

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
December 12-13, 2023
Zoom for Government

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For research purposes, please see the briefing materials at www.fasab.gov. Briefing materials for each session are organized by topic; references to these topics in the minutes are hyperlinked.

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Mr. Dacey, Mses. Harper and Johnson, and Messrs. McNamee, Patton, and Vicks. Ms. Bronner was present except for the afternoon of December 12. The executive director, Ms. Valentine, and general counsel, Mr. Kirwan, were present throughout the meeting. Ms. Valentine conducted a verbal roll call of the members.

Tuesday, December 12, 2023

Administrative Matters

- **Clippings and Updates**

Mr. Scott reviewed the protocol for the virtual meeting.

Mr. Scott asked the members if there were any comments on the clippings. No members had comments.

Mr. Scott noted the outreach efforts in the past two months from both Board members and staff.

Mr. Scott called the members' attention to topic G, the non-agenda topics memo. He directed members to reach out to staff for any questions or comments on the topics since they would not be discussed at today's meeting.

Agenda Topics

- **Reexamination of Existing Standards – Invitation to Comment**

Ms. Batchelor, assistant director, introduced [topic A](#) by explaining to the Board that the purpose of the session was to consider the comment letters, staff's initial analysis, and staff's recommendations based on the responses to the Invitation to Comment (ITC), *Reexamination of Existing Standards*.

FASAB issued the ITC on May 15, 2023, with comments requested by September 15, 2023. The purpose of the ITC was to gain insight from stakeholders regarding the reexamination of existing standards project. FASAB received 26 responses.

Question 1– Staff notes that much of the above commentary provides the Board with background and an understanding of the materials presented, but it also provides a summary of factors the Board should consider as it assesses the comment letters and staff's initial analysis. Do members have any questions regarding this information?

The discussion provided information beyond the reexamination, but staff believed important for the Board. For example, staff is interested if the Board would like to discuss:

- **whether the Board would like to update the Strategic Objectives Report, and**
- **how the Board would like to consider alternatives for providing standards to the community.**

Ms. Batchelor explained that the briefing materials provided much information, including a discussion of factors the Board may consider in prioritizing issues and developing a priority approach to the reexamination project. Question 1 was included to determine if the Board had any questions and to determine if the Board wanted to review the Strategic Objectives Report and discuss handbook alternatives.

The majority of the Board agreed the Strategic Objectives Report is a useful resource that should be reviewed periodically to ensure that the information is current and appropriate. However, it should not deter from the reexamination effort. The Board agreed to discuss the Strategic Objectives Report in a brief session in the future.

The Board acknowledged that many of the ITC responses included comments regarding the FASAB Handbook. The Board agreed that there may be opportunities to improve the FASAB Handbook, including organizational changes in the handbook and other improvements. Members agreed that consideration of the International Public Sector Accounting Standards Board model and other changes should be considered as appropriate in the future but should not deter reexamination.

Question 2 – Do members agree with staff’s recommendation that the Board reexamine Statement of Federal Financial Accounting Standards (SFFAS) 34, *the Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*?

Ms. Batchelor explained that the Board believed it important to obtain input on the hierarchy of generally accepted accounting principles (GAAP) as part of the reexamination efforts and included specific questions regarding the hierarchy in the ITC. Over half of the respondents provided comments and suggested improvements for the federal GAAP hierarchy. Most respondent comments were centered on the following areas: simplifying the GAAP hierarchy, clarifying level D GAAP (including the areas of “practices that are widely recognized and prevalent in the federal government” and administrative directives), and revisiting Other Accounting Literature.

Stakeholders conveyed that they would benefit from clarification. Respondents wanted the Board to reexamine and clarify aspects of the federal GAAP hierarchy. Considering a goal of the project is to make the standards more user-friendly, staff believes that there are opportunities to do so by simplifying and clarifying aspects of the hierarchy.

Ms. Batchelor explained that, based on pre-meeting Board comments, seven members agreed with staff’s recommendation. Most members believed it should be the first topic addressed. One member did not believe SFFAS 34 should be reexamined, and another member believed the determination should be made as the Board considers all topics in question 3.

