

**FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD**  
**Board Meeting Minutes**  
**June 22-23, 2021**  
**WebEx and Teleconference**

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For research purposes, please see the briefing materials at [www.fasab.gov](http://www.fasab.gov). Briefing materials for each session are organized by tab; references to these tabs in the minutes are hyperlinked.

**Tuesday, June 22, 2021**

**Attendance**

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair), Bell, and Dacey, Ms. Harper, and Messrs. Patton and Smith. Ms. Bronner was present except for the afternoon of June 23. Ms. Harrison was present except for June 23, when she was represented by Ms. Kearney. Mr. McNamee was present except for June 22. The executive director, Ms. Valentine, and general counsel, Ms. Motley, were also present throughout the meeting. Ms. Valentine conducted a verbal roll call of the members.

## **Administrative Matters**

- **Approval of Minutes**

The Board approved the April meeting minutes prior to the meeting.

- **Updates and Clippings**

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

Ms. Reese, Governmental Accounting Standards Board (GASB) senior project manager, provided a brief overview of the recent activities of the GASB. She noted that GASB had approved issuance of its implementation guidance update for 2021—an annual process to update and add additional questions to implementation guidance. The main topics and new questions included some issues on derivative instruments, fiduciary activities, and leases.

The due process documents that GASB had outstanding include an exposure draft (ED) proposing to rename the financial report to the Annual Comprehensive Financial Report. The comment deadline was early July. In February, GASB released for public comment an ED on compensated absences. The comment deadline was June 4, 2021. GASB also released for comment an ED on accounting changes and error correction in May. The comment deadline is August 31, 2021.

GASB's conceptual framework project on disclosures is being re-exposed, and Ms. Reese expected the GASB to ballot the document at the next meeting. GASB continues to work on the risk and uncertainty disclosures project. Lastly, GASB is deliberating an omnibus ED, which addresses many different issues including some leasing guidance, clarifications related to public-private partnerships (P3s) and subscription-based IT arrangements and an issue with derivatives. She mentioned three due process documents out for comment—a revenue and expense preliminary views (PV) document, recognition of elements of financial statements concepts, and the financial reporting model reexamination.

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

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

## **Agenda Topics**

- **Concepts Omnibus**

Ms. Valentine introduced the concepts omnibus discussion from [topic A](#) of the briefing materials. Ms. Valentine noted that both she and Ms. Gilliam, assistant director, had worked on topic A.

Ms. Valentine noted that at the April 2021 meeting, the Board had discussed proposed amendments to guidance on note disclosures in Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, and had agreed to several edits to the latest draft version of the ED. During the April management's discussion and analysis (MD&A) discussion, members had agreed to consolidate the amendments to the MD&A concepts with the note disclosures concepts in SFFAC 2. Members had also agreed to review and provide feedback between Board meetings for efficient and effective processing of documents.

On May 17, 2021, staff had sent the members a draft concepts statement that included amendments to SFFAC 2 for both note disclosure and MD&A concepts and requested feedback by May 26. Based on the feedback staff received from the members on the updated May 17 draft, staff had converted the proposal into an omnibus that amended sections of SFFAC 2 and rescinded SFFAC 3, *Management's Discussion and Analysis*. This draft was included in the topic A meeting materials. Since the proposed amendments were updates to existing concepts, an omnibus was appropriate and did not require as much upfront discussion on the proposed amendments.

**Question 1 – Are the proposed concept amendments sufficient to guide the Board in developing standards for note disclosures and MD&A?**

Ms. Valentine noted that email responses had indicated that eight members found the proposed concept amendments sufficient to guide the Board in developing standards for note disclosures and MD&A. However, several members had provided suggested edits.

**Question 2 – Does the Board have any edits on the Omnibus Concepts Amendments draft ED?**

Ms. Valentine explained that one member had requested that “note disclosures” be referenced consistently throughout the concepts omnibus and that staff would go through the document to ensure this is consistent.

Ms. Valentine turned the meeting over to Ms. Gilliam to review member edits. Ms. Gilliam began the member review with the section *How Would This Proposal Improve Federal Financial Reporting and Contribute to Meeting the Federal Financial Reporting Objectives?*

- Members agreed to update the first paragraph, second sentence as follows:

*Note disclosures are necessary to enhance understandability of the financial statement for users and to provide insight into the complexity and amount of information reported.*

- Members agreed to update the second paragraph, first sentence as follows:

*Users rely on MD&A to communicate management's insights about the reporting entity's financial position and condition to increase the understandability and usefulness of the agency financial report.*

Ms. Gilliam reviewed the *Questions for Respondents* section for member edits.

