



Federal Accounting Standards Advisory Board

**DEFERRAL OF THE EFFECTIVE
DATE OF SFFAS 54, *LEASES***

Statement of Federal Financial Accounting Standards 58

June 19, 2020

THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

The Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General of the United States established the Federal Accounting Standards Advisory Board (FASAB or “the Board”) in October 1990. FASAB is responsible for promulgating accounting standards for the United States government. These standards are recognized as generally accepted accounting principles (GAAP) for the federal government.

Accounting standards are typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, federal executives, federal program managers, and other users of federal financial information. FASAB publishes the proposed standards in an exposure draft for public comment. In some cases, FASAB publishes a discussion memorandum, invitation for comment, or preliminary views document on a specific topic before an exposure draft. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standards with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for federal accounting and reporting.

Additional background information and other items of interest are available at www.fasab.gov:

- [Memorandum of Understanding](#) among the Government Accountability Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board
- [Mission statement](#)
- [Documents for comment](#)
- [Statements of Federal Financial Accounting Standards and Concepts](#)
- [FASAB newsletters](#)

Copyright Information

This is a work of the U.S. government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from FASAB. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Contact Us

Federal Accounting Standards Advisory Board
441 G Street, NW
Suite 1155
Washington, D.C. 20548
Telephone (202) 512-7350
Fax (202) 512-7366
www.fasab.gov

SUMMARY

This Statement defers the effective date for Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*, for three years. The requirements of SFFAS 54 will now become effective for reporting periods beginning after September 30, 2023. Early adoption of SFFAS 54 is not permitted.

Most federal reporting entities should continue their current lease accounting practices until SFFAS 54 becomes effective; they should not follow the Financial Accounting Standards Board's (FASB) new lease standards (Accounting Standards Codification – *Leases – Topic 842*) nor should they follow the Governmental Accounting Standards Board's (GASB) new lease standards (GASB Statement No. 87, *Leases*).¹ Rather, reporting entities should continue to follow the current FASAB guidance that addresses lease transactions. This comprises paragraphs 43-46 of SFFAS 5 and paragraphs 20 and 29 of SFFAS 6. These paragraphs are not rescinded by SFFAS 54 until it becomes effective. Previously-existing FASB guidance under Accounting Standards Codification – *Leases – Topic 840* should continue to be used when the accounting treatment for a lease transaction or event is not specified by paragraphs 43-46 of SFFAS 5 and paragraphs 20 and 29 of SFFAS 6.

¹Except for a limited number of reporting entities permitted to follow FASB generally accepted accounting principles (see SFFAS 34, par. 9-12). Those entities will adopt new lease accounting standards promulgated by FASB as appropriate.

TABLE OF CONTENTS

Summary	1
Standards	3
SCOPE	3
AMENDMENT TO SFFAS 54.....	3
AMENDMENT TO SFFAS 57.....	3
EFFECTIVE DATE.....	3
Appendix A: Basis for Conclusions	4
Appendix B: Abbreviations	7

STANDARDS

SCOPE

1. This Statement applies to federal entities that present general purpose federal financial reports (GPFFR), including the consolidated financial report of the U.S. Government (CFR), in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*.
2. This Statement amends SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment*, to defer the effective date of implementation by three years.
3. This Statement also amends SFFAS 57, *Omnibus Amendments 2019*, to defer the effective date of certain conforming amendments contained therein related to SFFAS 54.

AMENDMENT TO SFFAS 54

4. Paragraph 98 of SFFAS 54 is amended as follows:
 98. The requirements of this Statement are effective for reporting periods beginning after September 30, ~~2020~~2023. Early adoption is not permitted.

AMENDMENT TO SFFAS 57

5. Paragraph 15 of SFFAS 57 is amended as follows:
 15. Paragraphs 3 through 8, 11, and 12 of this Statement are effective for reporting periods beginning after September 30, ~~2020~~2023. Early adoption is not permitted.

EFFECTIVE DATE

6. The requirements of this Statement are effective upon issuance.

<p>The provisions of this Statement need not be applied to information if the effect of applying the provision(s) is immaterial. Refer to Statement of Federal Financial Accounting Concepts 1, <i>Objectives of Federal Financial Reporting</i>, chapter 7, titled <i>Materiality</i>, for a detailed discussion of the materiality concepts.</p>
--

APPENDIX A: BASIS FOR CONCLUSIONS

This appendix discusses some factors considered significant by Board members in reaching the conclusions in this Statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this Statement—not the material in this appendix—should govern the accounting for specific transactions, events, or conditions.

This Statement may be affected by later Statements. The FASAB Handbook is updated annually and includes a status section directing the reader to any subsequent Statements that amend this Statement. The authoritative sections of the Statements are updated for changes. However, this appendix will not be updated to reflect future changes. The reader can review the basis for conclusions of the amending Statement for the rationale for each amendment.

PROJECT HISTORY

- A1. In April 2018, the Federal Accounting Standards Advisory Board (FASAB or “the Board”) issued SFFAS 54. SFFAS 54 provides a comprehensive set of lease accounting standards to recognize federal lease activities in the reporting entity’s GPFFR and include appropriate disclosures. Such standards were set to go into effect for reporting periods beginning after September 30, 2020.
- A2. Since the issuance of SFFAS 54, the Accounting and Auditing Policy Committee (AAPC) initiated a project to develop implementation guidance for the federal financial accounting and reporting community on applying the requirements of SFFAS 54.¹ As part of this effort, the Board and AAPC engaged a task force to obtain feedback from stakeholders and constituents and monitor implementation efforts across the federal government.

