

Intangible Asset Research Task Force Meeting Minutes

February 17, 2021, 2:00 PM to 3:30 PM EST

Video Conference (WebEx)

Attendance

Mr. Williams, FASAB senior analyst, conducted the meeting via WebEx. He did not take attendance due to the large number of attendees. However, it appeared that approximately 50 people attended the meeting.

Introduction

The task force meeting officially convened around 2:00 PM EST.

Welcome

Mr. Williams first asked Ms. Valentine, FASAB Executive Director, to open the meeting. Ms. Valentine welcomed and thanked everyone for volunteering for the intangible asset research effort. She noted that it is an important and timely topic that could lead to new extensive guidance for federal reporting entities.

Mr. Williams then thanked everyone for volunteering for the task force and briefly introduced himself. He emphasized the importance of the broad professional background of task force members that includes various federal agencies, accounting firms, academia, private sector, and non-profit sector, amongst others.

Topic Background and History

Mr. Williams mentioned that various agencies have asked FASAB about certain intangible assets over the years to include land rights, software licenses, census data, and subscription based information technology arrangements (SBITAs). The Board began initial deliberations of this topic as part of the now archived software licenses project. Task force members decided to archive the software licenses project due to the breadth of guidance potentially needed to address intangible assets.

Mr. Williams reiterated the importance and timeliness of this effort because as economies advance, resources are increasingly intangible and, without guidance, there is potentially a significant amount of asset value left off federal financial reports. He noted, however, that it is fundamentally difficult to separate and measure the value of intangible resources accurately, which conflicts with the conservatism principle of not recognizing assets unless the value and existence is certain.

Task Force Objectives

Mr. Williams stated that the initial task force objectives are to (1) identify existing intangible assets throughout federal reporting entities, (2) consider the benefits to users of federal financial reports from reporting such intangible assets, and (3) then consider if preparers can reasonably measure and recognize the identified intangible assets in the financial reports.

This research effort will contribute to the Board's decision to move forward with developing intangible asset guidance.

Meeting Objectives and General Guidelines

Mr. Williams stated that the specific meeting objectives are to (1) brainstorm and discuss potential intangible asset types and (2) discuss ways to clarify the survey questions so that they will effectively achieve the task force research objectives. He then went over general task force etiquette and guidelines concerning meetings and correspondence.

Intangible Asset Definitions and Current Guidance

Mr. Williams referred to attachment 1, Intangible Asset Definitions and Current Guidance, to facilitate a discussion on potential intangible assets that exist across federal reporting entities. He noted that the table is for informative purposes to assist task force members with brainstorming ideas when responding to the survey. He went through the list of intangible assets and briefly highlighted interesting aspects of some along with the current standard setting body guidance crosswalk.

Task Force Member Questions and Comments

Mr. Williams then asked task force members for thoughts on any other potential intangible asset types that should be included in the list. Someone brought up cryptocurrency as a possibility. Generally, intangible assets do not include assets that are financial in-nature, such as monetary or investment assets. However, someone else stated that the Internal Revenue Service defines virtual currency (cryptocurrency is a type of virtual currency) as a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value. Mr. Williams encouraged everyone to consider cryptocurrency when completing the survey.

Another task force member suggested that datasets, such as earth science data as well as census data are potential intangible assets. Mr. Williams indicated that another task force member also suggested datasets as a potential federal intangible asset and provided Housing and Urban Development lender lists and inspection scores as examples. Mr. Williams agreed that task force members should consider datasets as potential intangible assets when completing the survey and may add a specific question to the survey for datasets.

Intangible Asset Task Force Survey

Survey Objectives

Mr. Williams referred to attachment 2, Intangible Asset Task Force Draft Survey, to facilitate discussion amongst the task force about the wording and format of the survey questions. The objectives of the survey are to gather information about (1) intangible assets that exist throughout federal reporting entities and (2) potential benefits to recognizing such intangible assets in federal financial reports.