Prior to opening the discussion for Board member comments, Mr. Scott explained that the Board is not changing or amending the technical agenda at this time. The Board is providing staff direction to research certain areas in-depth. Ms. Batchelor noted these decisions would allow staff to begin the research phase for a particular topic.

Although one member did not believe SFFAS 34 should be reexamined, the majority of the Board agreed that the GAAP hierarchy should be one of the first priorities in the reexamination.

Question 3 – Do members agree with staff’s recommendations pertaining to the top tier (high priority) topics?

Ms. Batchelor provided a brief recap of staff’s approach to ranking the topics, which was detailed in the briefing materials. With the number and diversity of ITC responses, staff determined it would be beneficial to use a weighted scoring model. Using the total numerical ranking provided for each topic, staff placed the reexamination topics in three tiers for the Board’s consideration.

The December briefing materials provided an initial analysis of the first-tier topics. The top tier topics included topic 7 (SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*), topic 6 (SFFAS 6, *Accounting for Property, Plant, and Equipment*), topic 15 (SFFAS 34), topic 8 (SFFAS 10, *Accounting for Internal Use Software*), and topic 5 (SFFAS 5, *Accounting for Liabilities of the Federal Government*). Ms. Batchelor explained that the Board had agreed that SFFAS 34 should be a priority area for reexamination. Based on staff’s initial analysis of the other top tier topics, staff recommended that SFFAS 7 and SFFAS 5 also be priority topics for reexamination. Staff did not suggest topic 8 (SFFAS 10) because there is an active project on the Board’s technical agenda to update software-related guidance in SFFAS 10. Based on staff’s initial analysis, Ms. Batchelor also did not believe topic 6 (SFFAS 6) warranted immediate reexamination but, as detailed in the staff memo, she suggested that environmental liabilities from SFFAS 6 be addressed with SFFAS 5. In summary, Ms. Batchelor explained that staff recommended topic 7 (SFFAS 7), topic 5 (SFFAS 5), and topic 15 (SFFAS 34) be priority topics for reexamination and research.

Pre-meeting Board comments indicated that most members agreed with staff’s recommendation. Mr. Scott opened the discussion up to the rest of the Board.

During the discussion, a majority of members agreed that topic 7 (SFFAS 7), topic 5 (SFFAS 5), and topic 15 (SFFAS 34) should be priority topics for reexamination and research. Board members offered additional comments:

- Limited staff resources dictate the number and timing of topics. Although FASAB envisions supplementing staff with detailees, as appropriate, staff resources remain a challenge.
- Members also offered suggestions for other topics, including SFFAS 17, *Accounting for Social Insurance*, SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, and SFFAS 49, *Public-Private Partnerships*. It was also suggested that SFFAS 24, *Selected Standards for the Consolidated Financial Report of the United States Government*, and SFFAS 32, *Consolidated Financial Report of the United States Government*

Requirements, be considered in tandem with other topics to ensure government-wide consideration throughout the reexamination project.

- In its discussion of SFFAS 2, the Board acknowledged that there were no responses from agencies with material loans and loan guarantees. The Board agreed that staff should reach out to the credit reform agencies to assess their concerns.
- A member suggested that all top-tier and second-tier topics be reviewed. The member suggested that more information is needed to prioritize issues that are critically in need of reexamination. The member believed that information regarding operational issues, such as those that are preventing financial statement preparation and audit, is important.

Mr. Scott appreciated the additional comments. He explained that some of the topics may take years. The Board may wish to consider addressing issue areas in separate projects.

Question 4 – Do members agree with staff’s recommendation to draft a methodology for reexamination of the topics?

Because this is the first comprehensive reexamination, staff had suggested that a consistent reexamination methodology be developed and used for all topics. Considering there will be various staff working on pieces of the reexamination, developing a methodology would provide a roadmap for the steps to be taken and ensure consistent procedures are performed for each reexamination topic.

Pre-meeting comments indicated that members supported the recommendation for a methodology. However, based on the discussion in the meeting, it appears that the Board needs additional information to assist with prioritization of the issues. Therefore, the methodology for approaching the project may not be necessary at this point.

