



IMPLEMENTING GASB STATEMENT NO. 96, SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAS)

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Rock Valley College

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GASB S-96, SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Agenda

GASB S-96 Technical Overview

GASB S-96 Implementation Example

Presenters

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GASB S-96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

- **What:** GASB issued S-96 to provide guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs)
- **Why:**
 - Lack of existing guidance
 - Conflict with GASB S-87 on Leases
- **When:** Effective date is periods beginning after June 15, 2022 (FYE June 30, 2023, and thereafter). GASB Statement No 95 did not defer the implementation date of GASB S-96



GASB S-96 DEFINITION

- A subscription-based information technology arrangement (SBITA) is a
 - Contract that conveys control of the right to use another party's IT software
 - Alone or with tangible capital assets (e.g., hardware)
 - In an exchange or exchange-like transaction
- Right to use the underlying IT asset means the government can
 - Obtain the present service capacity from the use of the underlying IT asset
 - Determine the nature and manner of use of the underlying IT assets
- SBITAs exclude contracts that solely provide IT support services
- SBITAs include contracts that contain both a right to use asset and an IT support services component

GASB S-96 EXCLUSIONS

- GASB S-96 does not apply to the following:
 - Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in Statement No. 87, ***Leases***,
 - Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs
 - Contracts that meet the definition of a public-private and public-public partnership in paragraph 5 of Statement No. 94, ***Public-Private and Public-Public Partnerships and Availability Payment Arrangements***
 - Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software, which are subject to Statement No. 51, ***Accounting and Financial Reporting for Intangible Assets***, as amended.

GASB S-96 SUBSCRIPTION TERM

- The subscription term is the period during which the government has a noncancelable right to use the underlying IT assets
 - An option to extend should be included if it is reasonably certain that the option will be exercised
 - Periods covered by a government's option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that the government will **not** exercise that option
 - Periods covered by a SBITA vendor's option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor will exercise that option
 - Periods covered by a SBITA vendor's option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor will **not** exercise that option
- For a SBITA that has cancellable periods, such as a rolling month-to-month SBITA or a year-to-year SBITA, the maximum possible term of that SBITA is the noncancelable period, including any notice period

GASB S-96 **SHORT-TERM SBITAS**

- A short-term SBITA is a SBITA that, at the commencement of the subscription term, has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised
 - Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties must agree to extend) are cancellable periods and should be excluded from the maximum possible term.
- Short-term SBITA recognize an outflow of resources based on the payment provision of the contract
 - No intangible asset or subscription liability are recognized

GASB S-96 **RECOGNITION AND MEASUREMENT**

Accrual basis/economic resources

- Recognize a subscription liability and an intangible right-to-use asset at the commencement of the subscription term
- The subscription liability should be measured at the present value of subscription payments expected to be made during the subscription term. Measurement of the subscription liability should include the following, if required by a SBITA
 - Fixed payments
 - Variable payments that depend on an index or rate
 - Variable payments that are fixed in-substance
 - Any subscription contract incentives receivable from the SBITA vendor
 - Any other payments to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on an assessment of all relevant factors
- The liability should be discounted using the interest rate that the vendor charges the government

GASB S-96 **RECOGNITION AND MEASUREMENT**

Accrual basis/economic resources

- The intangible right-to-use subscription asset should be measured at the commencement of the subscription term as the sum of:
 - The initial measurement of the subscription liability
 - Payments associated with the SBITA made to the vendor at the commencement of the subscription payments term, if any
 - Capitalizable initial implementation costs
- The subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets
 - The amortization of the subscription asset should be reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes
 - Amortization should begin at the commencement of the subscription term

CAPITALIZABLE COSTS **GASB S-96 SBITA**

Stage	Related Activities	Capitalize?
Preliminary project stage	<ol style="list-style-type: none"> 1. Conceptual formulation and evaluation of alternatives 2. Determination of the existence of needed technology 3. Final selection of alternatives for development 	No
Application development stage	<ol style="list-style-type: none"> 1. Design of the chosen path 2. Coding 3. Installation to hardware 4. Data conversion 	Yes, but only if incurred after completion of the preliminary project stage
Operation and additional implementation	<ol style="list-style-type: none"> 1. Application training 2. Troubleshooting 3. Data conversion beyond what is necessary to make the software operational 4. Software maintenance 	No

GASB S-96 **DISCLOSURES**

- A general description of its SBITAs, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined
- The total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets
- The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability
- The amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability
- Principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter

GASB S-96 IDENTIFYING POTENTIAL AGREEMENTS

- Make friends with your IT department
 - Work with IT department to perform a survey/search of all systems being used
 - Have them share all contracts – not just ones that IT thinks are relevant
- Review GL history for relevant expense accounts
- Review invoices and contracts
- Organize the potential contracts and identify:
 - Vendor Name
 - Product
 - Start date
 - Term
 - Renewals
 - Options to extend/terminate
 - Amount
 - Annual increases