- One member suggested adding three additional questions. Mses. Gilliam and Valentine explained that they had reviewed those questions and did not recommend including them in the concepts omnibus because they appear to be more appropriate for proposed standards amendments under the reexamination of existing standards project. The member agreed.
- Members agreed to the original two proposed questions for respondents.

Ms. Gilliam reviewed the *Scope* section for member edits.

- Members agreed to merge the first and second paragraphs. One member did not think the word “fundamental” was necessary. Ms. Valentine said that staff would review the entire document and provide information at the next meeting to help members determine if “fundamental” can be removed throughout the document. The updated proposed paragraph reads as follows:

*This Statement updates concepts related to the role of note disclosures as an integral part of the basic financial statements and the fundamental types of useful information that may be presented. The Board may use these concepts to help to identify efficient and effective ways information supporting the fair presentation of amounts in the financial statements can be disclosed.*

- Members agreed to update the third paragraph as follows:

*This Statement consolidates the Board's concepts for MD&A by rescinding SFFAC 3 and updating SFFAC 2, paragraph 69 to provide a conceptual overview of information that may be included in MD&A.*

- Members agreed to move the last sentence of paragraph 3 to the *Basis for Conclusions* section in the draft ED:

*The updated concepts can also be used by the Board to encourage a more streamlined MD&A.*

Ms. Gilliam reviewed paragraph 5 in the *Note Disclosures Amendments to SFFAC 2, Paragraph 68* section.

- One member recommended adding “quantitative and qualitative” to paragraph 5D. Members agreed to the updated paragraph 5D as follows:

***Financial and non-financial related information to demonstrate accountability***—Note disclosures may also provide quantitative and qualitative information that demonstrates an entity’s accountability to its citizens, including information that may be helpful in assessing the results of management’s decision-making on the entity.

Ms. Gilliam reviewed paragraph 6, *Rescission of SFFAC 3*.

- Members agreed to rescind SFFAC 3 in its entirety.

Ms. Gilliam reviewed paragraph 8A-C in the *MD&A Amendments to SFFAC 2, Paragraph 69* section.

- Some members wanted to remove paragraph C because specific reference to systems and controls as related to reliable information would be addressed in the MD&A standards. One member wanted to maintain a reference to “reliability of information reported” in the concepts. Therefore, this information was added to paragraph 8A.
- Members tentatively agreed on the following updated paragraph 8A (dependent on member decisions about MD&A standards in the next session—topic B):

*RSI includes management’s discussion and analysis (MD&A) of the reporting entity. MD&A is an important vehicle to communicate management’s insights about the reporting entity, including the reliability of information reported, and increase the understandability and usefulness of the agency financial report.*

- Members tentatively agreed on the following updated paragraph 8B (dependent on member decisions about MD&A standards in the next session—topic B):

*MD&A summarizes information about the financial position, financial condition, and performance of the reporting entity by discussing the entity’s mission, organization, and key financial and performance information.*

Ms. Valentine concluded the concepts omnibus session, noting that staff would present the proposed updates for Board review at a future meeting.

- **MD&A Standards**

Ms. Gilliam introduced the MD&A session for [topic B](#) by thanking the members for responding to the large number of questions. Ms. Gilliam explained that the work presented in the topic B memo was a culmination of developing the 11 MD&A objectives, vision framework, and pilot findings from agencies and users. The memo

explains and maps information from the vision framework and findings to each proposed standard and definition.

Ms. Gilliam mentioned that a couple members were concerned about the aggressive schedule. She noted that the schedule was set in response to pilot agencies wanting updated standards to streamline MD&A as soon as possible. However, staff assured members that the schedule is not impossible to change and staff is flexible in response to the time the Board needs for due process.

One member expressed concern with staff's approach to this project. For example, the proposed standards are at least double those in Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussions and Analysis*, which might not reduce preparer burden. Also, some of the standards do not include language from the MD&A objectives crafted by the Board. The member thought that staff would engage the task force in drafting the proposed standards. The member noted that the CFO Council is interested in the MD&A project and that preparer outreach before the exposure period is critical.

In response to the number of proposed standards, Ms. Gilliam explained that historically most of the standard-based language was included in SFFAC 3. The Board spent significant time identifying MD&A objectives, which merged SFFAC 3 and SFFAS 15. The objectives became the vision framework, which merged into the proposed standards. She believed staff was making adequate progress based on the Board's direction. Staff will utilize a task force when needed and continue to follow the Board's direction on moving forward with the MD&A project.

Ms. Gilliam noted that, due to the limited time for the session, staff's goal was to address questions 1-4F. Remaining questions would be addressed at the August 2021 meeting.

