,158	$73,966
Liabilities and Stockholders' Equity		
Accrued expenses	$158	$158
Other liabilities	362	855
Total liabilities	520	1,013
Stockholders' equity	74,638	72,953
Total liabilities and stockholders' equity	$75,158	$73,966

[17] Disclosure of the condensed financial statements of the parent company is not required for nonpublic entities.

Statements of Income	*Years Ended December 31,* 20X3	20X2	20X1
		(in thousands)	
Income:			
Dividends from ABC Savings Bank	$4,788	$4,916	$ —
Interest on investments	183	156	567
Miscellaneous income	18	4	—
Total income	4,989	5,076	567
Operating expenses	276	396	298
Income before income taxes and equity in undistributed net income (loss) of ABC Savings Bank	4,713	4,680	269
Applicable income tax provision (benefit)	2	(74)	108
	4,711	4,754	161
Equity in undistributed net income (loss) of ABC Savings Bank	(2,065)	(857)	5,335
Net income	$2,646	$3,897	$5,496

Statements of Cash Flows	*Years Ended December 31,* 20X3	20X2	20X1
		(in thousands)	
Cash flows from operating activities:			
Net income	$2,646	$3,897	$5,496
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net loss (income) of ABC Bank	2,065	857	(5,335)
Stock compensation expense, net of tax benefit	81	—	—
Excess tax benefit on exercises of stock options	(10)	—	(5,335)
Decrease (increase) in other assets	47	(144)	91
Increase (decrease) in accrued expenses	—	(78)	108
Increase (decrease) in other liabilities	(574)	467	(201)
Net cash provided by operating activities	4,255	4,999	159
Cash flows from investing activities:			
Sales and maturities of debt securities	—	—	3,000
Net cash used for investing activities	—	—	3,000
Cash flows from financing activities:			
Proceeds from issuance of treasury stock under stock option plan	104	276	—

Statements of Cash Flows	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Payments to acquire treasury stock	(2,674)	(3,968)	(8,340)
Cash dividends paid on common stock	(1,480)	(1,464)	(1,313)
Excess tax benefit related to exercise of stock options	10	—	—
Net cash used for financing activities	(4,040)	(5,156)	(9,653)
Net increase (decrease) in cash and cash equivalents	215	(157)	(6,494)
Cash and cash equivalents at beginning of year	4,333	4,490	10,984
Cash and cash equivalents at end of year	$4,548	$4,333	$4,490

Note 28: Quarterly Data (Unaudited)[18]

(in thousands)

SAMPLE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Concluded)

	Years Ended December 31,							
	2005				*2004*			
	Fourth Quarter	*Third Quarter*	*Second Quarter*	*First Quarter*	*Fourth Quarter*	*Third Quarter*	*Second Quarter*	*First Quarter*
	(in thousands, except per share data)							
Interest and dividend income	$11,841	$11,835	$11,765	$11,807	$11,649	$11,643	$11,198	$10,915
Interest expense	(7,846)	(7,804)	(7,838)	(7,790)	(7,759)	(7,816)	(7,724)	(7,158)
Net interest income	3,995	4,031	3,927	4,017	3,890	3,827	3,474	3,757
Provision for loan losses	(105)	(61)	(117)	(51)	(271)	(294)	(114)	(66)
Net interest income, after provision for loan losses	3,890	3,970	3,810	3,966	3,619	3,533	3,360	3,691
Noninterest income (charges)	(881)	(367)	339	412	(159)	372	287	279
Noninterest expenses	(2,965)	(2,642)	(2,695)	(2,444)	(2,111)	(2,334)	(2,154)	(1,948)
Income before income taxes	44	961	1,454	1,934	1,349	1,571	1,493	2,022
Provision for income taxes	(25)	(391)	(579)	(752)	(517)	(683)	(578)	(760)
Net income	$19	$570	$875	$1,182	$832	$888	$915	$1,262
Earnings per common share:								
Basic	$0.01	$0.23	$0.35	$0.48	$0.30	$0.32	$0.32	$ 0.45
Diluted	$0.01	$0.22	$0.34	$0.45	$0.28	$0.30	$0.31	$0.42

[Note: Footnote explanations of significant fluctuations.]

[18] Quarterly data in an "unaudited" footnote is not required for nonpublic entities and smaller reporting SEC registrants.

Illustrative Financial Statements for Credit Unions

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SAMPLE FEDERAL CREDIT UNION AND SUBSIDIARY
Consolidated Statements of Financial Condition
Years Ended December 31, 20X3 and 20X2

	20X3	*20X2*
	(in thousands)	
Assets		
Cash and cash equivalents	$749	$689
Trading assets	93	81
Securities available-for-sale	33,589	21,331
Securities held-to-maturity	10,755	6,680
Other investments	448	322
Loans held for sale	10,470	11,000
Loans receivable, net	53,699	58,951
Accrued interest receivable	848	518
Foreclosed and repossessed assets, net	79	51
Premises and equipment, net	2,206	2,146
NCUSIF deposit	849	829
Other assets	337	203
Total assets	$114,122	$102,801
Liabilities and Members' Equity		
Members' shares and savings accounts	$92,901	$85,135
Borrowed funds	9,622	7,533
Accrued interest payable	160	166
Accrued expenses and other liabilities	55	31
Total liabilities	102,738	92,865
Commitments and contingent liabilities		
Members' equity:		
Regular reserve	2,253	2,253
Undivided earnings	8,024	6,961
Accumulated other comprehensive income	1,107	722
Total members' equity	11,384	9,936
Total liabilities and members' equity	$114,122	$102,801

See accompanying notes to consolidated financial statements.

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SAMPLE FEDERAL CREDIT UNION AND SUBSIDIARY
Consolidated Statements of Income
Years Ended December 31, 20X3 and 20X2

	20X3	*20X2*
	(in thousands)	
Interest income:		
Loans receivable	$7,261	$7,809
Trading assets	11	8
Securities available-for-sale	2,466	1,280
Securities held-to-maturity	538	322
Other	21	13
Total interest income	10,297	9,432
Interest expense:		
Members' share and savings accounts	5,807	5,370
Borrowed funds	825	700
Total interest expense	6,632	6,070
Net interest income	3,665	3,362
Provision for loan losses	900	966
Net interest income after provision for loan losses	2,765	2,396
Noninterest income:		
Mortgage servicing fees	730	411
Recapitalization of the NCUSIF	678	—
Commitment fees	93	43
Other fees and charges	46	23
Net gains on sales of securities available-for-sale	36	44
Other-than-temporary impairment (OTTI) losses on investments recognized in earnings (includes total OTTI losses of $20 and $0, net of $5 and $0 recognized in other comprehensive income for the year ended December 31, 20X3 and 20X2, respectively)	(15)	—
Insurance commissions	22	35
Net gains on trading assets	3	4
Total noninterest income	1,593	560
Noninterest expense:		
Compensation and benefits	1,162	1,040
Occupancy	748	648
NCUSIF impairment	678	—
Other general and administrative	492	337
Advertising	200	180
Net losses on sales of loans	15	10
Total noninterest expense	3,295	2,215
Net income	$1,063	$741

See accompanying notes to consolidated financial statements.

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SAMPLE FEDERAL CREDIT UNION AND SUBSIDIARY
Consolidated Statements of Members' Equity
Years Ended December 31, 20X3 and 20X2

	Regular Reserve	*Undivided Earnings*	*Net Unrealized Accumulated Other Comprehensive Income (Loss)*	*Total*
		(in thousands)		
Balance at January 1, 20X1	$2,253	$5,970	$537	$8,760
Cumulative effect from a change in accounting for financial instruments	—	175	—	175
Cumulative effect from change in accounting for postretirement benefits	—	—	50	50
Adjusted balance at January 1, 20X1	2,253	6,145	629	8,985
Comprehensive income:				
Net income	—	741	—	741
Change in unrealized gain on securities available-for-sale	—	—	202	202
Change in gains or losses, prior service costs or credits, and transition assets or obligations	—	—	8	8
Total comprehensive income				951
Balance, at December 31, 20X2	2,253	6,886	797	9,936
Comprehensive income:				
Net income	—	1,063	—	1,063
Change in unrealized gain on securities available-for-sale	—	—	375	375
Noncredit portion of other-than-temporary losses on debt securities	—	—	(5)	(5)
Change in gains or losses, prior service costs, and transition assets or obligations	—	—	15	15
Total comprehensive income				1,448
Adoption of a change in accounting for other-than-temporary impairment on debt securities	—	75	(75)	—
Balance at December 31, 20X3	$2,253	$8,024	$1,107	$11,384

See accompanying notes to consolidated financial statements.

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SAMPLE FEDERAL CREDIT UNION AND SUBSIDIARY
Consolidated Statements of Cash Flows
For the Years Ended December 31, 20X3 and 20X2

	20X3	*20X2*
	(in thousands)	
Cash flows from operating activities:		
Net income	$1,063	$ 741
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	208	173
Amortization of mortgage servicing rights	12	10
Capitalization of mortgage servicing rights	(20)	(37)
Amortization of deferred loan (fees) costs, net	(2)	6
Amortization (accretion) of securities, net	54	(67)
Provision for loan losses	900	966
Provision for foreclosed asset losses	10	12
Net loss on sale of loans	15	10
Realized gain on sale of securities available-for-sale, net	(36)	(44)
Net change in:		
Trading assets	(12)	(21)
Loans held-for-sale	530	320
Accrued interest receivable	(330)	144
Other assets	(140)	(32)
Accrued interest payable	(6)	23
Accrued expenses and other liabilities	24	3
Net cash provided by operating activities	2,270	2,207
Cash flows from investing activities:		
Proceeds from sales of securities available-for-sale	6,894	1,904
Purchases of securities available-for-sale	(18,756)	(5,585)
Proceeds from maturities of securities held-to-maturity	2,184	3,901
Purchases of securities held-to-maturity	(6,289)	(3,952)
Purchases of loans	(1,278)	(2,838)
Net decrease in other investments	(126)	—
Net change in loans	5,617	(9,491)
Increase in NCUSIF deposit	(20)	(28)
Proceeds from sales of other real estate	12	26
Net expenditures on other real estate	(35)	(30)
Proceeds from sale of property and equipment	65	162
Purchases of premises and equipment	(333)	(438)
Net cash used in investing activities	(12,065)	(16,369)

(continued)

	20X3	20X2
	(in thousands)	
Cash flows from financing activities:		
Net increase in members' shares and savings accounts	7,766	13,078
Proceeds from borrowings	2,500	1,200
Repayment of borrowed funds	(411)	(305)
Net cash provided by financing activities	9,855	13,973
Net increase (decrease) in cash and cash equivalents	60	(189)
Cash and cash equivalents at beginning of year	689	878
Cash and cash equivalents at end of year	$749	$689
Additional cash flow information:		
Interest paid	$6,638	$6,047
Transfers from loans to other real estate	$15	$30
Change in unrealized gain/loss on investments	$375	$202

See accompanying notes to consolidated financial statements.

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SAMPLE FEDERAL CREDIT UNION AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 20X3 and 20X2

Note 1: Summary of Significant Accounting Policies

(in thousands)

Principles of Consolidation

The consolidated financial statements include the accounts of Sample Federal Credit Union (the Credit Union) and its wholly owned subsidiary, Sample CUSO (the CUSO), a credit union service organization that provides insurance brokerage services to Credit Union members. All significant intercompany accounts and transactions have been eliminated.

Nature of Operations

The Credit Union is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purposes of promoting thrift among, and creating a source of credit for its members. Participation in the Credit Union is limited to those individuals that qualify for membership, including employees or former employees of ABC Corporation. The field of membership is defined in the Credit Union's Charter and Bylaws.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant Group Concentrations of Credit Risk

Most of the Credit Union's business activity is with its members who are employees or former employees of ABC Corporation. The Credit Union may be exposed to credit risk from a regional economic standpoint because a significant concentration of its borrowers work or reside in the Midwest. During the year ended December 31, 20X3 and continuing into 20X4, the financial deterioration resulting from the general economic conditions in this region have resulted in significant loan losses and declines in fair value of investments for the Credit Union and those with whom it does business, including corporate credit unions. The Credit Union continually monitors the Credit Union's operations, including the loan and investment portfolios, for potential impairment.

However, the loan portfolio is well diversified and the Credit Union does not have any significant concentrations of credit risk except unsecured loans, which by their nature increase the risk of loss compared to those loans that are collateralized. The Credit Union's policy for repossessing collateral is that when all other collection efforts have been exhausted, the Credit Union enforces its first lien holder status and repossesses the collateral. The Credit Union has full and complete access to repossessed collateral. Repossessed collateral normally consists of vehicles and residential real estate.

Fair Value Measurement

See the "Recent Accounting Pronouncements" section.

Cash and Cash Equivalents

For purposes of the consolidated statement of financial condition and the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, amounts due from financial institutions, and highly liquid debt instruments classified as cash which were purchased with maturities of three months or less. Amounts due from financial institutions may, at times, exceed federally insured limits.

