**Transcript**

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 **Kathryn Ingerly** started transcription

 **Kathryn Ingerly** 0:06
All right.
Good evening, everyone.
Good morning.
Very nice to see you and be with you today as we have our second annual review of updated lease procedures for the Brinks lease accounting centers.
And this material is focused on the collaboration that exists in the procedures that exist between or brings local teams and the lease accounting centers.
So we're hopefully we'll have some time for some uh question and answers at the end, some interchange comments, updates.
We hope that that will uh be part of all of our time together going forward, but we do have, umm, I have accomplished a lot in the last year and a lot have has been added and.
Modified and much of it with your suggestions and input.
So thank you for that.
So our goals for our time together today is to review the Brinks basics about leases.
We do have many people in finance and accounting throughout our organization worldwide that are new, are two Brinks or in new positions where they're doing work with leases for Brinks.
And so this may be an introduction for for the first time for many people, but we also have many of you who have been involved with leases and in Brinks finance and accounting for a while.
And so we also have some information about continuous improvements and things that have changed since we did this same update last year.
Our goal, part of our goal is to roll out the new 2024 update to the lease standard work document.
This is titled lease procedures, timing and socks and it is in the Brinks standard work format.
So, following our Brinks business system, Lean operating system format and we'll show you where that is and and take a quick overview of the content and then kind of walk through instead of according exactly by the document itself, we're going to do an overview of the content of it so that you can get through it a little bit more on your own as you read through the actual standard work.
And then we want to do make we wanna overview our quarterly pace and timing for leases and that's.
Our pace through month end and quarter end has been something that we've all been focused on over the last year and seen a lot of changes in from our leadership, finance and accounting leadership with new calendars and and new direction.
And so we want to be really forthcoming and knowledgeable together about that with the lease components of that process.
And then we have some items to share with you about where we're the upcoming events for releases and ask for your collaboration on notes.
So to start off with, we thought we'd talk a little bit about what has changed since last year.
The least calendar has now been available was has been available for the full year of the big since the beginning of 2024.
The least calendar first came into place a year ago April, so it's been in operation and available on our global accounting policies and procedures site for over a year now.
And we now have multiple layout formats and we'll take a look at those in this today as well.
And now their item that has changed this year is that the AP clearing account or accounts are being used by some of our organizations and expense accounts instead of as a liability account.
And that is really helping to allow people to feel comfortable making reclassification entries with lease accelerator entries so that we're placing the lease expenses.
Umm, as projected in the expense, direct expense accounts now with lease accelerator that helps with forecasting as well as with your end disclosures and we're really excited about what we've accomplished with some of our organizations in that.
Another item that has we have added and has changed is that you now have a listing of contact information for all of your lease accountants and the lease accounting center team leaders that's accessible to you and updated by our team leaders on a regular basis as things change or evolve within their teams and that's available on the global accounting policies and procedure side right next to the calendar.
Another item that has changed is that our master lease tracker has moved in the calendar instead of being something that you work on and provide to us at the end of the second month of the calendar each calendar quarter, we are now asking to have that by the end of the first month of the calendar quarter and we're getting the new.
Quarters, data and formats to you by business day.
Six of month one and that we made the first request for a shortened cycle or a change in the cycle at year end with year end processing and that made a world of difference to us in and I think to all of us got some really good feedback about that and really participate appreciated the quick response and the adaptation to that request made a big difference in our disclosure timing at year end.
So another item that has changed is that each quarter end with the accrual of leases that didn't get added into lease accelerator and provided through the lease accelerator journal entries.
That accrual process that we refer to in the lease accounting centers as leases not loaded, those finance leases are being posted directly to your leg, your FCC accounts as a topside entry to your entity and you're receiving an email from us to make you aware of that and provide information to you about it at during general Ledger close the uh things to come, you'll see later on.
But we hope by the end of this year, uh and going into next that will be in a position to actually be able to accrue the operating leases the same way and disclose that information.
And also this year is really seeing a growth in the number of leases that we're seeing and also a big expanse in the variety of the types of assets that are being leased.
Many entities have or leasing assets.
Now that they've only purchased in the past and we expect that to continue to grow for all of you this quarter we had double the number of transactions that we've seen in leasing in any other quarter thus far.
And.
Something that we have that I have heard in the two years that I've been with Brinks is that our our lease exhibits that are submitted with our contracts and where we share information together between the local teams and the lease accounting centers we have, we began rewriting those and earlier in the year this year and have just issued new exhibit B and Exhibit C's.
We'll talk a little bit about that more specifically, but the purpose there is to one make it really clear what information we routinely do not see in the contract that we need to have receive from from you or as local teams either operations or accounting and also to be able to have the questions and the information that's in there be more easily understood.
Those documents were highly, highly technical documents.
That language was pretty technical in the past, and we're trying to get the have them be more English as a second language friendly, so hopefully we're we're we're looking forward to your.
Hopefully we're accomplishing that.
We're looking forward to hearing your feedback on the new exhibits and if, if we are accomplishing it, we've also added a glossary so that we're not trying to explain the whole thing and just a heading of a column, but each column heading in the exhibits is also explained in more detail on a glossary for what we're what we're looking for and how to provide that information.
And then another thing that has changed in the last year is that the R asset impairments or the assets that are being removed from operations due to damage or injury or change in customer location or removable removal from a customer location and placed in warehouse those asset impairments or asset changes are being reported now inside the reassessment considerations mid quarter, we've turned that into a workbook instead of providing 3 different components or items that you have been asked for individually in the past, the reassessment considerations mid quarter workbook is now includes end of term and asset.
Impairments.
So those are the big changes that we've seen together since this time last year or the last time we were together for this review.
