Accounting & Auditing Standards Update

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Big firm capability. Small firm personality.

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Agenda

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- Lookback: CECL
- SAS 142-145
- ASUs effective in 2024
- Commonly missed accounting standards
- Employee Benefit Plans: SECURE 2.0 2024 impacts
- Lease modification reminders

Current Expected Credit Loss

- What's different:
  - Current GAAP requires an incurred loss method for recognizing credit losses at a point in which it is probably a loss that has been incurred
  - Changing from the "probable" threshold to "expected" losses at each reporting date

Not Included: The CECL model does not apply to financial assets measured at fair value through net income, available-for-sale debt securities, loans made to participants by defined contribution employee benefit plans, policy loan receivables of an insurance entity, or promises to give (pledges receivable) of a not-for-profit entity, and some related party loans.

CECL Model

AGING (PAST DUE)	AMORTIZED COST BASIS (MILLION)	EXISTING LOSS RATE	EXISTING AL-LOWANCE (MILLION)	NEW ADJUSTED LOSS RATE	ALLOWANCE UNDER CECL
Current	$19,000,000	0%	$0	1.50%	$285,000
1-30 days	$11,000,000	6%	$660,000	6.09%	$669,900
31-60 days	$6,000,000	28%	$1,680,000	28.42%	$1,705,200
61-90 days	$3,000,000	54%	$1,620,000	54.81%	$1,644,300
>90 days	$1,000,000	87%	$870,000	88.31%	$883,050
Allowance			$4,830,000		$5,187,450

	EXISTING GUIDANCE	NEW CECL MODEL
When to recognize credit losses	When probable that loss has been incurred, generally subsequent to initial recognition of the asset	When losses are expected, in almost all cases upon initial recognition of the asset
Period to consider	Not an explicit input to incurred loss model	Contractual term
Information to consider	Historical loss and current economic conditions	Historical loss, current economic conditions, reasonable and supportable forecasts about future conditions (with reversion to historical loss information for future periods beyond those that can be reasonably forecast)
Unit of Account	Pooling generally not required, but permitted	Pooling required when assets share similar risk characteristics

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Challenges

- Regulators expected that no allowance would be extremely rare cases. This didn't end up to be true.
- FASB ASC 606 and CECL
- No consistent methodology

ASU 2016-13: 606 & CECL

- Under step 1 of FASB ASC 606, entity must meet collection probability criterion, based on a customer's ability and intent to pay
- This does not imply a credit-risk free receivable
- When trade receivable is recorded, it is subject to CECL model
  - ➢ A trade receivable may be deemed collectible on an individual basis, but a portfolio of similar trade receivables will have an expectation of credit loss
- An entity's estimate of expected credit losses should include a measure of expected risk of credit loss, even if that risk is remote

Collectability in FASB ASC 606 → ← **Collectability under CECL**

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Methodology of CECL

ASU 2016-13 requires an entity to recognize lifetime expected credit losses, but does not include the following specific details of how to calculate the expected credit loss estimate (obtained from KPMG credit impairment guide):

- Specific method to be used, including whether to apply a discounted cash flow method
- How to determine the reasonable and supportable forecast period
- How to revert to historical losses beyond the reasonable and supportable forecast period
- How to determine historical losses
- How to determine forecasted future losses

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SAS Suite 142-145

- SAS 142: Audit Evidence
- SAS 143: Auditing Accounting Estimates and Related Disclosures
- SAS 144: Use of Specialists and Use of Pricing Information
- SAS 145: Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatements

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SAS 142: Audit Evidence

- Principals-based standard that changes auditor’s primary objective
  - Original objective: … to design and perform audit procedures that enable the auditor to obtain sufficient appropriate audit evidence…
  - New objective: … to evaluate information to be used as audit evidence, including the results of audit procedures, to inform the auditor’s overall conclusion about whether sufficient appropriate audit evidence has been obtained.
- Provides framework for evaluating audit evidence:
  - Sufficiency (quantity of evidence)
  - Appropriateness (quality of evidence)
    - Relevance (whether evidence is “on point” pertaining to an assertion)
    - Reliability (credibility of the evidence)

SAS 142: Audit Evidence

- Evaluate information provided that is to be used as audit evidence for:
  - Relevance and Reliability
    - Source of the information, form of the information, etc.
  - Accuracy and Completeness
  - Susceptibility to bias and manipulation
  - Authenticity

- Review evidence:
  - Does it corroborate or contradict the relevant assertion?
  - Is it sufficiently precise and detailed?