Ms. Batchelor explained that there appeared to be a disconnect between what staff envisioned for the reexamination project and some member comments. As explained in the ITC, staff believed that the reexamination would be a comprehensive assessment of the standards and that the entire pronouncement would be open for reexamination, versus a piecemeal approach. Staff views the piecemeal approach as similar to the technical clarifications of existing standards project (and the now archived evaluation of existing standards project) that addresses requests to clarify portions of existing standards.

Certain Board members agreed with staff’s point and explanation. Based on the discussions, some members noted that the reexamination as originally envisioned (and staff described above) could result in diminishing returns from the investment of staff and Board time. The Board discussed the notion that granular projects that address the issues may be a benefit for preparers and users. The Board would like additional information so that issues can be prioritized.

The Board discussed the type of information that they would like to support prioritizing issues. While noting that much of this can be determined by staff through outreach to commenters, specific factors included pervasiveness of the issue, scope of the issue, and related resource requirements. The Board also discussed an interest in areas where there is significant burden and other cost versus benefit considerations. The Board also discussed the importance of resolving issues that may be causing audit and preparation problems.

Mr. Scott summarized that the Board's approach to the reexamination has been twofold. The ITC solicited feedback broadly on all the standards. Based on that feedback, the majority of the Board agreed the priority topics are SFFAS 5, SFFAS 7, and SFFAS 34. Due to the magnitude of the standards and limited staff resources, the Board would like to consider the related issues. Staff should begin additional research and outreach on these topics so the Board may have a better understanding of the underlying issues and how to prioritize them.

The Board also agreed that staff should reach out to credit reform agencies for feedback on SFFAS 2. Research and outreach into other areas identified by individual members, which would include all topics on the top tier and second tier, will be done after research into SFFAS 5, SFFAS 7, and SFFAS 34 is complete. The additional information gained through staff research on the issues will help with further prioritization.

Next steps: Staff will research the issues in SFFAS 5, SFFAS 7, and SFFAS 34 so the Board will have the information it needs to prioritize issue areas. Staff will reach out to credit reform agencies for feedback on SFFAS 2. Staff will also perform research into the remaining topic areas on the first and second tier. The Board agreed to discuss the Strategic Objectives Report in a brief session in the future.

- **Climate-Related Financial Reporting**

Ms. Gilliam, assistant director, introduced [topic B](#), the climate-related financial reporting project. At the October 2023 meeting, the Board requested a vision statement to guide them in developing the climate-related financial disclosure framework.

Ms. Gilliam presented this updated draft vision statement consolidated from members' preliminary email comments for the Board to review.

The Board's vision for climate-related financial disclosures is to provide users information on the current and potential climate-related financial impact on a federal reporting entity's financial position, condition, and operating performance; the entity's financial report should include quantitative and qualitative information about costs and any associated risks, for climate-related events and hazards; and adaptation, mitigation, and climate-resilience investments.

Question 1 – Do members agree with the draft vision statement?

Members did not agree with all the content in the draft vision statement.

Members wanted to report only climate-specific information for this framework; therefore, they changed “information” to “**relevant information.**”

Members discussed whether to include both **climate-related events and investments**. Ms. Gilliam explained that reporting for climate-related events provides financial information about losses from events that have happened. Reporting for investments provides financial information about adaptation and mitigation for climate resilience.

Members agreed to remove the word “**investments**” because it is included in financial condition, financial position, or operating performance. For example, investments that address assets are included in financial position, whereas investment costs are included in operating performance.

Members agreed to keep the phrase “**current and potential.**” “Potential” will provide forward-looking information. For example, the Department of Defense can project the financial impact of rising seas on Navy bases. Deliberation about what is measurable and auditable in relation to “potential” may be discussed at a future meeting.

Members agreed to include “**impact of climate-related events and risks**” because both impact financial condition, financial position, and operating performance.

Members agreed to streamline the vision statement by removing “**the entity’s financial report should include quantitative and qualitative information about costs and any associated risks, for climate-related events and hazards; and adaptation, mitigation, and climate-resilience investments**”.

Members agreed on the following vision statement to provide guidance for developing the climate-related financial disclosure framework:

The Board's vision for climate-related financial reporting is to provide users relevant information on the current and potential impact of climate-related events and risks on a federal reporting entity's financial position, condition, and operating performance.

