June 19, 2020

Director of Research and Technical Activities
Project No. 3-40
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Submitted via e-mail to director@gasb.org

Re: Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases

Dear Director of Research and Technical Activities:

The Virginia Society of CPAs (VSCPA) Accounting & Auditing Advisory Committee (Committee) has reviewed the proposed Exposure Draft, Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases, issued by the Governmental Accounting Standards Board (Board). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members’ interests. The VSCPA membership consists of more than 13,500 individual members who actively work in public accounting, private industry, government and education. We appreciate the work the Board has undertaken on this effort and the opportunity to respond to this proposed technical bulletin.

Overall, the Committee agrees with the Board’s assessment that additional guidance is needed to ensure consistency in accounting and financial reporting relating to the Coronavirus Aid, Relief and Economic Security (CARES) Act. We also agree a technical bulletin (Category B guidance) is the appropriate delivery approach based on the specific nature of the topic being addressed. After reviewing the Board’s questions and responses within the technical bulletin, we support the Board’s conclusions to questions two, three, and five. However, we do have comments regarding the Board’s conclusions to questions one, four, and six.

In question one, we believe there is a significant amount of subjectivity and professional judgement in assessing whether U.S. Treasury (Treasury) stipulations to only use CARES Act funding for ‘necessary’ outflows constitute eligibility requirements or purpose restrictions. Therefore, we recognize strong arguments for either classification. Ultimately, we agree with the Board’s conclusion that the stipulations provided in section 601(d) of the Social Security Act, and expanded upon in Treasury’s Frequently Ask Questions (FAQs), represent eligibility requirements in substance, particularly since government recipients of the funding are contingently liable to return funds in accordance with section 601(f)(2) if the funds are not spent in accordance with the act.

In question four, when a government receives a forgivable loan, we do not agree the government should continue to report a loan liability until it is legally released from the debt. To support its conclusion, the Board references non-exchange financial guarantees. In a non-exchange financial guarantee, a guarantor assumes payments generally when the borrower
becomes insolvent. Assumption of payments by the guarantor does not discharge the borrower’s obligation, which continues to exist and may require the borrower to sacrifice future resources. In the case of a forgivable loan, however, there is binding agreement that satisfaction of certain eligibility requirements will result in loan forgiveness. Regardless of timing around the debtor’s acknowledgement, there is no longer a present obligation for the government to sacrifice future resources once the eligibility requirements are met. Furthermore, this would result in conceptual consistency with revenue recognition standards for non-exchange transactions.

In question six, we do not agree with the Board’s conclusion that a government’s outflows of resources incurred in response to a coronavirus disease should not be reported as an extraordinary item on the basis that it is a frequent event. GASB Statement 62, paragraph 48, states, “The past occurrence of an event or transaction for a particular government provides evidence to assess the probability of recurrence of that type of event or transaction in the foreseeable future.” While a coronavirus may be frequent, it is important to note there have only been a handful of pandemics of any global financial consequence over the past century and none which have approached the level of financial pervasiveness and significance of COVID-19. Some in the scientific community have theorized we are likely to be challenged by COVID-19 indefinitely into the future, but there is significant uncertainty around the extent and cost of the continued response. Additionally, from a financial statement user’s perspective, it is likely most users would perceive COVID-19 as an extraordinary event and prefer to observe the outflows relating to the event separately from an entity’s normal operations.

Again, the Committee appreciates the opportunity to respond to this Exposure Draft. Please direct any questions or concerns to VSCPA Vice President, Advocacy Emily Walker, CAE, at ewalker@vscpa.com or (804) 612-9428.

Sincerely,

Natalya Yashina, CPA
Chair, VSCPA Accounting & Auditing Advisory Committee
2020–2021

2020–2021 VSCPA Accounting & Auditing Advisory Committee:
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