GASB S-96 **EXAMPLE AGREEMENT TYPES**

- ERP System
- CRM
- Learning Management Systems
- Budgeting/Financial Reporting
- Curriculum Software
- Disability Support Services Software
- Marketing Software Applications

GASB S-96 **EXCLUSIONS (EXAMPLE)**

- Agreement #1
 - The agreement is broken into 3 components: The software license , hosting of said software, and annual maintenance/support services.
 - Software is a perpetual license (specifically excluded by paragraph 4d, covered by GASB S-51)
 - The hosting component allows the government to utilize the hardware , thus falling under GASB S-87 as opposed to GASB S-96 - this lease may be terminated at any time and would require assessment as to whether this could fall under the short-term exclusion
 - Maintenance/support is specifically excluded by paragraph 8 (can be separated)
- Agreement #2
 - Outright purchase of equipment
 - Tracking/Reporting Software is month-to-month

IMPLEMENTING **GASB S-96:**

- **Example:** Class Scheduling System/Software
 - Understanding the SBITA Terms
 - Implementation Date
 - Length of Contract
 - Renewal Options
 - One-Time Fees (Upfront costs)
 - Annual Fees
 - Incentives
 - Other Terms

IMPLEMENTING GASB S-96 (CONTINUED)

- **Example:** Class Scheduling System/Software

Criteria to Evaluate	Contract Terms
Implementation Date (Comparative Reporting)	July 1, 2021
Implementation Date (Non-comparative Reporting)	July 1, 2022
Contract Terms	July 1, 2020 – June 30, 2025 (5 years)
Remaining Term at Implementation Date	July 1, 2021 – June 30, 2025 (4 years)

GASB 96, Paragraph 9:

Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the subscription term.

IMPLEMENTING GASB S-96 (CONTINUED)

- **SBITA Example:** Class Scheduling System/Software
- **Cost Breakdown:**

Criteria to Evaluate	Contract Terms
One-Time Fees (Upfront costs)	Implementation: \$10,000 (Note, these were paid in 2020 at the time the contract was entered into)
Annual Subscription Fee	\$100,000

IMPLEMENTING GASB S-96 (CONTINUED)

		SBITA LIABILITY							RTU ASSET			
	Payment date	Period End	Beginning Balance	Liability Accretion / Interest	Recurring Payment	Manual payment schedule	Ending Balance	Accrued interest	Beginning Balance	RTU Reduction	Ending Balance	
	Cumulative effect upon adoption	7/1/2021	7/31/2021				(384,653.39)				384,653.39	
1		7/1/2021	7/31/2021	(384,653.39)	(626.24)	100,000.00	100,000.00	(284,653.39)	(626.24)	384,653.39	(8,013.61)	376,639.78
2		8/1/2021	8/31/2021	(284,653.39)	(627.62)	-	(284,653.39)	(1,253.85)	376,639.78	(8,013.61)	368,626.17	
3		9/1/2021	9/30/2021	(284,653.39)	(629.00)	-	(284,653.39)	(1,882.85)	368,626.17	(8,013.61)	360,612.55	
4		10/1/2021	10/31/2021	(284,653.39)	(630.38)	-	(284,653.39)	(2,513.23)	360,612.55	(8,013.61)	352,598.94	
5		11/1/2021	11/30/2021	(284,653.39)	(631.77)	-	(284,653.39)	(3,144.99)	352,598.94	(8,013.61)	344,585.33	
6		12/1/2021	12/31/2021	(284,653.39)	(633.16)	-	(284,653.39)	(3,778.15)	344,585.33	(8,013.61)	336,571.72	
7		1/1/2022	1/31/2022	(284,653.39)	(634.55)	-	(284,653.39)	(4,412.70)	336,571.72	(8,013.61)	328,558.10	
8		2/1/2022	2/28/2022	(284,653.39)	(635.95)	-	(284,653.39)	(5,048.65)	328,558.10	(8,013.61)	320,544.49	
9		3/1/2022	3/31/2022	(284,653.39)	(637.34)	-	(284,653.39)	(5,685.99)	320,544.49	(8,013.61)	312,530.88	
10		4/1/2022	4/30/2022	(284,653.39)	(638.75)	-	(284,653.39)	(6,324.74)	312,530.88	(8,013.61)	304,517.27	
11		5/1/2022	5/31/2022	(284,653.39)	(640.15)	-	(284,653.39)	(6,964.89)	304,517.27	(8,013.61)	296,503.66	
12		6/1/2022	6/30/2022	(284,653.39)	(641.56)	-	(284,653.39)	(7,606.45)	296,503.66	(8,013.61)	288,490.04	
13		7/1/2022	7/31/2022	(284,653.39)	(422.97)	100,000.00	100,000.00	(192,259.84)	(422.97)	288,490.04	(8,013.61)	280,476.43
14		8/1/2022	8/31/2022	(192,259.84)	(423.90)	-	(192,259.84)	(846.87)	280,476.43	(8,013.61)	272,462.82	
15		9/1/2022	9/30/2022	(192,259.84)	(424.83)	-	(192,259.84)	(1,271.71)	272,462.82	(8,013.61)	264,449.21	
16		10/1/2022	10/31/2022	(192,259.84)	(425.77)	-	(192,259.84)	(1,697.48)	264,449.21	(8,013.61)	256,435.59	
17		11/1/2022	11/30/2022	(192,259.84)	(426.71)	-	(192,259.84)	(2,124.18)	256,435.59	(8,013.61)	248,421.98	
18		12/1/2022	12/31/2022	(192,259.84)	(427.64)	-	(192,259.84)	(2,551.83)	248,421.98	(8,013.61)	240,408.37	
19		1/1/2023	1/31/2023	(192,259.84)	(428.59)	-	(192,259.84)	(2,980.41)	240,408.37	(8,013.61)	232,394.76	
20		2/1/2023	2/28/2023	(192,259.84)	(429.53)	-	(192,259.84)	(3,409.94)	232,394.76	(8,013.61)	224,381.14	
21		3/1/2023	3/31/2023	(192,259.84)	(430.47)	-	(192,259.84)	(3,840.42)	224,381.14	(8,013.61)	216,367.53	
22		4/1/2023	4/30/2023	(192,259.84)	(431.42)	-	(192,259.84)	(4,271.84)	216,367.53	(8,013.61)	208,353.92	
23		5/1/2023	5/31/2023	(192,259.84)	(432.37)	-	(192,259.84)	(4,704.21)	208,353.92	(8,013.61)	200,340.31	
24		6/1/2023	6/30/2023	(192,259.84)	(433.32)	-	(192,259.84)	(5,137.53)	200,340.31	(8,013.61)	192,326.70	