It is concise yet broad enough to include future discussions about reporting for items such as climate hazards, and investments for adaptation, mitigation, and climate resilience.

The meeting adjourned for lunch.

Administrative Matters

- **GASB Update**

Ms. Reese, Governmental Accounting Standards Board (GASB) senior project manager, provided a brief overview of GASB’s recent activities.

Ms. Reese highlighted the following GASB projects:

- Revenue and expense recognition – The goal is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. The Board is reviewing feedback on the Preliminary Views document. The Board discussed transactions that do not have performance obligations (category B transactions). Members also discussed recognition attributes for grants and agreed that administrative requirements are not recognition attributes for grants. The Board did agree that there are two types of grant recognition attributes. The attributes are either “incurrence of qualifying costs” or “other than qualifying requirements,” which is generally something like an output or outcome requirement that must be met to accept the grant.
- Financial reporting model reexamination – The goal is to enhance the effectiveness of the reporting model in providing information that is essential for decision-making, enhance users’ ability to assess a government’s accounting, and address certain application issues. The Board decided to remove governmental funds from the scope of the project, including their recognition and presentation. The project is moving towards a final pronouncement. The draft Statement includes topics on management’s discussion and analysis, separate presentation of unusual or infrequent items, proprietary fund presentation, major component unit presentation, and budgetary information presentation. Members will be reviewing the guidance for expected benefits and perceived cost.
- Certain risk disclosures – The goal is to identify potential risks associated with concentration and constraints in state and local governments and consider developing disclosure requirements associated with those risks. The focus is to require disclosures about concentration and constraints when certain conditions indicate there is some question about the government’s ability to continue to provide the level of services it has been providing or to meet its obligations when due. The Board expects to issue a final Statement by the end of the year.
- Classification of non-financial assets – The goal is to reconsider the existing classification of non-financial assets and other related sub-classifications. The proposal will also consider certain capital assets, the requirement to separate them by major class, and more specific guidance on a “capital asset held for sale.” The capital asset would be held for sale if the government has decided to sell the asset—so there must be a decision—and it is probable that the sale will be finalized within one year of the financial statement date. The Board approved the issuance of an exposure draft (ED) called *Disclosure and Classification of Certain Capital*

Assets in September 2023. The Board did not discuss this topic at its last meeting.

- Going concern uncertainties and severe financial stress – GASB is working toward a proposal to address issues related to disclosures for going concern uncertainties and severe financial stress. Members want to refer to it as “severe” financial stress and they’re defining “severe” as greater than substantial, including but not limited to catastrophic matters. The Board agreed on a principles-based approach. The Board will address four broad categories: negative trends, other indicators of possible financial difficulties, internal matters, and external matters.

The Board spent considerable time discussing specific words in the guidance, what those words mean, and how they apply in practice. Members agreed that disclosures are going to be required when the government is near or at the point of insolvency. Insolvency is defined as a circumstance in which a government generally is not paying its liabilities as they come due or is unable to pay its liabilities as they come due.

- Infrastructure assets – This new project is the result of research on capital assets. The project will address issues related to accounting and financial reporting for infrastructure assets in a question-and-answer format. The project will evaluate standards for reporting infrastructure assets. The goal is to make the information (1) more comparable across governments and consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government’s economic condition, and (4) a better reflection of the capacity of those assets to provide service and how that capacity may change over time. The Board agreed that the useful life of infrastructure assets should be reviewed periodically as it relates to depreciation. Members also decided that significant components of infrastructure assets that have differing useful lives should be depreciated separately.

The Board revisited what a preservation method is. GASB has the “modified approach,” which is an alternative to depreciating infrastructure assets that a government can elect to do if it meets certain criteria. Members agreed that, when using the preservation method, there should be an asset management system with an up-to-date inventory of infrastructure assets. The entity should periodically perform and summarize condition assessments to estimate annual amounts to maintain and preserve the infrastructure assets at a specified condition.

