

NEW RISK ALERT: (TWTR)

Twitter Stashes Another \$27 Million in Debt Off-Balance Sheet

Social media platform's off-balance sheet liabilities now top a half billion dollars.

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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language underperform those that don't by 30-50 basis points per month for the following year.

Twitter Adds \$27.6 Million to Its Off-Balance Sheet Liabilities

Ninety days ago we [detailed](#) Twitter's use of an accounting loophole that allows the company to exclude more than \$500 million in operating leases from its balance sheet. In its latest [10-Q](#), Twitter revealed it's adding to the "not yet commenced" operating leases it keeps off-balance sheet:

Year Ending December 31,	Operating Leases	Sublease Income
Remainder of 2021	\$ 54,407	\$ (2,833)
2022	279,750	(3,888)
2023	236,335	(2,616)
2024	235,587	(1,629)
2025	230,852	(120)
Thereafter	895,980	=
Total future lease payments (receipts)	1,932,911	\$ (11,086)
Less: leases not yet commenced	(576,997)	
Less: imputed interest	(156,849)	
Total operating lease liabilities	\$ 1,199,065	
Reconciliation of operating lease liabilities as shown in the consolidated balance sheets		
Operating lease liabilities, short-term	\$ 218,301	
Operating lease liabilities, long-term	980,764	
Total operating lease liabilities	\$ 1,199,065	

The \$576.9 million in "not yet commenced" leases is up \$27.6 million from \$549.3 million last quarter. Excluding "not yet commenced" leases from the balance sheet is an accounting loophole Twitter and others are using to hide billions of dollars of liabilities from investors:

- [Best Buy is Hiding \\$756 Million In Liabilities Off-Balance Sheet](#)
- [Salesforce is Hiding \\$1.4 Billion in Debt Off-Balance Sheet](#)
- [Bed Bath & Beyond's Hidden Liabilities Now Top \\$200 Million](#)

Under the loophole, companies can omit leases from the balance sheet that haven't started as well as corporate offices under construction or build-to-suit arrangements. It's seemingly inconsistent with FASB's guidance on the topic which states if a lease is legally binding— as Accenture acknowledges— Topic 842 ([ASU 2016-02](#)) makes clear it must be accounted for on the balance sheet:

“A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability)...”