**LeaseCrunch Tutorial (now called “Crunchafi”)**

**Items to Note**

1. If a lease is over a year, it needs to be added to LeaseCrunch.
2. If the lease is under a year, inquire with the client about if they intend to renew the lease. If the client intends to renew the lease, inquire how long they intend to renew it. The length of time the client intends on leasing the assets is the term that should be entered into LeaseCrunch.
3. Lessor – an individual or entity that leases or lets a property to another (landlord)
4. Lessee – an individual or entity that holds the lease of the property (tenant)
5. ROU – right of use

**Logging In**

1. Log into the website at <https://login.my.leasecrunch.com/portal>
2. To create an account, request access from the following individuals:
	1. Courtney Stevens – cstevens@hhmcpas.com
	2. Lori Crawford – lcrawford@hhmcpas.com
	3. Jessi Blackwell – jblackwell@hhmcpas.com
3. Under the users tab there is a list of firm administrators who can also grant access to create an account.

**Adding a New Client**

1. Under the Client Accounts tab, there is a listing of all client accounts. To search for specific clients, go to the search bar at the top right corner of the page.
2. If unable to find a client, send a request to have them set up in LeaseCrunch. These requests can be made to any firm administrator (see logging in section).
3. When setting up the client, let the firm administrator know the following:
	1. Client name
	2. Client ID
	3. Accounting standard selection (options are FASB ASC 482 & IFRS 16 or GASB 87, 94, 96).

**Adding a New Lease**

1. Click on the client’s name who you are trying to add a lease to. It will bring up a page that has the listing of leases, if any. On this page, there will be three tabs on the top left of the page that say: My Leases, Add Leases, and Administration.
2. To add a new lease, click on the tab that says Add Leases.
3. After clicking Add Leases, the Description & Term page will show up. Make sure to have a copy of the lease agreement before adding the lease.
4. Depending on the lease agreement, there is an option to select from either lessee or lessor. The lessor selection goes through similar steps as a lessee for set up of lease.
5. Fill out the required fields (marked with asterisk). Once the start date and end date are filled in, LeaseCrunch will auto populate the term/ROU asset life.
	1. For a new client, you will have to add a reporting entity when you add your first lease. For reporting entity, provide the following:
		1. Name (typically client name)
		2. Accounting Standard
		3. Initial Application Date (the beginning of the earliest period presented in the financial statements in which the lease standard is first applied)
		4. Local Currency (typically USD)
		5. Functional Currency (typically USD)
	2. **\*\*IMPORTANT NOTE** on term/ROU assets life – the software uses a full month convention, amortizing evenly over the number of months in the ROU Asset Life. If your lease ends in the middle of the month, the ROU Asset Life defaults to term minus one month to stop the amortization in the second to last month. Asset Life or End Date as needed for different expense recognition can be updated. Typically, it is best to align the ROU Asset Life with the number of lease payments (see next step). See below example:

Start Date: 1/5/2023
End Date: 1/4/2024
Term: 13 Months
ROU Asset Life: 12 Months (Defaults to Term -1)
Amortization Expense over Term: $12,000

|  |  |  |
| --- | --- | --- |
| **Year-Month** | **Amortization Expense when ROU Asset Life = 12 (Default)** | **Amortization Expense when ROU Asset Life = 13** |
| 2023-01 | $1000.00 | $923.08 |
| 2023-02 | $1000.00 | $923.08 |
| 2023-03 | $1000.00 | $923.08 |
| 2023-04 | $1000.00 | $923.08 |
| 2023-05 | $1000.00 | $923.08 |
| 2023-06 | $1000.00 | $923.08 |
| 2023-07 | $1000.00 | $923.08 |
| 2023-08 | $1000.00 | $923.08 |
| 2023-09 | $1000.00 | $923.08 |
| 2023-10 | $1000.00 | $923.08 |
| 2023-11 | $1000.00 | $923.08 |
| 2023-12 | $1000.00 | $923.08 |
| 2024-01 | $0.00 | $923.04 |
| Total | $12,000.00 | $12,000.00 |

1. Next step is lease payments and classification. You will need to add:
	1. Discount Rate
		1. These can be one of the following (see more information under determining which discount rate to use)
			1. Implicit Rate
			2. Incremental Borrowing Rate
			3. Risk-Free Rate
	2. Incentives Received:
		1. Tenant Improvement Allowance – payment or reimbursement provided by the lessor to cover costs of improvements to the leased space by the lessee
		2. Cash Payments – lump sums of cash payment from the lessor to the lessee at lease commencement
		3. Rent Abatements – periods of free or reduced rent
		4. Moving Expenses Reimbursements – lessors’ payment to the lessee for relocation or moving expenses
		5. Assumption of Preexisting Lease – lessor takes over the lessee’s prior lease obligations
	3. Initial Direct Costs:
		1. These are costs that are incurred by the lessee solely due to negotiating and executing a lease and can include legal fees for lease agreement preparation and/or commission to brokers
2. Next add the payment frequency, payment amount and the number of payments. The payment start date will auto populate with the start date that was added on the first tab under description and term. (See step 5b under Adding a New Lease about aligning the ROU Asset Life with the number of payments)
	1. If a lease escalates over the lease term, add the escalated payment amounts as separate line items (see below)



