



Cornell ASC 842 Implementation

3/3/2020

Agenda

- What is ASC 842?
- New requirements with ASC 842
- Lessor Impact
- Lessee Impact
- Completeness and Accuracy

ASC 842 - Leases

- Effective for Cornell as of 7/1/19
- Relevant for all leases at Cornell (Real Estate, Equipment, etc)
- Requires changes to processes and internal controls for lessee accounting

How is ASC 842 different from the old standard?

- Lessee recognizes all leases, including operating leases, with a term greater than 12 months on-balance sheet
 - Previously only capital leases were recognized on-balance sheet
 - Cornell must calculate a Right-of-Use Asset (ROU) and Lease Liability

Right-of-Use Asset

- Represents a lessee's right to operate, hold, or occupy a leased property, item or piece of equipment for the lease term
- Two conditions to determine whether a customer has the right to control an asset for a period of time
 - Customer has the right to obtain all of the economic benefits from the use of the identified asset
 - Customer has the right to direct the use of the identified asset

How is ASC 842 different from the old standard?

- Lessees and lessors disclose key information about leasing transactions
 - Qualitative
 - Significant judgments and assumptions
 - Information about the nature of leases (variable lease payments, extension and termination options, purchase options)
 - Quantitative
 - Operating lease cost (lessees) and income (lessors)
 - Variable lease cost (lessees) and income (lessors)
 - Weighted-average remaining lease term (lessees)

Lessor Impact

- Lessor evaluation of real estate operating leases is expected to show that there is no transfer of ownership at any point during the agreement, therefore no change to accounting treatment under ASC 842
- No impact expected on Statement of Financial Position
- No impact expected on Statement of Activities

Lessee Process

- Cornell to contract with BKD LLC for advisory services related to ASC 842 implementation
 - LeaseVision Software
 - Completeness/Accuracy of lease data
 - Documentation of processes and internal controls
 - Search for agreements with embedded leases
 - Assistance with disclosures
- IWMS (owned by Cornell Facilities) will be the source of real estate data

Completeness and Accuracy

- BKD LLC to advise Cornell on documenting processes and internal controls
- Review vendor payment data and rent-related expense accounts