



June 23, 2020

Mr. David R. Bean
Director of Research and Technical Activities
Project No. 3-40
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

Members of the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel have reviewed the proposed Governmental Accounting Standards Board (GASB) Technical Bulletin (TB), *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases*, and are pleased to offer our comments. Overall, we applaud the GASB staff's efforts to address pandemic-related questions on a timely basis in category (b) GAAP. We also strongly believe that the proposed guidance will help drive consistency in financial reporting during this unprecedented time. While we generally agree with the guidance provided in the TB, we offer the following comments for consideration.

Question 1: CRF Revenue Recognition

We agree that resources received from the Coronavirus Relief Fund (CRF) are subject to eligibility requirements. However, we believe the reference to purpose restrictions in Question 1 of the TB is confusing because it references eligibility requirements and purpose restrictions as though they are mutually exclusive and also implies that the determination of eligibility requirements versus purpose restrictions affects the revenue recognition. Paragraph 7 of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, indicates that the providing party in a voluntary nonexchange transaction may establish purpose restrictions *and* eligibility requirements. Paragraphs 12 and 13 of GASB Statement No. 33 further indicate that purpose restrictions specify the purpose(s) for which the resources are required to be used but do not affect the timing of recognition. That is, the purpose restriction simply affects the resulting net position (or fund balance). We recommend the Board simplify this question and response by removing reference to purpose restrictions in Question 1 and asking only whether the resources from the CRF are subject to eligibility requirements.

Question 2: Loss of Revenue Eligibility Requirement

We believe the rationale provided in Question 2 as to what constitutes meeting the eligibility requirement for loss of revenue needs further clarification. The question appears to be focused on the loss of revenue as the eligibility requirement, which we believe is consistent with the requirements imposed by the Department of Health and Human Services. However, the response to the question introduces conflicting information about what the eligibility requirement actually is. Paragraph 8 of the TB references the provisions of paragraph 20d of GASB Statement No. 33 and states that healthcare entities' modification of services was the primary action that resulted in loss of revenue. However, paragraph A8 of the TB states, "The government's primary actions to comply with stay-at-home orders or to slow the spread of the virus resulted in a loss of revenue; therefore, those actions of the government satisfy the contingency eligibility requirement." We believe additional clarification should be provided to address the eligibility requirement being referenced. Does GASB believe the eligibility requirement to be (1) the healthcare entity's loss of revenue, (2) the modification of services, or (3) the modification of services *and* experience of a loss of revenues? Providing further clarity on this matter will help avoid the potential for an inconsistency in recognition of resources received for the loss of revenues.

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The AICPA appreciates the opportunity to comment on the TB. As the nature of this TB is to further clarify existing GASB Statements, this comment letter was prepared by members of the AICPA's State and Local Government Expert Panel and was not reviewed by the AICPA's Financial Reporting Executive Committee. Therefore, this response represents only the views of individual members of the State and Local Government Expert Panel and is not an official position of the AICPA. Representatives of the State and Local Government Expert Panel would be pleased to discuss these comments with you at your convenience.

Sincerely,



Michelle M. Watterworth
Chair
AICPA State and Local Government
Expert Panel



Mary M. Foelster
Senior Director
AICPA Governmental Auditing and
Accounting

cc: State and Local Government Expert Panel
Dan Noll