

The new FASAB Lease Accounting Standard for federal organizations (SFFAS 54)

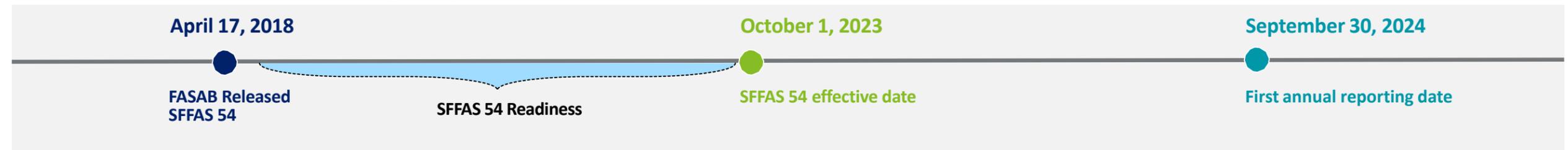
Reading and getting to know the FASAB standard, developing a plan with milestones, and fostering agency collaboration are critical elements in your path to FASAB Lease accounting compliance. Preparation is a necessity. Let's start with getting to know the new standard.

The FASAB has issued SFFAS 54¹ introducing a **new model for lease accounting** applicable prospectively as of October 1, 2020².

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 federal agencies within their organization

Timeline and transition (assuming a September 30 Year-end)²



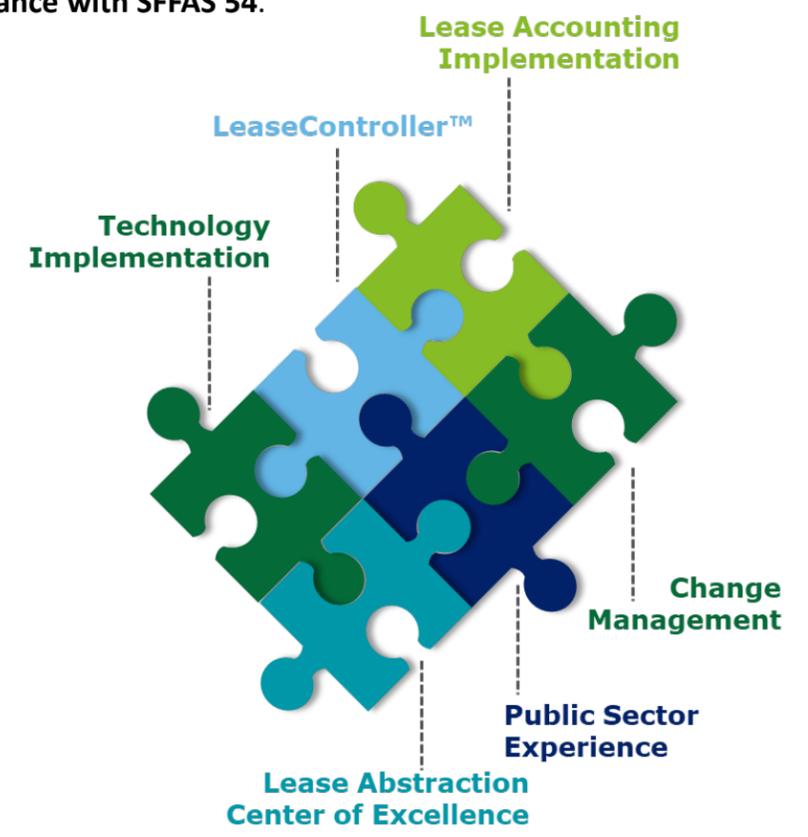
1. Statement of Federal Financial Accounting Standards 54 ("SFFAS54"): Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment
 2. In February 2020, FASAB voted to defer the effective date of SFFAS 54 by three (3) years from October 1, 2020 to October 1, 2023.

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 SFFAS 54.



Looking Forward:
 Preparing for the
 New Lease
 Accounting Standard



The new FASAB Lease Accounting Standard for federal organizations (SFFAS 54)

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

Roadmap to success

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

Design

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

Reporting & Technology Go-live

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

Continuous Project Management

Milestone-Based Roadmap

Active Risk Management

Focused Change Management



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.



JENNIFER AHN

Partner
Deloitte & Touche LLP
+1.571.447.3725
jenniferahn@deloitte.com



CHRISTOPHER STEWART

Partner
Deloitte & Touche LLP
+1.571.814.6826
chrstewart@deloitte.com



BLAKE RODGERS

Partner
Deloitte & Touche LLP
Tel: + 1.817.729.0681
blrodgers@deloitte.com

1. This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Copyright © 2020 Deloitte Development LLC. All rights reserved.