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on their balance sheets for fiscal years starting after Dec. 15, 2021 (i.e., calendar periods beginning Jan. 1, 2022), one-fifth (19.8%) of privately held organization ...

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With just a few months to go before private organizations must include most leases on their balance sheets for fiscal years starting after Dec. 15, 2021 (i.e., calendar periods beginning Jan. 1, 2022), one-fifth (19.8%) of privately held organization executives still feel unprepared to comply with the Financial Accounting Standards Board's (FASB) [lease accounting standard](#), according to a new [Deloitte poll](#).

The good news: 27.7% of those polled feel prepared to comply — the highest private

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I'm hopeful organizations are closely focusing on it now.”

Sean Torr, **Deloitte Risk & Financial Advisory** managing director and controllership – accounting and reporting leader, Deloitte & Touche LLP added, “Some shifts organizations made during pandemic-driven disruption have implications for lease accounting, not the least of which are **cloud migration** and **real estate footprint changes**. Whether private entity leaders are among the concerning high rate of those feeling unprepared to comply with the lease accounting standard or not, now is the time for those leaders to start asking questions around the status of implementation efforts.”

The following questions can help privately held organizations assess how close they are to completing their lease accounting implementation efforts:

- **On lease portfolio**
 - **Has your organization changed its leased real estate footprint?** As a result of COVID-19 pandemic disruption, some organizations are reducing their real estate footprints, expecting employees to work remotely for the foreseeable future or for other business reasons. Whether an organization needs to exit a lease prior to contract term end, modify existing lease agreements or execute a sale-and-leaseback transaction—**different accounting treatments** are needed.
 - **Is your organization planning to migrate into the cloud? Has it done so recently?** As organizations adopt FASB's cloud computing accounting guidance, the way they've adopted the lease accounting standard could offer opportunities to structuring cloud agreements for **specific accounting treatment**.
 - **Have policies been appropriately updated?** Aligning lease data collection and systems implementation efforts with accounting policies can help reduce

some complexity, as can creating a process to keep policies current with

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across the organization should be frequently updated on progress while also communicating to employees about the importance of mandatory lease standard adoption.

- **Do external stakeholders understand the financial statement impacts of new lease accounting standards?** Communicating clearly with lenders and investors about lease accounting impacts to operations and financial statements can help build goodwill.
- **On data and technology:**
 - **How reliable is your organization's lease data?** The first step is to ensure all appropriate lease data is fully centralized, captured and checked for accuracy. Once lease data is ready for lease accounting use, check to see if it's aligned with your organization's accounting policies. Finally, develop a process to maintain lease data going forward, as changes can occur frequently.
 - **What is your organization's planned information technology approach?** If lease accounting solutions will be used, work with IT to define requirements and test it end-to-end; work to remediate challenges identified in solution testing; and discern who will perform needed manual labor to organize data and information to be entered. Engage end users of lease data early and often on the new and different ways that data must be tracked and used going forward.

Torr concluded, "While some private entities may have as few as 20 equipment and real estate leases in their portfolios, we still advocate for rigor in the standard's adoption. Focusing on getting lease accounting right should be a top priority for U.S. privately held organizations in the months ahead."

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