1. Then select the classification. The lease entered will be either a Finance or Operating lease. (See determining if a lease is finance or operating lease for more information on how to distinguish between the two).
2. Typically, no changes need to be made to the GL Accounts tab (unless the client would like the GL Accounts updated for their system, which can be done under the Administration tab at the top left). Continue to the next tab.
3. The next tab is for variable expense and non-lease payments. These items include:
	1. Variable Lease Payments – index or rate (consumer price index or market interest rate) in which the amounts payable to the lessor are adjusted by
	2. Other Variability – payments are based on performance or usage of the asset (rents based on percentage of retail store sales or on mileage driven in a leased car)
4. The attached documents tab is optional. The lease agreement that is used to enter the lease information should be included in the Client’s perm file in engagement, so it is not necessary to attach the document in LeaseCrunch.

**Edit, Duplicate or Delete a Lease**

1. Leases can be edited, cloned or deleted by clicking the three dots next to the lease name. Clicking the edit button will go to a page that lists out the edit options. Select an option then hit continue and edit the lease as needed.

* 1. Editing a lease will update the calculation from the beginning of the lease. **DO NOT USE** if we have already issued financials as this will mess up the opening balances of the lease.
	2. Modification will freeze the lease at the revision date and recalculate the lease based on the new information. This is the correct option to use when a lease has been amended.

**How to Run Reports**

1. On the My Leases tab, check the boxes of the leases that need to be included in the reports.
2. Go down to the reports box at the bottom of the page and select the start and end date.
3. For A&A engagements, the following reports are required to be included in the binder:
	1. Journal Entries – current year and next year journal entries
	2. Amortization schedule
	3. Footnote – select FASB ASC 842
4. Once the start and end date has been entered, click export XLS to download the reports.

**Determining which Discount Rate to Use for Lease**

1. There are three discount rates that can be selected from:
	1. Implicit Rate – the interest rate on the lease is stated in the lease agreement
	2. Incremental Borrowing Rate – rate the lessee would pay to borrow similar amount of money for similar term, secured by the same collateral as leased asset
		1. An example of this would be if the client received a car loan with an interest rate of 5% and loan term of 5 yrs. That same client decided to lease a car around the same time for a similar amount with similar terms. We could use the 5% interest rate for our lease discount rate.
	3. Risk Free Rate – this is based on the U.S. Treasury securities
		1. Go to the following website: <https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value=2025>
		2. Keep the selection type of interest rate data as Daily Treasury Par Yield Curve Rates
		3. Select the time period – this should be the year the lease was commenced
		4. On the chart, look for the date the lease commenced on the rows. Under the columns, look for the number of years the term of the lease is. If the term is a number that is between the years on the chart, take an average of the interest rate and use that.
		5. Example: if the lease commenced on 1/2/2025 and it has a term of 2 yrs the rate would be 4.25%. If the term is 4 yrs, then the rate would be 4.34%



**Determining if a Lease is Finance or Operating Lease**

1. Finance Lease
	1. The lease meets one of the following criteria:
		1. Transfer of ownership – ownership of the asset is transferred to the lessee by the end of the term
		2. Term is major part of assets economic life – term of the lease is greater than or equal to 75% of the asset’s useful life
			1. Note that if the beginning of the lease falls within the last 25% of the assets useful life this criterion cannot be used
		3. Present value of lease more than assets fair value – present value of lease payments greater than or equal to 90% of the fair value of the leased asset at start date
		4. Lease purchase option – the lease grants the lessee an option to purchase, and it is reasonably certain the lessee will do so
		5. Alternative use – the asset is of specialized nature that is expected to have no alternative use to the lessor at the end of the lease term
2. Operating Lease
	1. If none of the criteria under the finance lease are met, then it is an operating lease.

**How to Use Reports from LeaseCrunch**

1. Journal Entries Report – this is sent to the client and should be included under the 15 section tab in the binder.

2. Amortization Report – this is used to help adjust the client’s ROU asset, short term and long term liability and the amortization (finance lease) or operating lease expense. The highlighted items below are the amounts that the client’s ROU account balances should be at year end.



1. Footnote – this is used for financial statement disclosures (typically included in the 11 section)