SAS 143: Auditing Accounting Estimates and Related Disclosures

- Explains nature of accounting estimates and concept of estimation uncertainty
- Requires separate assessment of inherent risk and control risk at the assertion level to specific estimates
- Audit procedures need to be responsive to the assessed risk of material misstatement at the assertion level
- Addresses the exercise of professional skepticism when auditing estimates
- Evaluate whether the estimates and disclosures are reasonable

SAS 144: Use of Specialists

- Enhanced guidance on auditor's evaluation of the work of management's specialist (AU-C 501 and 540)
  - Examples of Management's Experts:
    - Actuary
    - Valuation Firms
    - Pricing Services
- Guidance for using the work of an auditor's specialist (AU-C 620)
- Guidance on using third-party pricing information as audit evidence for estimates related to the fair value of financial instruments (AU-C 500 and 540)

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SAS 145: Understanding the Entity and Risk

- Enhances guidance on understanding the entity's system of internal control and assessing control risk
- Revises the definition of significant risk
  - Previously focused on the response to significant risk
  - Revised to focus on assessment of inherent risk at upper end of spectrum related to likelihood and magnitude of potential misstatement
- New requirement to separately assess inherent risk and control risk
- Control risk is at maximum if not testing operating effectiveness of controls
- New 'stand back' requirement intended for evaluation of completeness of identification process

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Bonus! SAS 147 & 148

- SAS 147, *Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance with Laws and Regulations*

- SAS 148, Compliance Audits

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SAS 147

- **SAS 147, *Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance with Laws and Regulations***
- **Amends communication requirements between predecessor and successor auditors about:**
  - Identified or suspected fraud
  - Matters involving noncompliance or suspected noncompliance with laws and regulations
  - Aligns with revisions to the Code of Professional Conduct regarding responding to noncompliance with laws and regulations recently adopted by the Professional Ethics Executive Committee

SAS 147

Before Engagement Acceptance

Auditor is required to request management to authorize the predecessor auditor to respond fully to auditor's inquiries

Does management authorize the predecessor auditor to respond?

Yes

No

SAS 147

Yes

New Requirement
Auditor required to inquire of predecessor regarding identified or suspected fraud and matters involving NOCLAR

New Requirement
Predecessor auditor required to respond fully and timely and to indicate if the response is limited

Evaluate the predecessor auditor's response and consider the implications if there is no or limited response in determining whether to accept the engagement

No

Auditor required to inquire about the reasons and consider the implications of refusal in deciding whether to accept the engagement

SAS 148, *Compliance Audits*

Background

- Effective for compliance audits for fiscal periods ending on or after December 15, 2023
- Impacts all compliance audits – including Single Audits, program-specific audits, for-profit compliance audits (including GAGAS financial audits), HUD compliance audits, NYS DOT Compliance audits and more

What's new?

- Clarifies that the concepts of significant risks, classes of transactions, account balances and disclosures are <u>not applicable</u> to compliance audits

ASUs Effective 2024

ASU	ASU	Private
2020-06	Debt – Debt with Conversion and Other Options	2024
2021-08	Business Combinations: Accounting for Contract Asset and Contract Liabilities from Contracts with Customers	2024
2022-01	Derivatives and Hedging: Fair Value Hedging – Portfolio Layer Method	2024
2022-04	Liabilities – Supplier Finance Obligations: Amendment on rollforward information	2024
2023-01	Leases: Common Control Arrangements	2024 or tied to adoption of ASC 842

ASUs Effective 2023

ASU	ASU	Private
2016-13	Measurement of Credit Losses on Financial Instruments	2023
2017-04	Simplifying the Test for Goodwill Impairment	2023
2022-04	Disclosure of Supplier Finance Program Obligations	2023 (except for amendment on rollforward)
Various	Improvements connected to adoption of ASU 2016-13	Tied to adoption of ASU 2016-13

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ASU 2020-06

ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*

What does it do?

- **Simplifies accounting for convertible instruments and contracts in an entity's own equity**
- **Amends EPS guidance (which we will not cover further)**

Why was it issued?

- **Guidance in this area was very complex and a significant factor in restatements as well as allowing users to understand the results of applying the guidance**

Instruments Affected

- **Convertible Debt / Warrants / Convertible Preferred Stock / Forward Contracts**

