June 25, 2020

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
PO Box 5116
Norwalk, Connecticut 06856-5116

Via e-mail: director@gasb.org


Dear Mr. Bean,

Moss Adams LLP appreciates the opportunity to share our comments related to the Governmental Accounting Standards Board’s (GASB or Board) Exposure Draft of its Technical Bulletin No. 2020-a (Exposure Draft or ED) providing accounting and financial reporting guidance on the CARES Act.

Moss Adams LLP is the one of the 15 largest accounting and consulting firms in the United States. Our staff of over 3,400 includes more than 350 partners. Founded in 1913, Moss Adams LLP provides accounting, tax, and consulting services to public and private middle-market businesses, not-for-profit and governmental organizations.

We appreciate the Board’s efforts and its willingness to provide accounting and financial reporting guidance related to the CARES Act in light of the questions arising from entities receiving the aid. We believe the governmental reporting community and users of their reports will benefit from consistent accounting and financial reporting used by financial statement preparers.

Overall, we support the Board’s intention of responding to questions it received and providing guidance to aid consistent accounting and financial reporting. A significant number of the governmental organizations and tribal entities we work with have raised similar questions as they try to navigate in this unfamiliar environment. However, we believe the clarifications within this Exposure Draft do not go far enough to create consistency and comparability in financial reporting for CARES Act relief funds.

PPP Loan Forgiveness – Question 4 of the Exposure Draft provides guidance on the classification and timing of recognition of the funds received in the form of a forgivable loan pursuant to the Paycheck Protection Program by a governmental entity. The proposed answer indicates that the governmental entity should report the loan liability until the entity is legally released from the debt. While we agree with the proposed guidance, we draw your attention to the AICPA’s recently issued Technical Question and Answer Section 3200 that came to a different conclusion. It indicates that under certain circumstances a nongovernmental entity could recognize the loan as a government grant; with specific accounting methods applied, once it is probable that conditions for forgiveness are met the earnings impact is recorded as either a credit to the income statement (under a general heading such as other income) or as an offset to related expenses. We work with a variety of governmental entities in industries with nongovernmental competitors and peers, such as higher education, health care, and utilities. The diversity in
accounting by governmental and nongovernmental entities on this particular funding program further increases issues with comparability for users of these financial statements.

**Operating vs. Non-Operating Outflows of Resources** – Question 5 of the Exposure Draft addresses recording relief funds as non-operating revenues, except for resources provided through the U.S. Department of Health and Human Services’ Provider Relief Fund’s Uninsured Program (PRFUP), which constitute payment for services provided. We agree that the receipt of resources provided by the CARES Act (other than the PRFUP) constitutes subsidies and should be reported as non-operating revenue based on current guidance. However, the question and answer does not address whether the related expenses recognized under these programs should also be considered non-operating, especially for expenses incurred during a business or government closure as discussed further below.

We note that for a number of governmental entities, especially certain business-type entities, operations were required to be closed due to the public health emergency. Codification Section 2200.193 provides broad guidance to governments to establish their own policies defining operating revenues and expenses, based on which definition a government could determine that costs incurred while a business is closed are non-operating expenses, as they were not providing services or producing and delivering goods during the closure period. Although these costs still would likely be considered operating costs under the guidance in Codification Section 2450, the FAQs issued in that section support that certain revenues and expenses may be considered non-operating in the Statement of Revenues, Expenses, and Changes in Net Position, while still being considered operating for purposes of Statement of Cash Flows presentation.

We recommend that this question and answer be broadened to address both the classification for the resources received and the classification for expenses incurred under the program. Alternatively, an additional question and answer should address the classification of outflows related to periods of time a governmental business was not operating due to required closures.

**Tax Credits** – The CARES Act and the Families First Coronavirus Response Act both provide for specific tax credits to certain recipients for eligible qualified wages or leave incurred. These programs are available to a number of governmental entities; we know of several governmental entities that have or will apply for the credits. We could not identify any applicable existing GASB guidance in the GASB toolkit developed in response to the coronavirus that would apply to this type of transaction. We’ve received questions from governmental entities looking to understand whether such credits should be reported as an inflow of resources or as a reduction of the related expenses. We request that you include additional guidance on this question as part of this proposed Technical Bulletin, or in a future bulletin, regarding the appropriate accounting treatment for these credits.

We hope that you find our comments and suggestions meaningful. If you would like to discuss our comments or require further information regarding our response, please contact Erica Forhan in our Professional Practice Group at 206-302-6826 or by e-mail at Erica.Forhan@mossadams.com.

Respectfully,

Moss Adams LLP