

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
July 17-18, 2025
Virtual Meeting via 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: George Scott (chair), R. Scott Bell, Gila Bronner, Bob Dacey, Diane Dudley, Brian Mohr, Terry Patton, and David Vaudt. The executive director, Ms. Valentine, and FASAB counsel, Mr. Kirwan, were present throughout the meeting.

Tuesday, June 17, 2025

Administrative Matters

- **Clippings and Updates**

Mr. Scott noted the clipping recognizing Terry Patton’s retirement from Midwestern State University.

Mr. Scott also mentioned the non-agenda memo and the outreach activities list for April and May. He highlighted the annual update training presented by the FASAB staff, which garnered over 1,100 attendees.

Ms. Reese, Governmental Accounting Standards Board (GASB) senior project manager, highlighted the following GASB projects:

- Infrastructure Assets – The Board released a preliminary views (PV) document, *Infrastructure Assets*, in September 2024 with comments due in January 2025. The project is the result of research on capital assets. The proposed guidance would update the current guidance on accounting and financial reporting for 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 conducted three public hearings and one user forum to discuss feedback on the PV document. Members are now analyzing the feedback and reconsidering the proposals in the PV. The discussions centered around:
 - Definition of infrastructure, including what a network is and what public service means in that definition.
 - Infrastructure needs to be stationary in nature and needs to be maintained or preserved over a significant number of years to retain its long-lived status.
 - Examples to include related to infrastructure.
 - Requirement to re-evaluate estimated useful lives of infrastructure being depreciated; however, no particular time period was specified (as in an interval over which useful lives would need to be re-evaluated).
 - Components of infrastructure with different useful lives are depreciated separately.
 - Composite depreciation is not precluded.
- 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 received on the June 2020 PV document and is working towards an exposure draft (ED), expected sometime in 2026. The Board talked

about how the aspects of the measurement should consider the provisions in the executed contract and not anything in the binding arrangements that has not been executed. Members also discussed discounting aspects related to measurement and decided that governments should be permitted to discount contracts that exceed 12 months but should not be required to do so.

- Severe Financial Stress and Probable Dissolution Disclosures – GASB issued a PV document in March 2025 that addresses issues related to disclosures for severe financial stress and probable dissolution (previously referred to as *going concern*), which are different. The comment period ends in June. Severe financial stress is a condition where the government is near insolvency. Probable dissolution is a consideration of whether the government will continue as the same legal entity for at least 12 months beyond the date the financial statements are available to be issued. The Board is planning to conduct public forums on this topic.
- Subsequent Events (reexamination of Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*) – The objective of this project is to improve the accounting and financial reporting for subsequent events to address issues related to (1) confusion about and challenges associated with applying the existing standards, (2) inconsistency in practice in the information provided about subsequent events, and (3) the usefulness of the information provided about subsequent events. The Board released an ED of a proposed Statement in September 2024. The comment period ended on February 21, 2025. The Board has begun deliberations on the feedback on the ED. They are evaluating the definition of subsequent events and the specific descriptions of recognized and unrecognized events.
- Implementation Guide Update – The Board annually considers whether there are new questions and answers to add to the implementation guide or modifications to make to the existing questions and answers. The new questions and answers that address application of GASB standards are on leases, accounting changes and error corrections, conduit debt obligations, cash flows reporting, compensated absences, and financial reporting model improvements. The guide also includes amendments to previously issued implementation guidance related to ownership of an asset and governmental fund type definitions. The Board released the ED in November 2024. The comment period ended on January 24, 2025. The final guide was issued on June 23, 2025.
- Voluntary Digital Financial Reporting – The objective of the project is to develop one or more governmental digital taxonomies for generally accepted accounting principles (GAAP) financial reporting. The

taxonomies that may result from this effort could be used by governments on a voluntary basis to report their GAAP financial statements in digital formats. At its June 2025 meeting, the Board reviewed components of the taxonomy related to the financial reporting model and the financial reporting entity. They have formed a consultative group that includes three preparers, four auditors, five users, four technologists, and three observers.

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

Agenda Topics

- **SFFAS 59 Implementation**

At the June meeting, staff completed its assessment of the auditor-identified issues presented by the Government Accountability Office in February, along with its recommendations. Staff began at [topic A](#) by providing a brief overview of key events regarding the development of Statement of Federal Financial Accounting Standards (SFFAS) 59, *Accounting and Reporting of Government Land*. In part, staff reviewed the April Board deliberations and discussions concerning the following issues: submerged lands, ownership, land improvements, permanent land rights, land definitions, and Technical Release (TR) 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*.

