**This template should be reviewed in conjunction with the applicable disclosure checklist for complete requirements (see Lease Adoption folder for latest RSM version in Word) and the Excel workbook of accompanying tables. This template focuses on lessee leases – for clients with lessor leases, review the disclosure checklist. Disclosure requirements vary depending on the type of lessor lease. Sections in gray are only required in the initial period of adoption and should be removed thereafter.**

In the transition period, disclosure is required of “Change in Accounting Principle” if the impact is significant. The disclosure requirements are met with the following:

1. *Add to audit opinion below “Basis for Opinion” paragraph (GAM 708.08.A7):*

**Change in Accounting Principle**

As discussed in Note X to the financial statements, the Company adopted new accounting guidance, Accounting Standards Codification (ASC) 842, *Leases*,effective January 1, 2022. Our opinion is not modified with respect to this matter.

1. *Accounting policy:*

Note 2. Summary of Significant Accounting Policies (continued)

**Leases:** Effective January 1, 2022, the Company elected to adopt Accounting Standards Codification (ASC) 842, *Leases.* Thenew standard was adopted using the modified retrospective transition method, under which periods prior to 2022 continue to be reported using historical accounting practices in accordance with ASC 840. The adoption of ASC 842 had no significant net impact on members’ equity as of the date of adoption.

The Company determines if an arrangement is a lease or contains a lease at inception of the agreement. In accordance with ASC 842, lessee leases are classified as operating or finance leases based upon various criteria. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of fixed lease payments over the lease terms. The lease term commences on the date the lessor makes the asset available to the Company and includes any renewal periods the Company is reasonably certain to exercise. Operating lease liabilities are amortized to operating expenses on a straight-line basis over the respective lease terms; related lease liabilities and right-of-use assets are reduced over the respective lease terms using the effective interest method. Finance lease liabilities are amortized using the effective interest method, with related interest reported as interest expense. Finance right-of-use assets are amortized to operating expenses on a straight-line basis over the lesser of the lease term or the useful life of the asset.

The new standard offers, and the Company has elected to apply, the following practical expedients:

* To not reassess lease classification, whether a contract contains a lease, or initial direct costs for any leases that commenced prior to adopting ASC 842.
* To use hindsight to evaluate leases that commenced prior to adopting ASC 842 for the assessment of impairment of right-of-use assets and to determine lease terms, including with respect to renewals, terminations, and purchase options.
* To apply the risk-free discount rate for leases in which there is no implicit discount rate.
* To no recognize leases with terms of one year or less on the balance sheets.

1. *Footnote:*

Note X. Leases

**Operating leases:** [Information about nature of leases(s): general description, extension/renewal/termination options, purchase options, basis and terms for how variable lease payments (if any) are determined, residual value guarantees, restrictions/covenants imposed by leases. Disclose information about any leases that have not yet commenced but create significant rights and obligations. Disclose information about significant assumptions and judgments applied: whether a contract contains a lease, allocation of a contract between lease and nonlease components, determination of discount rate (no need to repeat here if use of practical expedient for all leases is applied and disclosed in the accounting policy FN).]

**Finance leases:** [Same requirements as for operating leases, see above.]

The components of lease expenses are as follows for the years ended December 31:

[Insert table from Excel Footnote workbook]

As of December 31, 2022, minimum lease payments required for noncancelable leases are as follows:

[Insert table from Excel Footnote workbook]

Cash paid for amounts included in the measurement of lease liabilities consists of the following:

[Insert table from Excel Footnote workbook]

Additional lease disclosures are as follows:

[Insert table from Excel Footnote workbook]