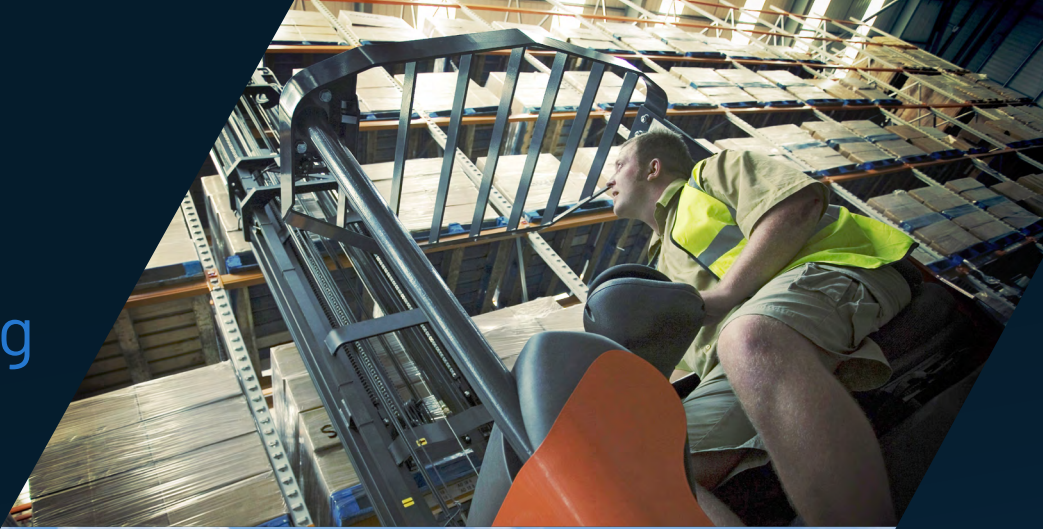


# ASC 842

## EBITDA Impact, Investor Surveillance

Time-Saving  
Alternatives to  
ASC842  
Lease Accounting  
Compliance



# ASC 842 EBITDA Impact, Investor Surveillance



"These new standards have created a significant burden ... across the nation."

Under the **ASC 842** guidance for operating leases, the amortization of the right-of-use asset and interest expense related to the lease liability are recorded together as lease expense to produce a straight-line recognition effect in the income statement. The intention behind the guidance is focused on the visibility into lease-based long-term expenditures in conjunction with the EBITDA impact on the balance sheet, as **pre-ASC842** guidance only required these expenses to be 'foot noted' on balance sheets, which are commonly overlooked and create exposure for investors. The previous guidance known as lease accounting standard (**ASC 840**) reported operating leases as an annual journal entry, requiring significantly less effort and guidance. The previous lease accounting compliance essentially created a smokescreen for investors, as they interpret balance sheets, and is the basis for the new accounting guideline, hence helping investors gain visibility into the actual financial status of invested properties and equipment. **ASC 840** was replaced by **ASC 842** on December 19, 2018, and is now the standard for lease accounting regarding ROU and interest amortization.



These new standards have created a significant burden for lease accounting departments across the nation, which makes achieving **ASC842** compliance a demanding task that is labor-intensive, highly manual (mainly excel spreadsheets), and requires extensive effort from an audit, entry, and tracking perspective.

The current trend of using excel spreadsheets is wrought with risk for investors, as it is nearly impossible to develop a compliance strategy built upon spreadsheets. As we know, spreadsheets can be riddled with human errors, lacks controls, interpretations by less than qualified accounting resources, and are subject to accounting interpretations performed by resources without the domain expertise needed to make accurate interpretations of the **ASC842** guidance.



“**ASC 842** EBITA Impact, Investor Surveillance is exactly that - the intent behind the legislation is to protect investment capital. The penalties for **ASC 842** non-compliance are severe because those that are claiming **ASC 842** compliance without going through the process, effort and time to develop a compliant operational process are doing so at the risk of the investment community.” The risk of non-compliance, or more commonly known as ‘soft compliance,’ is exacerbated by the complexities of compliance that are not widely understood. The following risks are unknowingly being assigned to investors, who, without proper guidance, assume the financial responsibilities of non-compliance.

# Lease Compliance Overview



Some of these risks include:

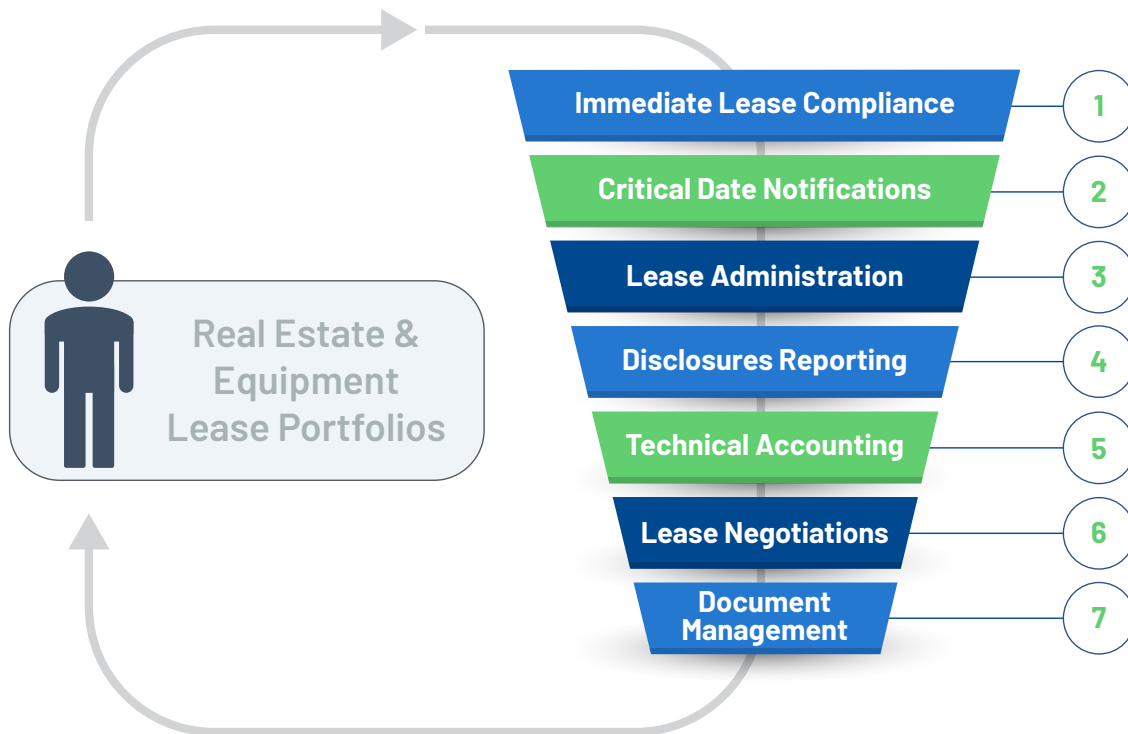
- 1. Penalties/Fines** for non-compliance.
- 2. Restricted business flexibility** – Without compliance, mergers & acquisitions, as well as divestitures and IPO's are off the table. In the post – Covid economic explosion, limited financial flexibility is suicide – compliance creates financial flexibility that all investors desire.
- 3. Agility** – The ability to leverage technology, automate the process, and reduce human contact are in rapid deployment models throughout corporate America. The lack of compliance prohibits the adoption of new Artificial Intelligence, Machine Learning, and Internet of Things (IoT), all widely adopted in preparation for the next round of Covid. While successful companies will adopt the ability to automate, others are acquired by their visionary adversaries.
- 4. DIY** – Many do not understand the enterprise impact of not achieving newly mandated compliance, nor the financial and business impact of keeping your head in the sand. The fines and penalties can reach up to 25% of 2020 revenue, and the best case will require \$500 per hour compliance auditors, which will take months to untangle you from an excel or poorly thought out compliance strategy. The answer is and will be – contact an expert for expert business services. Leaseology provides compliance consulting and every ancillary business function that you will need to get through this mandate and create options for pivoting your business wherever the market goes – this is what investors want. It's also what's best for you and your team.



# Lease Portfolio Onboarding



The diagram below is the Leaseology service funnel, and we will use this model to help our client's understand the breadth of the complex challenge ahead. The compliance mandate touches every department in publicly traded and privately held companies – and we feel that a visual representation of what is involved gives our customers and future customers a fighting chance to plan appropriately. The overview from a task perspective is listed below, and we will identify areas of risk exposure to help customers looking to achieve and understand the complexities and benefits of compliance:



The differences between Leaseology and a standard lease administration service offering are significant in the quality, breadth, and expertise required delivering the offering that Leaseology provides. Please review the following details on why a comprehensive lease management service completes the needs of all customers seeking compliance, business flexibility, and agility:

- 1.** We handle all of your data from a data cleansing, data validation, and integrated test perspective.
- 2.** We handle all of your data backups and provide GL/AP data extracts for your financial platform.
- 3.** We manage your compliance certifications so that you don't have to and ensure that you are aligned with the latest legislative mandates to avoid fines, penalties, or audit re-work costs associated with being out of compliance.
- 4.** We manage critical date alerts for each lease so that you never miss an opportunity to renegotiate a lease, miss a payment, or have a meaningful business lease accidentally terminate.
- 5.** We build a reporting calendar for you to ensure your monthly reporting requirements are met and that you're in line with compliance guidelines.
- 6.** We analyze your lease for ROU (Right of Use) to ensure that expert technical accountants validate your leases; and that your interpretation is aligned with FASB Guidance.
- 7.** EBITDA - we leverage our technical accounting team to perform in-depth SEC reporting analysis on your balance sheet to ensure that your ROU calculations are aligned with FASB guidance.
- 8.** We design lease portfolio disclosure reports meeting SEC standards.
- 9.** We create and manage your lease portfolio documentation repository, so there is never any disruption or business distraction searching for dates, leases, or contracts.
- 10.** We perform portfolio audits to ensure accuracy and prevent evergreen leases.







# Comprehensive Lease Portfolio Offering

Additionally, we offer full lease lifecycle professional services.

- 1.** We have a team of market analysts that help you understand FMV by geography and leverage our network of agents that can help you negotiate.
- 2.** CAM – we have a team of experts that performs audits for annual CAM true-ups.
- 3.** We have a legal team to help you understand the legal implications of any changes you wish to make to a lease or help if you need legal advice from a lease management perspective.
- 4.** We have a team of lease experts that will help you draw up a lease portfolio guidance to maximize your spending on your lease and achieve maximum business flexibility on terms.
- 5.** We have lease abstraction experts to extrapolate important lease data to manage your lease portfolio effectively.


There are apparent differences in what we offer versus a standard lease admin service. Still, we have found that our subscription, coupled with professional services, is all that you will ever need to avoid hunting for resources, interviewing vendors, or dealing with auditors. Our team is vast, with deep expertise, so that you can focus on growing your company, which is why our offering meets all potential needs - because that's what 20+ years has taught us.



Leaseology makes lease management simple. We offer a complimentary 1-on-1 Lease Assessment. [Schedule yours today](#) and let's see if we can help.

 [www.leaseologyinc.com](http://www.leaseologyinc.com)

 [info@leaseologyinc.com](mailto:info@leaseologyinc.com)

 888-457-3256