**Question 1 – Do members have any technical edits on proposed standard #1?**

Ms. Gilliam noted that this was the original proposal sent out in the topic B memo and explained that staff expected this to be an overview and lead-in to the MD&A standards.

*MD&A is an opportunity for management to provide a balanced, integrated financial and non-financial discussion and analysis about the current year and future state of the reporting entity's financial position and condition and performance outcomes.*

Ms. Gilliam presented this updated proposal from member comments and edits:

*MD&A should provide a balanced, integrated, and concise financial and non-financial discussion and analysis about the reporting entity's financial position and condition and its current actions and plans to improve performance.*

Members determined this was too broad to be an all-encompassing overview for the standards and agreed that this should be moved to the *Scope* section of the ED.

**Question 2A – Do members agree to use the term “outputs” rather than “results?”**

One member explained that most agencies do not report on outcomes, and instead report on inputs and outputs for performance. Therefore, this term could be a challenge for them. However, keeping the term “outputs” in the ED would give the Board an opportunity to receive agency comments on it. One member requested examples of key organizational outcomes.

One member was concerned about including performance outcomes with organization and mission, wondering if it was better to integrate them into the analysis of results for the year. The member suggested changing the term to “performance achievements.” One member said that “outcomes” span a longer period for most agencies than just the reporting period; the member was interested in the challenges the agency encountered as well as the achievements.

Members agreed to update “outcomes” to “challenges” and “achievements.”

**Question 2B – Do members have any technical edits for proposed standard #2?**

*MD&A should include a summary about the entity’s mission, its major organizational breakout, and key performance outcomes for each.*

Ms. Gilliam presented this updated proposal from member comments and edits:

*MD&A should summarize the entity’s mission, organizational structure, and key performance outcomes.*

Ms. Gilliam noted that FASAB already defines the term “outcomes” in Appendix E, *Consolidated Glossary*, of the FASAB Handbook.

Some members thought the standard was too broad and wanted to add supporting guidance below the standard to explain at what level the reporting entity should be talking about its mission. One member recommended that explanatory information could be added to the *Basis for Conclusions* section. Staff explained that that type of guidance is usually included in implementation guidance. Some members agreed that explanation and illustration do not have to be in the standards themselves but could be included in implementation guidance or in a question and answer format.

Other members did not like the term “organizational structure” because that could be interpreted as an organization chart, rather than a discussion about the major components of a reporting agency and performance achieved for each.

Ms. Gilliam referenced the pilot and how agencies were instructed to give a summary of each major organizational unit so the reporting entity could discuss the performance achievements and challenges for each.

Some members wanted to include scalable guidance to help agencies of different sizes determine how to discuss their organizational structure. Ms. Gilliam noted that standards often have exclusions to help scale guidance.

One member preferred the word “summarize” over “summary.” One member did not like the word “summarize” but agreed to leave it in for future discussion.

Members tentatively agreed to the following proposed standard and want to continue this discussion at a future Board meeting.

*MD&A should summarize the entity’s mission, organizational structure, and key performance challenges and achievements.*

**Question 3A – Do members agree with the definition of financial position and condition?**

*The status of a reporting entity’s assets, liabilities, net position, and budgetary resources.*

**Ms. Gilliam presented this updated proposal from member comments and edits:**

***Financial position** – The status of a reporting entity’s assets, liabilities, net position, and budgetary resources as of the date of the financial statements.*

One member wanted to add “costs and revenues” before “assets.” Another member asked if adding “net cost” would be significant for capturing costs and revenues. One member explained that net costs was an agency measurement and does not encompass the government-wide report. While a couple members agreed, the majority wanted to define financial position with the traditional definition as related to the balance sheet only. One member supported keeping the definition narrower to avoid conflicts with concepts statements. Members also agreed to keep “budgetary resources as of the date...” to include information in the MD&A about resources available at the end of the reporting period. Members agreed to the proposed definition.

**Ms. Gilliam presented an additional definition for financial condition because a couple members requested a separate definition in their email comments.**

***Financial condition** – A broad, forward-looking, financial and nonfinancial discussion and analysis about how government operations and performance for the reporting entity has and will contribute to the nation’s current and future well-being.*

One member provided references to SFFAC 1, *Objectives of Federal Financial Reporting*, paragraphs 144-145 and 180-182 for definitional information about financial



condition. This member liked the idea of including “operations” and “performance” in the definition because financial condition goes well beyond financial position.

Most of the members were concerned with what agencies require to discuss financial condition and how a definition, sub-definition, and/or exclusions should only include those agencies that materially contribute to the government-wide financial condition. For example, agencies that provide social insurance such as the Department of Health and Human Services, U.S. Centers for Medicare and Medicaid Services, and Social Security Administration.

