

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD
Board Meeting Minutes
May 31, 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.

Wednesday, May 31, 2023

Attendance

The following Federal Accounting Standards Advisory Board (FASAB or “the Board”) members were present throughout the meeting: Messrs. Scott (chair) and Bell, Ms. Bronner, Mr. Dacey, Ms. Harper, and Messrs. McNamee, Patton, and Vicks. Ms. Johnson was represented by Ms. Kearney. 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.

Administrative Matters

- **Approval of Minutes**

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

Agenda Topics

- **Leases**

Mr. Scott thanked the Board and staff for their willingness to prepare for and participate in a supplemental meeting between the regularly scheduled April and June meetings. Mr. Scott noted that the meeting was a result of the February and April Board meeting deliberations, including a clarification discussion held in April. At the April meeting, a

majority of the Board decided not to extend the effective date of Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*. He then noted that a majority of the Board generally agreed to consider transitional accommodations to alleviate some of the immediate burden on preparers in the area of “embedded leases.”

Mr. Scott explained that the materials under development are on a tight timeline. He noted that the meeting’s deliberations would focus on the draft proposal, provided that a majority of the Board remained in general agreement with the accommodation under development.

Mr. Scott invited staff to walk through the briefing materials, including the draft transitional accommodation.

Mr. Perry, assistant director, directed members to [topic A](#). Mr. Perry noted that a majority of members preliminarily agreed with the proposal distributed in the materials based on responses sent to staff in advance of the meeting. Several members’ preliminary responses provided commentary and revisions to improve the clarity of the proposal.

Mr. Perry presented an updated draft proposal, with changes tracked based on member comments on the Board materials. Mr. Perry walked through the major revisions resulting from members’ preliminary technical and editorial comments:

- Staff made technical edits to paragraph 4 to note that “embedded leases” are often “viewed in practice” as lease components within contracts or agreements serving a primary purpose attributable to nonlease components based on their embedded nature. The edits also provided better linkage to paragraph 5 criteria (proposed par. 96A).
- Staff made technical edits to proposed paragraph 96C to address lease modifications.
- Staff clarified the basis for conclusions discussion of transitional accommodation timelines.

Question 1 – Do members have feedback on the proposed paragraphs 3-4, which establish the relationship of the proposed transitional accommodation under paragraph 5 to SFFAS 54?

Question 2 – Do members have feedback on the proposed additions of paragraphs 96A-96B under paragraph 5?

One member suggested moving paragraph 96C (the transitional accommodation) earlier in the proposal. Mr. Perry explained that the concept of embedded leases and their link to existing SFFAS 54 requirements are discussed under paragraphs 3 and 4, while paragraphs 96A and 96B discuss the scope and applicability of the proposal. Much of this language links to the discussion under paragraphs 3 and 4.

Several members noted that staff could clarify the timing of the transitional accommodation and its flexibilities, as well as the grouping of similar contracts. Staff agreed to present such clarifying edits at the June meeting based on feedback. Mr. Perry noted that staff was unable to incorporate such revisions in advance of the meeting, but that those edits would likely address much of the feedback discussed by members.

Some members suggested that “does not appear to be unreasonable” (under par. 96B of the material) could be revised to eliminate the double negative and replace it with a positive statement. Mr. Perry cautioned that the phrasing provided is consistent with phrasing used under paragraph 75 of SFFAS 54. Moreover, such a revision may convey more stringent criteria from an audit perspective. Mr. Dacey and Ms. Valentine agreed, noting that the Board discussed such phrasing when developing paragraph 75 and elected to keep the phrasing in light of the judgmental nature of the criteria. The Board concluded that the phrasing should remain without revision.

Question 3 – Do members have feedback on the proposed addition of paragraph 96C under paragraph 5 and the related transitional accommodation?

The Board generally agreed with the technical edits to proposed paragraph 96C of the material implemented in advance of the meeting, as presented by staff.

Question 4 – Do members have feedback on the proposed addition of paragraph 96D under paragraph 5 and the related disclosures?

The Board voted in favor of removing a proposed disclosure requirement (under par. 96D.b of the material) in an effort to minimize the cost of implementing the proposal. Some members also voted in favor of removal out of concern that the resulting disclosure would not provide sufficiently useful information.

Question 5 – Do members have feedback on the drafted basis for conclusions?

Several members requested that staff expand the basis for conclusions to reflect Board deliberations, decisions related to the design of the proposal, and Board efforts to minimize the implementation costs given the transitional nature of the accommodation. Staff will present an updated basis for conclusions to the Board in June.

Other comments on the working draft proposal

One member suggested that staff expand the questions for respondents to elicit more comprehensive feedback on the transitional accommodation. Staff will present improvements to the questions for respondents at the June meeting.

One member requested and the Board agreed that staff should develop a non-authoritative illustration appendix to facilitate respondents’ understanding and evaluations of the proposals. Staff will present the non-authoritative appendix illustration at the June meeting.

Wrap-up

Mr. Perry cautioned members that the briefing material review period for the June meeting would be 2-3 business days under the compressed project timeline. He thanked members for their considerable feedback and assistance leading up to the meeting.

Mr. Scott thanked members and staff for their efforts and concluded the meeting.

Adjournment

The Board meeting adjourned for the day at 3:30 p.m.