

VALUATION & ADVISORY

# FINANCIAL REPORTING



# MEET OUR TEAM

**Newmark Knight Frank Valuation & Advisory's (V&A) Financial Reporting group is a premier provider of financial reporting services.** Our professionals bring a comprehensive awareness of financial reporting standards coupled with property-specific insights to deliver strategic guidance to multi-national corporations, financial institutions, public and private REITs, private equity groups and funds.

***Led by a team of expert regional managers, each of whom offers at least 20 years of relevant experience, Newmark Knight Frank V&A's Financial Reporting practice takes a holistic, consultative approach to meeting the needs of its clients.***

# OUR DIVERSE EXPERTISE

The Newmark Knight Frank V&A Financial Reporting team's focus extends beyond real estate to include financial reporting for other tangible assets, such as machinery, technical equipment and personal property, as well as intangible assets, including non-compete clauses, patents, contracts and customer loyalty programs. This comprehensive methodology is refined and customized for each client and is scalable on a regional, national or international basis.

Financial Reporting group clients derive additional value from the team's access to Newmark Knight Frank's extensive platform of services, including brokerage, capital markets and research, as well as Newmark Knight Frank V&A's vast service offerings. The Financial Reporting team leverages this comprehensive insight to consistently enhance the services it provides and unlock new opportunities for its clients.



# OUR CORE DISCIPLINES

The Financial Reporting group's primary service offerings include:



**FASB/IASB Fair Value Reporting**



**Purchase Price Allocations**



**Assurance and Benchmarking**



**Long-Lived Asset Impairment Testing**



**Fresh Start Accounting**



**Lease Valuation (ASC 842/IFRS 16)**



**Debt and Loan Valuation**



**Partial or Fractional Interest Valuations**



**Machinery & Equipment**







## FASB/IASB Fair Value Reporting

Fair value reporting is an integral part of financial disclosures, intended to increase the consistency and comparability of fair value estimates in financial reporting. In connection with M&A activity, impairment testing or investor requirements, fair value of a company's underlying assets and liabilities may need to be established. In certain instances, investment companies must also periodically mark to market assets and liabilities that may change over time so as to accurately reflect their fair value.

Determining fair value requires a variety of assumptions and significant judgment. Investors desire timely and transparent information about how fair value is measured, its impact on financial statements, and its potential to impact future periods. Through our integration with Newmark Knight Frank's capital markets platform, our V&A practice, market activity, proprietary in-house data and relationships with investors, we are able to leverage this information to support our analyses.

Fair value measurement is not a static discipline. New valuation methodologies are continually being created and refined. Our team monitors these developments to ensure its modelling techniques reflect the most current standards and are driven by well-supported assumptions.



## Purchase Price Allocations

There are comprehensive rules surrounding allocations in conjunction with business combinations and/or asset acquisitions that are defined by FASB (ASC 805, *Business Combinations*) and IASB (IFRS 3, *Business Combinations*). Allocating the purchase price involves assessing the contributory fair value attributable to tangible assets, comprising real property and personal property, as well as intangible assets, including marketing-related, customer-related and contract-based intangibles.

Newmark Knight Frank V&A's Financial Reporting team, combined with Newmark Knight Frank's financial advisory capabilities, can help clients manage the challenges of executing an acquisition or merger as well as determine the newly merged company's opening balance sheet.



## Assurance and Benchmarking

There is an increasing need for independent third-party analyses of valuations performed in-house due to regulatory enforcement. The scope of valuation assurance methods ranges from benchmarking reports to assurance services as well as full valuation appraisals. Full valuations are fast becoming the most widely accepted form of independent analysis, due to their high level of reliability. Benchmarking and assurance services support the quality assurance, transparencies and consistency objectives related to fair value measurements.

Our Financial Reporting team can work with boards, market participants, lenders and brokers to assess the veracity of investor assumptions, determine whether analyses have been conducted in accordance with accepted standards and client requirements, assist in designing or improving the effectiveness of existing valuation policies and procedures, and ascertain which assets require assurance vs. appraisal reports.





## Long-Lived Asset Impairment Testing

An asset impairment arises when the fair value of an asset suddenly drops below its recorded or carrying cost. Many factors can lead to the impairment of an asset, such as a change in the asset's physical condition, shifting economic or legal factors, or the softening of the marketplace.

FASB (ASC 360, *Property, Plant & Equipment*) comprises a two-step impairment test. Step 1, the recoverability test, is when the carrying amount of an asset is not recoverable from the sum of the undiscounted cash flows expected to result from the use and disposal of the asset. Step 2, the measuring of impairment, assesses the amount by which the carrying value exceeds the fair value.

Our Financial Reporting team can accurately and efficiently assist with qualitative and quantitative analysis to assist in the assessment of the recoverability and fair value of long-lived assets, including property, plant and equipment.