One member referenced paragraph 49 from SFFAC 8, *Federal Financial Reporting*, which provides guidance to the Board about financial condition for component reporting entities that derive their funding primarily from sources other than annual appropriations.

One member commented that “contributing to the nation’s welfare” is too broad of a statement.

Members made edits and tentatively agreed to the following updated definition:

***Financial condition** is a broad, forward-looking, financial and nonfinancial discussion and analysis about how the reporting entity’s operations and performance has and will contribute to the nation’s current and future well-being.*

All members agreed to continue discussing the definition of financial condition in the future.

Ms. Gilliam explained that questions remaining from the June 2021 memo would be addressed in August 2021.

The meeting adjourned for lunch.

- **Reexamination Research Project**

Ms. Valentine introduced [topic C](#)—the reexamination of existing standards research topic—to the Board. She noted that the Board has not previously taken on a specific project with the sole purpose of exploring opportunities to reexamine FASAB’s existing guidance. However, the Board has previously stated that it should periodically reexamine the accounting standards to assess their current applicability and to eliminate or revise unnecessary requirements. The objective of the project would be to reexamine FASAB’s existing standards to assess their current relevance and to identify opportunities to streamline the authoritative guidance.

Ms. Valentine noted that, at the December 2020 meeting, the Board had agreed to move forward with the reexamination research topic. Staff has discussed potential approaches to reexamine FASAB’s existing standards. With the assistance of other staff members, the meeting materials include some background information on the makeup of the existing guidance, how GASB has approached reexamination, as well as an overview of a previous codification education session.

Ms. Valentine stated that staff is seeking the Board's feedback on potential approaches to advance the reexamination of existing standards research topic. Staff is not currently requesting the Board to approve any approach at this time. However, the Board should be prepared to further consider this project during the August technical agenda deliberations. The Board's feedback will assist staff in continuing to advance the reexamination of existing standards project.

One member asked Ms. Reese if she could provide the Board with an overview of GASB's process for selecting topics for reexamination.

Ms. Reese noted the following:

- There are a number of ways a GASB topic has risen to the level of being reexamined. One of the earlier reexaminations was when the conceptual framework defined a liability and led to a review of earlier standards that used a previous definition of liability.
- GASB often looks at guidance that was implemented at least five years prior. In this instance, users are more familiar with the information that is produced by the guidance and can assess its effectiveness.
- GASB's post-implementation review process has oftentimes driven reexamination. Instead of waiting for a Statement to have been implemented for five years, GASB starts to take some reexamination steps during implementation. GASB has found that there is certain information about the standards (for example, the cost of implementing and the challenges in understanding the guidance) that is easier to gather as the guidance is being implemented as opposed to revisiting the topic five years later and asking stakeholders then. GASB can get more information from users on the benefits of the guidance after they have had an opportunity to thoroughly evaluate it.
- The more significant and controversial topics tend to rise to the top of the reexamination list, including those with the greatest impact.
- Currently, almost every topic will be a candidate for reexamination. It is not a scientific process. There are more topics than time.
- Some of the projects come through feedback when GASB is choosing what to elevate in its technical agenda. Feedback may reveal that stakeholders are having issues with particular standards or that there is something that has changed in the environment so that the guidance is not as relevant as it used to be.
- GASB also looks to what other standard setters are issuing as far as standards and assesses its literature in that area.

The members thanked Ms. Reese for her input.

Ms. Valentine noted that staff had received comments from eight members on the two questions from the briefing materials.

**Question 1 – Do Board members agree with further researching both the benefits of and concerns with FASAB’s current generally accepted accounting principles (GAAP) hierarchy?**

Ms. Valentine stated that most of the members who had provided feedback agreed that the Board should consider researching both the benefits of and concerns with FASAB’s current GAAP hierarchy. All agreed that the community’s input would be important.

Mr. Scott requested feedback from the members.

Some of the comments from the members included the following:

- Reexamination will be a heavy lift and resources will be key.
- Identification of inconsistencies and clarification of the hierarchy will be essential before codification.
- Continuous improvement is important.
- The scope of the project will need to be clearly defined.
- It will be important to hear what the community’s problems with the hierarchy are. Is the problem the application of the hierarchy or is the hierarchy not effective?
- FASAB should address the hierarchy questions as part of the overall reexamination process.

A majority of members agreed with staff’s recommendation to further research both the benefits of and concerns with FASAB’s current GAAP hierarchy. One member disagreed with staff’s recommendation.

**Question 2 – Do Board members agree with staff’s recommendation to consider soliciting feedback through the use of an Invitation to Comment (ITC) as a first step to the reexamination project?**

All of the members who had provided feedback had agreed to consider soliciting feedback with an ITC as a first step to the reexamination project.