Trading Assets

Trading assets consisting of U.S. government bonds and mortgage-backed securities (MBS) are carried at their fair values. Realized and unrealized gains and losses on trading assets are recognized in the statement of income as they occur.

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

The Credit Union evaluates debt and equity securities for other-than-temporary impairment (OTTI), at least quarterly. See the "Recent Accounting Pronouncements" section regarding recently adopted accounting policies related to OTTI.

Prior to the new guidance, if OTTI was determined to exist, the Credit Union recognized an OTTI charge in earnings in an amount equal to the entire difference between the security's amortized cost basis and its fair value as of the balance sheet date of the reporting period.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value, as determined by aggregate outstanding commitments from investors or current investor yield requirements. Net unrealized losses are recognized through a valuation allowance by charges to income. All sales are made without recourse.

Effective January 1, 20X2, the Credit Union adopted the recent fair value option accounting guidance, which is codified in Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 825, *Financial Instruments*, and allows entities to elect fair value accounting for financial assets or liabilities, with changes in fair value reporting in earnings. The Credit Union elected to carry mortgage loans classified as held for sale at fair value under FASB ASC 825. Upon adoption of FASB ASC 825, the Credit Union recorded an unrealized gain of $175 as an adjustment to the opening balance of retained earnings. Fair values for mortgage loans held for sale are determined by discounting the estimated future cash flows using rates available for similar financial instruments.

Loans Receivable

The Credit Union grants mortgage, commercial and consumer loans to members. A substantial portion of the loan portfolio is represented by mortgage loans throughout the Midwest. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future are stated at unpaid principal balances, less an allowance for loan losses and net deferred loan origination fees and discounts. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged off no later than 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience. Commitment fees and costs relating to commitments whose likelihood of exercise is remote are recognized over the commitment period on a straight-line basis. If the commitment is subsequently exercised during the commitment period, the remaining unamortized commitment fee at the time of exercise is recognized over the life of the loan as an adjustment of yield.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolios, the impact of current internal and external influences on credit loss and the levels of nonperforming loans. Specific allowances for loan losses are established for large impaired loans on an individual basis as required per FASB ASC 310-10-35. The specific allowances established for these loans is based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value, or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics as described in FASB ASC 450, *Contingencies*. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Credit Union's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

Servicing

Servicing assets are recognized separately when mortgage servicing rights are acquired through purchase or through sale of financial assets. Under FASB ASC 860-50, servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method. Under the amortization method, mortgage servicing rights are amortized into noninterest income in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model[19] incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates

[19] Describe valuation model methodology and model validation procedures, and quantitative and qualitative information about the assumptions used (for example, discount rates, prepayment speeds, and credit losses).

change, and may have an adverse impact on the value of the mortgage servicing right and may result in a reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method is evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measurement of impairment. Changes in valuation allowances are reported with [*insert financial statement line*] on the income statement.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Premises and Equipment

Land is carried at cost. Building, leasehold improvements, furniture, fixtures, and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture, fixtures, and equipment are depreciated using the straight-line method over the estimated useful lives of the assets or the expected terms of the leases, if shorter. The cost of leasehold improvements is amortized using the straight-line method over the terms of the related leases or the expected terms of the leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured. Management reviews premises and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Credit Union, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Advertising Costs

Advertising costs are expensed as incurred.

NCUSIF Deposit

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. See note 6 for additional information regarding recent actions taken by the NCUA Board regarding the NCUSIF Deposit and Insurance Premium.

NCUSIF Insurance Premiums

A credit union is required to pay an annual insurance premium. See note 6 for additional information regarding recent actions taken by the NCUA Board regarding the NCUSIF Deposit and Insurance Premium.

Members' Shares and Savings Accounts

Members' shares are subordinated to all other liabilities of the credit union upon liquidation. Interest on members' shares and savings accounts is based on available earnings at the end of an interest period and is not guaranteed by the credit union. Interest rates on members' share accounts are set by the board of directors, based on an evaluation of current and future market conditions.

Members' Equity

The Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of interest.

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes. The CUSO, however, is subject to federal and state income taxes. Operations of the CUSO resulted in no income taxes for the years ended 20X3 and 20X2.

Pension Plan

The Credit Union has a qualified, noncontributory defined benefit pension plan covering substantially all of its employees. The Credit Union's policy is to fund the minimum amount required under ERISA.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet. The components of the change in accumulated other comprehensive income are as follows:

	Years Ended December 31,	
	20X3	*20X2*
	(in thousands)	
Net unrealized holding gains on securities available-for-sale	$435	$232
Reclassification adjustment for gains realized in income	(60)	(30)
Net unrealized loss on debt securities related to factors other than credit	(5)	—
Change in gains or losses, prior service costs and transition assets or obligations	15	8
	$385	$210

Reclassification

Certain amounts in the 20X2 consolidated financial statements have been reclassified to conform to the 20X3 presentation.

Recent Accounting Pronouncements

Effective July 1, 20X3, the Credit Union adopted new accounting guidance related to U.S. generally accepted principals (U.S. GAAP), which is codified in FASB ASC 105, *Generally Accepted Accounting Principles*. FASB ASC 105 establishes FASB ASC[20] as the source of authoritative U.S GAAP recognized by FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. FASB ASC supersedes all existing non-SEC accounting and reporting standards. All other nongrandfathered, non-SEC accounting literature not included in FASB ASC has become nonauthoritative. FASB will no longer issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates, which will serve to update FASB ASC, provide background information about the guidance, and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP or any requirements of the SEC. This guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

Effective April 1, 20X3, the Credit Union adopted new accounting guidance related to recognition and presentation of OTTI, which is primarily codified in FASB ASC 320-10. This recent guidance amends the recognition guidance for other-than-temporary impairments of debt securities and expands the financial statement disclosures for OTTI on debt and equity securities. The recent guidance replaces the "intent and ability" indication in current guidance by specifying that (*a*) if a corporation does not have the intent to sell a debt security prior to recovery and (*b*) it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. When an entity does not intend to sell the security and it is more likely than not, the entity will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an OTTI of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of OTTI recorded in other comprehensive income for the noncredit portion of a previous OTTI should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

The new accounting prescribed for recording OTTI on debt securities was effective for the year ended December 31, 2009. As a result of the recent OTTI guidance, the Corporation's Consolidated Statement of Income reflects the full impairment (that is, the difference between the security's amortized cost basis and fair value) on debt securities that the Corporation intends to sell or would more-likely-than-not be required to sell before the expected recovery of the amortized cost basis. For available-for-sale and held-to-maturity debt securities that management has no intent to sell and believes that it more-likely-than-not will not be required to sell prior to recovery, only the credit loss component of the impairment is recognized in earnings, while the fair value loss is recognized in Accumulated Other

[20] The Securities and Exchange Commission (SEC) staff has encouraged companies to make financial statements more useful to users by drafting financial statement disclosures to avoid specific U.S. generally accepted accounting principles (GAAP) references and to more clearly explain accounting concepts.

If references to specific U.S. GAAP are made in financial statements for periods ending on or before September 15, 2009 (for example, before FASB ASC became effective) the SEC staff believes pre-FASB ASC U.S. GAAP references continue to be acceptable, even if those financial statements were issued after September 15, 2009 (for example, in a Form 10-K or Form 10-Q for the annual or quarterly period ended August 31, 2009). Further, the SEC staff will not object if those financial statements refer to either FASB ASC or both FASB ASC and pre-FASB ASC U.S. GAAP literature.

Once a corporation issues financial statements for a period ending after September 15, 2009, the SEC staff believes any references to specific elements of U.S. GAAP should use FASB ASC references. That is, if references to specific U.S. GAAP are made in financial statements for periods ending after September 15, 2009 (for example, annual or interim financial statements as of September 30, 2009), those references should be to FASB ASC. Moreover, references to specific U.S. GAAP throughout the financial statements should be on a consistent basis for all periods (for example, disclosures for comparative periods should not refer to only pre-FASB ASC U.S. GAAP literature).

Readers are encouraged to read the Center for Audit Quality (CAQ) Alert #2009-76 for additional information regarding the SEC's views regarding FASB ASC. The references contained in the illustrative financial statement presented herein are provided for educational purposes only and are not intended to reflect the SEC's preferences regarding the use of FASB ASC references.

Comprehensive Income. The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected based on cash flow projections.

Effective January 1, 20X1, the Credit Union adopted new accounting guidance related to the fair value option for financial assets and financial liabilities, which is codified at FASB ASC 825, *Financial Instruments*. This guidance provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The guidance was effective for the Credit Union on January 1, 2008. The Credit Union elected the fair value option for certain financial assets or financial liabilities as of January 1, 20X3. Upon adoption, the Credit Union elected to carry mortgage loans classified as held for sale at fair value. As a result, the Credit Union recorded a $175 adjustment to the opening balance of retained earnings as of January 1, 20X2.

Effective January 1, 20X1, the Credit Union adopted new accounting guidance related to fair value measurements, which is codified in FASB ASC 820, *Fair Value Measurements*. This guidance defines fair value, established a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC 820 establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The guidance was effective for fiscal years beginning after November 1, 2007.

Note 2: Securities

(in thousands)

The amortized cost and fair value of securities, with gross unrealized gains and losses, follows:

	Amortized Cost	*Noncredit Other-Than-Temporary Impairment Recognized in Other Comprehensive Income*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Fair Value*
			(in thousands)		
Securities Available-for-Sale					
December 31, 20X3:					
U.S. government and federal agency obligations	$31,278		$1,232	$(243)	$32,267
Mortgage-backed securities	1,143	$(20)	231	(32)	1,322
	$32,421	$(20)	$1,463	$(275)	$33,589
December 31, 20X2:					
U.S. government and federal agency obligations	$19,251	$—	$1,135	$(239)	$20,147
Mortgage-backed securities	1,291	—	(107)		1,184
	$20,542	$—	$1,135	$(346)	$21,331
Securities Held-to-Maturity					
December 31, 20X3:					
U.S. government and federal agency obligations	$10,755		$389	$(77)	$11,067
December 31, 20X2:					
U.S. government and federal agency obligations	$6,680		$58	$(79)	$6,659

Gross gains of $50 and $46 and gross losses of $14 and $2 from sales of securities available-for-sale were realized in 20X3 and 20X2, respectively.

At December 31, 2005 and 2004, securities carried at approximately $9,843 and $7,991 respectively, were pledged as collateral to secure borrowed funds.

The scheduled maturities of securities held-to-maturity and available-for-sale at December 31, 20X3, were as follows:

	Available-for-Sale		*Held-to-Maturity*	
	Amortized Cost	*Fair Value*	*Amortized Cost*	*Fair Value*
	(in thousands)			
Due in one year or less	$24,668	$24,886	$8,560	$9,472
Due from one to five years	5,444	6,394	2,074	1,484
Due from five to ten years	397	713	85	73
Due after ten years	769	874	36	38
	$31,278	$32,867	$10,755	$11,067
Mortgage-backed securities	1,123[(a)]	1,322	—	—
	$32,401	$34,189	$10,755	$11,067

(a) The amortized cost of mortgage-backed securities includes $20 in OTTI losses.

Temporarily Impaired Securities

Information pertaining to securities with gross unrealized losses at December 31, 2005, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than Twelve Months		*Over Twelve Months*	
	Gross Unrealized Losses	*Fair Value*	*Gross Unrealized Losses*	*Fair Value*
	(in thousands)			
Securities Available-for-Sale				
U.S. government and federal agency	$ 203	$ 6,767	$ 40	$1,333
Mortgage-backed	32	1,005	—	—
Total securities available-for-sale	$235	$7,772	$40	$1,333
Securities Held-to-Maturity				
U.S. government and federal agency	$77	$3,850	$—	$—

U.S. government and federal agency obligations. At December 31, 20X3, the six debt securities with unrealized losses have depreciated three percent from the Credit Union's amortized cost basis. The unrealized losses on the entity's investments in U.S. government obligations and direct obligations of U.S. government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Credit Union does not intend to sell the investments and it is not more likely than not that the Credit Union will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Credit Union does not consider those investments to be other-than-temporarily impaired at December 31, 20X3.

Mortgage-backed securities. The unrealized losses on the Credit Union's mortgaged-back securities are in two investments in private-label residential MBS. The unrealized losses are primarily driven by higher projected collateral losses; wider credit spreads and changes in interest rates. The Credit Union assesses for credit impairment using a cash flow model. Based upon the assessment of the expected credit losses of the security given the performance of the underlying collateral compared to the credit enhancement, we expect to recover the entire amortized cost basis of these securities.

In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

Other-Than-Temporary Impairment

We routinely conduct periodic reviews to identify and evaluate each investment security to determine whether an OTTI has occurred. Economic models are used to determine whether an OTTI has occurred on these securities. While all securities are considered, the securities primarily impacted by OTTI testing are non-agency MBS. For each nonagency MBS in the investment portfolio (including but not limited to those whose fair value is less than their amortized cost basis), an extensive, regular review is conducted to determine if an OTTI has occurred. Various inputs to the economic models are used to determine if an unrealized loss is other-than-temporary. The most significant inputs are the following:

- Default rate
- Severity

Other inputs may include the actual collateral attributes, which include geographic concentrations, credit ratings, and other performance indicators of the underlying asset.