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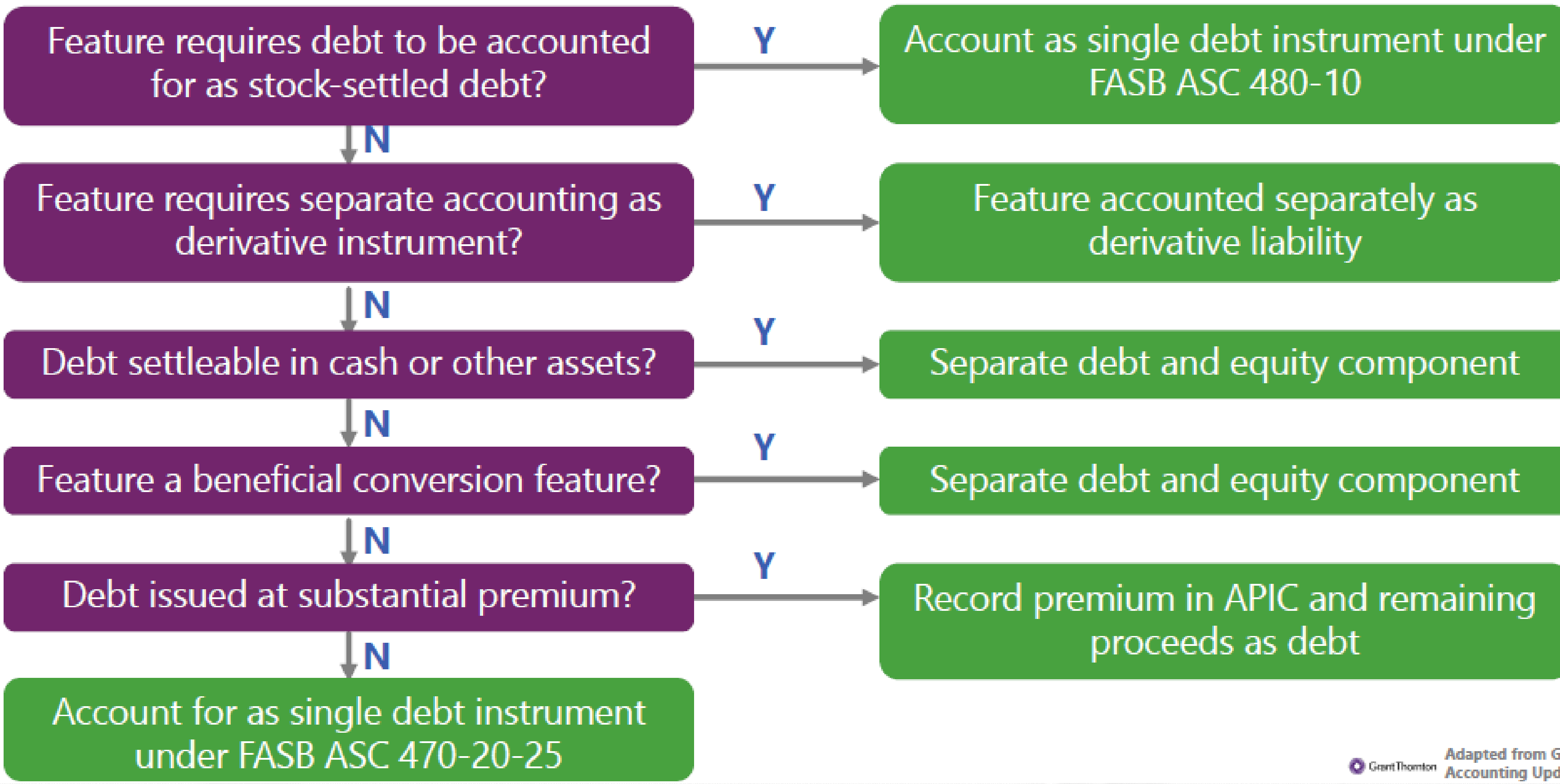
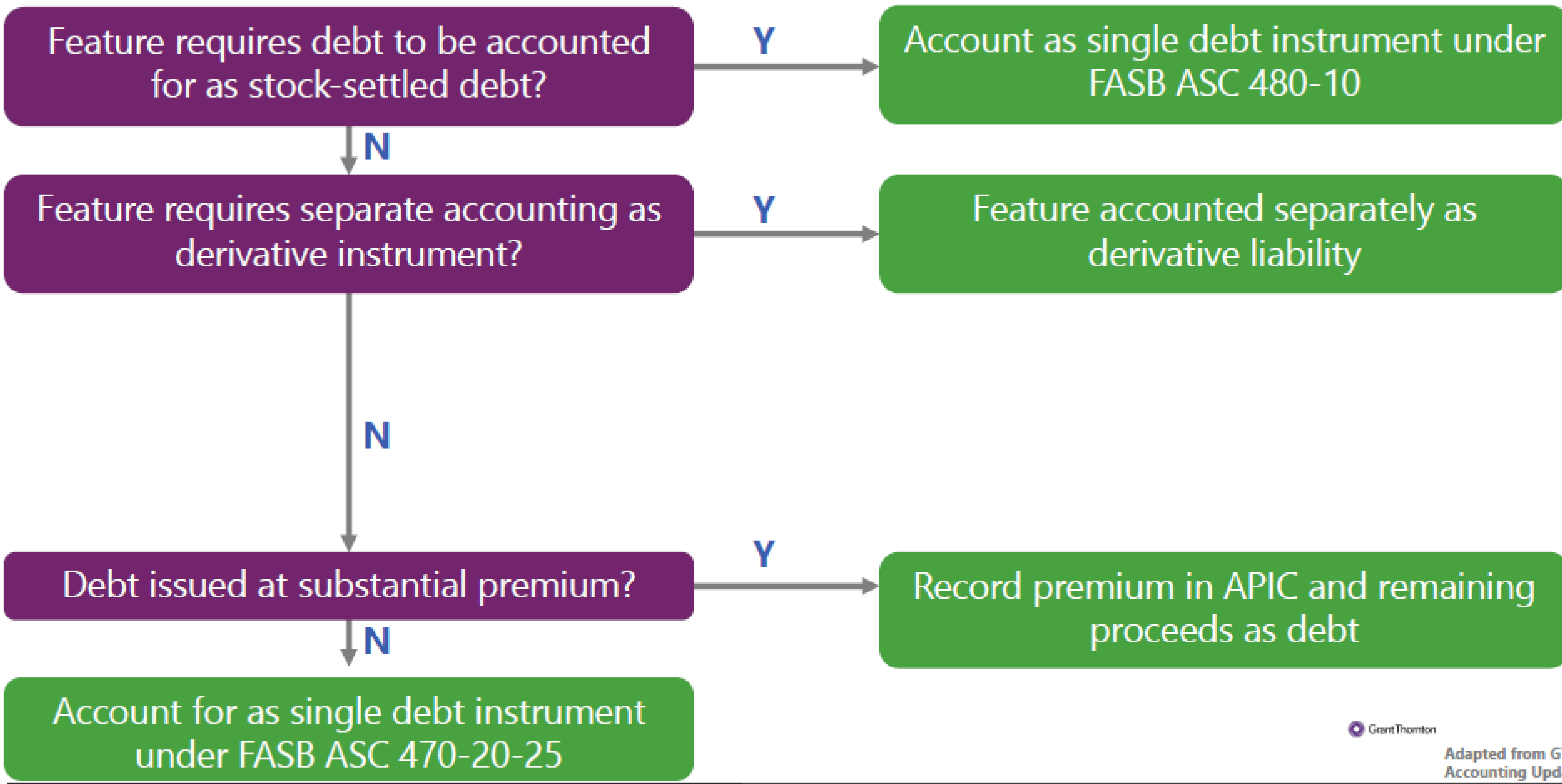
Accounting for Convertible Debt with Embedded Conversion Feature – Pre 2020-06