Question 1 – Does the Board agree to proceed with the issuance of a Technical Bulletin (TB) ED in accordance with the recommendation to implement SFFAS 59 as planned beginning in fiscal year (FY) 2026?

Staff presented a draft TB ED for the Board's review. Staff had prepared the draft TB ED with preparers, auditors, and subject matter experts. The Board agreed to proceed with the issuance of the TB ED.

Question 2 – Do members have any comments or suggested edits for staff to consider prior to finalizing the draft TB for the Board's 15-day review period?

Members had the following comments on the proposed TB:

- The ED satisfactorily addresses the accounting issues members believe can benefit from clarification.
- There are potentially other issues beyond the ED's scope that may still require attention, such as auditor concerns over completeness regarding permanent land rights, which could lead to an understatement of acreage estimates.
- Audit issues such as completeness of permanent land rights cannot be addressed in a TB or otherwise by the Board.

- If deemed material, permanent land rights such as right of ways could be excluded from SFFAS 59 or addressed via the technical inquiry process. State governments may also possess records regarding permanent land rights that can be used absent entity information.
- The ability for management to support and auditors to verify, in a cost beneficial manner, reported land acreage at some major land-holding entities may require deferring the SFFAS 59 implementation date.
- The uncertainty around the federal reporting process (considering recent executive orders) and a draft Congressional bill that would authorize roughly 250 million acres of stewardship land may be indirect reasons to contemplate a short-term pause.
- Deferring implementation dates rarely resolves underlying problems. Sufficient time has passed to consider how to implement this guidance, and practitioners will need to find ways to avoid any opinion impacts. It may be possible for states that receive Payment in Lieu of Taxes to verify or effectively validate federal government land acreage.

In conclusion, after review and discussion of the draft TB ED and related issues, the Board agreed to (1) not delay the implementation of SFFAS 59 and (2) expose the draft TB ED in accordance with the procedures outlined in TB 2000-1: *Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance*.

- **Software Technology**

Mr. Williams, assistant director, introduced [topic B](#) by explaining that staff was recommending the Board update recognition and measurement guidance for software development costs to align with agile/iterative development processes. Mr. Williams stated that staff was requesting the Board's feedback on the recommendations.

Question 1 – Does the Board agree with staff's recommended updates to modernize the recognition and measurement guidance in SFFAS 10, *Accounting for Internal Use Software*, to better align with agile software development methods?

The Board overwhelmingly agreed with staff's recommendation to replace current software development accounting guidance in paragraphs 10-20 of SFFAS 10 with the following:

Recognition

Costs to Be Expensed as Incurred

1. *Reporting entities should expense costs incurred prior to meeting the requirements in paragraph 4 (below).*

2. *Reporting entities should expense all training costs as incurred.*
3. *Except as noted in paragraph 11.e., reporting entities should expense data conversion costs as incurred. The process of data conversion from old to new systems may include purging or cleansing of existing data, reconciliation of data between old and new systems, creation of new or additional data, and the actual conversion of old data to the new system.*

Costs to be Capitalized

4. *Reporting entities should begin capitalizing costs when both of the following occur:*
 - a. *Management authorizes and commits to funding the software development. Examples of authorization and commitment to funding software development include the execution of a contract with a third party to develop the software, approval of expenditures related to internal development, or an agreement to obtain the software from a third party.*
 - b. *It is more likely than not that the software development will be completed and be used to perform the function(s) intended with an estimated service life of two years or more (referred to as the probable-to-complete recognition threshold).*
5. *If there is significant uncertainty associated with the development activities of the software, the probable-to-complete recognition threshold described in paragraph 4.b. is not met. Once the significant development uncertainty has been resolved, a reporting entity should evaluate the requirements in paragraph 4 to determine when to begin capitalizing costs. The following are factors that may indicate that there is significant development uncertainty and that the probable-to-complete recognition threshold is not considered to be met:*
 - a. *The software being developed has novel, unique, unproven functions and features, or technological innovations.*
 - b. *The significant objectives of the software have not been identified or continue to be substantially revised.*
6. *Capitalization should cease once the software is ready for its intended use and final acceptance testing is successfully completed. If an iterative release results in a software module or component with a standalone function that benefits end users, reporting entities should account for it as*

an individual software asset.¹ If an iterative release is dependent on the outcomes of other releases for a complete function, reporting entities should account for the cost incurred for these iterations as one software asset.²

7. *After recognizing a software asset in accordance with paragraph 6, reporting entities should account for subsequent iterative releases as either maintenance, enhancements, or a separate software asset in accordance with this Statement.*

