



NCREIF Virtual Summer Conference 2021

Accounting Committee

July 19-26th

Committee Chairs:

Robert Fraher, KPMG – Chair

Hunt Holsomback, Alvarez & Marsal - Chair

Megan Hess, DWS – Co Vice-Chair

Heather Hopkins, Clarion – Co Vice-Chair



Accounting Committee Agenda

July 23

- Welcome/Recap
- Involvement with ESG/Women's Real Estate Network – Megan Hess, DWS & Heather Hopkins, Clarion Partners
- Tax Policy Update – Michael Faris, Deloitte & Jonathon Traub, Deloitte
- Task Force Updates, continued
 - Debt and Derivative Mark-to-Market – Ian Sivak, Carmel Partners
 - Asset Investment Level Reporting – Heather Hopkins, Clarion Partners
 - ESG – Peter Bloomfield, KPMG
 - Reporting Model – Sabeen Alwy, USAA Realco & Robert Fraher, KPMG
 - Reporting Standards – Benay Kirk, Alter Domus
 - TGER – Benay Kirk, Alter Domus
 - Fair Value Accounting Manual Update – **Volunteers Needed** - Benay Kirk, Alter Domus & Robert Fraher, KPMG
- Hot Topics – Megan Hess, DWS
 - Leasing Literature (ASC 842) - Robert Fraher, KPMG
 - COVID Accounting – Kara Jenkins, Deloitte



Involvement with ESG/Women's Real Estate Network

Presented By: Megan Hess, DWS & Heather Hopkins, Clarion Partners



Involvement with ESG/Women's Real Estate Network

- **Overview:**
 - Interesting in connecting with other women within real estate?
 - Want to know what other firm's women's groups are talking about?
 - Just network in general
 - Let's connect through NCREIF
- **Structure:**
 - Informal group email discussion/calls
 - Meet in person at NCREIF
- **If Interested....**
 - **Email: Megan.hess@dws.com**



Task Force Updates

- Task Force Updates
 - Debt and Derivative Mark-to-Market – Ian Sivak, Carmel Partners
 - Asset Investment Level Reporting – Heather Hopkins, Clarion Partners
 - ESG – Peter Bloomfield, KPMG
 - Reporting Model – Sabeen Alwy, USAA Realco & Robert Fraher, KPMG
 - Reporting Standards – Benay Kirk, Alter Domus
 - TGER – Benay Kirk, Alter Domus
 - **Next Meeting:** TGER task force will regroup to address questions that arose during year end reporting
 - Date: **August 12, 2021 @ 2:00 CST.**
 - Email: benay.kirk@alterdomus.com if interested in joining call
 - Fair Value Accounting Manual Update – **Volunteers Needed** – Robert Fraher, KPMG
 - Email: rfraher@kpmg.com if interested in volunteering



Tax Policy Update:

Presented By: Deloitte Tax LLP

Michael Faris, Partner

Jonathan Traub, Managing Principal



Hot Topic: Leasing Literature (ASC 842)

Presented By: Robert Fraher, KPMG



ASC 842 – Leasing Literature Recap

- Key Items to Consider:
 - Bad Debt Expense (moving as contra-revenue section)
 - Collectability Analysis
 - Initial Direct Leasing Costs (Capital to Expense)
 - Parking Arrangements (assigned spots versus general)
 - Gross Versus Net Leases
 - Service Providers (search for embedded leases)
 - Ground Lease (Lessee)



ASC 842 – Initial Direct Leasing Costs

- The FASB determined that only **incremental costs** would qualify for capitalization.
- Costs would be incremental if they would not have been incurred absent the lease being obtained.

Incremental:

- Commissions paid upon execution of a lease (internal or external)
- Payments to existing tenant to incentivize them to terminate their lease

Not incremental:

- Leasing department salaries, bonuses, overhead, unsuccessful efforts
- Advertising, soliciting potential lessees, servicing existing leases
- Costs incurred before lease is obtained, such as legal or tax advice, negotiating the lease, due diligence on potential tenants



ASC 842 – Ground Leases FMV

- Ground Lease Accounting (FMV) Discussion Update:
 - Gross up Balance Sheet – Intent is zero impact to NAV
 - The manual will indicate that ground lease obligations should be reflected on the balance sheet (gross up the balance sheet for ROU asset/liability)
- Other Considerations:
 - Impact on various Accounting Methods (investment company approach gross versus net presentation)
 - Valuation Committee - *How to value the ROU asset/liability will not be outlined in the FV accounting manual*
 - Impact on Asset Valuation
 - Impact on Debt Valuation
 - Performance Committee – *Intent is gross up of the balance sheet should have no impact to performance*
 - Impact on real estate returns
 - Impact on debt returns



Polling Questions – Leasing Literature (ASC 842)

Question #1: Have you started implementing the leasing literature (ASC 842) for your funds/separate accounts?

A.	Yes
B.	No



Polling Questions – Leasing Literature (ASC 842)

Question #2: Given ASC 842 requirements, do you expect a change in the treatment of certain initial direct leasing costs in 2022?

A.	Yes – We will follow GAAP and expense them
B.	No
C.	Do not know
D.	Not applicable

Polling Questions – Leasing Literature (ASC 842)



Question #3: Do you have ground leases within your fund/separate accounts?

A.	Yes
B.	No
C.	Do not know

Polling Questions – Leasing Literature (ASC 842)



Question #4: Do you plan to implement new guidance for your ground leases?

A.	Yes – material to fund
B.	Yes – ground leases NOT material to fund
C.	No – ground leases NOT material to fund
D.	Do not know
E.	Not applicable

Polling Questions – Leasing Literature (ASC 842)



Question #5: Have you started talking with your appraisers on ground lease valuations?

A.	Yes
B.	No – but will need to
C.	No – will not be since NOT material to fund
D.	Do not know
E.	Not applicable – no ground leases

Polling Questions – Leasing Literature (ASC 842)



Question #6: Do you feel like you have adequate information (w/o ground leases) to implement for FMV?

A.	Yes – Fully knowledgeable
B.	Yes – But I would like more examples and policy outlines
C.	No
D.	Do not know
E.	Not applicable



Hot Topic: COVID Accounting

Presented By: Kara Jenkins, Deloitte

Polling Questions – COVID Accounting



Question #1: Status of NCREIF recommended COVID disclosures/tables in your report?

A.	Already removed
B.	Will continue through 12/2021
C.	Will stop before year end
D.	Still evaluating
E.	Do not know

Polling Questions – COVID Accounting



Question #2: Are you keeping COVID policy language in your footnotes?

A.	Already removed
B.	Removing in June reporting
C.	Will continue through year end
D.	Still evaluating
E.	Do not know

Polling Questions – COVID Accounting



Question #3: Are investors inquiring about more than collection %?

- | | |
|----|----------------------------------|
| A. | No – we only provide collections |
| B. | Yes – significantly more |
| C. | Do not know |



**Hot Topic:
Other Questions or Topics?**



Upcoming:

***Fall Conference (In Person!):
November 8-11, 2021 Miami Beach, FL***

Thank You!

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***Remember to volunteer to participate in the Fair Value Accounting Manual!
Email Robert @ rfraher@KPMG.com***