Grant Thornton Adapted from GT Q3 Quarterly Accounting Update Webcast

Accounting for Convertible Debt with Embedded Conversion Feature – Post 2020-06



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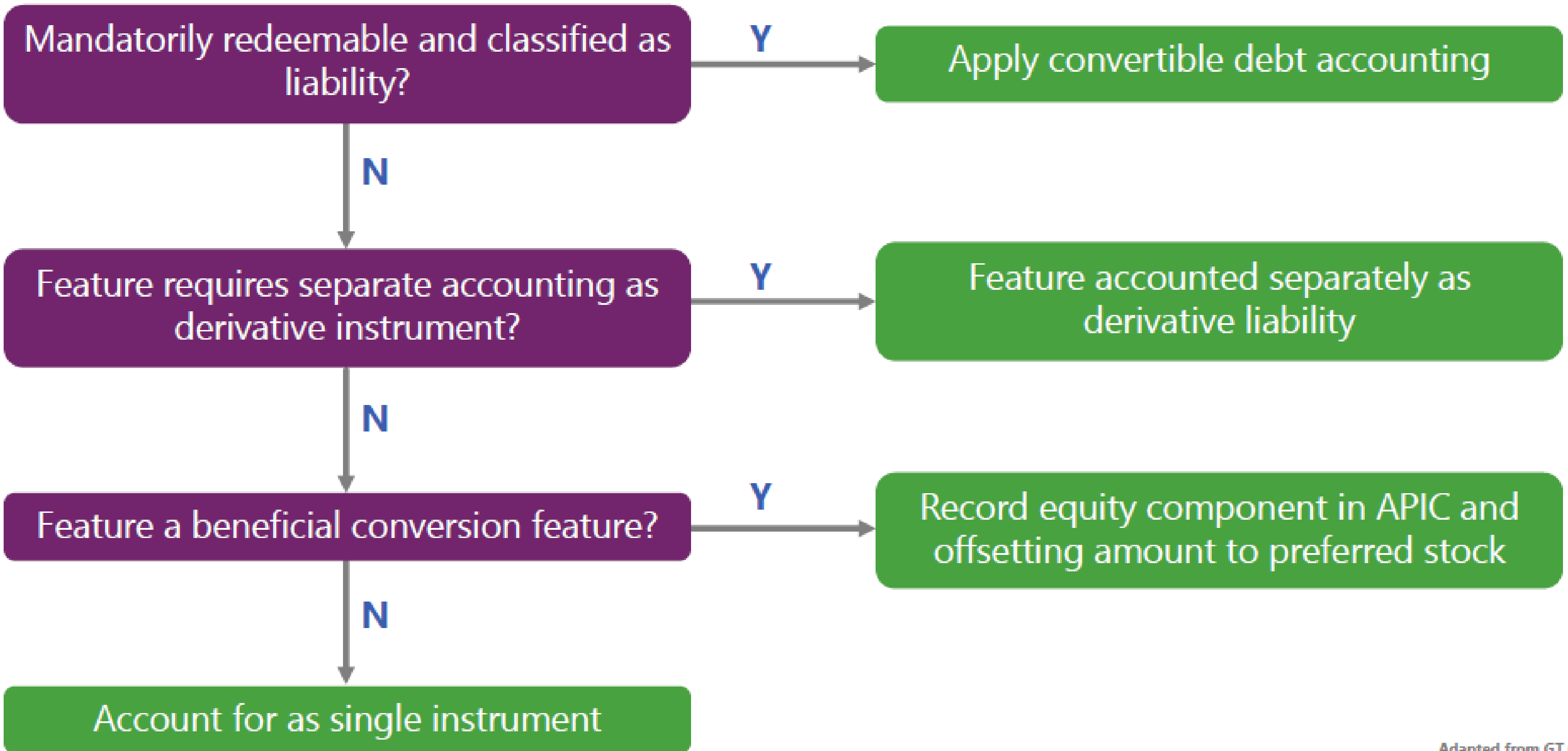
Accounting for Convertible Preferred Stock – Pre 2020-06



