

Vaco assists large, private distribution company with their lease abstraction to launch their journey to compliance with the new ASC 842 lease accounting standard

Client

Distribution company

Services

Lease Abstraction Services

Areas of Expertise

ASC 842

Industry

Private Sector

Client

Client is a leader in the wholesale Wine & Spirits Distribution industry.

Challenge

In order to comply with ASC 842, the client needed to abstract data from original lease contracts, as they did not have any centralized lease management program in place. Client needed to identify all asset owners across all locations within their organization. All leases needed to be gathered into a central depository and inventoried for completeness.

Once leases were identified, all essential lease data needed to be abstracted and entered into a propriety workbook for their selected lease accounting software tool. A major challenge for this project was the lack of internal staff to perform the extensive work needed for identifying and abstracting approximately 350 leases within their diverse portfolio including equipment, copier, fleet, machinery and a large number of real estate leases.

Solution

Vaco assisted the client in identifying leases throughout their organization and explain the complexity of portfolio. Vaco created a detailed inventory of all leases including an assessment of potential embedded leases and then proceeded to abstract the 100 key data elements required by their software tool from all leases. A standard element of Vaco's process is to work with the client regarding decisions on reporting complex elements of the leases, including but not limited to step payments, deferred rent, renewal options, incentives, OPEX, end of term dates. Vaco created a file to track all decisions made on each lease which can be used by the external auditors.

Vaco provided guidance and training to the Client's staff on how to abstract future leases, compile key data elements for ease of upload to lease accounting software tool and apply the ASC 842 lease accounting standard to key decisions made on future leases.

Our Results

Vaco identified leases that were considered "Evergreen," which are expired leases where the client had continued to make payments after the expiration date. Upon expiration, a lessee has an option to renew, under the same or slightly modified terms, or if no such option is available, attempt to negotiate a new contract. Most contracts have hold-over clauses where if a lessee continues using the asset on a month-to-month basis, they must pay rent in an amount substantially in excess of rental rate at the end of term, often as high as 150-200%. Vaco assisted the client with identification of such leases, which resulted in significant cost savings for the client from unnecessary payments.

Vaco completed the abstraction of all originally identified leases, as well as additional leases provided by the client throughout the course of the project. Vaco completed project 35% under budget and ahead of schedule for the implementation of their selected software.

About Vaco

Vaco is a talent & solutions firm, providing expert consulting, permanent placement, and strategic staffing for companies around the world in the areas of accounting, corporate finance, technology, operations, administration and more. At its core, Vaco's mission is to help leading companies find talent to solve a wide range of challenges.

RESULTS HIGHLIGHT



Identified "Evergreen" leases to save company thousands of dollars in overpayment



Validation of data integrity for impact to the financial statements



Completed project ahead of schedule and under budget