Additional Considerations for Website Development Costs

8. *Website hosting fees paid to an internet service provider should be expensed over the period of benefit.*
9. *Accounting for website content involves issues that also apply to other forms of content or information that are not unique to websites. Reporting entities should expense costs to input content into a website.*
10. *Costs to obtain and register an internet domain should be evaluated for capitalization under paragraph XX (reference future intangible asset guidance).*

Measurement

Capitalizable Costs

11. *Capitalized costs of software developed or obtained for internal use should include the following:*
 - a. *Direct costs of materials and services consumed in developing or obtaining internal-use software. Examples of those costs include but are not limited to the following:*
 - i. *Fees paid to third parties for services provided to develop the software*
 - ii. *Costs incurred to obtain software licenses from third parties*

¹ An iteration is a predefined recurring period of time in which working software is created. Similarly, a release is a planned segment of capabilities that provide useable functionality to the end user.

² Each iterative release may have its own acceptance testing before moving forward to the next iteration and final acceptance testing may not always occur. Reporting entities should use judgment to identify a point in time for capitalization cutoff purposes, such as the date that management releases a minimum viable product that provides value to end users.

- b. *Payroll and payroll-related costs (for example, costs of employee benefits, travel expenses, etc.) for employees who spend time directly on the internal-use software development. Examples of employee activities include but are not limited to, design of chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing.*
- c. *Indirect costs incurred for software development.³*
- d. *Interest costs incurred while developing internal-use software.*
- e. *Costs incurred to develop or obtain software for data conversion purposes.*

While all members generally supported the recommended guidance framework, some members provided suggested edits and noted areas for further Board deliberations as the project progresses. One member suggested that proposed paragraph 4 retain guidance from paragraph 16 of SFFAS 10, which allows preparers to use reasonable estimates when establishing the capitalized cost of internal use software.

Another member recommended removing the word “final” from “final acceptance testing” in proposed paragraph 6 since final acceptance testing may not always occur in agile software development, as indicated in proposed footnote 2.

Also, regarding proposed paragraph 6, another member stated that the distinction between an iterative release for maintenance and software enhancement may not always be clear. Another member questioned whether capitalizable enhancements could include some security accreditation costs. Mr. Williams noted those comments, as staff plans to further research and propose updates to existing SFFAS 10 guidance on accounting for software maintenance and enhancement activities.

Regarding the proposed website development cost guidance in paragraphs 8-10, one member suggested that the software accounting standards state explicitly that the recognition guidance in proposed paragraphs 1-5 applies to internal use software pertaining to websites. Mr. Williams suggested that the Board could update the scope paragraph in paragraph 2 of SFFAS 10 to state that internal use software includes software related to website development.

Regarding staff's proposed measurement guidance, one member suggested that the Board should further deliberate proposed paragraph 11.d. to determine whether or to what extent reporting entities should capitalize interest costs related to software development. Mr. Williams noted that the working group had not provided examples of federal entities incurring interest related to borrowing funds for software development.

³ See SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, for guidance for accounting for direct and indirect costs.

However, reporting entities may incur interest on late invoice payments directly related to software development.

One member suggested editing proposed paragraph 11.e. to state that capitalizable costs can include costs incurred to develop or obtain software for data conversion purposes if the software separately meets capitalization criteria in accordance with proposed paragraphs 4-7. Another member questioned how capitalization requirements would apply to data conversion costs that occur after acceptance testing is complete.

Mr. Williams acknowledged that paragraph 11.e. was different from the other capitalizable costs in paragraph 11 because it clarified that software pertaining to data conversion could fit the scope for internal use software. Whereas the other examples in paragraph 11, such as service contracts and direct labor, represented types of costs that reporting entities could capitalize as part of internal use software. Mr. Williams stated that staff would further consider how to best present the clarification in paragraph 11.e. within the standards.

Two members suggested that the Board consider issuing an ED that amends SFFAS 10 with the proposed guidance before waiting for the Board to complete guidance development for the entire software technology and intangible asset standards project. The members believed that issuing the guidance sooner rather than later could benefit preparers and auditors by providing needed guidance on a significant software accounting issue while the Board continues to work towards the long-term goal of fully updating SFFAS 10.

Another member responded by stating that the software technology project is a long-term comprehensive effort, and the Board had planned to develop and issue updated software accounting guidance as a new Statement that completely replaces SFFAS 10 to avoid issuing multiple small amendments at different times. The member reminded the Board that preparers and auditors had previously voiced frustration with the difficulty of applying accounting guidance updated through numerous amendments. The member also reminded the Board that, during a recent meeting, the Board had decided to issue the new software guidance as part of a new intangible asset Statement.