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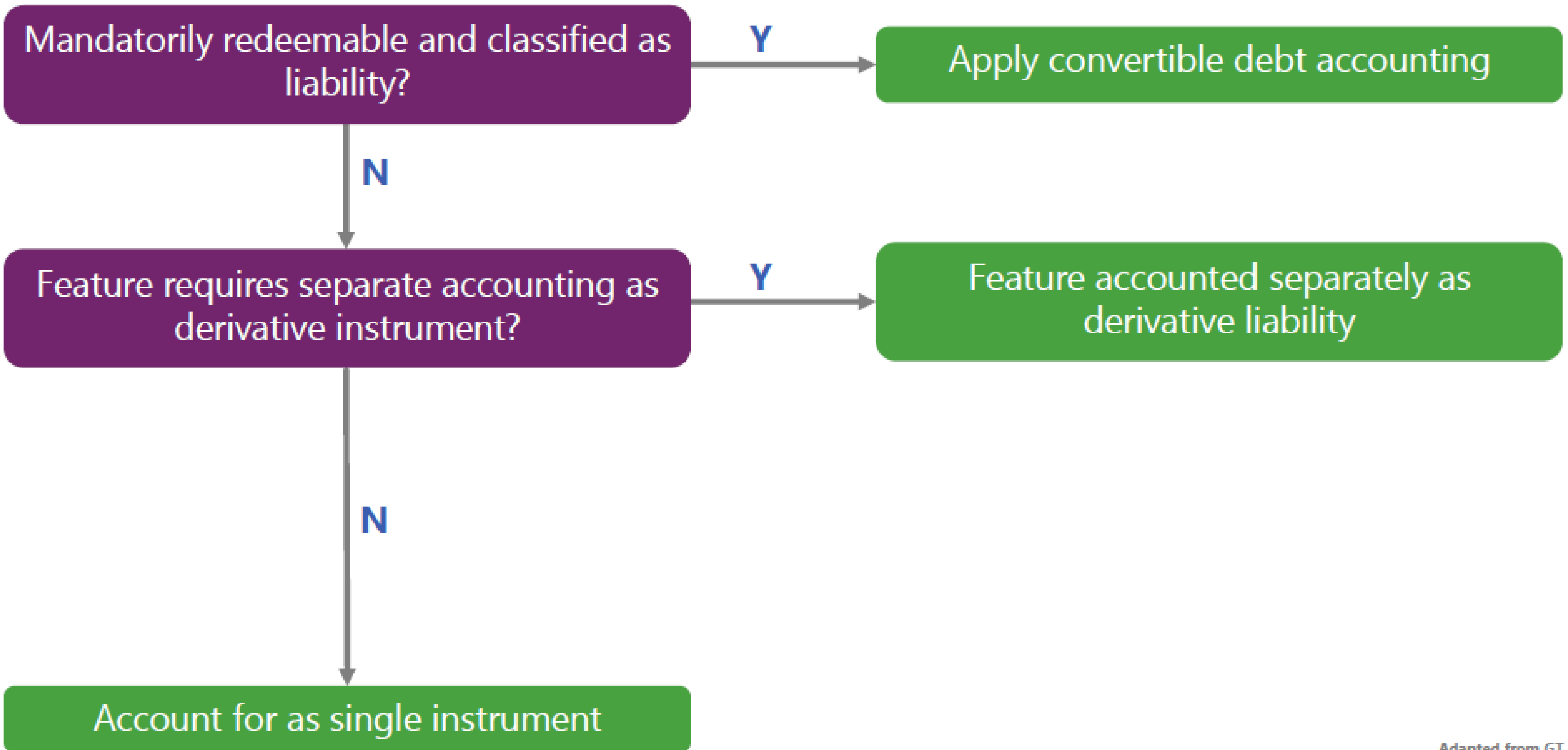
Accounting for Convertible Preferred Stock – Post 2020-06



Grant Thornton Adapted from GT Q3 Quarterly Accounting Update Webcast

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What Changed in the Flowcharts?

- ASU 2020-06 removed the separation criteria for
  - Convertible debt with a cash conversion feature
  - Convertible instruments with a beneficial conversion feature
- After adoption, no separate presentation of applicable conversion features
- Accounted for instrument as a single unit
  - Wholly as debt or wholly as preferred stock
  - Unless there are other conversion features with require bifurcation

Impacts

- Interest rate of convertible debt instruments likely will be closer to the coupon interest rate
- Likely increase in debt and decrease in equity
- Likely lower interest expense
- More conversion features likely meeting a scope exception from embedded derivative accounting

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2020-06: Contracts on an Entity's Own Equity

- ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts (for example, warrants) in an entity's own equity to reduce form-oversubstance-based accounting conclusions
    - Scope exception guidance prior to ASU 2020-06 resulted in some contracts accounted for as derivatives, while economically similar contracts being accounted for as equity

- ASU 2020-06 removes from the recognition criteria in ASC 815-40-25-10 three conditions for equity classification (referred to as the settlement criterion)
    - Settlement criteria are intended to disqualify potential cash settlements from equity classification

- ASU 2020-06 does not change the indexation criteria (aka fixed for fixed)