To determine if the unrealized loss for non-agency MBS is other-than-temporary, we project total estimated defaults of the underlying assets (mortgages) and multiply that calculated amount by an estimate of realizable value upon sale in the marketplace (severity) in order to determine the projected loss. We also evaluate the current credit enhancement underlying the bond to determine the impact on cash flows. If we determine that a given MBS position will be subject to a write-down or loss, we record the expected credit loss as a charge to earnings while the non-credit portion is recorded to other comprehensive income.

The following table shows the projected weighted average default rates and loss severities for the recent-vintage (20X3, 20X2, and 20X1) nonagency MBS portfolios at December 31, 20X3 and December 31, 20X2.

Projected Weighted-Average Default Rates and Severities for Mortgage-Backed Securities

	December 31, 20X3	
	Default Rate	*Severity*
Alt-A	30%	50%
Subprime	50%	75%
Prime	10%	25%

The following roll forward reflects the amount related to credit losses recognized in earnings in accordance with FASB ASC 320-10-35-34D:

Debt Securities Credit Loss Roll Forward	*December 31, 2003*
	(in thousands)
Beginning balance as of December 31, 20X2*	$30
Add: Amount related to the credit loss for which an other-than-temporary impairment (OTTI) was not previously recognized	3
Add: Increases to the amount related to the credit loss for which an OTTI was previously recognized	12
Less: Realized losses for securities sold	—

Less: Securities for which the amount previously recognized in other comprehensive income was recognized in earnings because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	—
Less: Increases in cash flows expected to be collected that are recognized over the remaining life of the security (see FASB ASC 320-10-35-35)	—
Ending balance as of December 31, 20X3	$45

* The beginning balance represents the amount related to credit losses on debt securities held by the entity at the beginning of the period for which a portion of an OTTI was recognized in other comprehensive income.

During the year ended December 31, 20X3, the Credit Union recorded OTTI losses for debt securities as follows [*not required*]:

	Total OTTI Losses (Unrealized and Realized)	*Unrealized OTTI Losses Recognized in Other Comprehensive Income*	*Net Impairment Losses Recognized in Earnings*
		(in thousands)	
Alt-A mortgage-back securities (MBS)	$(3)	$2	$(1)
Subprime MBS	(2)	1	(1)
Prime MBS	(5)	—	(5)
Other	(10)	2	(8)
Total	$(20)	$5	$(15)

Note 3: Trading Assets

(in thousands)

Trading assets, which are carried at fair value, consist of the following:

	December 31, 20X3	*20X2*
	(in thousands)	
U.S. government and agency securities	$24	$—
Mortgage-backed securities	69	81
	$93	$81

Unrealized holding gains on trading assets of $3 and $4 were included in earnings during 20X3 and 20X2, respectively.

Note 4: Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase, which are classified as secured borrowings, generally mature within one to four days from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of cash received in connection with the transaction. The Credit Union may be required to provide additional collateral based on the fair value of the underlying securities. There were no amounts outstanding at December 31, 20X3 or 20X2.

Note 5: Other Investments

(in thousands)

As a requirement of membership, the Credit Union is required to maintain a membership capital account at Example Corporate Credit Union. A membership capital share account is a restricted share base that is subject to depletion based on the financial health of the corporate credit union. Therefore, membership capital share account balance is subject to impairment. As of December 31, 20X3 and 20X2, the paid in capital accounts at Example Corporate Credit Union approximated $448 and $322, respectively.

The Credit Union is required to maintain balances with a corporate credit union as membership shares that are uninsured and require a three-year notice before withdrawal. The balance of the membership shares account is based upon one percent of the Credit Union's year-end members' share balance and is adjusted annually on January 1 of each year to a maximum of $1.

The Credit Union maintains share accounts at Example Corporate Credit Union that exceed federally insured limits. On January 28, 2009, the NCUA Board announced the Temporary Corporate Credit Union Share Guarantee Program. The program is part of the Board's plan to stabilize the corporate credit union system in relation to the strains on its liquidity and capital due to credit market disruptions and the current economic climate. One of the provisions of the plan is to offer a temporary NCUSIF guarantee of member shares in corporate credit unions. The guarantee would cover all shares, except paid-in-capital and membership capital accounts, through December 31, 2011.

Note 6: NCUSIF Deposit and Insurance Premiums[21] [22]

(in thousands, unless otherwise indicated)

On January 28, 2009, the NCUA issued a Letter to Credit Unions (LTCU) #09-CU-02 detailing their "Corporate Credit Union System Strategy" to assist the corporate credit union system. The cornerstone of the NCUA's strategy was to infuse capital into to U.S. Central Federal Credit Union from the NCUSIF. This action and other NCUA Board actions highlighted in the LTCU resulted in the impairment of the NCUSIF. The NCUSIF impairment was estimated to equal 69 percent of each credit union's NCUSIF deposit. In addition to the impairment, the NCUA placed a special assessment equal to .30 percent of a credit union's insured shares up to $100. Due this impairment, the Credit Union recorded an impairment expense of approximately $678 and accrued an assessment in accrued expenses and other liabilities for approximately $295.

Subsequently, on May 20, 2009, the President of the United States of America signed into law the NCUA's Corporate Stabilization Fund. The new law gives the NCUA a variety of tools to ease the burden of the estimated $6 billion cost of the corporate bailout of credit unions, including the ability to spread out the costs for as long as seven years. On June 18, 2009, the NCUA Board approved the Stabilization Fund to pay the NCUSIF $1 billion for assignment of the full right, title, and interest in the outstanding capital note extended to U.S. Central Federal Credit Union executed on January 28, 2009. This action recapitalizes the NCUSIF to the point that the fund is no longer impaired. Additionally, the NCUA Board has revised their special assessment to 0.15 percent of a credit union's insured shares up to $250. As a result of the recapitalization of the NCUSIF, the Credit Union recognized noninterest income of approximately $678. As a result of the revision of the NCUA's special assessment, the previously established accrual was reduced to approximately $147.[23]

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[21] For informational purposes only; these disclosures are not required by GAAP.

[22] Readers are encouraged to visit the National Credit Union Administration (NCUA) Web site at www.ncua.gov for additional information. Readers are also encouraged to read Technical Questions and Answers (TIS) section 6995.01, "Financial Reporting Issues Related to Actions Taken by the National Credit Union Administration on January 28, 2009 in Connection With the Corporate Credit Union System and the National Credit Union Share Insurance Fund" (AICPA, *Technical Practice Aids*), and TIS section 6995.02, "Evaluation of Capital Investments in Corporate Credit Unions for Other-Than-Temporary Impairment" (AICPA, *Technical Practice Aids*), for additional information.

[23] Readers are encouraged to read the most recent Letters to Credit Unions on the NCUA Web site at www.ncua.gov for additional information.

Note 7: Loans

(in thousands)

The composition of loans to members is as follows:

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Automobile	$29,906	$32,464
Mortgage	12,409	12,658
Unsecured	9,401	11,856
Business	919	816
Lines of credit	612	533
Share-secured loans	893	1,215
Education	215	191
Credit card loans	544	—
Other	238	242
Net deferred loan origination fees	(281)	(264)
	54,856	59,711
Allowance for loan losses	(1,157)	(760)
	$53,699	$58,951

A summary of the activity in the allowance for loan losses is as follows:

	Years Ended December 31, 20X3	Years Ended December 31, 20X2
	(in thousands)	
Balance at beginning of year	$760	$500
Provision for loan losses	900	966
Loans charged-off	(594)	(791)
Recoveries of loans previously charged-off	91	85
Balance at end of year	$1,157	$760

The following is a summary of information pertaining to impaired and nonaccrual loans:

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Impaired loans without a valuation allowance	$200	$10
Impaired loans with a valuation allowance	500	5
Total impaired loans	700	15
Valuation allowance related to impaired loans	165	2
Total nonaccrual loans	$587	$54
Total loans past-due 90 days or more and still accruing	$54	$7

	December 31, 20X3	20X2	20X1
		(in thousands)	
Average investment in impaired loans	$568	$57	$35
Interest income recognized on impaired loans	$75	$3	$1
Interest income recognized on a cash basis on impaired loans	$75	$3	$1

If interest on the nonaccrual loans had been accrued, such income would have approximated $46 and $4 as of December 31, 20X3 and 20X2, respectively.

Note 8: Mortgage Servicing Rights

(in thousands)

Loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage and other loans serviced for others were $10,036 and $10,337 at December 31, 20X3 and 20X2, respectively. Custodial escrow balances maintained in connection with the foregoing mortgage servicing rights were $612 and $591 at December 31, 20X3 and 20X2, respectively.

The balance of capitalized servicing rights, net of valuation allowances, is included in other assets. The fair values of these rights were $43 and $52 at December 31, 20X3 and 20X2, respectively. The fair value of servicing rights was determined using discount rates ranging from *x* percent to *x* percent and prepayment speeds ranging from *x* percent to *x* percent, depending upon the stratification of the specific right, and a weighted average default rate of *x* percent.

The following summarizes the activity pertaining to mortgage servicing rights capitalized and amortized, along with the aggregate activity in related valuation allowances:

	Years Ended December 31, 20X3	20X2
	(in thousands)	
Mortgage servicing rights:		
Balance at beginning of year	$ 52	$ 25
Mortgage servicing rights capitalized	20	37
Mortgage servicing rights amortized	(21)	(10)
Provision for loss in fair value	(8)	—
Balance at end of year	43	52
Valuation allowances:		
Balance at beginning of year	$ —	$ —
Additions	8	5
Reductions	—	(5)
Write-downs	—	—
Balance at end of year	$8	$—

Note 9: Premises, Equipment, and Lease Commitments

(in thousands)

Premises and equipment at is summarized as follows:

	December 31,		*Estimated*
	20X3	*20X2*	*Useful Life*
	(in thousands)		
Land	$53	$53	N/A
Building	1,553	1,530	35–40 years
Furniture and fixtures	982	874	5–10 years
Office equipment	174	37	3–5 years
Leasehold improvements	110	110	5–10 years
	2,872	2,604	
Accumulated depreciation and amortization	(666)	(458)	
	$2,206	$2,146	

At December 31, 20X3, the Credit Union was obligated under noncancelable operating leases for office space. Certain leases contain escalation clauses providing for increased rentals based primarily on increases in real estate taxes or in the average consumer price index. Net rent expense under operating leases, included in occupancy expenses, was $213 and $199 for the years ended December 31, 20X3 and 20X2, respectively.

The required minimum rental payments under the terms of the leases at December 31, 20X3, net of sublease rentals, are as follows *(in thousands)*:

Years Ending December 31,	
2006	$206
2007	192
2008	180
2009	99
2010	99
Thereafter	115
	$891

Note 10: Members' Shares and Savings Accounts

(in thousands)

Members' share and savings accounts consist of the following:

	Weighted Average Rate[24] December 31,		Balance December 31,	
	20X3	20X2	20X3	20X2
		(in thousands)		
Share drafts	0.29%	0.26%	$ 10,219	$ 939
Money markets	3.21%	2.20%	34,373	31,500
Shares	1.16%	1.18%	29,647	26,392
Certificates	3.14%	3.15%	18,662	26,304
Total share and savings accounts			$ 92,901	$ 85,135

Scheduled rates of certificates are as follows:

Range[25]	December 31, 20X3	December 31, 20X2
0.94%–1.00%	$ 976	$ 1,315
1.01%–2.00%	1,951	2,630
2.01%–3.00%	4,878	6,576
3.01%–3.54%	10,857	15,783
Total	$18,662	$26,304

The aggregate amount of certificates in denominations of $100 or more were approximately $1,300 and $800 as of December 31, 20X3 and 20X2, respectively.

At December 31, 20X3, scheduled maturities of share certificates are as follows *(in thousands)*:

Years Ending December 31,	
20X4	$11,847
20X5	3,417
20X6	1,682
20X7	812
20X8	674
Thereafter	230
	$18,662

The National Credit Union Insurance Fund (NCUSIF) insures members' shares and certain individual retirement accounts. The Helping Families Save Their Homes Act of 2009, signed into law May 20, 2009, includes a provision extending $250 share insurance coverage provided by the NCUSIF through December 31, 2013. Previously, this level of coverage was set to expire December 31, 2009. The new law also requires NCUA to use the higher $250 standard maximum share insurance amount when making decisions about premiums and administering insurance deposit adjustments. The increase in share insurance coverage includes all account types, such as share drafts, money markets, shares, and certificates of deposit.

[24] See footnote 21.

[25] See footnote 21.

Note 11: Pension Plan[26]

(in thousands)

In 20X2, the Credit Union adopted a change in accounting for defined benefit pension and other postretirement plans, which is primarily codified in FASB ASC 715-20. FASB ASC 715-20, requires, among other provisions, the Credit Union to recognize the overfunded or underfunded status of its defined benefit pension plan as an asset or liability in the statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. This guidance requires that defined benefit plan assets and obligations are to be measured as of the date of the employer's fiscal year-end. As a result of this adoption, the Credit Union was required to change the measurement date for the pension plan assets and benefit obligations from October 31 to December 31 beginning in 20X2. To reflect this change, we recorded a $50 million adjustment to the 20X2 beginning balance of retained earnings.

