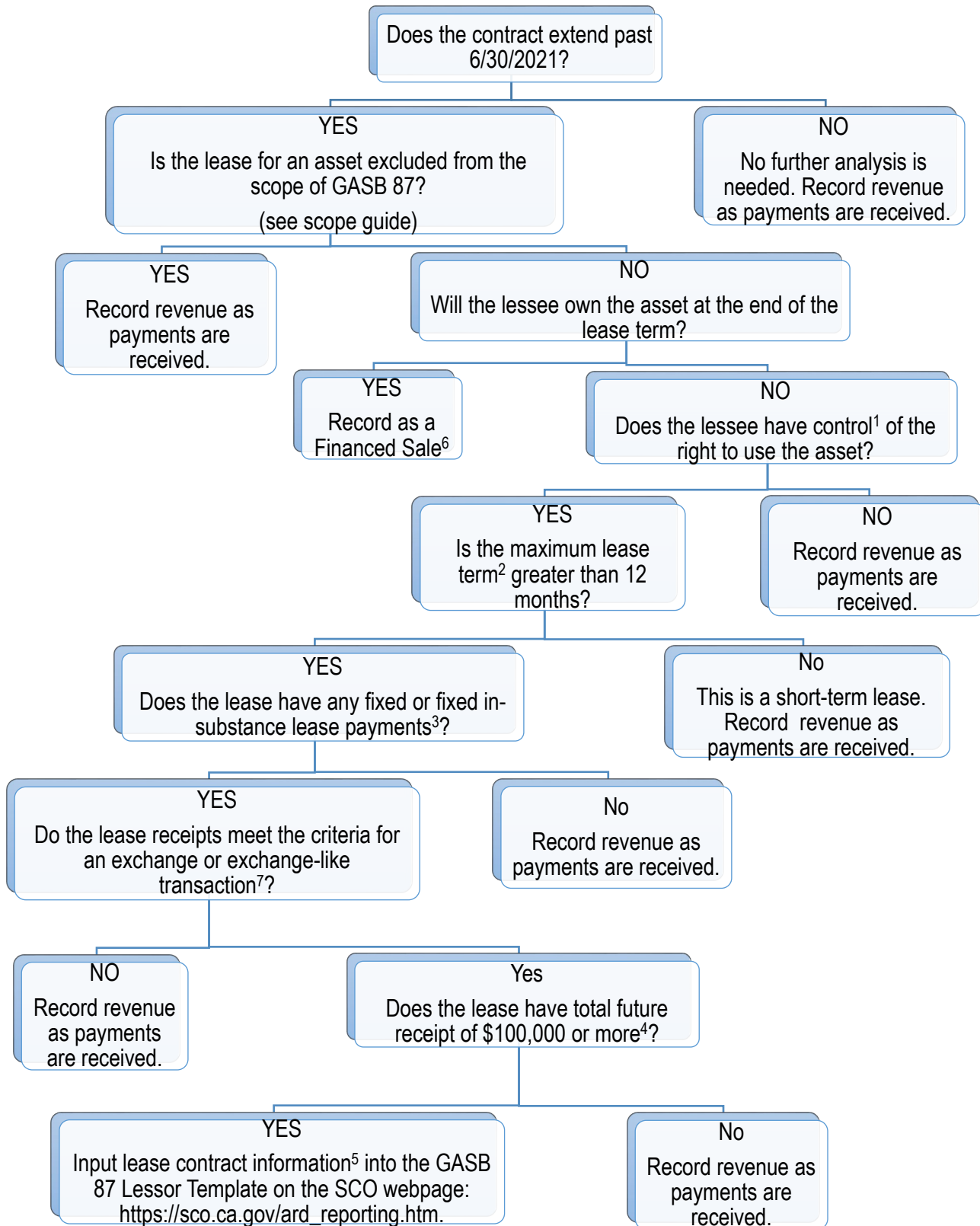


Lease Accounting Decision Tree for Lessors

For assets leased to a non-state agency.



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¹ A contract conveys control of the right to use the asset when the lessee is provided both

1. The right to determine the nature and manner of use of the asset, and
2. The right to obtain service level capacity from use of the asset

² Period a lessee has a non-cancelable right to use the asset from July 1, 2021, plus a lessee or lessor's option to:

- Extend the lease if it is reasonably certain the option will be exercised or
- Terminate the lease if it is reasonable certain that the option will not be exercised.

Caution: *Periods where BOTH lessee and lessor have option to terminate or extend without permission of other party are excluded from lease term.*

³ Fixed payments are established as specific dollar amounts in the lease contract, and the lessee is obligated to make them. Fixed in substance payments are minimum guarantee amounts or portions of variable payments that can be reliably measured because they are not dependent upon events or transactions that have not occurred. For example, if an equipment lease requires a payment of \$100 per hour with a monthly minimum payment of \$10,000, the fixed monthly minimum payment of \$10,000 is considered as a fixed in-substance payment.

- Include both fixed payments and fixed in-substance payments in calculating the liability (lessee) or receivable (lessor) arising from the lease.

⁴ Calculate using the total future lease payments from July 1, 2021 or the date the lease begins if after July 1, 2021, to the end of the lease term.

⁵ Departments that did not procure third-party software for GASB 87 accounting may use the "GASB 87 Lessor Template" Excel Workbook on the SCO website at https://sco.ca.gov/sard_gaap_basis_reporting.html.

⁶ Financed Sales are contracts that transfer ownership of the underlying asset to the purchaser by the end of the contract and does not contain termination options. The presence of any purchase option does not constitute a transfer of ownership regardless of the likelihood it will be exercised. Please refer to the GAAP Basis Reporting webpage for further instructions at https://sco.ca.gov/sard_gaap_basis_reporting.html.

⁷ In an exchange transaction the lessor receives and gives up essentially equal values. In a non-exchange transaction, a lessor gives value without directly receiving equal value in return.