IMPLEMENTING GASB S-96 (CONTINUED)

- Journal Entries: Implementation Year: July 1, 2022 – June 30, 2023

1. Establish change in accounting principle for RTU SBITA and SBITA Liability (to be posted within your accounting system)			
Intangible SBITA Asset	384,653		GFAAG-08
Accumulated Amortization		96,163	GFAAG-08
Net Position		288,490	GFAAG-08
Net Position	284,653		GLTDAG-09
SBITA Liability		284,653	GLTDAG-09

For those with comparative reporting:
 Change in accounting principle restatement will likely result in a small adjustment to opening net position

IMPLEMENTING GASB S-96 (CONTINUED)

- Journal Entries: Implementation Year: July 1, 2022 – June 30, 2023

1. To Record SBITA activity for the fiscal year ending June 30, 2023 within Fund 08 & Fund 09			
Amortization Expense	96,163		GFAAG-08
Accumulated Amortization		96,163	GFAAG-08
SBITA Liability	92,393		GLTDAG-09
SBITA Liability		92,393	GLTDAG-09

IMPLEMENTING GASB S-96 (CONTINUED)

- Journal Entries: Implementation Year: July 1, 2022 – June 30, 2023

1. Recording SBITA principal and interest activity in the fund making the subscription payment (Education Fund)			
SBITA Principal Expenditure	92,393		Fund 01
SBITA Interest Expenditure	7,607		Fund 01
Cash		100,000	Fund 01

IMPLEMENTING GASB S-96 (CONTINUED)

Note Disclosure

As of May 21, 2020, the College entered into a subscription-based information technology arrangement (SBITA) with a vendor for its class scheduling system. The system went live July 1, 2020 and is discounted at a rate of 2.64%. For the years ended June 30, 2023 and 2022, the College reported a corresponding SBITA liability in the amount of \$192,260 and \$284,653, respectively. For the years ended June 30, 2023 and 2022, there was a principal reduction of \$92,393 and \$100,000, respectively. As of June 30, 2023 and 2022, the net SBITA right-to-use intangible asset was reported in the amount of \$192,327 and \$288,490, respectively.

IMPLEMENTING GASB S-96 (CONTINUED)

Note Disclosure

Maturity of SBITA liabilities

	Payment	Principal	Interest
2024	\$ 100,000.00	\$ 94,862.47	\$ 5,137.53
2025	100,000.00	97,397.37	2,602.63
Total future undiscounted SBITA payments	\$ 200,000.00	\$ 192,259.84	\$ 7,740.16

QUESTIONS

Questions? Contact Us!	
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