

The new GASB Lease Accounting Standard for state, local, and public higher education

Reading and getting to know the GASB standard, developing a plan with milestones, and fostering agency collaboration are critical elements in your path to GASB Lease accounting compliance. Preparation is a necessity. Let's start with getting to know the new standard.



The GASB issued a **new lease accounting standard** with the release of Statement 87



The new approach will result in **most leases being recorded on the balance sheet for lessees and lessors; a new requirement**



Changes go **beyond accounting**, affecting many departments of government and public higher education institutions

Timeline and transition (assuming a June 30 Year-end)¹



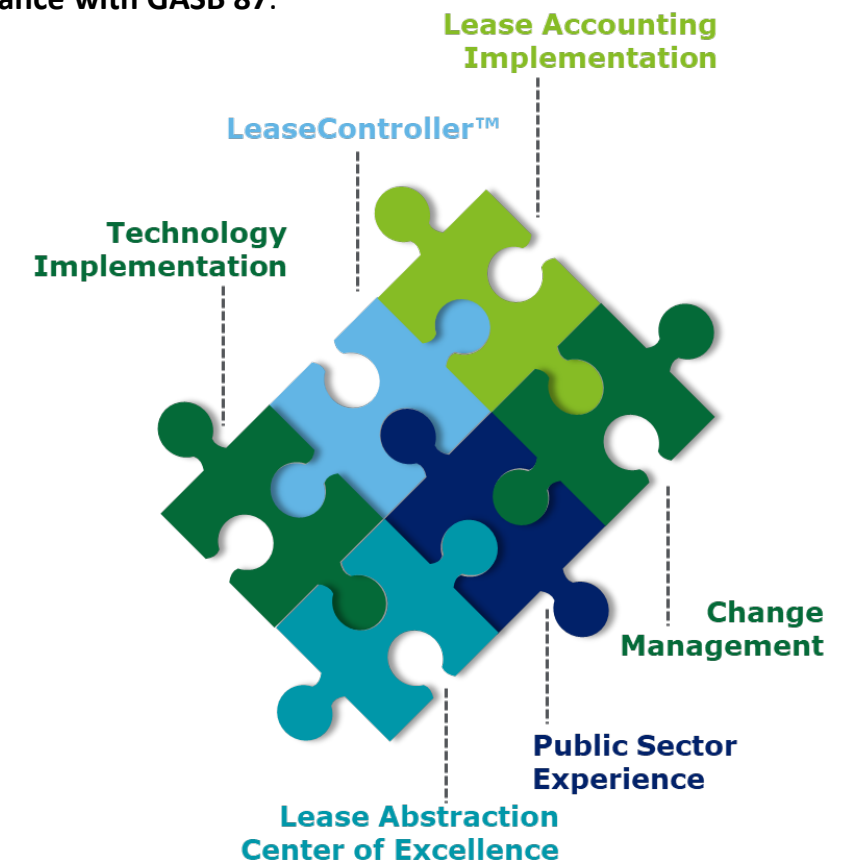
¹ Due to the impact of COVID-19, the Board issued *GASB No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance* changing the **effective date** of GASB 87 to **fiscal years beginning after June 15, 2021**. Based on such effective date, the earliest GASB 87 **transition date** will be **July 1, 2020** for those entities with a **June 30 year end** presenting a year of comparative financial information on their financial statements (GASB 87 to be implemented as of earliest balance sheet date presented). Presentation of comparative statements is optional within the GASB Framework.

Lease standard implementation lessons learned

Completeness of lease population	<ul style="list-style-type: none"> Leases may be tracked and maintained in disparate systems, databases, and systems and by different groups of individuals; Locating, compiling, and reviewing lease population may take several months complete. Not every lease is labeled a "lease agreement" and identifying embedded leases can involve considerable time and judgment as many of these contracts may not have been identified as leases in the past.
Accounting judgments	<ul style="list-style-type: none"> Determination of the key accounting estimates will likely involve multiple inputs and judgments (e.g., determination of the lease term or discount rate). Accounting estimates and judgments necessary may be different for each type of contract and require accounting to become familiar with certain operations aspects.
Data considerations	<ul style="list-style-type: none"> Many lease agreements contain complex terms and conditions that could impact accounting conclusions. Lease agreements do not contain all of the necessary data necessary to comply with the new lease standards (e.g., incremental borrowing rate and discount rate). Abstraction of lease and lease data could take an average of 4-12 months to complete
Technology solutions	<ul style="list-style-type: none"> Many solutions are not designed to address specific aspects of the GASB standard (e.g. lessor accounting). The timeline to implement solutions is likely longer than expected. Machine learning can assist in reading contracts but is not a substitute for review by skilled professionals Engage those outside of the accounting function in the vendor identification and selection process

The Deloitte Difference

We have deep experience, tools, and resources to offer an **end-to-end solution** for timely and accurate **compliance with GASB 87**.



**Looking Forward:
Preparing for the
New Lease
Accounting Standard**



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Implementing the new Lease standard

Preparation is key. Let us collaborate with you to help address barriers upfront and plan a strategy that sets milestones, links appropriate assets, and fosters agency and institutional involvement. Deloitte stands ready to advise on your implementation. We can tailor our services to directly meet your organization's needs.¹



People who can help you get the right answers for what's ahead.