Mr. Scott requested feedback from the members.

Some of the comments from the members included the following:

- An ITC will need to be broad, asking about the community's most significant challenges in applying the standards.
- FASAB will need to define clear objectives.
- Questions should be about more than just process; they should include any gaps perceived in the standards as well as identification of outdated guidance.
- FASAB should consider using surveys as well.

The members agreed with staff's recommendation to consider soliciting feedback through an ITC as a first step to the reexamination project.

- **Intangible Assets Research Project**

Mr. Josh Williams, senior analyst, introduced [topic D](#) by summarizing his research efforts on intangible assets. He had formed a task force in February 2021 to research the existence of intangible assets across federal reporting entities. The task force's primary objective was to coordinate survey responses across many federal reporting entities, audit firms, and other members of the public.

The survey consisted of over 30 initial questions and several follow-up questions designed to gather a wide array of information on intangible assets in the federal government. Mr. Williams stated his satisfaction with the quantity and quality of information that the survey, round table meetings, and other research efforts had produced. He indicated that the research effort was worthwhile no matter how the Board chooses to move forward. The information will serve as a useful reference now and in the future when the Board deliberates on a need for intangible asset guidance.

Mr. Williams then presented his research findings on intangible assets to the Board. He made it clear that all of his suggested approaches for guidance serve as a beginning framework for Board deliberations and do not represent final proposals. He suggested that it would be beneficial to begin discussions with a structure for guidance possibilities rather than just consider unprocessed data. Mr. Williams's presentation addressed the following:

- Research efforts
- Facts and statistics
- Definition of intangible assets
- Scope of guidance
- Examples of intangible assets identified throughout federal reporting entities

- Potential benefits derived from intangible assets
- Guidance approaches for identified intangible assets
- Potential user benefits from recognizing intangible assets in financial reports
- Identified challenges and concerns with recognizing intangible assets
- A current example of a capitalized intangible asset
- Overview of existing intangible asset guidance from other standard setters
- Recommended next steps

For analysis purposes, Mr. Williams had formed three categories of intangible assets. Intellectual property consists of patents, trademarks, and data sets. Software consists of internal use software, licenses, subscription-based information technology arrangements (SBITA's), and software as a service. Other intangible assets include the electromagnetic spectrum and other various knowledge- and organization-based resources identified in the survey.

Mr. Williams concluded the presentation by recommending specific courses of action for the Board to deliberate at the August meeting. During this session, the Board will consider adding intangibles assets to the technical agenda. He stated that he is confident that it is beneficial to move forward in considering software guidance updates but not as confident with the need for new reporting guidance for intellectual property or other intangible asset categories. Research shows these assets exist throughout federal reporting entities but there are significant concerns on the practicality of identifying and measuring their value. Reporting requirements may create too much preparer burden relative to the user benefits.

Mr. Williams concluded his presentation by recommending the Board move forward to develop software guidance updates but to consider further the benefits, challenges, and complexities of developing guidance for intellectual property and other categories. He recommended the Board issue an ITC based on proposed guidance approaches for intellectual property and other asset categories. This would allow federal reporting entities and others to communicate more formally their thoughts and concerns to the Board based on specific guidance approaches.

**Question 1 – Does the Board have any suggestions, concerns, or general thoughts about the research results and associated guidance approaches?**

Mr. Williams emphasized that he intended to ask the Board only for their general thoughts on the presented research and associated guidance approaches so that discussions focus on the research and potential ideas and not on timelines and due process procedures. The August meeting material will address project plans and staff

will ask the Board to vote on specific courses of action as it deliberates on whether to include intangible assets on the technical agenda.

All Board members supported moving ahead with developing software guidance updates due to the intangible asset research results supporting a need for guidance. One member added that he has received specific requests from stakeholders concerning software guidance updates. Another member stated that it is important to consider a broad range of issues when considering guidance updates and emphasized it is important to develop guidance for SBITA's and software as service arrangements. A few Board members brought up the need to consider the options of amending versus rescinding existing software guidance in the future. One member preferred to completely rescind and issue new guidance. Another member voiced concerns with trying to develop guidance for software and intellectual property/other intangible assets on the same timeline because they are at different points in the process and attempting to develop and issue them together could hinder progress.

Board members' views on issuing an ITC for intellectual property and other intangible assets varied. However, the majority generally agreed with Mr. Williams's concerns with the need to consider further the identified cost-benefit issues of financial reporting before deciding whether to begin developing guidance.

