June 24, 2020

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

RE: Project No. 3-40

Dear Mr. Bean:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the GASB’s 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. The coronavirus pandemic and the CARES Act have raised a number of complex accounting issues for governmental entities, and we appreciate the GASB’s efforts to provide expedited guidance through issuing this proposal.

Overall, we support the guidance provided in the proposed Technical Bulletin. The appendix contains our comments and suggested clarifications on specific questions.

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If you have any questions regarding our comments, please contact David Schmid at (973) 997-0768, Martha Garner at (973) 652-6576, or Chris Salem at (941) 720-4314.

Sincerely,

PricewaterhouseCoopers LLP
Appendix

Question 1 - relevance for other CARES Act programs

Although this question focuses on the Coronavirus Relief Fund (CRF) payments, we believe the discussion in paragraph 6 of the response could also be helpful in accounting for other CARES Act programs. For example, grants provided by the Higher Education Emergency Relief Fund and the Provider Relief Fund (PRF) have both expenditure-driven and lost revenue components; while the lost revenue component is discussed in Question 2, there is no discussion in the proposal of accounting for the expenditure-driven components. Adding the following sentence to the beginning of paragraph 6 could provide helpful guidance for entities that receive expenditure-driven resources from such other programs, while maintaining the question’s primary focus on the CRF:

“Thus, resources received from the CRF would be recognized in the same manner as resources provided based on the incurrence of eligible expenditures under other CARES Act programs...”

Additionally, we suggest the GASB staff remove the references to purpose restrictions from paragraphs 3 and 5. Voluntary nonexchange transactions may be subject to both eligibility requirements and purpose restrictions. As written, paragraphs 3 and 5 imply that only one or the other can be applicable. If the primary purpose of Question 1 is to analyze the appropriate timing of revenue recognition, then purpose restrictions are irrelevant.

Question 2 - lost revenue not caused by management’s actions

As written, Question 2 focuses narrowly on revenues lost as a direct consequence of actions taken by management in response to the coronavirus. It is silent regarding revenues lost due to circumstances beyond management’s control (for example, cancellations/postponements initiated by patients due to the imposition of stay-at-home orders or concerns about potential exposure to the virus). Because the PRF terms and conditions entitle HCOs to reimbursement for revenues lost for any reason pertaining to the coronavirus, preparers might infer that the GASB staff believes a different recognition approach (not specified in the proposed guidance) would apply to revenues lost for other reasons.

We suggest that the references to specified actions of management be deleted and the response instead address reimbursement of lost revenues more generally. Specifically, we suggest that the reference to GASB 33 paragraph 20(d) be deleted. The reply could instead focus on the principles articulated in GASB 33 paragraphs 19 and 21. That is, the reply could state that the requirement to have first experienced lost revenue clearly meets the concept of an “eligibility requirement” as described in paragraph 19 followed by a reference to paragraph 21’s principle of recognizing revenue as eligibility requirements are met.

If the reference to GASB 33 paragraph 20(d) is retained and lost revenues are classified as a contingency, we suggest clarifying that the “action of the recipient” is the recipient’s performance of its operations during the pandemic and losing revenues as a consequence.
Question 3 - subsequent events

We agree with the GASB staff’s views on legislative changes to the CARES Act (for example, amendments) that occur after the balance sheet date. We assume that the focus specifically on legislative changes is intentional as opposed to addressing subsequent events more broadly, which might include issuance of implementing regulations or publication of federal agency FAQs. While we believe it would also be helpful for the Technical Bulletin to address the staff’s views on those broader issues, we understand this may not be possible under the tight turnaround required for issuance of timely guidance.

Question 4 - clarifying applicability of GASB 70 to Paycheck Protection Program loans

The guarantee provided by the Small Business Administration (SBA) on Paycheck Protection Program loans causes those loans to fall within the scope of GASB 70. However, as written, Question 4 does not mention the SBA guarantee. To clarify for readers why GASB 70 is applicable to those loans, we recommend adding a new first sentence to paragraph 12 that states:

“Forivable loans received through the Paycheck Protection Program have been guaranteed by the SBA as part of a nonexchange transaction and thus, are within the scope of Statement 70.”

Question 5 - program payments structured as contracts for services

As written, paragraph 15 identifies the PRF’s Uninsured Program as the only CARES Act program whose payments could be reported as operating revenues. While we agree that those payments represent operating revenues, we suggest that paragraph 15 be modified to cite the Uninsured Program as only an example of a resource that would be reported as operating revenues. For example, paragraph 15 could be rewritten as follows:

“Resources provided to governments that constitute payment for services rendered (for example, amounts received from the Provider Relief Fund’s Uninsured Program that constitute payment for COVID-19 treatment or testing of uninsured individuals) should be reported as operating revenues.”

This would provide for the possibility that similar programs might be established in the future through amendments to the CARES Act (for example, by a new stimulus package) or subsequently created and funded from the PRF.

Question 6 - reporting special or extraordinary items

We agree with the staff’s analysis.