- Subsequent events (reexamination of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*) – GASB has added to its pre-research agenda a project on subsequent events. The objectives of the pre-agenda research are (1) to evaluate the effectiveness of the existing guidance for

subsequent events and (2) to consider the need for revisions to those standards. If additional guidance is needed, another objective is to consider revising accounting and financial reporting for subsequent events. The pre-agenda research did show some inconsistencies in the reporting and understanding of subsequent events. The project is a reexamination of the existing literature related to subsequent events. The Board discussed the date through which subsequent events should be evaluated. Members are considering phrasing like “the date the statements are available to be issued.”

- Electronic financial reporting (a monitoring activity) – GASB has been discussing implications of the Financial Data and Transparency Act—specifically the requirement for state and local governments to have procedures in place to provide financial statements electronically. GASB is discussing its role in providing guidance for these requirements. GASB is considering rules about submitting electronic financial data, so staff is doing outreach in that area and considering the idea of a closed taxonomy that has fixed data elements or an open taxonomy where personalized data tags can be created when the standardized ones do not fit for certain items. Staff has reached out to both the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board on their taxonomies to understand what their approaches are and the associated benefits and drawbacks.

Questions from Members:

- A member asked about what the GASB is considering changing in budgetary reporting as it relates to the reporting model project. Ms. Reese responded that the budgetary comparison information would be changing. There is currently a requirement for the general fund and major special revenue funds to have a budgetary comparison schedule. Instead of having an option to present as a basic statement, the schedule will be required supplementary information only. Two variances will be required: a variance between the original budget and the final budget and the variance between the final budget and the actual budget. The member had a follow-up question about the note disclosures. Ms. Reese stated that the note disclosures should be an explanation of significant variances.
- A member asked about GASB’s process for reviewing a Statement’s expected benefits and perceived cost. Ms. Reese noted that the idea of evaluating costs and benefits associated with any Statement is in GASB’s conceptual framework. GASB does this prior to issuing an ED and prior to issuing a final pronouncement, given that there may have been changes from the ED to the final.

GASB considers benefits to all the various types of stakeholders. The benefit to users is generally more valuable information. Benefits to

auditors and preparers can provide additional clarity in what the requirements are.

Cost is always a challenge to determine because nobody has implemented the Statement, so the Board often conducts a field test. GASB usually asks about additional costs, such as systems changes, and whether the costs are once or ongoing.

- A member asked if GASB is considering climate impacts in the infrastructure project. Ms. Reese stated that climate has not been specifically discussed. The Board has discussed what condition the infrastructure asset will be maintained at and what it will take to maintain it at that condition.

Mr. Scott thanked Ms. Reese for keeping the Board informed of the GASB's activities.

Agenda Topics

- **Omnibus Amendments 202X**

Ms. Lee, senior analyst, introduced [topic C](#), *Omnibus Amendments 202X*, by recapping the October 2023 meeting in which members reviewed comment letters received on the omnibus ED and agreed to move forward with the proposed amendments to SFFAS 38, *Accounting for Federal Oil and Gas Resources*, and Technical Bulletin (TB) 2011-1, *Accounting for Federal Natural Resources Other Than Oil and Gas*. Members also agreed to move forward with the amendment to paragraph 24b of SFFAS 49 but recommended flexibility on the use of estimates for the disclosure on the mix and amount of private partner funding as a balanced approach to user needs and preparer burdens.

The word "estimate" was introduced during the October 2023 meeting, which staff incorporated into the pre-ballot draft. After the October meeting, a few members provided additional input on the description of the use of estimates, and staff provided rationale in the basis for conclusions. Four members responded with proposed edits, which staff included in the ballot version.

In the December 2023 meeting, Mr. Savini, assistant director, explained the rationale for the additional clarifying edits. Members agreed to delete the words "generally," "nature," and "general dollar magnitude" from the footnote in the proposed paragraph 24b to avoid confusion. Members also agreed to ballot SFFAS 63: *Omnibus Amendments*.

- **Technical Clarifications of Existing Standards – SFFAS 3**

Mr. Williams, senior analyst, introduced [topic D](#) by recapping the October 2023 meeting. He stated that the Board had unanimously supported moving forward with a proposed TB that would help the Department of Justice (DOJ) and other reporting entities apply existing SFFAS 3, *Accounting for Inventory and Related Property*, requirements to an

increasingly material amount of seized and forfeited digital assets. He explained that that for the topic D session, staff was proposing updates to the authoritative guidance and basis for conclusions sections of the TB based on member feedback from the October meeting.