I've mentioned a couple of times the global accounting policies and procedures site where all of the standard work procedures and all of the exhibits lease exhibits that I preferred to are stored for your access and Global access throughout Brinks.
So hopefully you guys have this link, but if you don't it will be in this material that will be attached to this meeting.
So you'll be able to download it from this teams chat and files location and it will.
Also, this deck will also be posted on this site, so if you want to refer to it in the future, so on the global policies and procedures site under global accounting policies and procedures, there's a couple of different areas of lengths, but this one is the link on the left, the lease procedures, timing and socks is listed under the policies and procedures.
Uh column and then the supporting documents or the lease exhibits?
The lease procedures calendar and we have both English and Spanish language.
Hopefully, over time in the future will be incorporating additional languages inside of that and making that available, and then the country and lack assignments listing.
So this is where you get the contact information.
Under the presentation section of this same site, the same page in our Global SharePoint together.
Last year's presentation.
The video from this session is still out there right now.
Wants tonight is completed and the video completes.
I will send it to send.
Jackie Galiano, the Lincoln she will upload the both the video and the transcript from tonight, as well as the deck.
All three items should be located in this link under presentations.
Referred referred to the calendar a couple of times and we are going to go through the calendar.
This is what it looks like, and we're gonna hit.
Just run through it real quick in, uh, a couple of minutes.
But first, what I'd like to do is for people who are newly with us or who are in new roles, where they have it or they're just dealing with leases for the first time, I'd like to introduce the title or the company's concept of lease accounting center.
And to share with you that at the time that the.
Gap pronouncement of four leases of ASC 842 came out and we were required to implement in 2019 about the same time as IFRS 16.
The Brinks made the decision, and looking at the complexity of those.
Pronouncements that it would be the best way to for the as material as our leases were expected to be, that it would be that get us the best consistent result to have a centralized group of folks.
Interpreting and setting common procedures to work through that standard and get us at the best consistency in our accounting results.
And so four centers of excellence were so the lease accounting centers, the global lease accounting team was created to create a set of be a center of excellence with four different locations that were at the time of creation really based upon language.
For our some of our largest entities and we have since tried to focus more on time zone availability and sharing of the entities across a group of folks that have now been trained very strongly in the lease standard using all the same procedures that.
Together and consistently.
So there's no longer A1 lease accounting center.
Does something one way and a different one.
Does it another way?
We're all working in tandem on from the same formats and in using the same processes.
I've had a question a couple of questions or this question several times recently and had the lease accounting centers referred to as lease administration and I so I wanted to address that just briefly here with us together, lease administration is still at this time a decentralized function.
Uh with Franks the when you consider administration to be the relationship that governs your creates, the contracting, the governs or creates the relationship with the lessors.
That function is still very.
Decentralized and resides with all of our local teams.
Umm.
The accounting, however, does is all centralized and we have a subledger lease accelerator is the name of our tool lease accounting tool.
Umm.
And so getting the information from about the lessors and the leases and the transactions themselves from the decentralized group to the centralized accounting function is a lot of what our procedures are about and a lot of what tonight is about and our calendar is about.
So umm, not all of our Brinks entities worldwide have our relationship with lease accounting center or are required to.
Umm.
Send their lease information to release accounting Center.
We evaluate annually during our the school year end procedures and disclosure procedures.
The overall materiality of both the expense and the estimated balance sheet of the entities that are not currently reporting through lease accounting center and when we reach a specific level under each, we identify countries that we may ask to begin to participate.
In 2023, we did not have any change coming into 24 for the number of countries that were entities that needed to be in scope to have our materiality be within an acceptable limit.
I will share with you, however, that there is a vision for the future of leasing and lease accounting at Brinks that we are able to continuously improve our processes together and our collaboration on the information together in a way that allows us to have all leasing done, uh accounted for within the lease accounting centers.
So some of you would probably say we have a long way to go before we get there to have that happen smoothly and I won't disagree with that.
But I thank you for all of the contributions that you've made to having us get as efficient and move toward continuous improvement in the way that we have.
I think we can get there together.
So once an entity is identified to have.
Of volume of leases that has them have a material value and need to be reporting in lease accelerator and be part of the in scope entities.
The leases that go into lease accelerator at this time are all leases that are greater than one year in term and have a total in total payments value.
So the number of months times the number of times the monthly payment rate that exceeds $30,000 USD, and so every lease that has that value or greater goes into lease accelerator for our in scope entities.
Now our master lease tracker that will talk about and that you guys are accustomed to providing for us and working with us on hat identifies all leases.
The goal of the master lease tracker is to list every lessor and the lease values and expense for each less or that's in a short term lease.
We're in a short term lease arrangement with and the same thing for immaterial leases.
So we will likely begin our process of growth by asking you guys to send us all of your lease arrangements.
All of your lease agreements so that we can begin to build that repository and have the master lease tracker be the foundation on which we build the future lease accelerator that contains everything.
Alright, so to.
Give you a view of our.
Who is in our lease accounting centers and and where they're located?
We have a it lease accounting center and Coppell, or Dallas, TX, where all of the entities in that North America Lease Accounting center is are all English speaking countries and entities.
And we have the team leader is Hiro Flores and we have five team members there.
Working towards that anyway, that's goal and then our Brazil lack and the lease accounting center is located in the same location with our Brinks Brazil.
Finance and accounting team.
So, but they are focused strictly on leases and be the lease procedures and they we have Taironi Costas or leader there and he has two staff and you see on this brief listing and then in the table the entities countries that are assigned to each of the LACS and then in Paris, France, we have our Helene de Vendegies is they team leader for our France lack and largely French speaking countries and entities assigned there and they are also largely remote but also with offices and periodic visits into the Paris, locate, Brinks location, Brinks, France and then.