- Likely result in more contracts qualifying for equity classification

2020-06: Contracts on an Entity's Own Equity

- Removes some codifications which preclude a freestanding contract from being classified in equity
- Clarifies other conditions that are difficult to apply or internally inconsistent

Condition for Equity Classification	Status under ASU 2020-06
Settlement permitted in unregistered shares	Removed
No counterparty rights rank higher than shareholder rights	Removed
No collateral required	Removed
Entity has sufficient authorized and unissued shares	Retained
Contract contains explicit share limit	Retained
No required cash payment if entity fails to timely file with SEC	Clarified
No cash-settled top-off or make-whole provisions	Retained

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ASU 2021-08

ASU 2021-08: *Business Combinations – Contract Assets and Contract Liabilities from Contracts with Customers*

- Current GAAP:
  - Acquirer generally recognizes assets acquired and liabilities assumed in a business combination at fair value on the acquisition date
- ASU 2021-08
  - Acquirer recognizes and measures contract assets and contract liabilities acquired in a business combination in accordance with FASB ASC 606
    - As if it had originated the contracts

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ASU 2021-08

Acquirer may assess how the acquiree applied 606 to determine what to record

- Generally, this should result in measurement consistent with how contract assets and contract liabilities were recognized and measured in the acquiree's financial statements

However, there may be circumstances in which the acquirer is unable to assess or rely on how the acquiree applied FASB ASC 606

For example:

- acquiree does not follow U.S. GAAP
- errors identified in the acquiree's accounting
- changes identified to conform with the acquirer's accounting policies

→

- Consider the terms of the acquired contracts
- Identify performance obligations
- Allocate transaction price to determine what should be recorded at the acquisition date

ASU 2021-08: Practical Expedients

- For contracts that were modified before the acquisition date, an acquirer may reflect the aggregate effect of all modifications that occurred before the acquisition date when:
  - Identifying the satisfied and unsatisfied performance obligations
  - Determining the transaction price
  - Allocating the transaction price to the satisfied and unsatisfied performance obligations
- For all contracts, the purposes of allocating the transaction price, an acquirer may determine the standalone selling price at the acquisition date (instead of the contract inception date) of each performance obligation in the contract.

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ASU 2022-01

ASU 2022-01: *Derivative and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method*

ASU 2017-12 added a new last-of-layer method in hedging certain portfolios of prepayable financial assets (easier to hedge prepayable financial instruments

- **Expands the current last-of-layer method to allow multiple hedged layers of a single closed portfolio**
- **Last-of-layer method is renamed the portfolio layer method**

Amends the hedging guidance in ASC 815

Specifically addresses fair value hedging in a particular method of fair value hedging

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ASU 2022-01

- **ASU 2022-01 expands the last of layer method to allow entities to designate multiple layers in a single portfolio as individuals hedged items**
- **Now have a greater portion of interest rate risk in a portfolio that can be hedged**
- **ASU also changed the name from last of layer method to portfolio layer method**
- **ASU expanded the scope of the portfolio layer method to allow all financial assets to be included in a hedged closed portfolio**
  - **This means that an entity can apply this portfolio layer method to closed portfolios of pre-payable and non pre-payable financial instruments**

- **A hedged layer under the portfolio layer method is a stated amount of a closed portfolio that is not expected to be affected by prepayments, defaults, or other factors affecting the timing and amount of cash flows for the designated hedge period**

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ASU 2022-04

ASU 2021-04, *Disclosure of Supplier Finance Program Obligations*

Why was it issued?

- **Enhance the transparency of supplier finance programs**

What does it do?

- **Requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude**
- **Buyer should disclose qualitative and quantitative information about its supplier finance programs**

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ASU 2022-04 Disclosures

- **The key terms of the program, including:**
  - **A description of the payment terms (including payment timing and basis for its determination)**
  - **Assets pledged as security or other forms of guarantees provided for the committed payment to the finance provider or intermediary**
- **For the obligations that the buyer has confirmed as valid to the finance provider or intermediary:**
  - **The amount outstanding that remains unpaid by the buyer as of the end of the annual period (the outstanding confirmed amount)**
  - **A description of where those obligations are presented in the balance sheet**
  - **A roll-forward of those obligations during the annual period, including the amount of obligations confirmed and the amount of obligations subsequently paid (effective 2024)**
- **In each interim reporting period, the buyer should disclose the amount of obligations outstanding that the buyer has confirmed as valid to the finance provider or intermediary as of the end of the interim period**

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ASU 2023-01

ASU 2023-01: *Leases – Common Control Arrangements*

Terms and Conditions to be considered

- Topic 840 required that an entity classify and account for common control arrangements based on economic substance when those terms and conditions were affected by the related party nature
- ASU 2023-01 now allows for arrangements under common control to be evaluated as if the related party nature didn't exist (i.e. based on the legally enforceable terms and conditions)

Accounting for Leasehold Improvements

- Will be amortized by the lessee over the useful life of the leasehold improvement to the common control group (regardless of lease term)
- Accounted for as a transfer between entities under common control through an adjustment to equity if, and when, the lessee no longer controls the use of the underlying asset

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Commonly Missed Accounting Standards

- Clarified Auditing Standards
- Accounting and Review Services
- Code of Professional Conduct
- FASB Accounting Standards Codification

