



June 25, 2020

David R. Bean, CPA  
Director of Research and Technical Activities  
GASB  
401 Merritt 7  
PO Box 5116  
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**Re: June 9, 2020 GASB Proposed Technical Bulletin, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases* [Project No. 2020-a]**

Dear Mr. Bean:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the Private Company Practice Section (PCPS) Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC appreciates the Board's efforts to clarify the application of the recognition requirements of Statements 33, 56, and 70 to resources received from certain programs established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). TIC's specific comments related to this Technical Bulletin (TB) are outlined below.

#### Question 1: Definition of Eligible Expenditures

TIC understands the Board's intention of trying to explain why the CARES Act funding is subject to eligibility requirements and not purpose restrictions. TIC believes it may be more beneficial to answer the question up front, rather than at the end of paragraph five, and to then list out why they are subject to eligibility requirements. Also, as currently written, the last sentence in paragraph 5 makes it seem like because it is a voluntary nonexchange transaction it is only subject to eligibility requirements. Removal of the comma in that sentence (or rewording) may improve understandability.

TIC supports the Department of Treasury (Treasury) definition of eligible expenditures. However, it would be helpful to provide guidance, potentially in a separate question, related to handling those expenditures if they were later determined not to qualify as eligible expenditures after having been incurred.

Given the fluidity of the Treasury guidance, there is a concern among governments about how to handle accounting disallowed costs and the accounting treatment in these circumstances. This concern is heightened by the fact that many governments are now passing through this funding with what some believe to be insufficient guidance.

### Question 2: Eligibility Requirement and Loss of Revenue

TIC believes 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 an eligibility requirement. However, paragraph 8 of the proposed TB references the provisions of paragraph 20d of GASB Statement No. 33 and indicates healthcare entities' modification of services was the primary action that resulted in loss of revenue.

However, paragraph A8 of the TB indicates the following:

“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.”

TIC believes additional clarification should be provided to address the eligibility requirement referenced. In addition, the CARES Provider Relief Fund FAQ guidance defines the term “lost revenues that are attributable to coronavirus” as “any revenue that you as a healthcare provider lost due to coronavirus”. Given this consideration, one could argue that lower demand meets the definition of lost revenue, even without a triggering eligibility requirement. Lastly, it does not appear that this recognition guidance addresses increased uncompensated care, which is one example given for lost revenue in the CARES Provider Relief Fund FAQ guidance.

Providing further clarity on this matter will help avoid the potential for an inconsistency in recognition of resources received for the loss of revenues. TIC also believes it would be helpful for the GASB to address what “does NOT” meet the definition of lost revenue, perhaps by expanding upon the definition or providing additional examples.

### Question 3: Amendments to the CARES Act

This question specifically addresses “amendments” to the CARES Act that are “passed and signed into law”. The evolving guidance related to these funds may come in other forms, such as updated terms and conditions or FAQs. TIC believes GASB should consider a broader applicability to this question beyond amendments passed and signed into law to avoid confusion if other forms of changes to the CARES Act are provided.

Question 4: Subsequent Events

TIC believes it would be helpful to address whether governments should include a subsequent event note to the financial statements when the loan is forgiven after the date of the financial statements but before the financial statements are issued or available to be issued.

Question 6: Extraordinary or Special Items

Most TIC members agreed that the underlying event to evaluate is a coronavirus disease. Others believed that the underlying event causing the outflows of resources is not a coronavirus disease but a national stay at home order, which based on our nation's history is infrequent in nature.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Supkis-Cheek", with a long, sweeping flourish extending to the right.

Danielle Supkis-Cheek, Chair  
On Behalf of the PCPS Technical Issues Committee