

# The Real Day Two

## Part 1: Day Two Defined

### **“Imitation is the sincerest form of flattery.”**

C. C. Colton, *“Lacon: or Many Things in Few Words; Addressed to Those who Think.”*, 1820

It’s happened to all of us, right? That great idea you came up with that your coworker took all of the credit for. The witty catchphrase you originated that suddenly went viral in your group of friends. The paper you wrote last year that your roommate used for the same class *and got an even better grade*. It can be excruciating to experience but, believe it or not, it happens for a reason. Imitation serves a critical purpose – in fact, we couldn’t survive as a society without it.

On the other hand, it is important to understand that with mimicry, the original meaning behind an idea can be severely altered or completely lost. If you’ve ever played a game of telephone, you will remember that the phrase you started with is almost never the phrase you end with.

Here at Lease Harbor, we’ve experienced more than a fair share of being imitated over the last two decades. Mostly predictable and harmless, imitation comes with the territory when you are a market leader that solves problems in unique ways. There are some cases when such creative borrowing can be very misleading. One of the most significant examples of this is a concept we refer to as “Day Two”.

Back when we were originally designing our lease accounting functionality, we considered different design concepts to determine which would provide the most automation to our clients. Our goal has always been to engineer solutions that relieve the most ongoing operational pain for our clients, and lease accounting was no different. At the time, an inordinate amount of focus in the market was being placed on the up-front work needed to become compliant with accrual-based lease accounting standards.

Lease Harbor, being the first to market in March 2016 with a fully functioning integrated lease accounting and administration system, came up with a clever way of referring to the different phases of implementation: “Day Zero”, “Day One”, and “Day Two”. Each of these monikers is an easy way to describe a set of activities that take place during each phase of lease accounting standard adoption, or conversion post adoption, with all phases having a different duration:

### **Day Zero (weeks) – Preparation**

- Gather lease data
- Cleanup lease data
- Lease classification
- Create initial accrual basis scenarios
- Adoption - Impact analysis
- Conversion – Reconciliation and analysis

### **Day One (days) – Go Live**

- Cutover to new standard and/or new system
- Adoption - Initial recognition of leases on new standard(s) with transition entry from prior standard(s)
- Conversion - Transition to new production system with conversion reconciliation

### **Day Two (decades) – Ongoing Operations in CRE and Non-CRE Portfolios**

- Workflow between real estate, non-CRE teams and accounting departments for a changing portfolio
- Batch processed payment/receivable voucher feeds to AP/AR with workflow and approvals for rent and related payments/receivables
- Batch processed journal entry feeds to GL with workflow and approvals for each fiscal period
- Close fiscal periods in subledger to preserve a historical financial reporting
- Effective date accounting (measurement) “as of” prior closed fiscal periods with catch up accounting impact in the current open fiscal period
- Real-time automatic notification of lease changes to the accounting department
- Easy reconciliation reporting with effective date capability, and on a fully allocated basis
- Disclosure reporting for footnote preparation

- Automated remeasurement for lease modification scenarios including but not limited to:
  - early termination
  - renewal and early renewal
  - amendment and extension
  - index based leases
  - TI received
  - TI estimated to be received in the future
  - TI converted to rental abatement
  - partial abandonment
  - full abandonment
  - decrease in scope
  - asset impairment
  - change in discount rate
  - change in lease classification
  - and many others
- Roll-forward detail of each remeasurement and 100% reportable
- Accounting history user activity reporting
- Ongoing audits and ability to easily support the internal and external audit processes
- Full global audit reporting
- FP&A budget/planning reporting, fully allocated, for import into budgeting applications

Now that you have the real definition of Day Two, read Part 2 to see how we solve Day Two at Lease Harbor.

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### About Lease Harbor LLC

Lease Harbor was founded in March 2000 with the express purpose of building the most complete, user friendly, cost-effective lease administration and lease accounting software solution. Over the past twenty-one years, more than 1,800 companies have trusted Lease Harbor, and the majority of our clients have used our services for over ten years. Our global clients range from small companies to large enterprises and represent all industries, including technology, health care, and finance.

As an employee-owned company, our clients rely on our experience, consistency, and continuing innovation. We offer scalable, reliable, well supported software priced at a fraction of the cost of our competitors. Lease Harbor's flagship product is the industry's first and only full-featured, completely seamless lease accounting and lease administration system.

Lease Harbor provides the industry-leading software and services you need to take control of your lease accounting and management.

For more information, please contact [info@leaseharbor.com](mailto:info@leaseharbor.com).