

# LEASE ACCOUNTING SERVICES

## ASC 842

### EFFECTIVE FOR PRIVATE COMPANIES IN 2022

The FASB's new lease accounting standard (ASC 842) becomes effective for private companies in calendar year 2022. This standard is expected to materially impact the balance sheets of most private companies and, based on the experience of public companies who have reported under this standard since 2019, it is important to be well prepared for implementation.

### LEASE ACCOUNTING OVERVIEW

Under the ASC 842 Lease Accounting guidance, all leases from the lessee's perspective will receive balance sheet recognition, with the exception of short-term leases of less than twelve months. Leases are classified as either financing or operating leases, which require analysis of lease contracts to determine the appropriate classification, and results in a different accounting treatment. Finance lease accounting treatment is similar to previous capital lease accounting, while operating leases are now accounted for with a Right-of-Use (ROU) asset and corresponding liability equivalent to the present value of lease payments.

Companies will need to implement processes to analyze lease contracts for classification. Non-lease contracts may also require review for possible embedded leases. Systems will need to be established to maintain calculations supporting accounting, as well as the complex disclosure requirements relating, in part, to lease cost, weighted average, and maturity analysis.

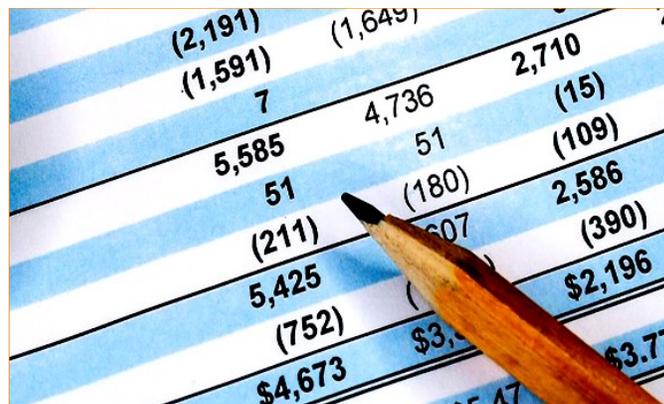
### WINDES CAN HELP YOU PREPARE

Windes has a team of accounting professionals trained in all technical aspects of ASC 842 implementation and compliance. The Windes team can assist with:

- ◆ Accounting transition
- ◆ Lease classification
- ◆ Expense recognition
- ◆ Disclosure requirements
- ◆ Policy elections
- ◆ Process implementation
- ◆ Hosting calculations
- ◆ Post-issuance compliance

### SERVICES AND EXPERTISE

- ◆ Accounting policy development
- ◆ Process implementation/outsourcing
- ◆ Finance and operating lease analysis
- ◆ ROU and lease liability calculations
- ◆ Technical training for lessees and lessors
- ◆ Embedded lease review
- ◆ Lease component analysis and allocating contract consideration
- ◆ Sale-leaseback guidance
- ◆ IFRS 16 compliance
- ◆ Transition and recognition practical expedients
- ◆ COVID-19 lease concessions



## ABOUT WINDES

Since 1926, we have been a trusted business partner to our clients and have earned our reputation as one of the most respected and socially responsible accounting firms in southern California. Our professionals deliver high-value accounting and consulting services and are committed to our clients and their businesses. The strength of our practice and comprehensive expertise, coupled with our global network, enables us to provide our clients with business solutions focused on their continued success at fees that represent outstanding value. Windes covers a multitude of disciplines with more than 200 professionals within three southern California offices. Our firm serves over 4,000 businesses and more than 3,900 individuals, including privately held businesses, nonprofit organizations, qualified retirement plans, and high-net-worth individuals.

## LEASE ACCOUNTING SERVICES TEAM



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- ◆ 20 years of experience
- ◆ Specializes in audits of financial statements reporting under US GAAP and IFRS and in evaluation of internal controls over financial reporting
- ◆ Provides financial statement audit, internal control, and consulting services to middle-market businesses, both domestic and international



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- ◆ Practice focus includes financial statement reporting, audit and review services, evaluation of internal controls, business consulting for privately held companies, and employee benefit plans
- ◆ Serves a wide variety of clients in the manufacturing, trucking and transportation, construction, professional service, and nonprofit sectors

## MEMBERS OF

- ◆ American Institute of Certified Public Accountants (AICPA)
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- ◆ American Society of Pension Professionals and Actuaries
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