June 23, 2020

Mr. David Bean, Director of Research and Technical Activities  
Project Number 3-40  
Governmental Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

Submitted via email to director@gasb.org

Dear Mr. Bean:

Thank you for the opportunity to provide comments regarding the proposed Technical Bulletin 2020-a of the Governmental Accounting Standards Board (GASB, the Board), Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020 and Coronavirus Diseases (ED, the ED). The Board is to be commended for taking this step to provide guidance to state and local governments and their auditors relating to certain federal level programs intended to address the economic impact of the COVID-19 pandemic.

I fully agree with the responses to questions 1, 2, 3, and 5; however, I have minor concerns with the responses to questions 4 and 6. My concerns with the responses to questions 4 and 6 are discussed in the following paragraphs.

Response to Question 4

I agree with the response to Question 4 that a loan pursuant to the Paycheck Protection Program (PPP) loan is a liability until the recipient is legally released from the debt. My concern is with the example used in the question which is a not-for-profit entity (NFP or NFPs) that reports in accordance with GASB standards. Users of NFP financial statements may or may not be as knowledgeable about accounting and financial reporting requirements established by the GASB as they are of the standards established by the Financial Accounting Standards Board (FASB). Many users of NFP financial statements compare NFP entities and may not realize the options for reporting PPP loan transactions may be different under GASB and FASB standards.

FASB staff worked with various AICPA committees to develop Technical Question and Answer (TQA) 3200.18, Borrower Accounting for a Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program, which addresses accounting for these loans by business entities and NFPs. Under the TQA, when a NFP expects to meet the PPPs eligibility criteria and concludes the loan represents in substance a grant that is expected to be forgiven, the NFP may choose to account for such loans as a conditional contribution rather than a financial liability.

In the GASB literature, this equates to accounting for a PPP loan as a voluntary nonexchange transaction under GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, rather than under GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. Both standards require the initial receipt of the financial resources to be reported as a liability; however, note disclosures would be different under the two standards.

To avoid potential confusion among users of not-for-profit financial statements, I would encourage the Board to consider allowing NFPs using GASB standards to have an option to record a PPP loan under GASB Statement No. 33 or GASB Statement No. 70.
Please see my comments below relating to the reporting of an inflow of resources when an entity is legally released from its PPP obligation.

**Response to Question 6**

Question 6 relates to *outflows* of resources incurred in response to the “coronavirus disease” and I agree with the response to the question as written. However, I believe the question and related response should also address inflows of resources due to the forgiveness of PPP loans. I do not believe the response to Question 5 relating to amounts received under certain other CARES Act programs by a business-type activity or enterprise fund is relevant to reporting the forgiveness of PPP loans. Therefore, I would ask the Board to consider revising Question 6 and its related response to address the financial statement presentation of inflows or resources relating to the forgiveness of PPP loans.

The response to Question 6 is based on the conclusion the event leading to a government incurring costs is the “…appearance of a coronavirus disease…” This particular strain of coronavirus (COVID-19) is “novel” because it started with an animal population, was transmitted to a human, and now can go from human to human. Immune systems have never seen this particular strain of virus before; as such, no one has developed immunity and no vaccine currently exists for it ([https://newsnetwork.mayoclinic.org/](https://newsnetwork.mayoclinic.org/)). It should be noted that the mutation of a coronavirus from animals to humans is rare ([https://consultqd.clevelandclinic.org/](https://consultqd.clevelandclinic.org/)).

I believe the underlying event is not the “appearance of a coronavirus disease” but *the* COVID-19. I agree with the conclusion in paragraph A22 that the “occurrence” of a coronavirus disease is not infrequent. Because it is rare for a coronavirus to mutate from animals to humans (as is the case with the COVID-19), I believe the COVID-19 meets the criteria to be “unusual” in nature.

Assuming the occurrence of the COVID-19 is unusual, incurring costs in response to it is “within the control of management” as is entering into a PPP loan. Therefore, I believe outflows of resources incurred to respond to COVID-19 and meeting the requirements for a PPP loan to be forgiven should be reported as special items rather than functional expenses/expenditures or nonoperating/general revenues, respectively.

As always, thank you for the opportunity to respond to this due process document. Should you have any questions regarding the above, please contact me at (321) 277-1536 or lkmdennis@gmail.com.

Sincerely,

Lynda M. Dennis, CPA, CGFO, PhD