Question 1 – Do members support staff’s proposed edits to the authoritative guidance in the draft TB?

The Board generally agreed to staff’s proposed edits to the authoritative guidance in the TB and implemented additional minor edits. The Board also deliberated issues discussed in the following paragraphs.

In paragraph 10, the Board removed “public” in front of “law” so that the statement reads, “Seized property may include digital assets that the government has taken possession of, typically in consequence of an alleged violation of law.” Members agreed that “public” was not necessary to apply the guidance in the TB.

In paragraph 17, the Board removed “or monetary value” so that the statement reads, “Central bank digital currencies are a form of digital money, denominated in the national unit of account that is a direct liability of the central bank.” Members agreed that using the term “money” was sufficient and “or monetary value” was unnecessary and would require further explanation.

In paragraph 18, the Board updated the first sentence so that it reads, “Except for central bank digital currencies, digital assets are not considered fiat money because they are not issued by a government entity nor are their values backed by the stability and credit worthiness of a government entity.” Members agreed that this statement identifies the key reasons why the TB instructs reporting entities to treat most digital assets as nonmonetary property. While some cryptocurrencies may be used as a medium of exchange in limited circumstances, they are not issued and backed by a government entity, nor do they possess all the common monetary characteristics.

One member questioned if the TB should state that most digital assets, other than central bank digital currencies, are not issued by a government entity as “legal tender.” Mr. Williams pointed out that legal tender specifically means currency that must be accepted if offered in payment of debt. After further discussion, members agreed that the TB did not need to use “legal tender” because it could necessitate further explanation and was unnecessary for applying the guidance.

One member questioned if paragraphs 17 and 18 needed to explain why paragraph 16 categorizes central bank digital currencies as monetary instruments and all other digital assets as nonmonetary property. Mr. Williams replied that staff had reviewed previously issued TBs and it was common for TBs to provide some explanation and reasoning in the authoritative section to help reporting entities apply the applicable guidance. He also reminded the Board that staff drafted the proposed TB with significant involvement from DOJ and other reporting entities that would apply the guidance. Ms. Valentine reminded

members that the TB is currently a draft ED, and the public would have an opportunity to comment on the proposed TB.

In paragraph 23, the Board removed “with a need to know” so that the last sentence reads, “A publicly observable market is a market that is widely visible to anyone.” The Board agreed that the term “with a need to know” is not necessary and is similar to terminology used regarding classified information and could therefore cause confusion.

One member questioned if paragraph 23 should expand more on the guidance for measuring seized and forfeited digital assets based on a publicly observable active market. The member suggested, “A publicly observable market is a market that is widely visible to anyone and is predicated upon publicly available information about actual quoted market prices without adjustments.” Mr. Williams replied that staff would prefer to ask DOJ and the working group about the suggested language because they had previously indicated they supported the description of a publicly observable active market as previously proposed in paragraph 23.

Mr. Williams suggested that it was likely that reporting entities would measure many digital assets, such as cryptocurrencies, based on quoted prices on an exchange platform but questioned if it was necessary for the guidance to be that specific since the working group had not indicated the TB needed to provide that level of clarification. He also suggested that the Board would be able to determine if further clarification is needed based on public comments received during the exposure period.

In paragraph 24, the Board removed the statement that said to apply a conservative approach when measuring market value for seized and forfeited digital assets. The Board decided the statement was not necessary because the TB is clear that reporting entities should report a market value only if management can determine that a publicly observable active market exists for the specific digital asset.

Regarding the note disclosure guidance in paragraphs 27 through 29 of the proposed TB, one member suggested expanding the disclosure requirements for scenarios in which reporting entities are not able to determine a market value for seized or forfeited digital assets. The member suggested that reporting entities could discuss some challenges they faced in trying to measure market values for certain digital assets. Mr. Williams stated that staff had concerns that the suggestion would result in the TB requiring additional note disclosures beyond what SFFAS 3 requires for seized and forfeited property. He pointed out that SFFAS 3 already requires disclosing the method of valuation for seized and forfeited property and that the TB would apply those requirements to digital assets, including ones for which reporting entities cannot determine a market value.