Our shared services center lack a staff again dedicated to lease accounting and being in being the accountants and leaders provided for our Latin American countries largely, I'm sorry I didn't mention with Brazil that Brazil lack covers a lot of our APAC locations and.
So one or two locations in Europe?
Umm.
Basically, based on that, a lot of focus on the same type of leases and and entities that are doing the same type of transacting.
Specifically, AMS is one of Brill Brazil's lines of business that they help us out with with a couple of different entities being heavily involved there.
Umm.
In our shared services center, Lac Camilo Racino is the team leader and Stick 6 staff people and the largest number of individual entities is serviced here in this lease accounting center.
Like in most large number of Latin American Brinks entities, also some Europe and some Middle Eastern of our Middle Eastern countries.
So that's what our lacs do and look like.
I would love to and I'm share with you tonight the vision and strategy for the lease accounting centers.
Our vision is global collaboration for consistent, accurate and available lease financial results, Global lease accounting, the same data strategies, same rules, procedures and methods for Brinks everywhere.
We hope we're touching on on those and you're seeing snippets of as accomplishing that vision.
A quarterly our strategy for delivering this vision is complete quarterly procedures timely with accurate outcomes and no Sox control deficiencies.
So our our procedures documents contain all of our procedures with references to which ones are socks, proceed controls and which ones are are process procedures and we'll we'll touch one highlighting the Sox procedures later in this presentation too.
Also, a strategy to work with local operations and accounting to be predictable and accurate.
We always want to be improving our lease procedures.
We always want to learn and use tools more efficiently and create and support complete lease accounting environment for all leases supporting continuous improvement to provide all lease accounting from the LACS.
So a few basics about Brinks leases.
The categories of our leases.
I mentioned our covered in our master lease tracker, so I touched on these already a little bit.
The capitalized operating leases.
Finance leases, which were previously called capital leases and for Brinks, are classified in our financial statements in the same section with property, plant and equipment or with with our fixed assets.
OK.
So operating leases are classified separately and distinctly as right of use assets.
And even though in the pronouncement both of those categories are right of use assets, they're on two different line items and the Brinks financial statements.
So there are distinct accounts already in our global chart of accounts for every fixed asset that's in our fixed asset policy for both capitalized operating leases and for finance leases.
So we'll touch on that.
Again, we'll again in a little bit and then short term leases are.
Everything that's less than a year and its term and or one year and less and it's termed anything over one year goes capitalized operating or finance leases.
Immaterial leases are longer than a year, but less than $30,000 USD and the life of the lease payments.
I will also share with you that we have some some leases that we've deemed as immaterial based upon the dollar value of the assets included in the lease.
And so we do either classification is immaterial for some of those or we used a little different method in the tool.
If we decide that they roll it together, that they should be in the tool.
So I'm sure you have all noticed this and may comment about it, but leasing assets requires more collaboration than purchasing assets and the fact that we're financing it over a time period during which we don't really own the asset and and we have to therefore report to the lessor any changes in the status of the asset.
And that the changes in the asset, umm impact the accounting or the less or train any changes that they require also could impact the accounting that's a whole lot more collaboration than fixed assets and fixed assets is you know hard enough but leasing takes more and we have to take into consideration both the gap requirements as well as the tax requirements for each of our countries and consolidated for the entity.
See.
So thank you for your participation as our leaders continue to.
Elect to lead us to more leasing activities and we appreciate your help and focus on.
Making this work as smoothly as possible for the additional collaboration that's required.
So I mentioned that I want I wanted us to take a walk through the uh calendar and I think that would be a very a good next step for us to do at this point and so.
Do you?
This is one of the this I'm gonna use the English language one that we have in the three by four month view of the calendar and we're just going to walk through it.
The first thing on the calendar is a reminder that you'll hear again and that our processes based upon.
Continuously submitting new leases and changes to leases between and continual collaboration between the local entities and the lease accounting centers.
And so we are making some changes in the lease accounting centers to be able to get responses to you more quickly as you submit the exhibits and also to measure how we're doing and receiving.
Leases and changes in leases in accordance with the original timing of when that agreement was to have gone into or went into effect for our accrual and cut off purposes.
So just to reminder, please CONTINUOUSLY submit new LEASES and any changes in leases with the exhibits as you as they occur and as you find out about them as the decisions are made.
We'll talk about that in a little bit too.
So in month one of each quarter by Business Day, 6 year old receive from the lease accounting center what the lease accounting center is may refer to as a pre Sox LA 01 form this LA to AP is the monthly review and validation of how much is paid to each lessor under each and every lease.
So we look at our expenses every month and those expenses that are paid beyond the base payment and not to the same lessor or the same agreement that we can't project or put into lease accelerator up front, they we receive that back from you by Business Day 15 after you've added your AP information to it for us and identified what the components of the expenses were.
And then we input that information.
Umm.
As well as ask additional questions about maybe new payments or payments that are missing that we didn't see in the analysis.
And so you provide it to us back to us by Business Day 15, we complete our review and entry into the tool into one of our two tools, either lease accelerator or into our LA to AP Tracker depending on what's going on in the month.
And so that sequence of business day six, business Day 15 and Business Day 20 reoccurs in every month of the quarter.
That's the only reoccurring procedure that we have.
Everything else is based upon.
A particular month happening in A and happening during a particular month of the quarter.
So in month one we send you by Business Day 6th the master lease tracker and ask for you to have it back to us by the end of the month of month one.
Also in month one you will need to do an accrual of your lease transactions.
If you've had increases in you were leasing that, we know that you know hasn't gotten into lease accelerator yet and you'll need to.
Assure that your expenses are recorded in the the correct accounts.