Some Board members supported issuing an ITC as a next step. One member stated that a future ITC should specifically ask respondents if they see a need for guidance. Some members questioned whether an ITC would provide the Board any useful information not already provided by the research effort. One member acknowledged the importance of encouraging stakeholder involvement early in the due process but believed there may be more effective ways to gather additional input. Mr. Williams stated that he had considered suggesting issuing a Preliminary Views (PV) document but that he decided to suggest an ITC instead because he did not want to presume the Board would be ready to state its preferred guidance approaches at this point. One Board member stressed the need to consider priorities and that research may indicate that this is not a high priority and should remain on the potential projects list.

Two members pointed out that the Board recently decided there was not a need for preparers to report research and development (R&D) or knowledge-based assets as stewardship information. They questioned why the Board would consider developing guidance for types of intangible assets that they recently determined were not beneficial to federal financial statement users.

One Board member questioned how significant and material the identified intellectual property examples are across federal reporting entities and how consistently entities are currently reporting them. He stated it is important to understand how significant the costs are to determine a need for guidance. He questioned if some kind of preparer guidance could accomplish this. Mr. Williams responded that he had specifically asked entities to comment on the significance of R&D costs attributable to intangible outputs, such as patents, but found that entities are currently not tracking costs this way. He opined that if any of the identified intellectual property assets are cost significant, it

could be associated with developing patents or an invention type asset. Mr. Williams iterated that his research efforts identified one example of a federal reporting entity currently recognizing a purchased data set on its balance sheet. Besides that, some entities stated they discuss some types of organizational- or human-resource-based assets in their MD&A sections.

One Board member appeared more supportive than others with moving forward on developing some kind of overarching guidance for intangible assets. He restated a benefit of recognizing intellectual property assets in financial statements is matching expenses with long-term benefits of an asset. He indicated that existing accrual accounting requirements might already necessitate capitalization of certain types of intellectual property. He also stated ways the Board could lessen the burden on preparers if it potentially develops reporting guidance. For example, he pointed out that several survey respondents were concerned with assigning market value to intellectual property assets. He iterated that guidance should not require preparers to assign market value to assets but could potentially focus on assigning cost. He also suggested that potential reporting guidance could lessen preparer burden by not requiring retroactive reporting. The same Board member requested that staff further consider existing guidance that Mr. Williams had suggested scoping out of intangible asset guidance, such as natural resources or land, to see if there is a need for additional reporting guidance before deciding to scope out the topics completely.

Some of the members discussed limited guidance possibilities if the Board ultimately does not move forward with overarching intangible asset guidance. One Board member mentioned the possibility of including guidance for purchased intangible assets somewhere else, such as part of property, plant, and equipment (PP&E) guidance. Another member voiced particular interest in an intangible asset definition, especially concerning the non-monetary criteria of the definition that Mr. Williams had suggested. One Board member strongly supported at least developing a definition for intangible asset in guidance and requested that staff deliberate on the best options for doing so. Ms. Valentine agreed with trying to develop an intangible asset definition and said she initially envisioned a need for non-prescriptive and principle-based guidance for intangible assets. Mr. Williams stated that he would consider different ways to implement an intangible asset definition into existing Statements.

**Next steps:** Mr. Williams stated that he would analyze Board member comments and consult with staff to propose specific questions to the Board during the August meeting, when it deliberates adding an intangible assets project to the technical agenda. He plans to poll the Board if it supports moving forward with developing software guidance updates and then separately pose a few options on how to proceed with intellectual property and other intangible assets. These options include issuing an ITC or PV or proceeding to develop an intangible asset definition in existing Statements.

- **Steering Committee Meeting**

Ms. Valentine presented an updated proposed budget for fiscal year (FY) 2022 to the Committee. The federal members of the Committee noted they would seek approval from their respective leadership on the proposal. The Committee unanimously approved Dr. Dorothy Potter's selection as the AAPC at-large member to replace Mr. Brett Baker, whose term on the AAPC ends on June 30, 2021. Dr. Potter currently serves as a Professor of Practice for the College of Information and Cyberspace's Chief Financial Officer Academy at National Defense University.

## **Adjournment**

The Board meeting adjourned for the day at 4:00 p.m.

