













































**NEW PARADIGM GLAZER-LOVING ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

The Academy also receives revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received which are not expected to be expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

The Academy reports the following major governmental fund:

***General Fund***

The General Fund is used to record the general operation of the Academy pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

**NEW PARADIGM GLAZER-LOVING ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Position or Equity**

**Deposits, Cash Equivalents, and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk are used as depositories.

The Academy is authorized by Michigan Compiled Laws, Section 129.91 to invest surplus monies in federally insured United States banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is also authorized to invest in bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Pooled investment income from the General Fund and various Debt Service Funds is allocated to each fund based upon the balance of the principal invested.

**Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased

**NEW PARADIGM GLAZER-LOVING ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**Capital Assets (Continued)**

or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The Academy does not have any infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

**MPSERS Liability**

The Academy contracted with the New Paradigm for Education, Inc. – Management Company to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements.

The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year ended June 30, 2020.

**Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**NEW PARADIGM GLAZER-LOVING ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of Net Position. In the fund financial statements, governmental fund types recognize bond proceeds, premiums and discounts, as well as issuance costs, during the current period.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriations or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data**

Comparative data is not included.

District-wide financial statements (statement of Net Position and statement of activities) prepared using full accrual accounting for all of the Academy's activities have been provided.



**NEW PARADIGM GLAZER-LOVING ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

Capital assets of \$842,344 (net of accumulated depreciation of \$442,194) are currently recorded in the governmental activities column of the statement of Net Position.

The fund financial statements focus on major funds rather than fund types.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Budgetary Data**

The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (the Uniform Budgetary Act). The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

**NEW PARADIGM GLAZER-LOVING ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**D. Assets, Liabilities, and Net Position or Equity (Continued)**

**Budgetary Data (Continued)**

The following segments of the budget were over expended by the amounts stated below:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b><u>General Fund</u></b>			
Added Needs	312,312	320,156	4,244
Pupil Support Services	142,842	146,014	3,172
General Administration Services	430,244	457,320	27,076
School Administration Services	341,567	341,792	225
Capital Outlay	-	124,705	124,705

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Academy formally adopted a General Fund budget by function for the fiscal year ended June 30, 2020. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund at June 30, 2020. During the current year, the budget was amended in a legally permissible manner.

The combined statement of revenues, expenditures and changes in fund balances – all governmental fund types is presented in conformity with generally accepted accounting principles. The combined statement of revenues, expenditures and changes in fund balances – budget and actual is presented on the same basis of accounting used in preparing the adopted budget.

**NEW PARADIGM GLAZER-LOVING ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. The Academy has designated one bank for the deposit of its funds, and has not adopted any other formal investment policy.

The Academy's cash and investments are subject to custodial credit risk, which is examined in more detail below:

**Custodial Credit Risk of Bank Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy evaluates its depositories and only those with an acceptable risk level are used for the Academy's deposits. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Academy's deposits and investments were reported in the basic financial statements as cash and cash equivalents of \$197,629.

The deposits of the Academy were reflected in the accounts of the financial institution at \$234,393 of which, \$234,393 is covered by federal depository insurance.

**NEW PARADIGM GLAZER-LOVING ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity of the Academy's governmental activities was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2020</u>
Assets being depreciated:				
Buildings	\$ 466,729	\$ -	\$ -	\$ 466,729
Furniture and fixtures	15,421	35,397	-	50,818
Computer equipment	249,955	80,303	-	330,258
Leasehold improvements	427,727	9,006	-	436,733
Subtotal	1,159,832	124,706	-	1,284,538
Accumulated depreciation:				
Buildings	38,894	15,558	-	54,452
Furniture and fixtures	11,404	5,860	-	17,264
Computer equipment	225,050	52,102	-	277,152
Leasehold improvements	69,366	23,963	-	93,329
Subtotal	344,714	97,483	-	442,197
Net capital assets	<u>\$ 815,121</u>	<u>\$ 27,223</u>	<u>\$ -</u>	<u>\$ 842,344</u>

Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

**NOTE 5 – RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions and employee's injuries (worker's compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

**NEW PARADIGM GLAZER-LOVING ACADEMY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 - MANAGEMENT AGREEMENT**

The Academy has entered into a management agreement with The New Paradigm for Education, Inc. (the “Management Company”), a non-profit corporation. The Management Company is responsible for all management, operation, administration, and education of the Academy. All Academy personnel are provided by the Management Company. The total management fee expensed by New Paradigm Glazer-Loving Academy for the year ended June 30, 2020 and 2019 was \$369,732 and \$392,995 respectively.