The Credit Union has a qualified, noncontributory, defined benefit pension plan covering substantially all of its employees. The benefits are based on each employee's years of service up to a maximum of twenty years, and the average of the highest five consecutive annual salaries of the ten years prior to retirement. The benefits are reduced by a specified percentage of the employee's social security benefit. An employee becomes fully vested upon completion of one year of qualifying service.

Information pertaining obligations and funded status, using a measurement date of December 31, is as follows:

	200X3	*20X2*	*20X1*
		(in thousands)	
Change in benefit obligation:			
Benefit obligation at beginning of year	$214	$194	$179
Service cost	20	11	9
Interest cost	17	16	13
Actuarial loss	25	—	—
Benefits paid	(12)	(16)	(20)
Benefit obligation at end of year	264	205	181
Change in plan assets:			
Fair value of plan assets at beginning of year	220	200	186
Actual return on plan assets	4	15	15
Employer contribution	10	12	8
Benefits paid	(12)	(7)	(9)
Fair value of plan assets at end of year	222	220	200
Funded status at end of year	$(42)	$15	$19

Note: The disclosures required by paragraphs 1(d)(ii)–1(d)(iv) of FASB ASC 715-20-50 indicate that the disclosures are required to be presented as of each date for which a statement of financial position is presented.

Note: Nonpublic entities are not required to provide information in the preceding tables, as stated in FASB ASC 715-20-55-17; they are required to disclose the employer's contributions, participants' contributions, benefit payments, and the funded status.

[26] Reduced disclosure requirements for nonissuers can be found in FASB ASC 715-10-50-5.

Amounts recognized in the statement of financial position consist of the following:

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Noncurrent assets	$71	$155
Current liabilities	(93)	(99)
Noncurrent liabilities	(20)	(41)
Total	$(42)	$(15)

Information for pension plans with an accumulated benefit obligation in excess of plans assets includes the following:

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Net loss (gain)	$33	$20
Prior service cost (credit)	40	38
	$73	$58

Information for pension plans with an accumulated benefit obligation in excess of plans assets includes the following:

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Projected benefit obligation	$300	$290
Fair value of plan assets	222	170
Accumulated benefit obligation	285	280

The components of net periodic pension cost and other amounts recognized in accumulated other comprehensive income are as follows:

	Years Ended December 31, 20X3	20X2	20X1
		(in thousands)	
Service cost	$20	$11	$9
Interest cost	17	16	13
Expected return on plan assets	(15)	(15)	(14)
Amortization of prior service cost	9	9	9
Amortization of net gain (loss)	3	1	2
Net periodic benefit cost	$34	$22	$19

Other changes in plan assets and benefit obligations recognized in other comprehensive income are as follows:

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Net loss (gain)	$28	$20
Prior service cost (credit)	(20)	—
Amortization of prior service cost	4	5
Total recognized in other comprehensive income	12	25
Total recognized in net periodic benefit cost and other comprehensive income	$24	$50

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $29 and $19, respectively. The estimated prior service credit for the other defined benefit postretirement plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is $12.

> **Note:** Nonpublic entities are not required to separately disclose components of net periodic benefit cost as stated in FASB ASC 715-20-55-17.

Amount recognized in the statement of financial position consist of the following:

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Noncurrent assets	$29	$14
Current liabilities	(19)	(26)
Noncurrent liabilities	(59)	(47)
Total	$(49)	$(59)

The following are the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year ending 20X4 (in thousands):

Gain/loss	$ —
Prior service cost	$ 30
Transition asset/obligation	$ 126

The assumptions used to determine the benefit obligation are as follows:

	20X3	*20X2*
Discount rate	6.25%	6.50%
Rate of compensation increase	5.00%	5.00%

The assumptions used to determine net periodic pension cost are as follows:

	20X3	*20X2*
Discount rate	6.50%	6.75%
Expected long-term return on plan assets	6.50%	6.75%
Rate of compensation increase	5.00%	5.00%

Note: Include a narrative description for the basis used to determine the overall expected long-term rate-of-return-on-assets assumption as described in FASB ASC 715-20-50-1(d)(3), such as the general approach used, the extent to which the overall rate-of-return-on-assets assumption was based on historical returns, the extent to which adjustments were made to those historical returns in order to reflect expectation of future returns, and how those adjustments were determined.

The Credit Union's pension plan weighted-average asset allocations by asset category are as follows:

	20X3	*20X2*
Equity securities	40%	48%
Debt securities	60%	52%
	100%	100%

Note: Include a narrative description, as described in FASB ASC 715-20-50-1(d)(2), of the plan's investment policies and strategies, including target allocation percentages or range of percentages for each major category of plan assets presented on a weighted-average basis as of the measurement date(s) of the latest statement of financial position presented, if applicable, and other factors that are pertinent to an understanding of the policies or strategies such as investment goals, risk management practices, permitted and prohibited investments including the use of derivatives, diversification, and the relationship between plan assets and benefit obligations.

The Credit Union expects to contribute $10 to the plan in 2006.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows *(in thousands):*

Years Ending December 31,	*Amount (in thousands)*
2006	$ 28
2007	31
2008	33
2009	37
2010	42
2011–2015	225

Note: The "Pending Content" sections of FASB ASC 715-20 provide new accounting guidance related to an employer's disclosures about the fair value of major categories of plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets required by this guidance should be provided for fiscal years ending after December 15, 2009. Readers are encouraged to read the implementation guidance located in the "Pending Content" section of FASB ASC 715-10-55-17 for an example of the financial statement disclosures for an employer that is subject to the requirements of FASB ASC 715-10.

Note 12: Borrowed Funds

Borrowed funds consist of the following:

	December 31,	
	20X3	*20X2*
	(in thousands)	
Note payable to Corporate Credit Union, variable rate (6.5% at December 31, 20X3), due 20X4, secured	$5,840	$6,115
Note payable to bank, interest at bank prime rate (6.5% at December 31, 20X3) payable in quarterly interest and annual principal installments through December 31, 20X9, unsecured	3,782	1,418
	$9,622	$7,533

Scheduled maturities of borrowed funds at December 31, 20X3, are as follows *(in thousands)*:

Years Ending December 31,	
20X4	$6,392
20X5	1,599
20X6	816
20X7	503
20X8	210
Thereafter	102
	$9,622

As of December 31, 20X3, the Credit Union had an unused line-of-credit with ABC Corporate Federal Credit Union. The terms of the agreement require the pledging of all present and future loans and equipment as security for obligations under this line-of-credit agreement. The interest rate terms under this line-of-credit agreement are variable. As of December 31, 20X3, the total line-of-credit was $1 million, of which the Credit Union had no borrowings.

Note 13: Off-Balance-Sheet Activities

The Credit Union is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit which include lines of credit, credit cards, and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of amount recognized in the financial statements.

The Credit Union's exposure to credit loss is represented by the contractual notional amount of these instruments. The Credit Union uses the same credit policies in making commitments as it does for those loans recorded in the financial statements.

The following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31, 20X3	December 31, 20X2
	(in thousands)	
Commercial lines of credit	$129	$123
Revolving lines of credit	343	328
Overdraft protection agreements	164	194
Total	$636	$645

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Credit Union upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include consumer assets, residential real estate and member share balances.

Unfunded commitments under commercial lines-of-credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and ultimately may not be drawn upon to the total extent to which the Credit Union is committed.

Note 14: Legal Contingencies

The Credit Union is a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the financial condition or results of operations of the Credit Union.

Note 15: Capital Requirements

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory—and possibly additional discretionary—actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined) to total assets (as defined). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR ratio as of December 31, 20X3 and 20X2 was 6.50 percent. The minimum ratio to be considered complex under the regulatory framework is 6 percent. Management believes, as of December 31, 20X3 and 20X2, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 20X3, the most recent call reporting period, NCUA categorized the Credit Union as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Credit Union must maintain a minimum net worth ratio of 7 percent of assets and meet any applicable RBNWR. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual capital amounts and ratios at December 31, 20X3 and 20X2 are also presented in the table:

	Actual		*To Be Adequately Capitalized Under Prompt Correctivection Provisions*		*To Be Well Capitalized Under Prompt Corrective Action Provisions*	
	Amount	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
			(dollars in thousands)			
December 31, 20X3						
Net worth	$11,384	9.0%	$6,847	6.0%	$7,989	7.0%
Risk-based net worth requirement	7,418	6.5%	N/A	N/A	N/A	N/A
December 31, 20X2						
Net worth	$9,936	8.9%	$6,168	6.0%	$7,196	7.0%
Risk-based net worth requirement	6,682	6.5%	N/A	N/A	N/A	N/A

Because the RBNWR is less than the net worth ratio, the Credit Union retains its original category. Further, in performing its calculation of total assets, the Credit Union used the [*select one: average of the quarter-end balances of the four most recent quarters, monthly average over the quarter, daily average over the quarter, or quarter-end balance*] option, as permitted by regulation.

Note 16: Related Party Transactions

(in thousands)

In the normal course of business, the Credit Union extends credits to directors, supervisory committee members and executive officers. The aggregate loans at December 31, 20X3 and 20X2 were $483 and $527, respectively. Deposits from related parties at December 31, 20X3 and 20X2 amounted to $114 and $112, respectively.

Note 17: Fair Values of Financial Instruments

(in thousands)

Determination of Fair Value

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC 820, *Fair Value Measurements*, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Entity's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

FASB ASC 825 provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

In accordance with FASB ASC 820, the Credit Union groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1—Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2—Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3—Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Credit Union in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate their fair value.

Trading, Available-for-Sale, and Held-to-Maturity Securities

Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans Receivable

For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (for example, one-to-four family residential), credit-card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for business real estate and business loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Members' Shares and Savings Accounts

The fair values disclosed for share draft and money market accounts are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term share certificates approximate their fair values at the reporting date. Fair values for fixed-rate shares and share certificates are estimated using a discounted cash flow calculation that applies interest rates currently being offered on shares and certificates to a schedule of aggregated expected monthly maturities on shares and certificates.

Borrowed Funds

The carrying amounts of short-term borrowings maturing within 90 days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on the Credit Union's current incremental borrowing rates for similar types of borrowing arrangements.

Long-Term Debt

The fair values of the Credit Union's long-term debt are estimated using discounted cash flow analyses based on the Credit Union's incremental borrowing rates for similar types of borrowing arrangements.

Accrued Interest

Accrued interest receivable represents interest on loans and investments. The carrying amounts of accrued interest receivable approximates fair value.

Commitments to Extend Credit

The estimated fair value of the commitments to extend credit represents the Credit Union's potential unfunded commitments under such lines-of-credit.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

> **Note:** For assets and liabilities measured at fair value on a recurring basis during the period, FASB ASC 820-10 requires quantitative disclosures about the fair value measurements separately for each major category of assets and liabilities (see paragraph 2(a)–(b) of FASB ASC 820-10-50). For equity and debt securities major category should be defined as major security type as described in FASB ASC 942-320-50-2 even if the equity securities or debt securities are not within the scope of FASB ASC 942-320. For simplicity, this note only reflects assets and liabilities measured at fair value as of the most recent statement of financial position.

	Fair Value Measurements at December 31, 20X3, Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Netting*	*Total Carrying Value*
			(in thousands)		
Assets					
Trading assets	$93	—	—	—	$93
Securities available-for-sale					
U.S. government and federal agency obligations	30,000	2,267	—	—	32,267
Mortgage-backed securities	1,000	322	—	—	1,322
Total securities available for sale	31,000	2,589	—	—	33,589
Securities held-to-maturity					
U.S. government and federal agency obligations	10,000	1,067	518	—	11,067
Loans held for sale	—	9,000	1,918	—	10,918
Total assets at fair value	$41,093	$12,656	$1,918	—	$55,667

> **Note:** For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3) during the period, FASB ASC 820-10 requires a reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net (see paragraph 2(c)–(d) of FASB ASC 820-10-50).

The following table below presents, for the year ended December 31, 20X3, the changes in level 3 assets and liabilities that are measured at fair value on a recurring basis.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

		Total Realized/Unrealized Gains (Losses) Included in				
	Balance as of January 1, 20X2	*Net Income*	*Other Comprehensive Income*	*Purchases, Sales, Issuances, and Settlements, Net*	*Tranfers In and/or Out of Level 3*	*Balance as of January 1, 20X3*
Loans held for sale	$2,524	$(61)	—	$(45)	$(500)	$1,918
Total assets	$2,524	$(61)	—	$(45)	$(500)	$1,918

Assets Measured at Fair Value on a Nonrecurring Basis

Under certain circumstances we make adjustments to fair value for our assets and liabilities although they are not measured at fair value on an ongoing basis. The following table presents the financial instruments carried on the consolidated balance sheet by caption and by level in the fair value hierarchy at December 31, 20X3, for which a nonrecurring change in fair value has been recorded:

> **Note:** For assets and liabilities that are measured at fair value on a nonrecurring basis in periods subsequent to initial recognition (for example, impaired assets), the reporting entity shall disclose information that enables users of its financial statements to assess the inputs used to develop those measurements. For each major category of assets and liabilities measured at fair value on a nonrecurring basis during the period, FASB ASC 820-10 requires disclosures about the fair value measurements (see paragraph 5(a)–(b) of FASB ASC 820-10-50).