## **Wednesday, June 23, 2021**

### **Agenda Topics**

- **Public-Private Partnership Phase II Proposal**

Mr. Domenic Savini, assistant director, provided the Board with an overview of the [topic E](#) materials for the session on public-private partnerships: phase 2 (measurement and recognition). For background and review, staff provided an educational session on P3s, noting that the first phase culminated in the issuance of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*. The overall objective of both phases of this project is to make the full cost of P3s transparent in financial reporting. Some of the key topics covered in the educational session included the following:

- Definitions of P3s and how they vary widely, reflecting a variety of arrangements
- P3s and how they relate to SFFAS 47, *Reporting Entity*, and SFFAS 54, *Leases*
- Challenges associated with P3s, including risks and financing costs
- Examples of P3s in the state, local, and federal environments that did not work well
- Existing FASAB guidance in SFFAS 49, including the broad definition of P3s, the key characteristic (sharing risks and rewards), and the disclosure requirements
- Most current GASB and International Public Sector Accounting Standards Board guidance on P3s



- Major measurement and recognition issues that may need to be addressed in phase 2
  - Balance sheet presentation and valuation
  - Interest in a special purpose entity or vehicle
  - Single or unitary payments
  - Asset capitalization
  - Reversionary or residual interests
  - Non-monetary exchanges
  - In-kind consideration (donated assets)
  - Unearned revenue

**Question 1 – Do members desire any other historical information not presented at this meeting or further elaboration on what is presented in the foregoing attachments?**

The majority of the members noted that reviewing a greater sampling of the entity disclosures would be most beneficial before activating a task force and commencing phase 2. Moreover, members requested that staff identify the processes used by entities in reporting P3s. The review could include assessing what disclosures may be missing and whether an entity's risks of loss (for example, exposure beyond the balance sheet) has been adequately identified.

**Question 2 – Do members have specific questions concerning the material accompanying this memorandum?**

The majority of the members generally agreed with the major measurement and recognition issues identified by staff. Some members noted the complexity concerning P3s and the need to define where and how such reporting should be presented. Other members noted the importance of clarifying the types of losses or exposures (for example, exposure beyond the balance sheet or losses from natural disasters) that should be identified and specifically addressing the SFFAS 49 term "risk of loss."

**Question 3 – Do members desire sharing any general comments or preliminary advice concerning P3s and/or their measurement and recognition?**

Members discussed reviewing what other standard setters are doing regarding P3s, identifying lessons learned from preparers, canvassing views from auditors and users concerning SFFAS 49, and assessing disclosures overload and cost-benefit considerations. Staff reminded the Board that FASAB issued SFFAS 49 with a dissent,

primarily due to perceived reporting burden. Members should keep this in mind as P3 discussions progress.

**Next steps:** Staff will review the FY 2020 disclosures of all 24 Chief Financial Officers Act agencies and sample disclosures from the other 16 significant entities to help address the varying member concerns and noted observations.

- **Leases**

Mr. Perry, senior analyst, directed members to [topic F](#) of the meeting materials. Members agreed to provide feedback on issues enumerated on an item-by-item basis as staff summarized each. Staff reminded members that the discussion items were organized in four parts within the materials:

- Edits to the omnibus proposal since the April meeting based on Board feedback
- Outstanding issues for which staff does not recommend omnibus actions at this time
- A summary of updates to the basis for conclusions
- A summary of the Technical Release (TR) under review by the Board

**Question 1 – Do Board members have any questions, concerns, or alternative views related to item 1?**

Part 1, Item 1: Board members agreed to re-sequence paragraphs 32-37 of the draft omnibus in a manner consistent with the Board's original intent.

**Question 2 – Do Board members agree that conforming amendments to SFFAS 54, paragraph 51 are necessary in light of proposed SFFAS 59, as discussed under item 2? If so, do Board members agree with the proposed accounting treatment?**

**Question 3 – Do Board members agree with any of the above options (under item 2) to amend SFFAS 54, paragraph 51, or have alternative views or suggestions?**

Part 1, Item 2: Mr. Perry noted that an Accounting and Auditing Policy Committee (AAPC) member had provided feedback at a recent meeting regarding the potential need for conforming amendments to paragraph 51 of SFFAS 54 as a result of the forthcoming SFFAS 59 (pending sponsor review) on land. Staff agreed with the AAPC member. Mr. Perry summarized three options presented in the briefing materials and the benefits and drawbacks to each. He noted that option A included a footnote reference to SFFAS 59 and its effective date, whereas option B did not include that footnote. He cautioned that option A, as written, could conceivably be more vulnerable to future conforming amendments. Mr. Perry also noted that the amendments to the

body include principle-based language to mitigate the extent to which paragraph 51 of SFFAS 54 may require future maintenance. He further noted that staff finds these conforming amendments to be consistent with the original intent of the Board in developing Statements 54 and 59. Board members agreed.

One member observed that the footnote would be beneficial to users of the Statement and that inclusion of the effective date within the footnote may not be necessary. Board members agreed. Staff will implement option A but remove the effective date from the footnote.

Members also agreed to conforming amendments to paragraph 56 of the draft TR, which corresponded to the omnibus changes for paragraph 51 of SFFAS 54.