Mr. Williams stated that, pending Board decisions, staff believed it is possible to change course and issue an ED amending SFFAS 10 with only the updated software development guidance. However, he stated that staff believes there are drawbacks to that approach. For example, developing and issuing an ED for one piece of the overall software technology project would likely slow the timeline for the overall project and final Statement issuance.

Mr. Williams also stated that all aspects of software accounting guidance relate to one another. For example, per deliberations, the Board plans to further consider updates to maintenance and enhancement guidance in SFFAS 10 at a later meeting, which would relate to and potentially affect the agile development framework deliberated during this meeting. Mr. Williams stated that issuing updated guidance in pieces could lead to

issues with practitioners applying the overall standards and could require Board rework through more amendments in the long run.

For the upcoming technical agenda deliberations for the August 2025 meeting, the Board requested that staff present a project timeline analysis for issuing a separate ED that only amends the software development guidance in SFFAS 10 versus waiting to issue an ED once the Board deliberates the entire software technology and intangible assets project.

The meeting adjourned for lunch.

- **Reporting Entity Reorganizations and Abolishments**

Mr. Perry, assistant director, introduced [topic C](#). He noted that staff had released a request for information and comment (RFI) on May 12 seeking information on any recent, pending, or ongoing reorganization activities, such as transfers of assets and liabilities among federal reporting entities, with responses requested by July 15.

Mr. Perry highlighted the two-phased, synergetic project approach presented in the material. He highlighted the uncertainties with respect to ongoing research, including forthcoming working group consultations and RFI responses. The magnitude and pervasiveness of any reorganization issues will inform staff's proposals to the Board in August regarding whether to proceed with a non-authoritative staff paper. He noted that the ongoing research would likely inform a longer-term potential project.

Question 1 – Do members generally agree with the proposed approach and recommendation? Do members have any feedback or suggestions?

Members agreed with the proposed approach.

Members generally agreed that the Board should continue to monitor for emerging issues in this area and that the proposed project approach positions the Board to respond quickly as more information becomes known. Members acknowledged that if short-term issues are identified affecting FY 2025 reporting, a non-authoritative staff paper would be the appropriate vehicle, given the inherent time constraints. Members also agreed that limited-scope emerging issues may best be handled through technical inquiries.

One member raised a question with respect to potential issues surrounding the application of SFFAS 47, *Reporting Entity*. Mr. Perry acknowledged that certain reorganization-like or other events could result in changes in classifications (for example, disclosure entity to consolidation entity classification, or vice versa). He also emphasized that he would be coordinating with Ms. Batchelor on SFFAS-47-related matters. Mr. Perry suggested that some issues related to SFFAS 47 may need to be included in the longer-term project if they are not directly addressed or would necessitate a pronouncement. He also explained that not all SFFAS 47 accounting issues would necessarily relate to reorganizations and abolishments. Staff will present

any issues identified at the August meeting and provide alternatives for the Board to consider in this area. Ms. Batchelor agreed. She noted that SFFAS 47 provides principles-based standards that are generally suitable for a variety of contexts and changes that might affect reporting entities. Mr. Perry and Ms. Batchelor expressed that staff will be able to better assess any potential issues and alternatives once they are identified and more specifics are known.

Members discussed the pending nature of staff's ongoing research and generally agreed to determine next steps at the August meeting.

Question 2 – Do members have any feedback or suggestions on the preliminary findings presented in the material?

Members agreed with staff's preliminary findings.

One member expressed an expectation that many of the accounting-related issues associated with reporting entity reorganizations are likely sufficiently covered under extant standards and guidance. The member suggested that RFI responses may raise questions about disclosures that could be discussed under a staff paper.

A few members, while in agreement with the preliminary findings for the short-term project, expressed an interest in the long-term project research, including reviews of Financial Accounting Standards Board and GASB standards covering similar issues.

Question 3 – Do members have any feedback on the matters for Board discussion in the material?

One member expressed concurrence with citing key terms in the working draft (attachment 2 of the material) that are defined in TB 2003-1, *Certain Questions and Answers Related to the Homeland Security Act of 2002*, and the overall format of the working draft.

Question 4 – Do members have any other feedback on attachment 2, such as additional reorganization accounting or disclosure issues or pronouncements for staff to further study and/or consult with the working group on?

Members acknowledged that staff would continue research and provide information regarding any identified emerging reorganization accounting and disclosure issues requiring further study of other extant pronouncements.

Overall, members tentatively agreed with the organization, question-and-answer format, and use of key terms in attachment 2. It was noted that further discussions of the working draft and decisions regarding its development and potential use are forthcoming and pending completion of short-term research (including review of RFI responses).