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Unobservable Inputs (Level 2)*	*Significant Observable Inputs (Level 3)*	*Total Gains (Losses)*
Loans	—	$40	—	$40
Total assets at fair value on a nonrecurring basis	—	$40	—	$40

In accordance with the provisions of the impairment guidance of FASB ASC 320-10-25, individual loans with a carrying amount of $70 million were written down to their fair value of $40 million, resulting in an impairment charge of $30 million, which was included in earnings for the period. Loans applicable to write downs of impaired loans are estimated using the present value of expected cash flows or the appraised value of the underlying collateral discounted as necessary due to management's estimates of changes in economic conditions.

The carrying values and estimated fair values of the Credit Union's financial instruments are as follows:

	December 31, 20X3		December 31, 20X2	
	Carrying Amount	*Fair Value*	*Carrying Amount*	*Fair Value*
	(in thousands)			
Financial assets:				
Cash and cash equivalents	$749	$749	$ 689	$689
Trading assets	93	93	81	81
Securities available-for-sale	33,589	33,589	21,331	21,331
Securities held-to-maturity	10,755	11,067	6,680	6,659
Accrued interest receivable	848	848	518	518
Other investments	448	448	322	322
Loans held for sale	10,470	10,470	11,000	11,000
Loans receivable	54,856	51,338	59,711	54,700
Less: allowance for loan losses	(1,157)	—	(760)	—
Loans net of allowance for loan losses	53,699	51,338	58,951	54,700
Financial liabilities:				
Members' shares and savings accounts	92,901	90,420	85,135	81,031
Borrowed funds	9,622	9,622	7,533	7,533
Unrecognized Financial Instruments:				
Commitments to extend credit	—	20	—	32

Illustrative Financial Statements for Mortgage Companies

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Sample Mortgage Corporation
Balance Sheets
December 31, 20X3 and 20X2

	20X3	*20X2*
	(in thousands)	
Assets		
Cash	$129	$1,324
Interest-bearing deposits	460	7,203
Cash and cash equivalents	589	8,527
Mortgage loans held for sale (includes $11,923 and $4,009 carried at fair value)	35,339	12,268
Mortgage servicing rights[27]		
Measured at fair value	575	540
Amortized	4,738	3,833
Premises and equipment, net	1,750	1,785
Foreclosed assets	109	—
Delinquency and escrow advances	1,084	1,617
Refundable income taxes	—	110
Derivative assets	365	171
Other assets	3,290	2,700
Total assets	$47,839	$31,551
Liabilities and Stockholder's Equity		
Short-term debt	$36,106	$21,479
Deferred income taxes	951	907
Derivative liabilities	143	88
Other liabilities	893	442
Total liabilities	38,093	22,916

(continued)

[27] Under paragraph 1–2 of FASB ASC 860-50-45, an entity should report recognized servicing assets and servicing liabilities that are subsequently measured using the fair value measurement method in a manner that separates those carrying amounts on the face of the statement of financial position from the carrying amounts for separately recognized servicing assets and servicing liabilities that are subsequently measured using the amortization method. To accomplish that separate reporting, an entity may do either of the following:

a. Display separate line items for the amounts that are subsequently measured using the fair value measurement method and amounts that are subsequently measured using the amortization method.

b. Present the aggregate of those amounts that are subsequently measured at fair value and those amounts that are subsequently measured using the amortization method (see paragraphs 9–11 of FASB ASC 860-50-35) and disclose parenthetically the amount that is subsequently measured at fair value that is included in the aggregate amount.

Option (*b*) is shown in these illustrative financial statements.

	20X3	20X2
	(*in thousands*)	
Commitments and contingencies		
Stockholders' equity:		
Common stock:		
Voting: par value $1; 5,000 shares authorized 4,000 shares issued and outstanding	4	4
Nonvoting: par value $1; 5,000 shares authorized, 1,250 shares issued and outstanding	1	1
Additional paid-in capital	5,942	5,942
Retained earnings	3,799	2,688
Total stockholders' equity	9,746	8,635
Total liabilities and stockholders' equity	$47,839	$31,551

The accompanying notes are an integral part of these statements.

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Sample Mortgage Corporation
Statements of Income and Changes in Retained Earnings
Years Ended December 31, 20X3 and 20X2

	Years Ended December 31	
	20X3	*20X2*
	(in thousands)	
Operating income:		
Loan servicing income	$3,645	$3,202
Interest income	2,097	1,516
Net gain on sale of mortgage loans	1,032	635
Other income	230	226
Total income	7,004	5,579
Operating expenses:		
Salaries and employee benefits	2,109	2,030
Interest expense	665	434
Occupancy and equipment	353	373
Data processing	138	136
Advertising	100	90
Other general and administrative	1,738	1,758
Total operating expenses	5,103	4,821
Income before income taxes	1,901	758
Income tax expense	790	311
Net income	1,111	447
Retained earnings, beginning of year[28]	2,688	2,241
Retained earnings, end of year	$3,799	$2,688

The accompanying notes are an integral part of these statements.

[28] If an entity elects under FASB ASC 860-50-35-3(d) to subsequently measure a class of servicing assets and servicing liabilities at fair value at the beginning of the fiscal year, the amount of the cumulative-effect adjustment to retained earnings should be separately disclosed. The illustrative financial statements assume no subsequent elections at the beginning of fiscal year 20X3 or 20X2.

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Sample Mortgage Corporation
Statements of Cash Flow
Years Ended December 31, 20X3 and 20X2

	Years Ended December 31,	
	20X3	*20X2*
	(in thousands)	
Cash flows from operating activities:		
Net income	$1,111	$447
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Deferred income tax provision (benefit)	44	(151)
Depreciation and amortization of premises and equipment	205	179
Amortization of mortgage servicing rights and provision for losses	886	515
Change in fair value of MSR and mortgage loans held for sale carried at fair value	65	45
Provision for impairment of mortgage servicing rights	80	—
Additions to mortgage servicing rights	(1,906)	(680)
Net gain on mortgage servicing rights derivatives	(76)	(3)
Net gain on pipeline and warehouse loan derivatives	(63)	(27)
Net gain on sale of mortgage loans	(1,032)	(635)
Net change in:		
Mortgage loans held for sale	(23,071)	698
Amount receivable from sales of servicing rights	—	641
Refundable income taxes	110	193
Delinquency and escrow advances	533	(860)
Others net	814	1,247
Net activities cash provided (used) by operating	(22,300)	1,609
Cash flows from investing activities:		
Net decrease in money-market deposit account	—	236
Additions to property and equipment	(171)	(77)
Acquisitions of foreclosed assets	(109)	—
Proceeds from sales of foreclosed assets	—	28
Net payments received on derivatives from counterparties	15	1
Net activities cash provided (used) by investing	(265)	188
Cash flows from financing activities:		
Net increase in borrowed funds	14,627	5,712
Principal payments on term notes payable	—	(310)
Net cash provided by financing activities	14,627	5,402
Net change in cash and cash equivalents	(7,938)	7,199
Cash and cash equivalents, beginning of year	8,527	1,328
Cash and cash equivalents, end of year	$589	$8,527
Supplemental cash flow information:		
Interest paid	$665	$434
Income taxes paid	160	329

The accompanying notes are an integral part of these statements.

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Sample Mortgage Corporation
Notes to Financial Statements
Years Ended December 31, 20X3 and 20X2

Note 1: Summary of Significant Accounting Policies

Basis of Presentation

Sample Mortgage Corp. (the "Company") was incorporated for the primary purpose of engaging in mortgage banking, including the origination, purchase, selling and servicing of mortgages. The Company also extends short-term loans to finance construction of residential real estate. The Company grants credit primarily to customers throughout the Northeast.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Management has made estimates in several areas, including valuing mortgage servicing rights. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include interest-bearing deposits.

Mortgage Loans Held for Sale

Mortgages held for sale include residential mortgages that were originated in accordance with secondary market pricing and underwriting standards and certain mortgages that were originated initially for investment and not initially priced or underwritten to secondary market standards. Mortgage loans held for sale are carried at the lower of adjusted cost or market value (LOCOM), which is computed by the aggregate method (unrealized loss offset by unrealized gains), or fair value under the fair value option accounting guidance for financial assets and financial liabilities (Financial Accounting Standards Board [FASB] Accounting Standards Codification [ASC] 825, *Financial Instruments*) (see note 11).

Nonprime residential mortgage loans held for sale are held at LOCOM with gains and losses on loan sales (sale proceeds minus carrying value) are recorded in net gain on sale of mortgage loans.

New prime residential mortgage loans held for sale measured at fair value.

The cost basis of one to four unit residential mortgage loans originated and intended for sale in the secondary market which qualify for fair value hedging under the derivatives and hedging accounting guidance (FASB ASC 815) is adjusted to reflect changes in the loans' fair value, less the values associated with servicing as applicable through fair value hedge accounting. Net unrealized gains and losses are recognized as a component of net gain on sale of mortgage loans.

One to four unit residential loans originated and intended for sale in the secondary market which do not qualify for fair value hedging under derivatives and hedging accounting guidance are carried at the lower of aggregate cost or fair market value. Net unrealized losses are recognized in a valuation allowance by charges to net gain on sale of mortgage loans.

Cost basis includes unpaid principal balances, premiums and discounts and deferred net fees or costs. Loan origination fees and direct loan origination costs are deferred. Premiums and discounts and deferred net fees or costs are not amortized during the period the loans are held for sale, but are recognized in the net gain on sale of mortgage loans upon sale of the loan.

Mortgage loans held for sale are generally sold into the secondary market with the mortgage servicing rights retained by the Company. The carrying value of mortgage loans sold is reduced by the cost allocated to the associated mortgage servicing rights. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold.

Forward commitment fees are paid to investors for the right to deliver permanent residential mortgages to those investors in the future at a specified yield and changes in fair value are reported currently in earnings and included in derivative assets and liabilities.

Transfers and Servicing of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, put presumptively beyond the reach of the entity, even in bankruptcy, (2) the transferee (or if the transferee is an entity whose sole purpose is to engage in securitization and that entity is constrained from pledging or exchanging the assets it receives, each third-party holder of its beneficial interests) has the right to pledge or exchange the transferred financial assets, and (3) the Company, its consolidated affiliates included in the financial statements being presented, or its agents does not maintain effective control over the transferred financial assets or third-party beneficial interest related to those transferred assets through an agreement to repurchase them before their maturity.

The Company purchases mortgage servicing rights (MSRs) (assets or liabilities) separately and acquires MSRs through the sale of loans it purchases or originates. Under the accounting guidance for transfers and servicing, the Company initially measures a mortgage servicing asset or servicing liability that qualifies for separate recognition, regardless of whether explicit consideration was exchanged, at fair value at the date of transfer. Changes in fair value are recorded in loan servicing income.

For originated MSRs, the value of the MSRs is based on the present value of future cash flow servicing income, using assumptions that market participants use in their estimates of value. [*For all servicing assets and liabilities, include management's basis for determining its classes of servicing rights and a description of the risks inherent in servicing activities and, if applicable, the instruments used to mitigate the income statement effect of changes in fair value of servicing rights.*]

To determine the fair value of MSRs, the Company uses market prices for comparable mortgage servicing contracts, when available, or alternatively, uses a valuation model that calculates the present value of estimated future net servicing income. In using this valuation method, the Company incorporates assumptions that market participants would use in estimating future net servicing income, which includes estimates of the cost to service, the discount rate, custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates, late fees and losses. See note 3 for more information on the valuation of MSRs. [*For MSRs subsequently measured using the amortization method or the fair value method, include a description of the valuation techniques or other methods used to estimate fair value of the servicing assets and servicing liabilities. If a valuation model is used, the description should include the methodology and model validation procedures, as well as quantitative and qualitative information about the assumptions used in the valuation model (for example, discount rates and prepayment speeds). (An entity that provides quantitative information about the instruments used to manage the risks inherent in the servicing assets and servicing liabilities, as encouraged by FASB ASC 860-50-50-2(b), is also encouraged, but not required, to disclose a description of the valuation techniques, as well as quantitative and qualitative information about the assumptions used to estimate the fair value of those instruments.)*]

Servicing fee income is recorded for fees earned for servicing mortgage loans under servicing agreements with the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), and certain private investors. The fees are based on a contractual percentage of the outstanding principal balance or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing income.

Mortgage Servicing Rights Subsequently Measured at Fair Value

We have elected to initially measure and carry our MSRs related to new prime residential mortgages using the fair value method. Under the fair value method, these residential MSRs are carried in the balance sheet at fair value and the changes in fair value, primarily due to changes in valuation inputs and assumptions and to the collection and realization of expected cash flows, are reported in noninterest income in the period in which the change occurs.