Connect to our subject matter leaders who can collaborate with you to plan ahead for the new leasing standard. We look forward to having a discussion on your concerns, challenges, and opportunities.

Execution

- ✓ Lease **abstraction**, data **normalization** and **migration**
- ✓ Implementation of **data controls**
- ✓ **Software configuration** and refinement of **policy positions**

Assessment - Visioning and Strategy

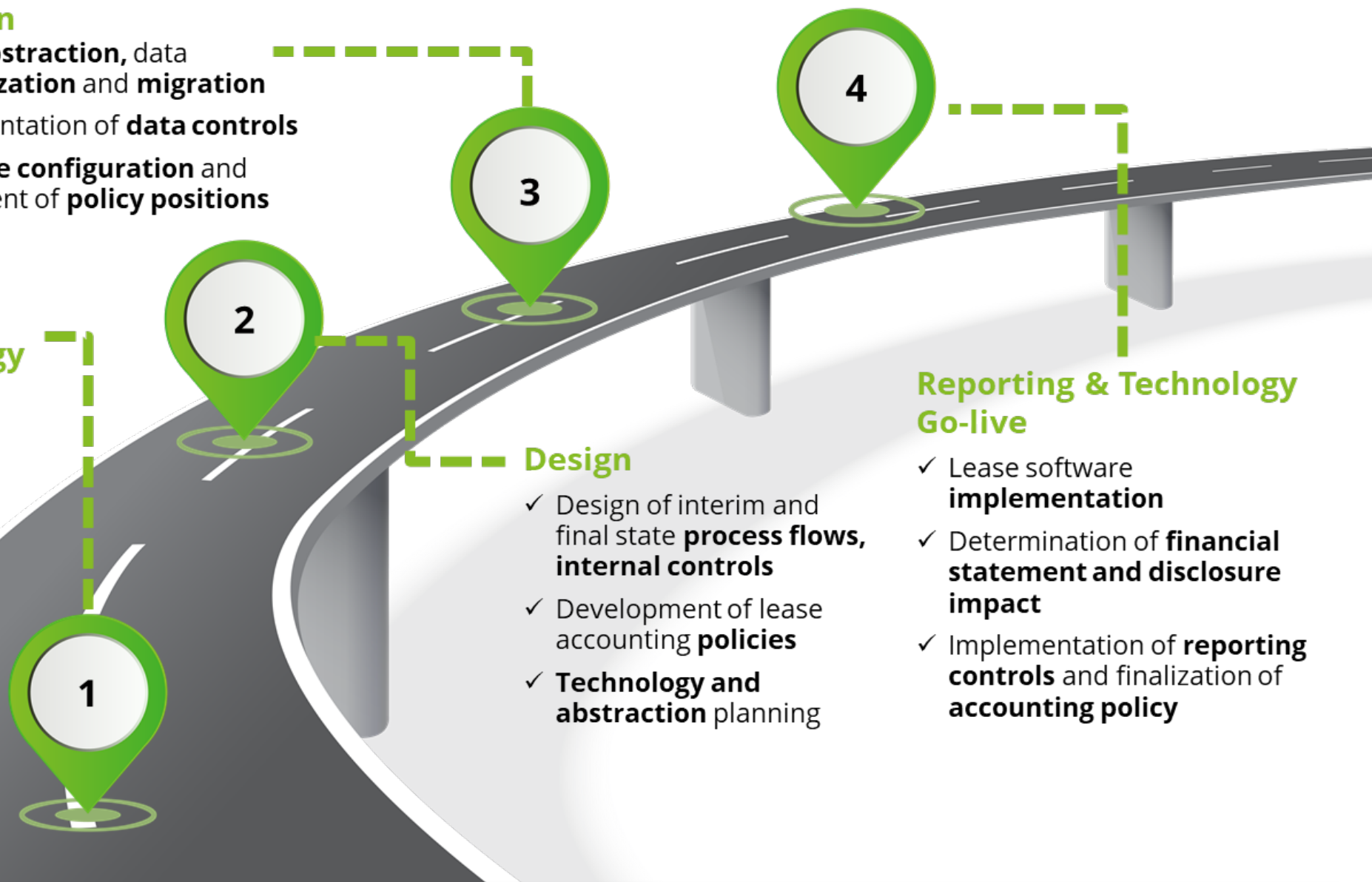
- ✓ **Roadmap/project** plan development
- ✓ **Assessment** of lease landscape for current lessee and lessor contracts

Reporting & Technology Go-live

- ✓ Lease software **implementation**
- ✓ Determination of **financial statement and disclosure impact**
- ✓ Implementation of **reporting controls** and finalization of **accounting policy**

Design

- ✓ Design of interim and final state **process flows, internal controls**
- ✓ Development of lease accounting **policies**
- ✓ **Technology and abstraction** planning



Welcome to GASB 87

Continuous Project Management

Milestone-Based Roadmap

Active Risk Management

Focused Change Management



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