**NOTE 7 - LONG-TERM OBLIGATIONS**

On December 30, 2016, New Paradigm Glazer-Loving Academy, a Michigan non-profit corporation, and IFF, an Illinois non-profit corporation, executed a Promissory Note for \$750,000. The Academy purchased two buildings and made some repairs to the buildings.

Starting November 1, 2018, The terms of the loan require that the Academy make monthly interest and principal payments in the amount of \$6,079.

The amount of principal and interest paid during FY 2020 was \$72,942.

**NEW PARADIGM GLAZER-LOVING ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 - LONG-TERM OBLIGATIONS  
(Continued)**

The annual requirements to service the long-term debt outstanding to maturity, including both interest and principal are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	36,572	36,369	72,941
2022	38,587	34,354	72,941
2023	40,713	32,229	72,942
2024	42,957	29,985	72,942
2025	45,323	27,619	72,942
After 2026	489,088	118,762	607,850

**NOTE 8 - STATE AID ANTICIPATION NOTE**

During the fiscal year, the Academy borrowed \$400,000 for operating purposes in a state anticipation note. The note bore interest at the rate of 3.65 percent. The outstanding balance on the note at June 30, 2020 was \$71,760.

**NOTE 9 - SUBSEQUENT EVENTS**

On September 3, 2020, the Academy's fiscal year 2021 State Anticipation Note in the amount of \$300,000 was funded to support operations. The interest rate on the note is 3.45%.

Subsequent events have been evaluated through November 16, 2020, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**NEW PARADIGM GLAZE- LOVING ACADEMY  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual (Fund Basis)</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over/(Under) Final to Actual</u>
<b>Revenues</b>				
Local revenues	\$ 162,587	\$ 548,804	\$ 361,767	\$ (187,037)
State program revenues	3,073,935	2,653,382	2,845,562	192,180
Federal program revenues	<u>415,794</u>	<u>402,708</u>	<u>427,571</u>	<u>24,863</u>
Total revenues	<u>3,652,316</u>	<u>3,604,894</u>	<u>3,634,900</u>	30,006
<b>Expenditures</b>				
Current				
Instructional services	864,423	970,255	959,458	(10,797)
Added Needs	432,680	312,312	316,556	4,244
Supporting services				
Pupil support services	109,200	142,842	146,014	3,172
Instructional staff services	407,221	421,777	391,061	(30,716)
General administration services	500,889	430,244	457,320	27,076
School administration services	324,741	341,567	341,792	225
Business services	128,638	93,647	91,181	(2,466)
Operations and maintenance	551,409	520,614	500,480	(20,134)
Transportation	101,403	89,186	89,187	1
Central	134,576	178,010	154,317	(23,693)
Community services	26,608	8,684	8,684	-
Athletics	-	900	900	-
Debt Service	62,289	34,663	34,663	-
Interest	-	38,279	38,279	-
Capital outlay	-	-	124,705	124,705
Total expenditures	<u>3,644,077</u>	<u>3,582,980</u>	<u>3,654,597</u>	<u>71,617</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	8,239	21,914	(19,697)	(41,611)
<b>Other Financing Sources (Uses)</b>				
Operating Transfers- in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	-	-	-	-
<b>Net Change in Fund Balances</b>	8,239	21,914	(19,697)	(41,611)
<b>Fund Balance - Beginning of year</b>	<u>188,949</u>	<u>188,949</u>	<u>188,949</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u>\$ 197,188</u>	<u>\$ 210,863</u>	<u>\$ 169,252</u>	<u>\$ (41,611)</u>

See accompanying notes to financial statements



NEW PARADIGM GLAZER-LOVING  
ACADEMY  
REPORT TO THE BOARD OF DIRECTORS

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JUNE 30, 2020

# Wilkerson & Associate P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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3 PARKLANE BLVD. SUITE 612  
DEARBORN, MICHIGAN 48126  
313-982-4340 FAX 313-982-4342

LARRY WILKERSON, C.P.A.  
THOMAS E. WILKERSON, C.P.A.