Directions on Completing Survey

Mr. Williams stated that survey responses that only provide yes/no answers would not help with the survey or task force objectives. It is important to submit detailed narrative with actual examples of intangible assets along with qualitative and quantitative data for each question. He encouraged task force members not to overthink the questions and to approach them with a creative brainstorming mindset. They should not worry about whether an idea fits into a certain definition but should provide as many ideas as possible; there is no wrong answer.

Mr. Williams encouraged task force members to seek expertise of relevant subject matter specialists, such as science and technology departments, when researching the intangible assets. He also encouraged task force members to forward the survey to other colleagues who have an interest in completing the survey.

Survey Question and Format Discussion

Mr. Williams requested task force members to ask any questions or state any concerns pertaining to the wording and format of the survey questions. Some task force members voiced conflicting opinions about the yes/no column. Some suggested rewording questions from, for example, "Do patents exist at federal reporting entities?" to "What kinds of patents exist at federal reporting entities?" thereby making the yes/no column irrelevant. Others stated that they thought the yes/no column will help categorize and consolidate responses. Additionally, some task force members suggested replacing yes/no with could or could not so that it is not so declarative.

One task force member suggested using an internet survey service to issue the survey. Mr. Williams stated that he initially considered this but decided it was best to issue the survey in Excel format because that would better facilitate the brainstorming/research oriented objectives of the task force. He noted that the task force could issue a more structured internet based survey in the future if they consider it beneficial to survey a more general population.

Some task force members commented that the response narrative should include certain criteria. For example, someone stated that responses should consider both receiving and providing agencies. Another suggested that responses should categorize

intangible assets regarding whether or not they are revenue generating or if they are more appropriate in financial statements, notes, or required supplementary information (RSI).

Some task force members asked if submissions from different respondents from the same agency/organization should consolidate their responses into one submission. Mr. Williams stated that agencies/organizations should try to consolidate their responses into one submission but that it is ok for agencies to break out responses by sub-agency if necessary (such as HHS breaking out responses from NIH and CDC, etc.). He stated that the submitting agency/organization should input their name in column D of the survey but the narrative in column E should make it clear which agency or sub-agency the analysis and examples pertain.

One task force member asked for clarification regarding which or how many federal reporting entity respondents should consider in their submissions. Mr. Williams stated that respondents should answer for the federal reporting entity they work for or have some existing knowledge. For example, he does not expect someone from DOE to research intangible assets at NASA but some respondents may have insight into multiple federal reporting entities. He encouraged all respondents from all backgrounds to put themselves in financial report user's shoes and attempt to answer the questions that ask about benefits to reporting intangible assets in federal financial reports.

One task force member asked if the intent of the survey is to ask if federal reporting entities currently recognize the intangible assets in their financial reports. Mr. Williams stated that the intent of the survey is to inquire about all existing intangible assets at federal reporting entities whether they are currently recognized or not in financial reports. In fact, it is especially important to identify intangible assets that exist throughout federal reporting entities that are not recognized in financial reports.

Mr. Williams recorded the task force members' concerns and opinions on the survey questions and stated he will consider them and confer with other FASAB staff to edit the survey if necessary before issuing it for completion. Per a task force member suggestion, he will include the intangible asset type definitions from attachment 1 as a separate tab in the survey so that respondents can easily refer to them when completing the survey. He reiterated his desire for respondents to approach the survey questions with a broad and creative mindset with the goal of brainstorming possibilities.

Next Steps and Task Force Milestones

Survey Timeline

Mr. Williams plans to issue the survey to the task force on February 22, 2021 with a due date of COB March 12, 2021.

Next Task Force Meeting

The next task force meeting will occur approximately March 23, 2021 barring any unforeseen issues. The objectives of the meeting will be to discuss the consolidated survey responses, consider which intangible asset types should be considered as part of the scope of potential guidance, and consider a potential definition of intangible assets.

Conclusion

Mr. Williams concluded by thanking everyone again for volunteering for the task force and attending the first meeting. He reiterated the importance of the research effort and that it can potentially lead to innovative guidance in the realm of federal financial reporting.

The meeting concluded at approximately 3:20 PM EST.