Many of our entities do that through an accrual process by using the prior quarters lease accelerator journal entries and dividing them into thirds.
And if you're in a a pace of.
Heightening number of leases, continuing to lease aggressively, you can increase it by a percentage increase two percent, 3%.
10% if you're one of your new business lines is going crazy that involves leasing and and then you book that as an auto reversing journal entry.
And in month two, book two months worth auto reversing.
And then in month three, you'll get the journal entries from us, so that accrual is a standard part of business of month one and month 2.
Now in month 2 something new happens and on Business day six you will receive the.
Reassessment considerations workbook that has three components to it.
It it has the reassessment considerations, which are questions about your leases for it, did you real estate leases have a change in reasonably certain holding period where any of your equipment leases have an early termination or a renewal that we didn't project, which we don't for equipment leases and we're any of your assets that were in in operation last quarter, did any of them get damaged and have to be removed from operation, but you're still paying the lease.
So do we need to record any asset impairments?
There's those 3 components to the reassessment considerations workbook you receive that on business day six and we ask that you have it back to us by the 4th Friday of that month.
So and this is the one exception to the have it backed by business day, something rule that is kind of our standard around Brinks.
But we find that it's we want to give the local teams as long as possible and that month to capture all of both the known and the known future.
That's gonna happen through the end of the month.
Information that you possibly can to get us to us by the end of that second month.
What that does is it sets up the lease accounting center to do a lot of activity for the final, uh, two to three weeks of what will be their open period for recording transactions into lease accelerator.
Though in month three of each quarter, the at business Day minus 11 or minus 12, so end of quarter 10 to 12 days back 10:50 days back.
That will be the last day that we enter any transactions into lease accelerator.
All right.
And that kind of varies between 10 and 11 days back.
Again, we, we look at what it will take to deliver journal entries to you bought to give you 3 business days to review the journal entries and then it takes the LACS 7 to 8 days of reporting, analyzing, pivoting data, adding movement codes.
Because right now, at this time are tool does not our subledger does not create Ledger entries with movement codes or roll forward codes in it.
So it takes us 7 to 8 days to produce those entries in the format that you prefer, whether it's detailed entries or portfolio level summary entries, and to get them to you.
So we back that up that 7 to 8 days plus the three days of you having the entries in your hands for review and we see what that date is and that's our soft close date for lease accelerator and the date that we have on this calendar is the date that is the last day that anything can be manually added into lease accelerator.
Sure, the team is required to load their last upload form for at least that might have a couple 100 or 50 or something assets in it.
Those uploads happen.
I and closeout for the last ones to be uploaded 2 days before that.
So they have only they have two days after the final upload date to get the manual entries and the verifications of the entries performed in the subledger.
And then we work on Ledger entries.
So that's what our soft clothes lease accelerator soft clothes period looks like, which is the green item on our calendar.
Now, during actual general Ledger close for quarter end, the black teams are standing at the ready every day during close to run.
An FCC report that we've created to do a roll forward and compare we do a roll forward before we send you the entries and then what that does is anticipate what your account balances should be and we stand at the ready with those anticipated account balances for to press the button in FCC and load into that same report.
Your actual postings that come through your FCC daily uploads and once we can validate those when they're the same, then we can move forward with the analytics that are required under art.
The lack sock procedure.
Socks procedures.
We have 28 socks procedures that we have to follow in the lease accounting centers.
The Country Sox procedures that you guys are tested on that will go over, there's four.
So there are definitely very key and there are more lease procedures than four, but there's four that you get tested on for Sox controls.
And so the sooner we can show that we line up on our balances during FCC loads during general Ledger clothes, the happier we all are to move into edit checks and analytics to get through the quarter and to year end.
And if there are differences, our team is going to get back with you immediately to ask if you want to try to work together to resolve that and get it resolved within general Ledger clothes so that we don't have differences to deal with in our black line wrecks together.
And if you're if close is crazy and you say no, I can't deal with Lisas right now.
We'll just deal with it in our act together, then at least we'll both know, right?
The the We're going to deal with that difference in our in the REC, but that is the activity that the lease accounting center works within gearing the actual 5 days of general Ledger close is tracking FCC to reconcile your balances.
And then on business day, seven of quarter close, we have another reassessment form that looks very similar.
Some of the some of the same questions as is as you see on the reassessment considerations, mid quarter one of those pages that this reassessment certification is for the most material real estate leases and some not everyone of you receives those, there's about 40 of these in our listing that comprise almost 50% of the total value of our leases.
And you know, that may change at some point in time in the future, but right now, those are the most material leases.
We assess that annually and so the same leases stay in place as needing this additional certification and this is kind of a.
That a looking at has everything that transacted during this quarter for these specifically eases.
Has everything been sent to the lease accounting center?
Do we know everything there is to know about these leases and it's a cut off procedure for did everything that was there anything that happened after LA soft close through the end of the quarter for these leases and did it get reporting to the lease accounting reported to the lease accounting center, this one is due on business day seven, which is the same day that the management representation letter or MRL is due to be signed by your controllers and CFO's.
And so we one of the questions on the MRL is, did you send this to the Lac, did you perform this assessment of the most material leases?
So that's why we align it to happen on the same day and then the last item of the quarter is, umm, are reconciled, black line reconciliation and assuring that we align and describe any differences that may exist and what we're going to do about them together in the following quarter to to get those account differences resolved.
And we're looking forward to the day when those differences don't exist and we just rock'n'roll on through it together.
And finally, all of this analytics and clothes, we still keep open are accrual process for leases not loaded.
And there's a I mentioned the booking of that leases not loaded earlier, that happens during the general Ledger close period, but there is another tracking of the leases that continue to come in continuously that we accumulate all of the information for leases that came came in after close but were related to agreements that were made in the prior quarter or any prior quarters.
