

Leases Implementation Task Force Meeting Minutes

July 29, 2020, 1:30 PM to 4:00 PM

Video Conference (WebEx)

Attendance

Mr. Perry, FASAB senior analyst, and Ms. Dewhirst, FASAB fellow on detail from GSA, were present throughout the meeting. Formal attendance was not taken due to the large task force membership and observer group constituency.

This meeting was held via WebEx, and all members and observers dialed in. Eighty-six phone numbers connected into the conference call.¹

Welcome; Overview of Meeting Objectives; Project Status and Timelines (Agenda Item #1)

Welcome

The task force meeting officially convened at about 1:30 PM. Mr. Perry kicked off the meeting by welcoming task force members.

Overview of Meeting Objectives

Mr. Perry stated that the task force would discuss newly-added questions under previously discussed topic areas, a few select questions from previously-discussed topic areas, and all remaining topic areas during this meeting.

Review Project Plan

Mr. Perry noted that the timelines in the leases implementation project plan (Attachment 1) remain unchanged. He also explained that the conforming amendments TR is on hold, and the software licenses TB has been discontinued. Both of these sub-projects will likely be handled by a future intangibles/subscription-based IT arrangements project.

SFFAS 58, *Deferral of the Effective Date of SFFAS 54, Leases*

Mr. Perry thanked the task force for their participation in the deferral project. He reminded the task force that the Board approved deferring the effective date of SFFAS 54, *Leases*, to reporting periods beginning after September 30, 2023 and issued SFFAS 58 on June 19, 2020.

June Board Meeting

Mr. Perry provided an overview of the June Board Meeting. He pointed out a few of the comments from the Board and noted that the Board was preliminarily supportive of the omnibus amendment proposals identified to-date. He thanked the task force members for their assistance in identifying many of these proposals.

Task Force Discussion of Draft Implementation Guidance (Agenda Item #2)

¹The total meeting time was 150 minutes. 72 of 86 numbers connected for at least 30 minutes; 62 of 86 for at least 60 minutes; 47 of 86 for at least 90 minutes; and 39 of 86 for at least 120 minutes. Some numbers represent individual task force members/participants/observers, while others represent groups of members/participants/observers.

Revisiting Previously Covered Topic Areas

Mr. Perry asked task force members to provide input, question-by-question, as he recapped the edits made under the topic areas (Attachment 2) based on task force feedback at the June 11th meeting.

Mr. Perry indicated that the question on the definition of the term “probable” was moved up to the scope and definitions section. Members of the task force agreed with this change and requested that a footnote be added to indicate where in FASAB guidance this definition is found. There was also a suggestion to indicate the paragraph numbers in SFFAS 54 where the term “probable” appears.

Mr. Perry discussed a new question that was proposed by GSA and added to the scope and definitions section. The new question seeks to clarify what is included in the term “annual lease expense” that is mentioned in the disclosure sections. One task force member cautioned against limiting what agencies consider lease expenses. He recommended softening the question and answer to indicate that these are examples of annual lease expense, not an all-inclusive list. Mr. Perry noted that the current phrasing already provides flexibility, but welcomed alternative phrasing suggestions. The task force member agreed.

Mr. Perry described another new question that was proposed by GSA and added to the lease term section. The new question contains an example for a lease that went into holdover, ultimately for one year, and then an extension was processed to include a lease term that was backdated to the end of the original lease term. The question and answer explains how to handle the accounting in this situation. There was one comment from a task force member requesting that the wording of the last sentence in the answer be changed to be a little less prescriptive. Mr. Perry and Ms. Dewhirst agreed to look into this recommendation.

Mr. Perry indicated the wording in question 19 may change based on the revisions to paragraph 19.a in the omnibus amendments.

Mr. Perry explained a new question related to evaluating options that was proposed by GSA and added to the lease term section. The task force had no comments on this question and answer.

Mr. Perry reviewed another new question that was added to the lease term section. The question and answer use an example about exercising an option to highlight at what point a reassessment of the lease term is needed. Mr. Perry stated that GASB added a similar question and answer in the update to their implementation guidance.

Mr. Perry went over question 37 and requested that the State Department work with staff to make sure that their unique situations are also addressed.

