



The New Lease Accounting Standard

What You Need to Know



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- Accounting manager at Gross Mendelsohn
- Specializes in manufacturing and nonprofits
- Has a brewery niche



Marie Calabrese, CPA

- Accounting principal at Gross Mendelsohn
- Specializes in construction, architects and engineers
- Heads up the firm's lease standard team

The Big Picture

Leases with a term greater than 12 months will be recorded on the balance sheet

Potential impact on note covenants, including ratios and various debt service calculations

New Lease Definition

Contract conveys:

- The right to control the use of an identified asset to a customer
- For a period of time in exchange for consideration

Before and After

Before the standard, only leases meeting certain criteria (capital leases) were reported on the balance sheet

After the standard, all leases with a term greater than one year will be reported on the balance sheet

Effective Date: Years **BEGINNING** after 12/15/21

Calendar year businesses and nonprofits will see changes to their financial statements for the year ended December 31, 2022

Fiscal year businesses and nonprofits will see changes to their financial statements in 2023

**How does this impact me
and my business or nonprofit?**

Three Key Takeaways

Accounting for operating leases will affect the balance sheet but not the income statement

Loan covenants may be affected

Be aware of related party leases

Sample Financial Statements