Clarified Auditing Standards

- Failure of appropriately document planning procedures
- Failure to properly support and document the assessed level of risk
- Failure to appropriately address fraud considerations related to revenue recognition
- Failure to obtain appropriate management representation letters
- Failure to communicate and/or document required communications to those charged with governance
- Failure to properly adopt newer standards
- Failure to include audit documentation that contains sufficient competent evidence to support the firm's opinion on the financial statements
- Failure to adhere to established quality control policies and procedures

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Accounting and Review Services

Compilations:

- Failure to prepare reports in accordance with professional standards
- Failure to include all elements in the engagement letter (e.g., objectives of the engagements) required by SSARSs
- Other items relative to the engagement letters:
  - Failure to note the lack of independence or the letter referred to GAAP on an engagement performed in accordance with a special purpose framework
  - Failure to identify non-attest services provided
  - Failure to obtain required signatures

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Accounting and Review Services

Reviews:

- Failure to obtain appropriate management representation letters
- Failure to update reports in conformity with applicable standards
- Failure to include all required elements within the engagement letter
- Failure to cover all of the period or the correct periods presented in the financial statements in the accountant's report

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Professional Code of Conduct

- Failure to establish and document in writing the understanding with the client with regard to non-attest services provided
- Failure to address management's responsibilities to oversee and evaluate the results of the services performed
- Failure to identify significant threats to independence that require the application of safeguards, along with the applicable safeguards applied to overcome the threats

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FASB ASCs

- Failure to disclose the date through which subsequent events were evaluated
- Failure to adopt the latest professional standards with respect to revenue recognition
- Failure to fully implement the requirements of ASU 2016-14
- Failure to correctly classify long term debt on the cash flow statements
- Failure to include a statement of cash flows
- Failure to correctly segregate liabilities into current and noncurrent classifications
- Failure to include required disclosures

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FASB ASCs (continued)

- Failure to perform sufficient procedures or sufficiently document the procedures to obtain assurance of the fair value measurements
- Failure to follow the new financial reporting model for Not For Profit financial statements in accordance with the requirements of ASU No. 2016-14
- Failure to include required qualitative disclosures in financial statements pursuant to the amendments of ASU 2016-14
- Failure to appropriately implement ASC 606, including failure to consider implications and failure to include all required disclosures
- Failure to properly classify current liabilities in the firm compiled classified balance sheets

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Employee Benefit Plans: SECURE 2.0

- Student Loan matching contributions
- Emergency Savings
- Two opportunities for employees to tap into retirement savings in an emergency fund without penalty.

SECURE 2.0 2024 Impacts

Allowed now, Plan Sponsors can make matching contributions to a retirement plan based on amounts of employee's monthly student loan repayments rather than contributions to the Plan. (optional)

Introduction of an emergency savings component to their retirement plans. (optional)

Emergency Fund withdrawal:

1. Up to $1,000 without penalty, and have 3 years to repay
2. Up to $10,000 or ½ vested balance (whichever is less) for matters related to domestic violence

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Other Provisions of Note

Starting in 2024, employers whose plans feature automatic enrollment and escalation will now have nine months after the end of the plan year to correct any related mistakes.

Also starting this year, employers will have more leeway to close out small retirement account balances belonging to departed employees. SECURE 2.0 allows plan sponsors to automatically roll over employee plan balances of up to $7,000 into a default individual retirement account or a new employer's plan unless the departed employee requests otherwise.

In 2025, new provisions take hold for automatic enrollment, larger catch-up contributions, and the creation of a national database to track former plan participants.

Leases

Remeasurement

OR

Modification

Leases: Remeasurement

REMEASUREMENT EVENT	GENERAL ACCOUNTING APPLICABLE TO ALL REMEASUREMENT EVENTS	UPDATE THE DISCOUNT RATE?	REASSESS LEASE CLASSIFICATION?
A change in the lease term or the assessment of whether the lessee is reasonably certain to exercise a purchase option	▸ Remeasure the lease payments and the consideration in the contract, ▸ Reallocate the consideration to the lease and nonlease components (unless the practical expedient not to separate is elected), and ▸ Remeasure the lease liability and recognize the remeasurement amount as an adjustment to the ROU asset. However, if the carrying amount of the ROU asset is reduced to zero, the remaining amount is recognized in profit or loss.	Yes, unless the discount rate already reflects a lessee's extension, termination or purchase option	Yes
A contingency upon which some or all of the variable lease payments in the lease are based is resolved such that those payments become fixed		No	No
A change in the amount probable of being owed to the lessor under a residual value guarantee		No	No

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Leases: Modifications

- Modifications – ask yourself these two questions:
  - Does the modification grant the lease an additional right of use not included in the original contract?
  - Is the increase in lease payments commensurate with the additional right of use's standalone price, adjusted for the contract's circumstance?

  If either of these questions is "No" then the modification is not accounted for as a separate contract. (see the next slide for considerations)

  If both questions are "Yes" then account for the lease modification as a separate contract. Accounting for original contract is not affected.