To reduce the sensitivity of earnings to interest rate and market value fluctuations, the Corporation may use securities available-for-sale and free-standing derivatives (economic hedges) to hedge the risk of changes in the fair value of MSRs, with the resulting gains or losses reflected in income. Changes in fair value of the MSRs from changing mortgage interest rates are generally offset by gains or losses in the fair value of the derivatives depending on the amount of MSRs the Company hedges and the particular instruments used to hedge the MSRs. The Company may choose not to fully hedge MSRs, partly because origination volume tends to act as a "natural hedge." The economic derivatives used to hedge residential MSRs include swaps and option contracts.

Mortgage Servicing Rights Subsequently Measured Using the Amortization Method

Amortized MSRs include nonprime residential MSRs carried at the lower of cost or market value. These MSRs are amortized in proportion to and over the period of estimated net servicing income or net servicing loss and measured for impairment or increased obligation based on fair value at each reporting date. The amortization of the MSRs is analyzed periodically and is adjusted to reflect changes in prepayment rates and other estimates. For amortized MSRs, the Company periodically evaluates the possible impairment of each class of separately recognized servicing rights based on the difference between the carrying amount and current fair value of the servicing rights. In determining impairment, the Company stratifies servicing assets into tranches based on the predominant risk characteristics of interest rate, loan type and investor type. If temporary impairment exists, a valuation allowance is established for any excess of amortized cost over the current fair value, by risk stratification tranche, by a charge to income. [*Include the risk characteristics of the underlying financial assets used to stratify servicing assets for purposes of measuring impairment.*]

The Company evaluates other-than-temporary impairment of MSRs by considering both historical and projected trends in interest rates, pay off activity and whether the impairment could be recovered through interest rate increases. The Company recognizes a direct write-down when it has been determined that the recoverability of a recorded valuation allowance is remote.

The Company employs hedging techniques through the use of interest rate contracts to reduce the sensitivity of its earnings and value of its servicing rights to changing interest rates and borrower prepayments as further discussed in note 3.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets or the expected terms of the leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Changes in the valuation allowance are included in other expenses.

Income Taxes

The Corporation accounts for Income Taxes in accordance with the applicable Income Taxes accounting guidance (FASB ASC 740, *Income Taxes*). The income tax guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Corporation determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Corporation recognizes interest and penalties on income taxes as a component of Income tax expense.

Derivative Financial Instruments [29]

All derivatives on the balance sheet are recognized at fair value. On the date of contract inception, derivatives are designated as (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge) or (3) held for trading, customer accommodation or for risk management not qualifying for hedge accounting (free-standing derivative). For a fair value hedge, changes in fair value are recorded in current period earnings. Additionally, to the extent effective, changes in the fair value of a hedged asset or liability that is attributable to the hedged risk are also recorded in current period earnings in the same financial statement category as the hedged item. For a cash flow hedge, to the extent effective, changes in the fair value of the derivative are recorded in other comprehensive income. These changes in fair value are subsequently reclassified to net income. The changes are recorded in the same financial statement category as the hedged item, in the same period(s) that the hedged transaction affects net income. For free-standing derivatives, changes in fair value are recorded in current period net gain on sale of mortgage loans.

At the inception of a hedge, the Corporation documents certain items, including but not limited to the following: the relationship between hedging instruments and hedged items, Corporation risk management objectives, hedging strategies, and the evaluation of hedge transaction effectiveness. Documentation includes linking all derivatives designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific forecasted transactions.

Hedge accounting is discontinued prospectively when (1) a derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (2) a derivative expires or is sold,

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[29] In March 2008, FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*, to enhance the current disclosure framework in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement has the same scope as FASB Statement No. 133 and, accordingly, applies to all entities. FASB Statement Nos. 161 and 133 were codified in FASB ASC 815.

This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (*a*) how and why an entity uses derivative instruments, (*b*) how derivative instruments and related hedged items are accounted for under FASB ASC 815 and its related interpretations, and (*c*) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows.

FASB Statement No. 161 was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Early application is encouraged. This statement encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, it requires comparative disclosures only for periods subsequent to initial adoption.

These illustrative financial statements have been updated to include the presentation and disclosure requirements of FASB Statement No. 161.

terminated, or exercised, (3) a derivative is dedesignated as a hedge, because it is unlikely that a forecasted transaction will occur, or (4) it is determined that designation of a derivative as a hedge is no longer appropriate.

Interest rate derivative financial instruments receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Corporation to risk. If hedge accounting is discontinued because a derivative no longer qualifies as an effective fair value hedge, the derivative continues to be carried on the balance sheet at its fair value with changes in fair value included in earnings. The previously hedged asset or liability is no longer adjusted for changes in fair value. Previous adjustments to the hedged item are accounted for in the same manner as other components of the carrying amount of the asset or liability. Periodically, as required, a formal assessment of effectiveness, using the regression analysis method, is made. Derivative hedge contracts must meet specific effectiveness tests. (For example, over time the change in their fair values due to the designated hedge risk must be within 80 to 125 percent of the opposite change in the fair values of the hedged assets or liabilities.) The Corporation assesses whether derivatives designated in each hedging relationship are expected to be and or have been highly effective in offsetting changes in fair values or cash flows of hedged items. If it is determined that a derivative is not highly effective as a hedge, hedge accounting is discontinued.

For hedges of mortgage servicing rights not carried at fair value, the net settlement (upon close out or termination) that offsets changes in the value of the MSRs adjusts the basis of the MSRs and is deferred and amortized to loan servicing income over the life of the MSRs. The portion, if any, of the net settlement amount that did not offset changes in the value of the hedge asset or liability is recognized immediately in loan servicing income.

When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the derivative continues to be carried on the balance sheet at its fair value with changes in fair value included in earnings. Gains and losses accumulated in other comprehensive income are immediately recognized in earnings. When hedge accounting is discontinued because the hedging instrument is sold, terminated, or no longer designated (dedesignated), the amount reported in other comprehensive income up to the date of sale, termination or dedesignation continues to be reported in other comprehensive income until the forecasted transaction affects earnings.

Additionally, on occasion financial instruments that contain embedded derivatives are purchased or originated. At inception of the financial instrument, the following are assessed: (1) if the economic characteristics of the embedded derivative are clearly and closely related to the economic characteristics of the financial instrument (host contract), (2) if the financial instrument that embodies both the embedded derivative and the host contract is measured at fair value with changes in fair value reported in earnings, or (3) if a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative. If the embedded derivative does not meet any of these conditions, it is separated from the host contract and carried at fair value with changes recorded in current period earnings.

Loan Commitments

Mortgage loan commitments qualify as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. Loan commitments that are derivatives are recognized at fair value on the consolidated balance sheet in derivative assets and derivative liabilities with changes in their fair values recorded in noninterest income.

For mortgage loan commitments issued prior to January 1, 20X2, the Corporation recorded a zero value for the loan commitment at inception (at the time the commitment was issued to a borrower ["the time of rate lock"]), consistent with SEC Staff Accounting Bulletin (SAB) No. 105, *Application of Accounting Principles to Loan Commitments*, and, accordingly did not recognize the value of the expected normal servicing rights until the underlying loan was sold. Effective January 1, 20X2, SAB No. 109, *Written Loan Commitments Recorded at Fair Value Through Earnings*, requires the Corporation to include the expected net future cash flows related to the associated servicing of the loan in the fair value measurement of derivative loan commitments, consistent with FASB ASC 860-50 and 825. Subsequent to inception, changes in the fair value of the loan commitment are recognized based on changes in the fair value of the underlying mortgage loan due to interest rate changes, changes in the probability the derivative loan commitment will be exercised, and the passage of time. In estimating fair value, the Corporation assigns a probability to a loan commitment based on an expectation that it will be exercised and the loan will be funded.

Forward Loan Sale Commitments

The Corporation carefully evaluates whether loan sales agreements meet the definition of a derivative under the derivatives and hedging accounting guidance as facts and circumstances may differ significantly on a case by case basis. To protect against the price risk inherent in derivative loan commitments, the Corporation utilizes both "mandatory delivery" and "best efforts" forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. Mandatory delivery contracts are accounted for as derivative instruments. Generally, the Corporation's best efforts contracts also meet the definition of derivative instruments. Accordingly, forward loan sale commitments that economically hedge derivative loan commitments are recognized at fair value on the consolidated balance sheet in derivative assets and derivative liabilities with changes in their fair values recorded in net gain on sale of mortgage loans. The Corporation estimates the fair value of its forward loan sales commitments using a methodology similar to that used for derivative loan commitments.

Advertising Costs

Advertising costs are expensed as incurred.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant information that market participants use, as more fully disclosed in note 11. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Note 2: Recent Accounting Pronouncements

On July 1, 20X3, FASB issued guidance regarding the FASB ASC and the hierarchy of generally accepted accounting principles (FASB ASC 105, *Generally Accepted Accounting Principles*). This guidance approved FASB ASC as the single source of authoritative nongovernmental accounting principles generally accepted in the United States (U.S. GAAP). This guidance is effective for interim or annual periods ending after September 15, 20X3. All existing accounting standards have been superseded and all other accounting literature not included in FASB ASC will be considered nonauthoritative. The adoption of this guidance will not impact the Corporation's financial condition and results of operations.

The Corporation adopted new accounting guidance for disclosures about derivative instruments and hedging activities ("Pending Content" of FASB ASC 815-10), which requires expanded qualitative, quantitative and credit-risk disclosures and their effects on the Corporation's financial position, financial performance and cash flows. This guidance is effective for the Corporation's financial statements for the year beginning on January 1, 20X3. The adoption of this guidance will not impact the Corporation's financial condition and results of operations.

On January 1, 20X2, the Corporation adopted the Securities and Exchange Commission's (SEC) SAB No. 109 for loan commitments measured at fair value through earnings which were issued or modified since adoption on a prospective basis. SAB No. 109 requires that the expected net future cash flows related to servicing of a loan be included in the measurement of all written loan commitments that are accounted for at fair value through earnings. The adoption of SAB No. 109 generally has resulted in higher fair values being recorded upon initial recognition of derivative interest rate lock commitments.

Note 3: Mortgage Servicing Rights[30]

Mortgage loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balances of loans serviced for others were $1.4 million and $1 million at December 31, 20X3 and 20X2, respectively. The fair values of these rights were $4.8 million and $3.8 million, respectively. The fair value of servicing rights was determined using discount rates ranging from *x* percent to *x* percent, prepayment speeds ranging from *x* percent to *x* percent, depending upon the stratification of the specific right, and a weighted average default rate of *x* percent.

At December 31, 20X3 and 20X2, servicing related trust funds of approximately $22.3 million and $7.5 million, respectively, representing both principal and interest due to investors and escrows received from borrowers, are on deposit in nonaffiliated trust bank custodial accounts and are not included in the accompanying financial statements. At December 31, 20X3 and 20X2, the Corporation had blanket bond coverage of $25 million and errors and omissions coverage of $5 million.

The following summarizes the activity in mortgage servicing rights measured using the amortization method, along with the aggregate activity in the related valuation allowances, for the years ended December 31, 20X3 and 20X2:

> **Note:** The following disclosures must be provided for each class measured under the amortization method according to FASB ASC 860-50-50-4.

	December 31,	
	20X3	*20X2*
	(in thousands)	
Mortgage servicing rights:		
Balance, beginning of year	$ 3,833	$ 3,708
Servicing obligations that result from transfers of financial assets[1]	1000	380
Purchases of servicing assets[1]	831	250
Amortization	(802)	(501)
Write-downs	(80)	—
Other (includes changes in mortgage servicing rights due to hedging)	(44)	(4)
Balance, end of year	$4,738	$3,833
Valuation allowance:		
Balance, beginning of year	—	—
Provision (reversal of provision) for mortgage servicing rights in excess of fair value	—	—
Write-down of mortgage servicing rights	(80)	—
Balance, end of year	(80)	—
Mortgage servicing rights, net	$4,738	$3,833

[30] "Pending Content" of paragraph 5–9 of FASB ASC 860-50-50 provides additional disclosures related transfers and servicing of financial assets and extinguishments of liabilities for public companies. Note that the "Pending Content" does not change the existing disclosure requirements for nonpublic entities. This guidance is labeled as "Pending Content" due to the transition and open effective date information under FSP FAS 140-4 and FIN 46(R)-8, which is discussed in FASB ASC 860-10-65-2. Readers may refer to the full text of the FSP on the FASB Web site at www.fasb.org.

Readers should be aware that this guidance was superseded by FASB Statements Nos. 167 and 166. Both FASB Statement Nos. 167 and 166 are effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

	December 31, 20X3	20X2
	(in thousands)	
Ratio of mortgage servicing rights to related loans serviced for others	3.8	4.31
Fair Value Disclosures		
Fair value as of the beginning of the period	$3,890	$3,789
Fair value as of the end of the period	$4,809	$3,890

[1] Based on December 31, 20X3, assumptions, the weighted-average amortization period for mortgage servicing rights added during the year was approximately 5.6 years.