So that's our calendar and what happens in each month of the quarter in chronological order.
Hopefully that was a helpful view.
Let me pause for justice a few moments and to see if anybody has any.
Questions about that as the flow.
Alright, well hopefully that sounds like what you're experiencing and maybe provide some additional insights of where you had questions about processes that may seem to overlap.
Umm, it's a pretty tight schedule that we designed it so that it would be.
For the most activity would exist during the time period in between monthly closes.
And in months that are not, we tried to.
Have as much as possible be inside of the months that were not the quarter end month and still get our the activity keep the activity flowing.
Alright, the next thing is about our lease procedures, timing and socks.
Our standard work, so there's a new format for this.
Document.
It has five segments now, with the objective of having more precise definition of responsibilities, so the sections the five sections are the the basics of having leases and it covers the calendar that we just went through and provides a little bit more detail than the one line for each of the items that the calendar itself, then the calendar itself does.
So that would be section one.
It's not just the calendar, but it's about the calendar.
Each of the steps in the calendar alright and the tasks that are there.
Section #2 is the lease and country and entity controls and information exchange.
So which of the calendar tasks are Sox controls and what's required inside those?
So between those two sections, it is largely focused on the collaboration between local and lack and what have happens in that information exchange and the details of those pieces.
Section 3 is about mostly about the work that the Lac does for analytics and quarter end functions.
And then Section 4 is about year end procedures, so there's a little bit more in there about the things that are collaboration items between us, the the A schedules, the leases that are accounted for in country and how to end that information being exchanged into the lack.
So that we can the lack and prepare the total disclosures required to go to the SEC and.
Those types of things in your end master lease tracker being due at the same time as A schedules that new item that we started this last year.
For the 2023 year end, will is part of that section and the year end procedures and then Section 5 addresses items that are in our lease policy that are not really standard transactions.
So build to suit leases, sales type, leasing and how it relates to your lease in activity.
Ohh.
Variety five or six different types of things that are addressed as unique circumstances, and the instruction sets surrounding those.
So hopefully that is a good.
Those are good changes that that will help lead you through this document or lead you to the section that you might need to go to one of the unique item comes up or when you are just not understanding something that is happening about the procedures.
So we're gonna spend 4 pages here now on this document, and we're at an hour into an hour and a half.
Uh meeting session together and we're gonna spend 4 pages.
Literally walking through our lease policy compliance and our procedures and which procedures are largely country entity based and which procedures are lack based.
So in the lease policy compliance procedures, the trigger for information to be sent always and promptly to the LACS is anytime there's a new lease or a change to a lease.
We yeah.
Request that it be sent in.
Upon original invoicing, if that happens first upon draft agreement, if that happens first, when you get the CER or LAR approved.
If that happens 1st and then you get the draft agreement sent us those two documents.
Please don't wait to send us the lease agreement when you have everything accumulated and you have the final signatures, the accounting will be late.
If we wait until final signatures 9 times out of 10 as what find so always and promptly.
And if you're doing that, sending it before final signatures and you don't know all of the information that's on the exhibit that you're saying, I'm sending you a draft.
So you'll know about it.
I'll send you the rest of the information as I get it in.
We're happy with that.
OK.
Umm.
Another trigger for information to be sent is when you exit a lease location or abandon a lease asset.
Remove it from service and those need to be communicated at the management decision date at the date that it's decided that that.
Asset is going to be removed from operations you don't.
Please don't wait until the date that it is moved removed from operations.
Please tell tell us about it.
Before, when the decision is made.
There are a lot of dates.
Once that decision is made and a lot of iterative conversation and points to be made during.
Iterations of the reassessment considerations, impairment, asset impairment tab, so the other dates that are important are the date that the lessor is notified about the change in the asset and then the next most important date is the exit date or the date that the assets removed from operations.
So three real important dates, but the one we would like to know about the transaction first is the management decision date then sale lease back transactions.
We used to not have very many of those in breaks.
As matter of fact, the lease policy said when I first got here and may still reference it, that sale lease back transactions, we need to know about every time they happen and we don't expect there to be very many will that expectation has changed.
There are a lot of sale lease back transactions throughout Brinks around the world these days, and that's fine and dandy.
We love them.
We know how to account for them.
We've got good procedures around them.
We are tagging them in lease accelerator so we can give you a report.
Umm.
If you do a good job of reporting it to us, we'll give you a listing of all of the leases that you have that were part of sale lease back transactions.
We are now accounting for failed sale lease back transactions and lease accelerator.
You don't have to count account for those locally anymore.
Uh, so sale lease facts.
We also need the sale invoice and the sale agreement and the entry that you did book if you booked it before you sent us the sale invoice and sale agreement.
You're also welcome to ask us what entry you should book and get advice will coordinate with the field controllers to get that information to you in advance of your recording so that you don't have questions during edit checks or after the fact from the field controllers and have to move things around. So.
Also, if you really would like to have we ask you to send the contracts for review, even if you're not sure if it's a lease or not or you think it's not a lease.
But if the total value of the exchange that you're making with your customer or with the lessor with a funder is $2,000,000 USD or greater, we would like to see that contract please.
And there are many times that a a asset is embedded in the service agreement and you think it's a service agreement that they have specific rules around embedded leases.
And so we want to be looking at those agreements and making those decisions actively and and currently and you don't have to have the agreement before you let us know about it.
It can be again and draft or in negotiation when you let us know about it.
All right then.
Also, anytime that Brinks doesn't own the asset, if you're if you have an asset that you put in operation and you've got an agreement with somebody about that asset, but, you know Brinks doesn't own it, then we'd like to see the contract.