Adjournment

The Board meeting adjourned for the day at 2:00 p.m.

- **Steering Committee Meeting**

The Committee discussed FASAB's FY 2025 and 2026 proposed budgets, as well as other administrative matters.

Wednesday, June 18, 2025

Agenda Topics

- **Direct Loan/Loan Guarantee Disclosures**

Mr. Brian Robinson, analyst, introduced [topic D](#), the credit reform and loan disclosure education session. The education session included presentations from subject matter experts in federal credit reform. The panelists collectively have experience working at the Office of Management and Budget, Department of Housing and Urban Development, and Congressional Budget Office. The objective of the education session was to expand the Board's knowledge base regarding credit reform before deliberations begin on the loan disclosure project.

Mr. Robinson began the education session by presenting an overview of the Federal Credit Reform Act (FCRA) and why it was necessary to move from the cash basis to the net present value basis to account for direct loans and loan guarantees. Mr. Robinson then discussed the credit reform standards and TRs.⁴ He also discussed the loan disclosure requirements provided in each of the standards. Mr. Robinson concluded his part of the presentation by discussing the effects of all the disclosure requirements on the complexity and length of the loan note disclosure.

Ms. Sarah Cunningham, partner at Summit LLC, presented on improvements to credit reform from a preparer and user perspective. She began the presentation by discussing some of the benefits and improvements resulting from FCRA to the accounting and reporting for loans. She also discussed the progress being made throughout FCRA's 35-year history. Ms. Cunningham then discussed some of the current challenges that federal credit agencies face, such as the FCRA accounting for many agencies still being very manual, lack of standard business and loan systems, and newer loan programs

⁴ SFFAS 2, *Accounting Standards For Direct Loans and Loan Guarantees*; SFFAS 18, *Amendments to Accounting Standards For Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2*; SFFAS 19, *Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2*; TR 3, *Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act – Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*; and TR 6, *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act – Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*.

facing more risk, which is compounded by the lack of credit expertise in agencies. Ms. Cunningham also discussed with the Board opportunities for improvement in the loan disclosure, such as clarifying narrative requirements, increasing discussion of the administrative costs of loans, and limiting subsidy cost information that can readily be found in other sources.

Ms. Deborah Lucas, Sloan Distinguished Professor of Finance at the MIT Sloan School of Management, presented the case for reforming credit reform by using fair value measurements. Ms. Lucas discussed with the Board arguments to switch to fair value, the benefits to the federal government that would result from this switch, and the feasibility of using fair value measurement. Ms. Lucas also discussed the pros and cons of present value measurement for federal loans. She concluded with a discussion of the way administrative costs are treated and potential improvements.

Ms. Courtney Timberlake, consultant at TFC Consulting, presented additional historical context on FCRA and the progress made to accomplish the original goals of this Act. She also provided suggestions for improvement for the accounting for FCRA and the loan note disclosures. Ms. Timberlake suggested a few improvements to loan disclosures: focusing the note disclosures on the bigger credit agencies, limiting the page count of these disclosures by streamlining the disclosure requirements in SFFAS 18, *Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS No. 2*, and SFFAS 19, *Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS 2*, and developing a short primer using plain language in the note disclosure for readers of all types.

Mr. Scott thanked Mses. Cunningham, Lucas, and Timberlake for their presentations.

Members then engaged in a Q&A session with the panelists.

Members were very interested in the current users of the loan note disclosures and what information is critical to be in the financial report for them. Ms. Cunningham noted that the current loan disclosures have a lot of schedules and tables, but the narrative and storytelling to explain the changes is missing. She believes streamlining some of the schedules to focus on information that answers core business questions would be beneficial for all stakeholders.

Members were also interested in the cost versus benefit of having subsidy information in the disclosure that can also be found in different sources, like the budget or *Federal Credit Supplement*. Mses. Cunningham and Timberlake discussed some of the data quality issues agencies face, which causes additional burden when accounting and reporting for loans.

One member asked if including fraudulent loans in the disclosure discussion would add any additional value for readers. All panelists agreed that including information or a narrative in the note disclosure that addressed fraudulent loans would benefit the reader.

One member asked if there was any additional value of the subsidy information contained in the loan note disclosure because it was audited. Mr. Savini noted later in the presentation that, based on the feedback from outreach efforts, some Congressional committees saw value in audited subsidy information.

Questions posed in the briefing materials but not addressed during the session:

Question 1 – Among the topics to be discussed, would members like for staff or the speakers to specifically address any particular matter or have any questions in advance of the meeting?

Adjournment

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