To the Board of Directors of  
New Paradigm Glazer-Loving Academy

We have recently completed our audit of the basic financial statements of New Paradigm Glazer-Loving Academy (the "Academy") as of and for the year ended June 30, 2020. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational items which impact the Academy:

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<b>Results of Audit</b>	<b>2-5</b>
<b>Recommendations</b>	<b>6</b>
<b>Informational Items</b>	<b>6-7</b>

We are grateful for the opportunity to be of service to New Paradigm Glazer-Loving Academy. Should you have any questions regarding the comments in this report, please do not hesitate to call.

*Wilkerson & Associate PC*

November 16, 2020

**Members: A.I.C.P.A. and M.I.C.P.A.**

To the Board of Directors  
New Paradigm Glazer-Loving Academy  
November 16, 2020

### **Results of the Audit**

We have audited the financial statements of New Paradigm Glazer-Loving Academy (the “Academy”) as of and for the year ended June 30,2020 and have issued our report thereon dated November 16, 2020. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated March 3,2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the Academy. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the Academy’s financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Academy’s compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated November 16, 2020 regarding our consideration of the Academy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

To the Board of Directors  
New Paradigm Glazer-Loving Academy  
November 16, 2020

We are also obligated to communicate certain matters related to our audit of those responsible for the governance of the Academy, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters during the preliminary audit phase.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter. We will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30,2020.

We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates included in this year's financial statements.

To the Board of Directors  
New Paradigm Glazer-Loving Academy  
November 16, 2020

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statements disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive disclosures included in the financial statements.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified.

***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

***Management Consultants with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultant involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors  
New Paradigm Glazer-Loving Academy  
November 16, 2020

***Other Audit Findings or Issues***

In the normal course of our professional association with the Academy, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Academy, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the Academy's auditors.

**Other Information in Documents Containing Audited Financial Statements**

Our responsibility for other information in documents containing the Academy's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such information is properly stated. However, we read the management's discussion and analysis and budgetary comparison schedule and nothing came to our attention that caused us to believe that such information, or its manner of presentation is materially inconsistent with the information or manner of its presentation in the financial statements.

In addition to the comments and recommendations in this letter, our observations and comments regarding the Academy's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

This information is intended solely for the use of the board of directors and management of New Paradigm Glazer-Loving Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Wilkerson & Associate PC*

Larry D. Wilkerson, CPA

New Paradigm Glazer-Loving Academy  
November 16, 2020

### Recommendations

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## NEW PARADIGM GLAZER-LOVING ACADEMY RECOMMENDATIONS

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As a result of auditing standards required to be implemented last year, the audit continues to require a strong emphasis to be placed on the Academy's internal control systems. The primary goal of internal controls is to provide a reasonable (as opposed to absolute) protection to the Academy and its assets and financial information. During this year's audit process, we noted no items that required management to make changes; therefore, no recommendations are made for this year.

### Informational Items

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## NEW PARADIGM GLAZER-LOVING ACADEMY

November 16, 2020

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### GASB Statement No. 87 – Leases

This statement is effective for the first time in the School District's June 30, 2022 financial statements. The statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the lease. The statement was issued to improve accounting and financial reporting for leases by governments. The statement establishes a single model for lease accounting for both lessees and lessors based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The School District will have to identify and analyze all significant lease contracts to determine the lease asset and lease liability or deferred inflow or outflow of resources that will be required to be recognized upon implementation of the standard.

## Lessee Accounting under GASB 87

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the maximum lease term per the lease contract is 12 months or less, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of lease payments expected to be made during the lease term (less any lease incentives). The right-to use asset is measured at the amount of initial measurement of the lease liability, plus any payments made to the lessor at or before commencement of the lease term and certain direct costs incurred to place the leased asset in service. The lessee should reduce the lease liability as payments are made and recognize an outflow of resources (i.e., expense) for interest on the liability. The lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.