Mortgage servicing rights measured under the amortization method are evaluated periodically for possible impairment based on the difference between the carrying amount and current fair value of the MSRs by risk stratification. Mortgage servicing rights are stratified by interest rate, loan type and investor type. If a temporary impairment exists, a valuation allowance is established for any excess of amortized cost, as adjusted for hedge accounting, over the current fair value through a charge to income. A direct write-down is performed when the recoverability of a recorded valuation allowance is determined to be remote. Unlike a valuation allowance, a direct write-down permanently reduces the carrying value of the MSRs and the valuation allowance, precluding subsequent reversals. (See note 1, "Transfers and Servicing of Financial Assets," for additional discussion of mortgage servicing rights policies.)

During 20X3, a valuation allowance of $80,000 was necessary to adjust the aggregate cost basis of the mortgage servicing right asset to fair market value. At December 31, 20X2, no allowance for impairment in the Corporation's mortgage servicing rights was necessary. The estimated fair value of interest rate contracts designated as hedges against mortgage servicing rights as of December 31, 20X3 and December 31, 20X2 was $79,000 and $3,000 respectively. See note 5 for further discussion of the Corporation's servicing portfolio's risks and program to use derivatives to reduce such risks.

The following summarizes the activity in mortgage servicing rights measured using the fair value method, for the years ended December 31, 20X3 and 20X2:

> **Note:** The following disclosures must be provided for each class measured under the fair value method according to FASB ASC 860-50-50-3.

	Years Ended December 31, 20X3	20X2
	(in thousands)	
Fair value as of the beginning of the period	$540	$500
Additions:		
Purchases	75	50
Assumption of servicing obligations	33	—
Servicing obligations that result of asset transfers	28	—
Subtractions:		
Disposals	(61)	—
Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model[1]	(40)	(10)
Other changes	—	—
Fair value at the end of the period	$ 575	$ 540

[1] Reflects changes in discount rates and prepayment speed assumptions.

The following table summarizes the components of loan servicing income:

	December 31, 20X3	20X2	20X1
		(in thousands)	
Servicing fees	$ 3,000	$3,400	$3,400
Late fees	450	540	850
Other fees	100	260	430
Total	$ 3,550	$ 4,200	$ 4,680

Note 4: Premises and Equipment

A summary of the cost and accumulated depreciation of property and equipment follows:

	Years Ended December 31, 20X3	20X2
	(in thousands)	
Premises:		
Land	$376	$375
Buildings	811	811
Leasehold improvements	200	200
Equipment	1,031	861
	2,418	2,247
Accumulated depreciation and amortization	(668)	(462)
	$1,750	$1,785

Depreciation and expense for the years ended December 31, 20X3 and 20X2 was $205,000 and $179,000, respectively.

Note 5: Derivatives

The Corporation utilizes various derivative financial instruments such as interest rate contracts and forward loan sale commitments in fair value hedges against the change in fair value of the amortized mortgage servicing portfolio and loans held for sale portfolio due to interest rate changes.

Stand alone derivative financial instruments such as forward loan sale commitments, are used to economically hedge interest rate risk related to interest rate loan commitments and MSRs measured at fair value. These derivative instruments involve both credit and market risk. The notional amounts are amounts on which calculations, payments, and the value of the derivative are based. Notional amounts do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Such difference, which represents the fair value of the derivative instruments, is reflected on the Corporation's balance sheet as either derivative assets or derivative liabilities for stand alone derivative financial instruments.

The Corporation is exposed to credit-related losses in the event of nonperformance by the counterparties to those agreements. The Corporation controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect any counterparties to fail their obligations.

Derivative instruments are generally either negotiated over-the-counter (OTC) contracts or standardized contracts executed on a recognized exchange. Negotiated OTC derivative contracts are generally entered into between two counterparties that negotiate specific agreement terms, including the underlying instrument, amount, exercise prices and maturity.

The total notional or contractual amounts and fair values for derivatives are as follows:

Fair Value of Derivative Intruments

As of December 31, 20X3 (in thousands)	Asset Derivatives***			Liability Derivatives***		
	Balance Sheet Location	Notional Amounts	Fair Value	Balance Sheet Location	Notional Amounts	Fair Value
Derivatives designated as hedging under the derivatives and hedging accounting guidance						
Interest rate swap contracts	Other assets	$3,054	$79			$—
Forward loan sale commitments	Other assets	10,090	95			
Total derivatives designated at hedging instruments under FASB ASC 815-20			174			—
Derivatives not designated as hedging instruments under derivatives and hedging accounting guidance						
Forward loan sale commitments	Other assets	19,900	200			
Interest rate lock commitments	Other assets	20,250	225			
Interest rate swap contracts	Other assets	10,000	100	Other liabilities	20,250	143
Total derivatives not designated at hedging instruments			525			143
Total derivatives fair value*			699			143
Effective of master netting agreements			(10)			(2)
Fair value after effect of master netting agreement			$1689			$141

* Fair values are on a gross basis, before consideration of master netting agreements, as required by FASB ASC 815-10.

** Derivative financial instruments are reported net of cash collateral received and paid of $100 and $300, respectively at December 31, 20X3 and $100 and $50, respectively at December 31, 20X2.

Note: This example illustrates the disclosure in tabular format of fair value amounts of derivative instruments and gains and losses on derivative instruments as required by paragraphs 4A–4D of FASB ASC 815-10-50. FASB ASC 815-10-65-1 encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, this guidance requires comparative disclosures only for periods subsequent to initial adoption. For example, a December 31, 2009, calendar-year entity would present annual comparative disclosures for 2009 beginning in the December 31, 2010, statement of financial position. If the entity presents three-year comparative statements of financial performance, its financial report for year-end 2010 would require comparative income statement disclosures for 2009 but not for 2008. For simplicity, this note only reflects the fair value of derivative instruments as of the most recent statement of financial position.

Fair Value Hedges

The following table summarizes certain information related to the Corporation's fair value derivative hedges accounted for under the derivatives and hedging accounting guidance.

		Amount of Gain or (Loss) Recognized in Income on Derivative			
		December 31,			
		20X3		*20X2*	
		(in thousands)			
Derivatives Under the Derivatives and Hedging Accounting Guidance	*Location of Gain or (Loss) Recognized in Income on Derivative*	*Gain/(Loss) on Derivative*	*Gain/(Loss) on Hedged Item*	*Gain/(Loss) on Derivative*	*Gain/(Loss) on Hedged Item*
Interest rate swaps contracts on amortized MSRs	Net gain on sale of mortgage loans	$ (4)	(80)	$ (3)	(6)
Forward loan sales on warehouse loans	Net gain on sale of mortgage loans	274	(299)	153	(170)
Total		$270	$(379)	$150	$(176)

Amortized Mortgage Servicing Rights

The Corporation either purchases or originates MSRs as a source of fee income. These mortgage-servicing rights expose the Corporation to variability in their fair value due to changes in the level of prepayments and other variables. Management believes that it is prudent to limit the variability in the fair value of a portion of its MSR asset. It is the Corporation's objective to hedge the change in fair value of the servicing rights asset associated with fixed rate, nonprepayment penalty loans for which it has recorded MSRs, at coverage levels that are appropriate, given anticipated or existing interest rate levels and other market considerations, as well as the relationship of change in this asset to other assets of the Corporation.

For amortized MSRs, the Corporation currently uses interest rate contracts, such as interest rate swaps to hedge against the change in value of the mortgage servicing portfolio due to expected prepayment risk assumption changes. The fair value of interest rate contract agreements is included in derivative assets or liabilities. Interest rate contracts are subject to basis risk because of differences in movements of mortgage and LIBOR rates, market volatility and the impact of changes in the yield curve. In addition, a credit risk associated with purchased interest rate contract agreements is the ability of the counterparties to meet the terms of the contract.

Although the Corporation hedges the change in value of its MSRs, its hedge coverage ratio does not equate to 100 percent. The Corporation believes it is economically prudent to keep hedge coverage ratios at acceptable risk levels, which may vary depending on current and expected interest rate movement.

Warehouse Loans

The Corporation, as part of its traditional real estate lending activities, originates fixed-rate 1–4 unit residential loans for sale in the secondary market. At the time of origination, management identifies loans that are expected to be sold in the near future. These warehoused loans have been classified as mortgage loans held for sale, in the consolidated balance sheet and are carried at fair market value, less the values associated with servicing (for those loans which qualify for fair value hedging under FASB ASC 815) or at the lower of aggregate amortized cost or fair market value (for those loans which do not qualify for fair value hedging under FASB ASC 815). These loans expose the Corporation to variability in their fair value due to changes in interest rates. If interest rates increase, the value of the loans decreases. Conversely, if interest rates decrease, the value of the loans increases. The fair value of the loans held for sale is based on what secondary markets are currently offering for portfolios with similar characteristics.

Management believes it is prudent to limit the variability of a major portion of the change in fair value of its mortgage loans held for sale. It is the Corporation's objective to hedge primarily all of its warehoused loans held for sale to third parties.

To meet this objective, management employs forward loan sale hedging techniques to minimize the interest rate and pricing risks associated with the origination and sale of such warehoused loans.

The forward loan sales lock in the price for the sale of either the specific loans classified as held-for-sale or for a generic group of loans similar to the specific loans classified as held-for-sale.

Economic Hedges

Hedging of Interest Rate Loan Commitments

To mitigate the effect of interest rate risk related to interest rate loan commitments, the Corporation enters into offsetting derivative contracts, primarily forward loan sale commitments. The contracts allow for cash settlement. The forward loan sale commitments lock in an interest rate and price for the sale of loans similar to the specific rate lock loan commitments classified as derivatives. Both the rate lock commitments and the forward loan sale commitments are undesignated derivatives, and accordingly, changes in fair values are recorded through earnings.

Mortgage Servicing Rights Measured at Fair Value

To reduce the sensitivity of earnings to interest rates and market fluctuations, the Corporation using economic hedges to hedge the risk of changes in fair value of MSRs measured at fair value. The Corporation utilizes derivatives such as interest rate options, interest rate swaps, forward settlement contracts and euro-dollar futures as economic hedges of the fair value of MSRs. For additional information on MSRs, see note, "Mortgage Servicing Rights."

Derivative Not Designated as Hedging Instrument Under FASB ASC 815-20	*Location of Gain or (Loss) Recognized in Income on Derivative*	*Amount of Gain or (Loss) Recognized in Income on Derivative*	
		20X3	*20X2*
		(in thousands)	
Interest rate lock commitments	Net gain on sale of mortgage loans	$ (113)	$ (82)
Forward loan sales	Net gain on sale of 116 mortgage loans	(113)	83
Interest rate options	Net gain on sale of mortgage loans	312	213
Total		$315	$214

Note 6: Short-Term Debt

The Corporation has a warehouse line of credit with a nonaffiliated bank for funding the acquisition or origination of mortgages. The line of credit is generally repaid with the proceeds from mortgage loan sales. The maturity of this facility is December 31, 20X4. Generally, the Corporation funds 97 percent of the loan balance at the time of loan origination or acquisition. The maximum amount that can be drawn against the line is $50 million. Interest charged against outstanding borrowings is based on prime plus 1/2 percent (an aggregate of X.XX percent at December 31, 20X3). Borrowings against the line are collateralized by mortgage loans held for sale. The balance under this line was $28.8 million and $17.2 million at December 31, 20X3 and December 31, 20X2, respectively.

The Corporation also has a $10 million secured operating line of credit with a nonaffiliated bank. The maturity date on this facility is December 31, 20X4, and it bears interest at prime plus 1.50 percent (an aggregate of X.XX percent at December 31, 20X3). The balance under this line was $7.3 million and $4.3 million at December 31, 20X3 and December 31, 20X2, respectively.

Note 7: Income Taxes

Allocation of federal, state and local income taxes between current and deferred portions is as follows:

	Years Ended December 31,	
	20X3	*20X2*
	(in thousands)	
Current tax provision:		
Federal	$ 619	$ 367
State and local	127	95
	746	462
Deferred tax provision (benefit):		
Federal	35	(123)
State and local	9	(28)
	44	(151)
	$790	$311

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	Years Ended December 31, *20X3*	*20X2*
Statutory rate	34.0%	34.0%
Increase resulting from:		
State taxes, net of federal tax benefit	5.0	5.4
Other, net	2.6	1.6
Effective tax rates	41.6%	41.0%

The components of the net deferred tax liability are as follows:

	Years Ended December 31, *20X3*	*20X2*
	(in thousands)	
Deferred tax liabilities:		
Cash basis of accounting	$ 55	$ 54
Purchased mortgage-servicing rights	1,016	1,047
Depreciation	—	—
Deferred loan fees	14	—
	1,085	1,101
Deferred tax assets:		
Lower of cost or market adjustment—loans	(98)	(39)
Deferred loan fees	—	(120)
Other, net	(36)	(35)
	(134)	(194)
Net deferred tax liability	$951	$907

The Corporation or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Corporation is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 20X0. The IRS commenced an examination of the Corporation's U.S. income tax returns for 20X1 through 20X3 in the first quarter of 20X3 that is anticipated to be completed by the end of 20X4. As of December 31, 20X3, the IRS has proposed certain significant adjustments to the Corporation's tax positions. Management is currently evaluating those proposed adjustments to determine if it agrees, but if accepted, the Corporation does not anticipate the adjustments would result in a material change to its financial position. However, the Corporation anticipates that it is reasonably possible that an additional payment in the range of $100 to $500 million will be made by the end of 20X4. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows.