Mr. Perry discussed a new question on discount rates that was added to the lease liability section. One task force member recommended that clarification be added to state that an entity should use the discount rate explicit in the lease if there is one and only use the methodology explained here if there is no explicit discount rate in the lease. Mr. Perry agreed, but noted that a corresponding omnibus amendment to clarify may also be helpful in supporting such an approach.

Mr. Perry asked for the task force members' feedback on question 67 and asked that an example of this be provided if possible. One task force member responded and said that they could provide an example. This is a situation where the lease receivable is more than the deferred revenue and there is the potential for a loss to be recorded. It was agreed that this scenario would not be common, but that the related guidance would be helpful when the situation occurs.

Edits to other topic areas included minor technical corrections and clarifying edits made in consultation with certain task force members. These edits were reviewed at a high level during the meeting, and the task force generally concurred with those revisions.

Task Force Discussion of Newly-Drafted Topic Areas

Ms. Dewhirst directed task force members' attention to the newly-drafted topic areas, inviting members to provide input and ask questions as she recapped each question and answer and the intended implementation issue to be clarified by each. The task force provided minor feedback on a few select questions.

Ms. Dewhirst clarified that question 78 is addressing a lease with multiple components. In the example provided, the reporting entity is leasing office space and print services. One task force member requested that a separate question be drafted to address just contracts for print services. The task force member expressed concern that these could be interpreted as service contracts, but likely should be reported as leases. Ms. Dewhirst and Mr. Perry expressed that the existing questions and answers should already provide sufficient clarification, but agreed to work with the task force member to draft an additional question and answer on this topic, provided that the task force member submitted a suggested question.

A task force member mentioned that a clarifying edit was needed for question 81 on lease terminations and modifications. The task force member agreed to work with Ms. Dewhirst and Mr. Perry to revise the question and answer as needed.

Ms. Dewhirst noted a minor edit needed on question 82. Ms. Dewhirst and Mr. Perry will make this correction. A task force member also noted that any revisions to the omnibus amendment for paragraph 19.a should be considered for this question and answer as well.

Mr. Perry noted that a change in term may be needed on question 89 in the sale-leaseback topic area. It may be best to use a term other than "capital asset" here. Mr. Perry and Ms. Dewhirst will research other options.

A task force member suggested that the answer be rephrased on question 93 in the lease-leaseback topic area. The task force member expressed a desire to allow for grouping of transactions in this disclosure. Ms. Dewhirst and Mr. Perry agreed with the concept of grouping when appropriate and will look into opportunities to revise the phrasing of the answer to allow for this.

Ms. Dewhirst stated that an additional 1-2 questions will likely be drafted for the implementation topic area. Ms. Dewhirst and Mr. Perry will work with a small group of task force members to complete these questions and answers.

Mr. Perry noted that the materiality call-out box will be updated to the language in SFFAC 1, paragraph 164.

Next Steps (Agenda Item #3)

Ms. Dewhirst stated that there are no future task force meetings scheduled at this time. However, Ms. Dewhirst and Mr. Perry would appreciate it if the task force members would provide any additional comments by email.

AAPC August Meeting

Ms. Dewhirst stated that the next AAPC meeting is August 12-13, 2020 from 1:00-4:00 PM ET each day. Ms. Dewhirst and Mr. Perry intend to review all remaining sections of the implementation

guidance with the AAPC at this time. They encouraged task force members to monitor the project page and listen in to the meeting. Dial-in instructions are included on the posted agendas.

AGA Leases Webinar

Ms. Dewhirst discussed a webinar that she and Mr. Perry will present in conjunction with the AGA national office. The webinar will be August 19, and registration is open now.

FASAB August Board Meeting

Ms. Dewhirst and Mr. Perry encouraged task force members to listen in during the August 26th–27th FASAB Board meeting. The Board will be discussing the revised leases omnibus proposals, and there will be an educational session from GASB on intangibles and SBITAs.

Next Steps

Mr. Perry and Ms. Dewhirst will:

- a. Follow up directly with task force members to obtain clarification as needed.
- b. Continue to discuss implementation issues one-on-one with task force representatives—over the phone and electronically—in the coming days.

Task force members will continue to communicate implementation issues to Mr. Perry and Ms. Dewhirst as they are identified.

Adjournment

Mr. Perry and Ms. Dewhirst thanked the task force for a productive meeting.

The meeting adjourned at 4:00 PM.