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Dear Client,

In order to properly prepare for the implementation of Financial Accounting Standards Board Accounting Standards Update No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), we are sending along this guidance and are requesting your help in a few key areas.

Implementation is required for fiscal years beginning after December 15, 2019. Therefore, entities are required to implement for audits of the year ending December 31, 2020. Entities with a non-calendar year-end are required to implement for their 2020-2021 fiscal year-end. Early implementation of ASU 2016-02 is permitted.

Because this accounting standards update redefines the accounting and financial reporting of leases, we are asking each of our clients to assess all of their current leases and all subsequent leases. To assist in the assessment of the lease(s), we are providing a template to help identify some of the pertinent lease terms to determine the accounting and reporting treatment of each lease.

As information, if any, arises that affects implementation, we will notify you as soon as possible. Please feel free to contact us with any questions or concerns. During fieldwork, we will be spending some time to go over the specific needs of each of our clients.

Regards,

McMahan and Associates, L.L.C.

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