

NEW ACCOUNTING RULES 101



New FASB rules will require you to report
COMMERCIAL REAL ESTATE OPERATING LEASES on
your balance sheet as an **UPFRONT LIABILITY**.



WHEN?

Public companies:

January 1, 2019

Private companies:

January 1, 2020

The new rules affect **FINANCIAL STATEMENTS STARTING** as early as 2017



BAD NEWS

Adds new massive liability, affecting

- the valuation of your business
- ability to attract investors
- ability to get bank loans
- current bank loans



GOOD NEWS

Reduces P&L pressure in a lease amendment

Saves profits in an expansion

Adds leverage to lease renewal negotiations



FIRST STEPS

1. Determine if your lease is covered.
2. Talk with Commercial Real Estate Group of Tucson to create a corporate real estate strategy that best responds to accounting changes.
3. Prepare new financial statements for reporting under the new rules.



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