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Leases: Modifications

<table>
<tr><th>MODIFICATION</th><th>GENERAL ACCOUNTING</th><th>ADDITIONAL GUIDANCE</th></tr>
<tr><td>Grants the lessee an additional right-of-use not included in the original contract and the lease payments are not commensurate with standalone price</td><td rowspan="4">▶ Remeasure the lease payments and the consideration in the contract,
▶ Reallocate the remaining consideration to the lease and nonlease components (unless the practical expedient to not separate is elected),
▶ Update the discount rate for the lease,
▶ Remeasure the lease liability, and
▶ Reassess lease classification and update the subsequent accounting for the lease accordingly.</td><td rowspan="3">▶ Recognize the remeasurement amount of the lease liability as an adjustment to the right-of-use asset.
▶ However, if the carrying amount of the right-of-use asset is reduced to zero, the remaining amount is generally recognized in profit or loss.</td></tr>
<tr><td>Extends or reduces the term of an existing lease, other than through exercise of an option in the original contract</td></tr>
<tr><td>Changes the consideration in the contract only</td></tr>
<tr><td>Fully or partially terminates an existing lease (for example, reduces the assets subject to the lease)</td><td>▶ Decrease the carrying amount of the ROU asset on a basis proportionate to the full or partial termination. Any difference between the reduction in lease liability and proportionate reduction in ROU asset is recognized as a gain or loss at the modification's effective date.
▶ ASC 842 provides two acceptable methods for determining the proportional reduction in the ROU asset (see illustration in Example 6.9).</td></tr>
</table>

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Lease Modification/Reassessment Example

- **Fact Pattern**
  - On January 1, 2022, Company A enters into a contract with Company B for an office lease. Lease term is 10 years, with no renewal options.
  - Annual payments are $100k, paid in arrears
  - Incremental borrowing rate at commencement is 6%

Lease Modification/Reassessment Example

- **Fact Pattern**

	Account Name	Debit	Credit
To record lease at commencement			
DR	**Right-of-use asset**	**736,008.71**	
CR	**Lease Liability**		**736,008.71**

	Account Name	Debit	Credit
To record aggregate lease entries for 2022 (cash payment and expense)			
DR	**Lease Expense**	**100,000.00**	
DR	**Lease Liability**	**55,839.48**	
CR	**ROU Asset**		**55,839.48**
CR	**Cash**		**100,000.00**

Lease Modification/Reassessment Example

- **Fact Pattern**
  - On January 1, 2027, lease term is modified to 15 years.
  - Payments increase to $110k for the remaining 10 years of the lease
  - Incremental borrowing rate is 7% at date of modification

- **What happens to the existing lease?**

	Payment	Interest	Reduction to Lease Liab.	Lease Liability	Rent Expense	ROU Asset Balance
Initial				$736,008.71		736,008.71
2022	100,000.00	44,160.52	55,839.48	$680,169.23	100,000.00	680,169.23
2023	100,000.00	40,810.15	59,189.85	620,979.38	100,000.00	620,979.38
2024	100,000.00	37,258.76	62,741.24	558,238.14	100,000.00	558,238.14
2025	100,000.00	33,494.29	66,505.71	491,732.43	100,000.00	491,732.43
2026	100,000.00	29,503.95	70,496.05	421,236.38	100,000.00	421,236.38

Lease Modification/Reassessment Example

- **Fact Pattern**
  - Modification does not grant Company A additional ROU (only extends the original term)
  - As a result, modification cannot be accounted for as a separate contract
  - Upon effective date of modification (January 1, 2027), Company reassesses lease classification and remeasures ROU asset/lease liability using the remaining lease term (10 years)
  - No income statement effect

Lease Modification/Reassessment Example

	Account Name	Debit	Credit
To record increase in ROU asset/lease liability at remeasurement date			
DR	Right-of-use asset	351,357.59	
CR	Lease Liability		351,357.59

	Account Name	Debit	Credit
To record aggregate lease entries after modification			
DR	Lease Expense	110,000.00	
DR	Lease Liability	55,918.42	
CR	ROU Asset		55,918.42
CR	Cash		110,000.00

Lease Modification/Reassessment Example

		Remeasured Liab	$772,593.97		**Remeasured ROU**	772,593.97
			Reduction to			
	Payment	**Interest**	**Lease Liab.**	**Lease Liab**	**Rent Expense**	**ROU Asset Balance**
2027	110,000.00	54,081.58	55,918.42	716,675.55	110,000.00	716,675.55
2028	110,000.00	50,167.29	59,832.71	656,842.84	110,000.00	656,842.84
2029	110,000.00	45,979.00	64,021.00	592,821.83	110,000.00	592,821.83
2030	110,000.00	41,497.53	68,502.47	524,319.36	110,000.00	524,319.36
2031	110,000.00	36,702.36	73,297.64	451,021.72	110,000.00	451,021.72
2032	110,000.00	31,571.52	78,428.48	372,593.24	110,000.00	372,593.24
2033	110,000.00	26,081.53	83,918.47	288,674.76	110,000.00	288,674.76
2034	110,000.00	20,207.23	89,792.77	198,882.00	110,000.00	198,882.00
2035	110,000.00	13,921.74	96,078.26	102,803.74	110,000.00	102,803.74
2036	110,000.00	7,196.26	102,803.74	0.00	110,000.00	-

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