Also, improvements paid by the lessor.
Or any contained construction is performed at a leased location.
We would like to see the agreements, arrangements, supplier arrangements around those items.
And what do you send when the any of that information?
Any of those triggering events happen.
You send to lease exhibit with the.
CEO RRL AR or draft agreement or signed agreement if you've already.
If that happens quickly and then lease exhibits are on the global accounting policies and procedures site for you to be able to download anytime you need one and we keep them current and up to date.
They do.
We do believe in continuous improvement and lease department, so if you are using an exhibit that you downloaded after last year's April meeting that you haven't downloaded one since, please go download newly for the lease exhibits UM lease exhibit A is new real estate lease.
That one hasn't changed much.
Lease Exhibit B is totally new and revised and updated glossary in it.
The things that you need to fill out that we that don't come inside the lease agreement or really have a specific section in it, so that you can fill that out, hopefully more easily and know.
But he is not in the contract that we still need to have lease.
Exhibit B is new equipment and then lease exhibit C There's now two of them.
So C1 is and modification have a lease.
Any type of lease C2 is a modification that specifically is for a return of the asset or a buyout of the asset. OK.
Fine.
All right, I think I've covered that slide procedures and controls in order of performance.
The next three slides are all on that topic, and we've added onto this that that just a little note that complete and timely accounting entries are dependent on complete and timely lease information being communicated from operations and local accounting to the lease accounting centers.
So we're gonna cover what are the responsibilities of the local teams and what are the responsibilities of the lack and what are quarter end responsibilities?
So ongoing responsibilities of the local teams send the information before final signatures.
Please maintain the master lease tracker for all leases and submit to the lack quarterly.
We have written into the Sox procedure for the master lease tracker that is LA O2 and talk about that a little bit more in a minute.
But we have written into the Sox procedure that the Q2 ending balances that you present to the lack on the master lease tracker in Q3 will be the quarter that gets tested by both socks and are external auditors for Sox controls.
So even though master lease Tracker is a quarterly procedure.
We'll all really focus together on quarter two, but we'll make sure that the other quarters go smoothly and work well and Q4 reported in Q1, you guys as a, it is a lifesaver for us for the lacs and for a global lease Accounting and getting the disclosures done.
So again, thank you for the change in that and supporting us with that last year end.
And I know this this year end will go even better.
Charging expenses to the right lease expense accounts for the type of lease.
Umm, this matters for our disclosures and it's.
Really helpful for forecasting like we can provide reports out of lease accelerator that by expense account.
Show you the leases that those expenses relate to.
As long as you post the lease accelerator entries to the right expense accounts, OK.
And I know a lot of you record the expenses at the time that they come in and get recorded by AP.
They go into either a central account or they go into a variety of accounts and you end up not posting our lease accelerator expense entries because you've already posted through AP and you do an offsetting thing and it's mostly balance sheet with like to work with you to have.
AP Clearing those were you, charge those entries be into a clearing account and expenses so that we can reclassify them easily with the lease.
Accept together with the lease accelerator entries and have the expense reporting be a lot easier for all of us for both disclosure purposes and for forecasting purposes.
Umm.
Also, please complete the lease exhibits for lease term for real estate leases, assuring that all of the components of reasonably certain holding period periods, renewal periods, termination event requirements, notification requirements, that those are really clear and uh, we ask you to help us describe to clearly identify the locations of those provisions in the contract for the real estate for real estate leases, umm, and for the terms on the equipment being the only piece of equipment that we really need to have detail about the components of the equipment or our smart safes.
In Brinks, we made a election regarding leases and in GAAP accounting, where everything that's in a lease for any of our other assets is considered part of the cost of the asset.
And so getting the lease term identified is a real key for us.
And completing the lease exhibits, we talked about that we talked a little bit about the monthly payment analysis, LA to AP.
That happens every every month or only monthly procedure and.
I'm helpful within the year this year to have a new module of lease accelerator that'll be covered by their.
Sock testing.
They're they're external audit on their software, so that maybe we can automate some of that in the future and not have to do as much on these forms.
But for now, thank you for the contribution that you're making to that process.
And finally, completing all of the components of the reassessment considerations mid quarter workbook, this is a real a real key for us umm to get asset impairment information to get the what's so about the end of term processing was the asset returned at the end of the term.
Did you end up buying it at the end of the term?
Umm, did you move into a?
Evergreen.
Period into a period a month to month agreement period with the assets.
So the liability doesn't exist anymore.
But you're still using it.
We having that information timely in that reassessments consideration mid quarter workbook is really key for us.
And overall, we'd like to ask you to hold your.
At lease accountant accountable to keeping the schedule, there are specific days when they're supposed to deliver information to you, and so they should be.
They are accountable to me and I'd like and and like your health and holding them accountable for delivering the information to you.
Timely.
Umm, we want you to be able to do the work that we're asking from you and the time that works best for you.
That's how we think we've set the schedule and we're part of helping keep that schedule and then please.
Know the calendar and what's due, by when and why, so that we can work together so that when we're asking from the lease accountant to ask the question back.
You can look at the day and time that they're asking question in in the question and comparison to the calendar and you see why they're asking when they are.
We are working on our procedures to have the.
Processing go more.
It's more routinely we've ask you to submit continuously and you know always and promptly.
And so we're making some modifications and some of our procedures internally to also be able to review and respond.
Have an initial response to you more continuously and promptly, so hopefully you'll see.
That'll be one of the things that got accomplished when we do this together next year.
So now what are the ongoing responsibilities of the LACS process?
The exhibits and new leases promptly.
We're working on that one to get better at it.
We will be, I would say 50% of the time, maybe even more a little bit more asking additional questions or needing additional information.
Then what's provided the first time from you and we can work on that together.