	20X3	*December 31,* *20X2*	*20X1*
Balance as of January 1	$ 510	$ 340	$ 400
Additions based on tax positions related to the current year	400	200	40
Additions for tax positions of prior years	150	50	100
Reductions for tax positions of prior years	(50)	(50)	(140)
Settlements	(100)	(30)	(60)
Balance as of December 31	$ 910	$ 510	$ 340

At December 31, 20X3, 20X2, and 20X1, there are $60, $50, and $40 million of unrecognized tax benefits that if recognized would affect the annual effective tax rate.

Note 8: Commitments and Contingencies

Purchase Commitments

On December 30, 20X3, the Corporation entered into an agreement to acquire for $1.3 million the servicing rights pertaining to loans with an aggregate principal balance of approximately $105.5 million. The expected settlement date of this transaction is February 1, 20X4.

Loans Sold With Recourse

Loans sold with recourse totaling $670,000 and $816,000 at December 31, 20X3 and 20X2, respectively, represent off-balance-sheet risk in the normal course of business. At December 31, 20X3 and 20X2, a liability for credit losses amounting to $50,000, applicable to loans sold with recourse, is included in other liabilities.

Accounting guidance related to guarantees (FASB ASC 460-10) requires a guarantor to recognize, at the inception of a guarantee, a liability in an amount equal to the fair value of the obligation undertaken in issuing the guarantee. The Corporation considers loans sold with recourse to be guarantees under the applicable guarantee accounting guidance (FASB ASC 460-10). The amount of the liability related to loans sold with recourse at December 31, 20X3 and 20X2 was $35,000 and $50,000, respectively.

Legal Contingencies

In the normal course of business, the Corporation is subject to pending and threatened legal actions, some for which the relief or damages sought are substantial. After reviewing pending and threatened actions with counsel, and any specific reserves established for such matters, management believes that the outcome of such actions will not have a material adverse effect on the results of operations or stockholders' equity. Management is not able to predict whether the outcome of such actions may or may not have a material adverse effect on results of operations in a particular future period as the timing and amount of any resolution of such actions and its relationship to the future results of operations are not known.

Note 9: Capital Requirements

The Corporation is subject to various capital requirements in connection with seller/servicer agreements that the Corporation has entered into with secondary market investors. Failure to maintain minimum capital requirements could result in the Corporation's inability to originate and service loans for the respective investor and, therefore, could have a direct material effect on the Corporation's financial statements.

The Corporation's actual capital amounts and the minimum amounts required for capital adequacy purposes, by investor, are as follows:

As of December 31, 20X3		
HUD	$ 9,746	$ 492
FHLMC and FNMA	$ 9,746	$ 250
As of December 31, 20X2		
HUD	$ 8,635	$ 390
FHLMC and FNMA	$ 8,635	$ 250

Note 10: Securitizations and Variable Interest Entities[31]

The Corporation routinely originates, securitizes and sells mortgage loans into the secondary market. The Corporation typically retains the servicing rights. Through these securitizations, which are usually structured without recourse to the Corporation, the Corporation may be exposed to a liability under standard representations and warranties made to purchasers and issuers. The amounts recorded for this liability was not material to the financial statements at year end. The retained interests do not contain significant credit risks.

The Corporation recognized gains of $100,000 from sales of loans in securitizations in 20X3, compared with $82,000 in 20X2. Additionally, the Corporation had the following cash flows with securitization trusts:

	Years Ended December 31, 20X3	20X2
	Mortgage Loans	*Mortgage Loans*
	(in thousands)	
Sales proceeds from securitizations	$15,718	$16,410
Servicing fees	3,645	3,202
Cash flow on other retained interests	1,000	500

In the normal course of creating securities to sell to investors, the Corporation may sponsor the special-purpose entities which hold, for the benefit of the investors, financial instruments that are the source of payment to the investors. Those special-purpose entities are consolidated unless they meet the criteria for a qualifying special-purpose entity in accordance with the transfers and servicing accounting guidance (FASB ASC 860), or were not required to be consolidated under then existing accounting guidance.

	Mortgage Servicing Rights 20X3	20X2
Prepayment speed (annual CPR [(1)])	12.7%	13.4%
Weighted-average life (in years)	6.8	7.1
Discount rates [(2)]	8.9%	8.9%
Anticipated credit loss rate	1.02%	1.01%

[(1)] Constant prepayment rate

[(2)] Discount rates and prepayment speeds represent weighted averages for all retained interests resulting from securitizations completed in 20X3 and 20X2.

At December 31, 20X3, key economic assumptions and the sensitivity of the current fair value of mortgage servicing rights related to residential mortgage loan securitizations to immediate 10 percent and 25 percent adverse changes in those assumptions are presented in the table below.

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear. Also, in

[31] "Pending Content" of FASB ASC 860-10-50 provides the additional disclosures related to FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*, for public companies. Note that the "Pending Content" does not change the existing disclosure requirements for nonpublic entities.

This guidance is labeled as "Pending Content" due to the transition and open effective date information under FSP FAS 140-4 and FIN 46(R)-8, which is discussed in FASB ASC 860-10-65-2. Readers can refer to the full text of the FSP on the FASB Web site at www.fasb.org.

Readers should be aware that this guidance was superseded by FASB Statements Nos. 167 and 166. Both FASB Statement Nos. 167 and 166 are effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009 (that is, January 1, 2010, for entities with calendar year-ends), for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

the following table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independently without changing any other assumption. In reality, changes in one factor may result in changes in another (for example, changes in prepayment speed estimates could result in changes in the discount rates), which might magnify or counteract the sensitivities.

(in thousands)	*Mortgage Servicing Rights*
Fair value of retained interests	$5,313
Expected weighted-average life (in years)	2.1
Prepayment speed assumption (annual CPR)	36.8%
Decrease in fair value from 10% adverse change	$255
Decrease in fair value from 25% adverse change	577
Discount rate assumption	10.6%
Decrease in fair value from 100 basis point adverse change	$78
Decrease in fair value from 200 basis point adverse change	153

The following table presents information about the principal balances of managed and securitized loans.

	December 31,				*Years Ended December 31*	
	Total Loans[1]		*Delinquent Loans*[2]		*Net Credit Losses*	
	20X3	*20X2*	*20X3*	*20X2*	*20X3*	*20X2*
			(in thousands)			
Total mortgage loans managed and securitized	$97,292	$96,547	$340	$335	$23	$26
Less:						
Mortgage loans held for sale	35,339	12,268				
Total loans held	$61,953	$84,279				

[1] Represents loans that have been securitized.
[2] Includes nonaccrual loans and loans 90 days past due and still accruing.

Note 11: Fair Value of Assets and Liabilities

Determination of Fair Value

The Corporation uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the fair value measurements accounting guidance (FASB ASC 820, *Fair Value Measurements*), the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Corporation's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

The Company uses a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

Fair Value Hierarchy

In accordance with the fair value measurements accounting guidance (FASB ASC 820), the Corporation groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1—Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2—Valuation is based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. Level 2 assets and liabilities may include derivative instruments whose model inputs are observable in the market or can be corroborated by market observable data.

Level 3—Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Corporation in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values based on the short-term nature of the assets.

Interest-Bearing Deposits in Banks

The carrying amounts of interest-bearing deposits maturing within ninety days approximate their fair values. Fair values of other interest-bearing deposits are estimated using discounted cash flow analyses based on current rates for similar types of deposits.

Mortgage Loans Held for Sale

Under the fair value option accounting guidance for financial assets and financial liabilities, we elected to carry our new prime residential mortgage loans held for sale at fair value. The remaining mortgage loans held for sale are carried at LOCOM. Fair value is based on independent quoted market prices, where available, or the prices for other mortgage whole loans with similar characteristics. As necessary, these prices are adjusted for typical securitization activities. For the portion, where market pricing data is not available, we use a discounted cash flow model to estimate fair value.

Mortgage Servicing Rights

Fair value is based on a valuation model that calculates the present value of estimated future net servicing income.

Short-Term Borrowings

Fair values of short-term borrowings are estimated using discounted cash flow analyses based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements.

Forward Loan Sale Commitments and Derivative Loan Commitments

Fair values for derivative loan commitments and forward loan sale commitments are based on fair values of the underlying mortgage loans and the probability of such commitments being exercised. Significant management judgment and estimation is required in determining these fair value measurements.

Off-Balance Sheet Credit-Related Instruments

Fair values for off-balance-sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

> **Note:** For assets and liabilities measured at fair value on a recurring basis during the period, FASB ASC 820-10 requires quantitative disclosures about the fair value measurements separately for each major category of assets and liabilities (see paragraph 2(a)–(b) of FASB ASC 820-10-50). For simplicity, this note only reflects assets and liabilities measured at fair value as of the most recent statement of financial position.

Fair Value Measurements at December 31, 20X3 Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*	*Netting*	*Total Carrying Value*
			(in thousands)		
Assets					
Derivative instruments	$ 2,615	$ 1,000	$ 1,000	$ (100)	$ 4,515
Mortgage servicing rights	—	—	575	—	575
Total assets at fair value	$ 2,615	$ 1,000	$ 1,575	$ (100)	$ 5,090
Other liabilities	$ (10)	$ (100)	$ (50)	$ 17	$ (143)

The following table below presents, for the year ended December 31, 20X3, the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis.

> **Note:** For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, FASB ASC 820-10 requires a reconciliation of the beginning and ending balances, separately for each major category of assets and liabilities, except for derivative assets and liabilities, which may be presented net (see paragraph 2(c)–(d) of FASB ASC 820-10-50).

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Balance as of January 1, 20X3	*Total Realized/Unrealized Gains (Losses) Included in*		*Purchases, Sales, Issuances, and Settlements, Net*	*Transfers In and/or Out of Level 3*	*Balance as of January 1, 20X3*
		Net Income	*OCI*			
			(in thousands)			
Derivative instruments	$1,180	$(50)	$—	$(100)	$(30)	$1,000
Mortgage servicing rights	742	(60)	(12)	(45)	(50)	575
Total assets	$1,922	$ (110)	$(12)	$(145)	$(80)	$1,575
Other liabilities	$(60)	$—	$—	$10	$—	$(50)
Total liabilities	$(60)	$—	$—	$10	$—	$(50)

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Sample Mortgage Corporation
Computation of Adjusted Net Worth for Recertification of
HUD Non-Supervised Mortgagees Other Than Loan Correspondents
December 31, 20X3
(in thousands)

1.	Servicing portfolio at December 31, 20X3		$32,346
2.	Add:		
	Origination of HUD loans during 20X3	$ 7,662	
	HUD loans purchased from loan correspondents during 20X3	7,099	
	Subtotal	14,761	14,761
3.	Less:		
	HUD loans originated and sold with servicing retained during 20X3	1,846	
	HUD loans purchased from correspondents and sold with servicing retained	286	
	Subtotal	2,132	2,132
4.	Total		$49,239
5.	1% of Line 4		$492
6.	Minimum net worth required (greater of $250,000 or Line 5)		$ 492
	Net worth required (lesser of $1,000,000 or Line 6)		$ 492
	Stockholder's equity (net worth) per balance sheet	$9,746	
	Less unacceptable assets	—	
	Adjusted net worth for HUD requirement purposes		9,746
	Adjusted net worth above amount required		$9,254

The Corporation holds variable interests in certain special-purpose entities that are consolidated because the Corporation absorbs a majority of each entity's expected losses, receives a majority of each entity's expected returns or both. The Corporation does not hold a majority voting interest in these entities. Consolidated variable interest entities, substantially all of which were formed to invest in securities and to securitize real estate investment trust securities, had approximately $A and $B in total assets at December 31, 20X3 and 20X2, respectively. The primary activities of these entities consist of acquiring and disposing of, and investing and reinvesting in securities, and issuing beneficial interests secured by those securities to investors. The creditors of most of these consolidated entities have no recourse against the Corporation.

The Corporation also holds variable interests greater than 20 percent but less than 50 percent in certain special-purpose entities formed to provide affordable housing and to securitize high-yield corporate debt that had approximately $C and $D in total assets at December 31, 20X3 and 20X2, respectively. The Corporation is not required to consolidate these entities. The maximum exposure to loss as a result of involvement with these unconsolidated variable interest entities was approximately $E and $F at December 31, 20X3 and 20X2, respectively. Exposure predominantly represents investments in entities formed to invest in affordable housing. The Corporation expects to recover its investment over time, primarily through realization of federal low-income housing tax credits.

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