Question 2 – Do members support staff’s proposed basis for conclusions language in the draft TB?

The Board generally agreed with staff's proposed updates to the basis for conclusions and implemented additional minor edits. The Board also deliberated issues discussed in the following paragraphs.

In paragraph A12, the Board removed the last sentence that read, "A monetary instrument should have a stable store of value to serve effectively as money" because some members were concerned that the sentence appeared to provide authoritative guidance for monetary instruments. Mr. Williams reminded members that the basis for conclusions references an external source, the 2023 Economic Report of the President, to explain the TB's rationale for classifying most digital assets as nonmonetary property. The Board clarified the previous sentence in A12 to indicate that "...a stable store of value is required to serve effectively as money" to explain further why the TB does not categorize crypto assets as monetary instruments for purposes of applying SFFAS 3.

For paragraph A13, some members questioned whether the basis for conclusions needed to include a discussion of FASB's proposed guidance for crypto assets. Mr. Williams explained that staff provided an analysis in the October 2023 material that compared the proposed FASB guidance with the proposed TB so that members could have insight into what other standard-setting bodies were considering for digital asset guidance. However, he stated that the proposed TB and FASB's proposed guidance address different reporting issues for digital assets and that staff did not believe it was necessary for the TB to discuss the FASB crypto guidance proposal. The Board ultimately decided to remove paragraph A13 entirely since the Board was not basing the TB guidance on FASB's proposed crypto asset guidance.

Question 3 – Do members have any further feedback or questions on the draft TB?

Members offered no further feedback and Mr. Williams confirmed there were no open issues remaining for the proposed TB. He stated that staff plans to propose a pre-ballot ED to the Board for the February 2024 meeting. Ms. Valentine added that if members are comfortable with the proposed TB and any updates during the February meeting, staff will then ballot it for public comment.

- **Commitments**

Ms. Lee, senior analyst, introduced [topic E](#), commitments, by explaining that staff had examined whether commitments meet the liability definition in Statement of Federal Financial Accounting Concepts (SFFAC) 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*, and the liability recognition criteria in SFFAS 5.

SFFAC 5 lists two essential characteristics of a liability: (1) present obligations and (2) settlement of obligations. Commitments are binding agreements that are not present obligations but may be future obligations of the federal government if criteria or conditions specified in the agreements are met. As there are no present obligations,

there is no settlement of those obligations. Thus, commitments do not meet the liability definition in SFFAC 5.

In the briefing materials, Ms. Lee analyzed various commitments and determined that they may be exchange or non-exchange transactions. SFFAS 5 describes the liability recognition point for exchange and non-exchange transactions. For exchange transactions, a liability is recognized when goods or services are received; for non-exchange transactions, a liability is recognized for any amount due as of the reporting date. Because commitments are future obligations, goods or services have not been received and there is no amount due as of the reporting date. Therefore, there is no liability recognized for commitments.

Ms. Lee also tried to distinguish commitments from contingencies. Contingencies are existing conditions, situations, or set of circumstances, and the related liabilities depend on the occurrence or non-occurrence of one or more future events. Commitments, on the other hand, are existing binding agreements that may result in future obligations depending on if the conditions specified in the agreements are met.

Current guidance on commitments is issued by the Office of Management and Budget. Due to the potential significant effect on the future budget of the federal government, Ms. Lee recommended that the Board consider level A guidance on commitments (potentially as amendments to SFFAS 5).

Question 1 – Do members have any comments or questions regarding staff’s research on the topic of commitments?

A few members expressed concern about resource constraints but generally agreed that, for accountability and transparency, the community needs level A guidance. An omnibus amendment to SFFAS 5 would provide consistent reporting of commitments. Members agreed to move forward with the research on the topic of commitments and suggested clearly differentiating between contingencies and commitments.

Adjournment

The Board meeting adjourned for the day at 4:50 p.m.

Wednesday, December 13, 2023

- **Administrative Session**

The Board met in an administrative session that was not open to the public.

Adjournment

The Board meeting adjourned for the day at 11:00 a.m.

- **Steering Committee Meeting**

The Committee discussed FASAB's fiscal year 2025 budget, as well as other administrative matters.