Hopefully get a little Better Together.
We ask that you return the master lease tracker.
Umm.
And on time, make sure that both FCC and we're going to make sure that the and this is the lacs procedures and we're gonna make sure that both FCC and the master lease tracker expenses for from your local Ledger agree to lease accelerator on a core really basis and give you the feedback on what needs to change to a different category of account or to a different account number to have the expenses be recorded in the disclosure positions to make our year end information flow better for us.
If we make that happen throughout the course of the year, year end, it'll be a lot smoother.
The Lacs responsible to provide guidance and responses for the charging of expenses and for the.
Here a journal entries to you.
Excuse me for just one second.
I need to take a drink with all of this talking.
Keep my apologies.
Then we use the monthly payments analysis to record additional expenses into lease accelerator that were expenses that could not be now projected because of their variable nature and that they are still rent expenses, lease rental expenses.
So putting those in lease accelerator and we do have a specific account classification that segregates the expenses that are the base payment expenses versus the expenses and therefore are straight lined over the life of the and the straight line impact accounting impact of those leases and that separates the variable cost expenses into a separate account.
So you can give you guidance on how the account structures work and expenses as well.
So we also are responsible for getting good cut off on our financial statement balances.
So we continue to track the new lease activity after we've done the complete entry of reported items into lease accelerator.
We continue to track the new lease activity and umm, get it into the appropriate period for our cutoff using leases not loaded and also doing any out of period adjustment reporting.
So one of least documentation comes in from you that should have been recorded in the prior quarter or it's a particular large lease that didn't make it into lease accelerator.
We assure that that gets accrued or if it's passed the accrual date, we post on business day four for leases not loaded and when it passes business day four then we track with our financial reporting team at BCO to report any of those that will go into the wave to adjustment bucket.
So all of that OOP kind of reporting.
In addition to creating your journal entries and providing them for you, we.
Your lease accountant and team leader should be providing to you a full trial balance and the report title is called the portfolio trial balance, or PTB for short.
And I come that way in the title of the email from the Lac, but you should be getting that trial balance every quarter and you can receive one anytime you want it.
And then we also have a accounting roll forward report that if you're interested in additional detail about your life, uh, leases that we have available in each quarter because it's a integral part of our analytics that the that the Lac does and provides to the field controllers and into some of our socks controls.
And one of our biggest focuses that we like to.
Really be in communication with you about that.
We like to really focus on as our collaboration with you.
And so anytime we can make any of these.
Procedures better, easier.
Sometimes easier is not as easy to accomplish, but getting the amount of detail that we is required to be disclosed and the accomplishing that as smoothly as possible as what our goal is and that includes the reconciliation to your local Ledger, not just to the financial statements.
And so every quarter we also reconciled using Black line and ask that you review behind us, there's a country level reviewer approver uh, I think it's called reviewer.
I think our review of our preparer is called a review.
No, it's called an approval.
Just the opposite of what we call everything else, which makes it really fun and interesting.
So last step of the quarter is Black line rack.
So those are the lacs responsibilities.
And then quarter end, we went through quarter end I think pretty well with the calendar, umm just to but to hit on when quarter end really starts quarter end really starts with your submission back to the lack of the reassessment considerations mid quarter workbook.
Hopefully you've been continuously and promptly submitting leases to us all along.
I've been till then we ask them not wait and hold your leases.
If we receive everything from you on the 4th Friday of the second month, then we won't have really enough time to do a great job for you, and getting it analyzed and documented in accordance with our socks documentation, processes and requirements and getting it into lease accelerator to get into your journal entries.
So that the things that we the questions and answers and the information that is submitted in the reassessment considerations mid quarter is really marks the beginning of the quarter end processes and then by Business Day 11, we totally cut off new entry into lease accelerator and get the journal entries to you with three days left before General Ledger close begins.
So that you have time to look at them and ask us any questions or book them into your local ledgers.
Alright, socks controls releases I've mentioned earlier that there are four country level controls, one of them the first one LA 01 is the lease accelerator to accounts payable reconciliation.
So if it's in your AP, then you're paying less or we want to compare that to the listing that's provided to you from the lack of all of the lease payments.
Umm.
And any differences in those payment amounts where the invoice says more than the uh lease accelerator payment says it should be.
Then we need those identified in the form is set up to do that for us.
So because we do enter those into lease accelerator, ohh we found that this procedure also helps to identify.
Payments that are being made for things that are not on in lease accelerator right now and we do this.
So it's an understatement of leases test that works real well for us that way.
Umm.
O2 Master Lease Tracker is a Sox control in Q3.
For the Q2 year to date values, so we'll be coming upon that one soon.
And then the quarterly performance is a procedure and we're happy that we specify when we get to get tested for that one and that our auditors, both internal and external are happy with that.
Then the LA O3 is the reassessment certification of the most material leases and this we ask be a certification.
It's called CFO certification, but it is to be prepared by the lease owner and then sent to the lease accountant for review and to the CFO for certification.
LA 03 and then the 4th country control is related to leasehold improvements that have occurred at your branch locations.
Some of the office locations, but as we all know, the branches is where we where we invest our money and so the there is a pronouncement that requires that, uh, any retirement obligation that will exist at the time that you exit from a location that that obligation be in the liabilities of the company and it accreted up to that estimated liability amount by the end of the lease.
And if you continue to renew the lease, then the.
Annually in our policy there should be a inflationary adjustment and inflation adjustment for that retirement obligation and you guys do all of the accounting for that.
We just have this control as a as a reminder and we group it with the lease controls so we can be the reminder for you of your.
Uh ARO accounting responsibilities.
So we're number one lease accounting strategy complete quarterly procedures timely with accurate outcomes and no control DEFICIENCIES.