SUMMARY OF OUTREACH AND RESPONSES

- A3. The Board believes that SFFAS 54 offers appropriate guidance for the accounting and financial reporting of leases for federal entities and maintains the views expressed in the basis for conclusions to SFFAS 54 regarding costs and benefits. Implementation of SFFAS 54 will ensure that GPFFR users receive useful information regarding the resources and obligations that support federal programs and activities and can monitor federal investments in property, plant, and equipment, and lease financing activities.
- A4. Notwithstanding such benefits, the Board believes a three-year deferral of the effective date of SFFAS 54 is a prudent response commensurate to the identified implementation challenges, costs, and constraints and will allow reporting entities to reliably implement SFFAS 54.

¹The AAPC is a permanent committee established by the Board to assist the federal government in improving financial reporting by timely identifying, discussing, and recommending solutions to accounting issues within the framework of existing authoritative literature. The AAPC works under the general oversight of the Board.

- A5. The Board reviewed and discussed implementation issues in August and October of 2019 by reviewing Board and task force briefing materials and receiving feedback and status reports from task force panelists and technical staff.
- A6. Through these efforts, the Board gained an understanding of the nature and magnitude of implementation challenges encountered by federal reporting entities. The Board found that challenges were significant for reporting entities with large lease portfolios.
- A7. The following factors (not all-inclusive) are examples of significant challenges encountered when implementing SFFAS 54:
- a. The need to develop and acquire information technology, data elements, core systems requirements, and internal controls at the government-wide and component reporting entity levels
 - b. Resource limitations, coupled with extensive preparation activities necessary for implementation
 - c. The need for the federal financial accounting and reporting community to receive, understand, and apply forthcoming implementation guidance due to the extensive complexity and breadth of implementation issues identified by the leases implementation guidance task force
- A8. Based on the initial feedback obtained by the Board and its SFFAS 54 implementation monitoring activities, the Board agreed that proposing a two-year deferral of the effective date of SFFAS 54 in its exposure draft (ED) *Deferral of the Effective Date of SFFAS 54, Leases*, was appropriate. In the proposal, the Board noted that it expected to issue additional SFFAS 54 implementation guidance during fiscal year 2021.
- A9. FASAB issued the ED on December 18, 2019, with comments requested by January 31, 2020. Upon release of the ED, notices and press releases went to the following: the Federal Register, the FASAB newsletter, *Journal of Accountancy*, *Accounting Today*, the Chief Financial Officers Council, the Council of the Inspectors General on Integrity and Efficiency, committees of professional associations generally commenting on EDs in the past (for example, the Greater Washington Society of CPAs and the Association of Government Accountants Financial Management Standards Board), and the roster of AAPC leases implementation task force members and observers.
- A10. Twenty-two comment letters were received from preparers, auditors, professional associations, and users of federal financial information. The Board considered responses to the ED at its April 2020 meeting. The Board did not rely on the number in favor of or opposed to a given position. The Board considered each response and weighed the merits of the points raised. The respondents' comments are summarized below.
- A11. All respondents agreed that a deferral was necessary. Twenty-one of 22 indicated agreement with the two-year deferral, while one of 22 stated that two years would not provide sufficient time to consider forthcoming implementation guidance in conducting implementation preparation activities.
- A12. Several respondents agreed with the proposal while expressing concerns about the complexity and breadth of implementation challenges. Respondents also expressed a

desire to have sufficient time to consider and integrate forthcoming implementation guidance. A few respondents indicated that ongoing systems development efforts and implementation preparation activities are likely to be affected by such guidance. Some were concerned about risks and costs incurred as a result of compressed timeframes for considering the guidance, once finalized and issued.

- A13. Based on the feedback obtained through the leases implementation task force, staff research and outreach, and public comments, the Board concluded that a three-year deferral was appropriate.
- A14. Most federal reporting entities will continue their current lease accounting practices until SFFAS 54 becomes effective; they should not follow the Financial Accounting Standards Board's (FASB) new lease standards (Accounting Standards Codification – *Leases – Topic 842*) nor should they follow the Governmental Accounting Standards Board's (GASB) new lease standards (GASB Statement No. 87, *Leases*).²
- A15. Rather, reporting entities should continue to follow the current FASAB guidance that addresses lease transactions. This comprises paragraphs 43-46 of SFFAS 5 and paragraphs 20 and 29 of SFFAS 6. These paragraphs are not rescinded by SFFAS 54 until it becomes effective. Previously-existing FASB guidance under Accounting Standards Codification – *Leases – Topic 840* should continue to be used when the accounting treatment for a lease transaction or event is not specified by paragraphs 43-46 of SFFAS 5 and paragraphs 20 and 29 of SFFAS 6.

BOARD APPROVAL

- A16. This Statement was approved for issuance by all members of the Board.

²Except for a limited number of reporting entities permitted to follow FASB generally accepted accounting principles (see SFFAS 34, par. 9-12). Those entities will adopt new lease accounting standards promulgated by FASB as appropriate.

APPENDIX B: ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
CFR	Consolidated Financial Report of the U.S. Government
ED	Exposure Draft
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GPFFR	General Purpose Federal Financial Report
SFFAS	Statement of Federal Financial Accounting Standards

FASAB Members

George A. Scott, Chair

R. Scott Bell

Gila J. Bronner

Robert F. Dacey

Sallyanne Harper

Patrick McNamee

Terry K. Patton

Graylin E. Smith

Timothy F. Soltis

FASAB Staff

Monica R. Valentine, Executive Director

Ricky A. Perry, Jr., Senior Analyst

Federal Accounting Standards Advisory Board

441 G Street, NW

Suite 1155

Washington, D.C. 20548

Telephone (202) 512-7350

Fax (202) 512-7366

www.fasab.gov