## Fresh Start Accounting

FASB (ASC 852, *Reorganizations*; formerly SOP 90-7) requires that the balance sheet of a company emerging from Chapter 11 bankruptcy must be stated to fair value. Management must execute the equivalent of a year-end close upon emergence, account for restructuring of legal entities, adopt FASB or IASB requirements and establish the opening balance sheet of the successor organization.

Emerging from bankruptcy is one of the most complex and demanding accounting challenges an organization may face and imposes considerable demands on an organization's management team. The depth and breadth of our global platform provides on-the-ground valuation expertise across all industries and geographies to assist companies of every kind as they emerge from Chapter 11 bankruptcy.



## Lease Valuation (ASC 842/IFRS 16)

New lease accounting standards, FASB (ASC 842, *Leases*), announced in February 2016, and IASB (IFRS 16, *Leases*), announced in January 2016, represent some of the most significant changes in lease accounting in decades. ASC 842 requires entities to report most operating leases on-balance sheet and recognize a Right of Use asset and liability equal to the present value of the rent over the lease term, exclusive of those with terms of less than 12 months.

Sale-leasebacks are unique transactions that require substantial control tests. Newmark Knight Frank V&A Financial Reporting can help clients navigate the aspects of sale-leasebacks to determine how the lease agreement is recognized by the lessee and lessor. Our experts assist companies in assessing their current lease process, including identification of all leases and their current status. Whether classified as an operating or finance lease, our team will provide an end-to-end solution for lease accounting.





## Debt and Loan Valuation

Debt and loan valuation requires a comprehensive fair value that incorporates reasonable and stipulated assumptions to produce an independent fair value associated with the debt portfolio. This service requires a market value estimate of the underlying collateral as well as the determination of a yield that is supported by current lending standards, new loan statistics and CMBS spreads.

Debt and loan valuation may be required in conjunction with FASB or IASB guidelines, periodic mark-to-market practices or for internal monitoring purposes. Our team is able to tap into capital markets knowledge within Newmark Knight Frank's capital markets practice, Cantor Fitzgerald, CCRE and Berkeley Point, in order to present real-time data with respect to lending activity for all property types.

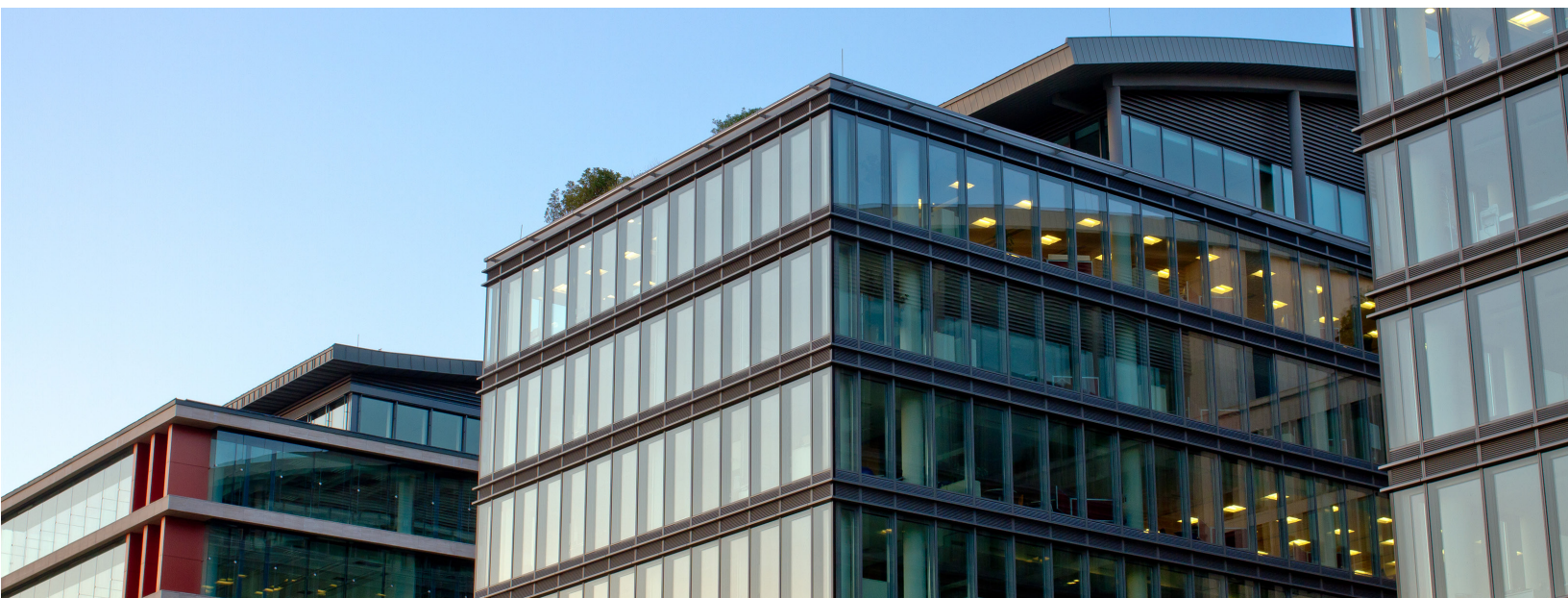


## Partial or Fractional Interest Valuations

Partial interests occur when valuing either a property that has lost some level of ownership rights or an ownership right that is lost. They can be created economically, legally, physically or financially by events such as leased fee and/or leasehold; life estates; easements; and air, water or riparian rights.

