

LEASE ADMINISTRATION PROGRAM – FAQs

OVERALL:

- **What is GASB 87?** GASB Statement No. 87, Leases (GASB 87), which became effective on July 1, 2021, is a new standard on lease accounting that establishes a single approach to accounting and reporting for real estate and equipment leases.
- **What are the main changes as a result of GASB 87?** GASB 87 categorizes all leases as financing, which essentially eliminates the current distinction between operating and capital leases. Lessee required to recognize liability; lessor required to recognize asset. This new standard will require extensive qualitative and quantitative disclosures from the UCO, in collaboration with University Procurement Services and IP&O – Real Estate areas in the annual financial report beginning at 6/30/22.
- **What are some important reminders?** Glad you asked. There are 2 main reminders:
 - All new changes (including those anticipated/negotiated prior to a contract being executed) and ongoing changes in equipment and real estate lease terms, including terminations, end of term, etc., **must** be disclosed to UPS for equipment and other assets and IP&O Real Estate for land, building, space, and or other real-state to ensure ongoing compliance with GASB 87.
 - There are specific signatures and approvals needed for both Equipment and Real Estate leases. All procurement contracts, including Equipment leases follow the [Signatory Authority Matrix](#) issued by Rutgers OGC. As such, all leases are required to be signed either by Treasury (currently Adam Day) or Mike Gower. For Real Estate, please refer to [Policy 40.2.24 – Leasing of Real Estate](#).
- **I noticed that there are 2 new Lease-related tiles (Lease Management System and EZ Lease) in the Financial section of Cornerstone in the MyRutgers portal. Should the field have access to these links?** No, these tiles link to 2 new Lease Administration Program systems. These systems are for centrally administered lease accounting and maintenance functions. These systems are not currently for field use.
- **Natural Accounts** – see next page.

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NATURAL ACCOUNTS:

- **What is changing?** The field must use specific lease natural account values based on lease type and the transaction being executed – see table below for more details.

Natural Account/ Expenditure Type Value	Value Description	Lease Type	Transaction Type – When you would use this value
For RU Marketplace transactions			
69700	Lease Expense Equipment	Equipment – Rutgers as the Lessee	To be used when a department is initiating a payment on leased equipment.
69710	Lease Expense Real Estate	Real Estate - Rutgers as the Lessee	To be used when a department is initiating a payment on a leased space
12876	Accounts Receivable Security Deposit Real Estate	Real Estate – Rutgers as the Lessee	Rutgers as a tenant will record an amount paid as a security deposit IF we are to receive an amount back at the end of the lease.
For RU Cash Receipt Transactions			
42123	Cash Receipts Journals Real Estate	Real Estate - Rutgers as the Lessor	When a Rutgers department is the lessor and funds are received from external sources as lease payments, use this natural account to record the revenue.
20225	Accounts Payable Security Deposit Real Estate	Real Estate – Rutgers as the Lessor	Rutgers as a landlord will record a security deposit received as a liability IF we are required to payback a certain amount at the end of the lease.

- **Why is this changing?** To assist the UCO in performing the necessary reconciliation financial control responsibilities effectively and efficiently.
- **When does this change go into effective?** Effective immediately.
- **Will there be any reminders or controls to reinforce and ensure the proper natural account values are being used?** Yes, the RU Marketplace Service Request, Check Request, and Change Order/Purchase Order Modification Form now contain associated instruction for some of the applicable values.

In the September 2021 timeframe, systematic controls will be implemented to identify transactions that do not contain the proper natural account values.

- **Will there be any impact if my leases were budgeted?** While there might be an impact at the natural account level, the overall rollup of budgeted revenue and expense transactions will not be impacted.