Species.
Together we can accomplish this by knowing the calendar and being timely with all deliverables.
And timeliness compliance for emails and deliverables will actually begin in Q3.
The same type of what that means is the calendar dates that we've talked about today are going to be on a performance dashboard of who met the men who didn't.
I think some of our accounting leaders love to call that a heat map.
And so the same thing that you're getting for monthly close.
Who hit it and who didn't is going to apply to the lease dates starting in Q3.
And umm, I will be escalating for timely responses if for those who don't hit the dates, the escalations will start the day after due date and we'll be sending out the escalation process and publishing that within the next few days.
Onestly next week ish.
Continuous improvement to create efficiencies and information.
Yes, we have some new things coming your way.
One of the issues that we have heard about from you and are customers widely is that you have to send us things multiple times and we don't want you to have to do that.
So we have using Smartsheet created a form and that is gonna be delivered to you inside of Smartsheet work apps.
So URL that will come to you every quarter at the beginning of the quarter and you can fill out that form for whatever you're sending to us, including attaching as many documents as you want to.
And that will place those documents and your notification of a new lease or a change in a lease directly into our workflow tool into an assignment automatically to your accountant lease accountant and your lack and your team was notification to your team leader.
So it goes directly into the workflow and the lacs are using this.
Currently we've got a couple of folks that have agreed to.
Begin using it here during the.
Flows period in tracking their new leases through to keep the continuous processing going and after a couple of weeks of that tracking, we're going to roll it out in at the beginning of month too to everybody month two of quarter three.
So look for that.
We've got it.
That'll be I've, we hope the great addition for all of us to streamlining the process also when side of Smartsheet work apps, you'll have a report that will be available to you that will show you all of the things that you have submitted.
Use an in the form and anything that was previously outstanding.
So all of your leases not loaded from the prior quarter will be on this report.
So everything that's outstanding about your entity and your leases will be on this report.
Our intention overtime is to, with that report, allow you to see the progress of the Lacs work in moving your items through their workflow, so you'll see a little glimpse of the lacs workflow process with that report.
Another continuous improvement that we.
Will be deciding on within the year.
This year is uh.
That I don't have listed on this list, but it's related to the next bullet item, which is a integration of AP into lease accelerator.
Instead of having to do it manually from our larger systems and we'll, we will be able to do more than just Oracle with this API integration, so we're looking forward to making that decision and setting the project in place to have that done hopefully before we meet again next year for this endeavor also would like to expand working with each of you with more of you on putting AP clearing into an expense account and actually recording the reclassification of expenses into the correct lease expense accounts that we report from for our disclosure purposes that has gone.
Really well and helped immensely.
And we'd like to expand that process with more of you in the near very near future.
Well, also be rewriting lease exhibit A umm and that should be in place before the end of this fiscal year.
We saw this quarter, umm, a little bit of confusion between the lease calendar and the monthly, the month end close listing that comes out from our BCO leaders from our Chief Accounting Officer and our financial reporting team.
And we're gonna work closely with them to accomplish more clarity on that.
And please rely on the lease calendar for those dates to be specific and fair with us as we work on that collaboration and.
The last thing that we have identified to to make more efficient is to expand our leases not loaded.
Posting directly to entities to include operating leases?
That's going to take us a couple more quarters at least it will probably be into Q1 or Q2 of next year before we actually start doing that.
But we are building the tools to be able to accomplish it and give you better information about leases not loaded, both in operating as well as the finance leases that are getting posted to you now.
In the calendar file that's on the global accounting policies and procedures, you have the calendar that we walk through together that's available also in Spanish language format and it's available in a columnar format instead of the three by four calendar view.
If this works, is more comfortable for you.
It's the same color coding and everything that the ties to the legend from the other calendar.
Continuous improvement in the collaborative process, we can't get better without input from you and we can't know that our improvements that we have targeted or are working to accomplish are going to make things better for you without your input.
So please send us your best idea for smoother flow of information of leases and send it to three people.
When you send an email to us about an improvement, send it to your team leader for your lease accounting center.
If you don't know who that is, you know where to find that information now.
Right on global accounting policies and procedures and the file labeled country and Lac assignments.
Umm.
Send it also to your lease accountant.
It's assigned to you.
You probably do know who that is because you talk with them exchanged emails with them.
Quite a bit and copy to me if you would please.
We keep a central repository of continuous improvement ideas and we will add that your suggestion to it every time you send it in to us, we review the suggestions for continuous improvements on a weekly basis.
Each Lac has a weekly work session where we come up with issues that need to be discussed and solved, and we try to solve them in that session and we also add to our continuous improvement list through those conversations.
So you're suggestion will not go unviewed, it will definitely be reviewed and discussed and figure out how we can make it better for both of us.
Thank you all for your time today tonight and going through this material.
Please don't hesitate to reach out to us for any questions that you have and we appreciate everything that you've contributed along this path.
I've now kept you 4 minutes over time, but I won't sign out without offering any of you the opportunity to ask questions.
If you have any at this time.
I know that this was a lot of detail.
Umm, thank you for being patient through it and enduring the sound of my voice for an hour and a half.
I hope it was helpful.
I hope that was a good review and the good detail was provided to you so that we can improve together and I will look forward to hearing from you, working with you as we go forward together, have a great day and a great evening.

 **Camilo Andres Briceno Leon** 1:31:58
Thank you.

 **Taironi Leal Costa** 1:32:00
Thank you.

 **Himal KC** 1:32:00
Thank you.

 **Aisyah Mawar** 1:32:03
Thank you.
Thank you.

 **Richelle Palmiery** 1:32:04
Thank you.

 **Kathryn Ingerly** stopped transcription