Fractional interests are undivided interests typically held in joint ventures, partnerships, syndications, corporations and other legal entities to provide for orderly operation of the property. Two factors to be considered in the valuation of a fractional interest of real estate are the relative lack of control due to the interest held, and the relative lack of marketability compared with ownership of an entirety.

Partial or fractional interest valuation services may be required to assist in a variety of estate tax planning issues and for support in mergers and acquisitions, litigation and disputes. Newmark Knight Frank V&A Financial Reporting can value partial or fractional interests effectively based on our extensive real estate experience and knowledge related to control premiums and discounts for lack of control and marketability.







## Machinery & Equipment

Newmark Knight Frank V&A's Machinery & Equipment group is a team of highly experienced industry appraisers who possess more than 15 years of experience valuing machinery and equipment for both domestic and international entities. Our talented professionals have expertise in a vast array of industries including consumer and industrial products, printing, pharmaceutical manufacturing, telecommunications, energy and natural resources, automotive, food and beverage processing, retail, hospitality and healthcare.

By performing complete and reliable valuations of machinery and equipment assets, we are able to:

- provide assistance with pre-deal due diligence and robust opening balance sheet values, allowing for proper compliance reporting and more accurate future accounting;
- assist clients with their insurance underwriting requirements;
- support clients with internal decisions for possible transactions, asset transfers, restructuring or potential financing transactions; and
- provide support for reduced property tax assessments, thus possibly lowering tax liabilities.

The Machinery & Equipment team is equipped with proficient field experience, extensive industry knowledge and analytical modelling skills to ensure delivery of robust and timely deliverables. Our team's capabilities extend beyond financial reporting to providing appraisals for transaction consideration, insurance requirements, financing and loan collateral support, asset disposition and liquidation analysis, property and transfer tax support, internal planning, fixed asset inventory and management, and litigation support.

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# AN INTEGRATED REAL ESTATE PLATFORM

Newmark Knight Frank Valuation & Advisory is a leading industry innovator, comprising an extensive team of the most trusted and recognized names in the valuation sector. Headquartered in New York and Houston, Newmark Knight Frank's V&A professionals serve clients from more than 60 offices throughout the Americas. Our valuation and advisory practice is supported by Newmark Knight Frank's industry-leading offerings including research, leasing, corporate advisory services, capital markets, consulting, project and development management, and property and corporate facilities management services—allowing us to add significant value for clients that goes beyond mere reporting.

## NKF VALUATION & ADVISORY OFFICE LOCATIONS

### NEW YORK HQ

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New York, NY 10017  
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### HOUSTON HQ

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Houston, TX 77056  
713.300.7975

### ALABAMA

Birmingham

### ARIZONA

Phoenix

### ARKANSAS

Fayetteville  
Little Rock

### CALIFORNIA

El Segundo  
Irvine  
Los Angeles  
Newport Beach  
Pasadena  
Roseville  
Sacramento  
San Francisco  
San Jose  
San Mateo  
Walnut Creek

### COLORADO

Denver

### CONNECTICUT

Stamford

### DELAWARE

Wilmington

### FLORIDA

Boca Raton  
Jupiter  
Miami  
Palm Beach  
Tampa

### GEORGIA

Atlanta

### ILLINOIS

Chicago

### INDIANA

Indianapolis

### KENTUCKY

Louisville

### LOUISIANA

New Orleans

### MARYLAND

Baltimore  
Salisbury

### MASSACHUSETTS

Boston

### MICHIGAN

Detroit

### MINNESOTA

Minneapolis

### MISSOURI

Kansas City  
St. Louis

### NEVADA

Las Vegas  
Reno

### NEW JERSEY

Marlton  
Rutherford  
Whippany

### NEW YORK

Buffalo/Amherst  
New York

### NORTH CAROLINA

Charlotte

### OHIO

Cincinnati  
Cleveland  
Columbus

### OKLAHOMA

Oklahoma City

### OREGON

Portland/Lake Oswego

### PENNSYLVANIA

Allentown  
Philadelphia  
Pittsburgh

### TEXAS

Austin  
Dallas  
Houston

### UTAH

Salt Lake City

### VIRGINIA

Tysons Corner

### WASHINGTON

Seattle

### WASHINGTON, D.C.

### WISCONSIN

Milwaukee

### CANADA

Calgary  
Edmonton  
Toronto

### MEXICO

Mexico City

### BRAZIL

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