Part 1, Item 3 (see part 3 below)

**Question 4 – Do members wish to provide feedback on items 4-7 above or wish to raise other issues that they believe require omnibus action at this time?**

Part 2, Item 4: Mr. Perry reminded members that the Board had previously requested staff to perform additional analysis and determine whether there may be a need to explicitly require reporting entities to amortize lease receivables using the interest method within SFFAS 54. Mr. Perry noted that although SFFAS 54 does not explicitly use the term “interest method,” it describes the interest method in paragraph 60. Board members agreed that an omnibus clarifying amendment was not necessary for this reason.

One member expressed agreement with paragraph 67 of the draft TR but asked members to confirm that they are comfortable with the interpretation of SFFAS 54, paragraph 60, as presented in paragraph 67 of the draft TR. Members confirmed that they were comfortable with the paragraph and approved the language.

Part 2, Item 5: One member clarified that his previous concerns related to cost-benefit. He further noted that the additional research performed and reflected in the briefing materials had allayed those concerns. Members expressed support for paragraph 12 of the draft TR and concurred with the related guidance. Mr. Perry noted that he would continue to monitor and seek feedback on the inter-entity costing issues surrounding implementation of SFFAS 54 and keep the Board apprised of any emerging implementation issues brought to staff’s attention.

The meeting adjourned for lunch.

Part 2, Item 6: Mr. Perry recapped staff’s analysis of the issue, noting that SFFAS 54, paragraphs 89-92, do not currently reflect an original Board intent to subject intragovernmental sale-leasebacks to the requirements of those paragraphs. He observed that this might not have been the Board’s intent; however, the Board might need to expose any technical correction for public comment. He further reminded members that intragovernmental sale-leasebacks are expected to be exceptionally rare.

As a result, staff recommended that the Board take subsequent omnibus action to address the matter. This will provide staff with additional time to research the issue.

One member explained that his primary concern was the guidance provided under paragraph 94 of the draft TR, which makes interpretive statements concerning the supposed non-applicability of the guidance to sale-leasebacks. He recommended deferring implementation guidance on the matter until it is resolved by the Board. Members agreed that this issue should be further researched and included as a candidate for subsequent omnibus action. Accordingly, the Board also agreed to remove paragraph 94 from the draft TR.

Part 2, Item 7: Several Board members expressed a desire to further explore the extent to which the scope and applicability of paragraphs 70-93 would be appropriate through future Board actions. Members agreed that no omnibus action was needed for the time being. Staff will return to the Board with additional options for addressing the matter, potentially through an Interpretation or through Staff Implementation Guidance.

### Part 3

#### **Question 5 – Do Board members have any edits or comments on the basis for conclusions updates?**

One member recommended including additional explanatory language in basis for conclusions paragraph A7.D regarding the Board's decision to clarify paragraph 51 and its future application as it relates to general PP&E land. Mr. Perry presented proposed language to address the member's comment. Board members supported the changes.

Mr. Perry noted that paragraph A8.C-E will require further modification based on the Board's discussions on those topics. Staff will work directly with members who provided the related input during the meeting to ensure that the bases for the Board's conclusions on those items are correct and complete.

Staff will redistribute a second pre-ballot draft and continue with pre-balloting for two more weeks prior to balloting. Members agreed to this review timeline.

### Part 4

#### **Question 6 – Do Board members have any questions about the TR?**

Mr. Perry summarized the Board's review of the TR based on the day's meeting. Edits included changes to paragraph 56 (see part 1, item 2 above) and striking paragraph 94 (see part 2, item 6 above).

Ms. Valentine instructed Mr. Perry to re-ballot the draft TR with the AAPC in light of these two changes. After receiving AAPC approval, staff will submit the TR to the Board for its review. Members agreed to accelerate the 45-day TR review period provided for in the rules of procedure. Members will be asked to provide positive approvals within

two weeks of receiving the review copy. Members unable to provide positive approvals within two weeks will provide positive approval as soon as practicable.

- **Appointments Panel Meeting**

The Appointments Panel met in closed session to discuss personnel issues. The reason for the closure was that matters covered by 5 U.S.C. 552b(c)(2) and (6) were discussed. The discussions related solely to internal personnel rules and practices of the sponsor agencies and the disclosure of information of a personal nature where disclosure would constitute a clearly unwarranted invasion of personal privacy. A determination has been made in writing by the U.S. Government Accountability Office, the U.S. Department of the Treasury, and the Office of Management and Budget, as required by section 10(d) of the Federal Advisory Committee Act, 5 U.S.C. App., that the meeting may be closed to the public in accordance with 5 U.S.C. 552b(c)(2) and (6).

## **Adjournment**

The Board meeting adjourned at 2:15 p.m.