LEASEERUNCH

GASB 96 Roadmap to Compliance November 2023

About LeaseCrunch

Who We Are

LeaseCrunch, the fastest and easiest lease accounting software on the market, is a comprehensive, cloud-based solution.

What We Do

LeaseCrunch helps organizations implement the new lease accounting standards ASC 842, IFRS 16, GASB 87 and GASB 96.

Designed By

CPAs Former Big 4 auditors Former FASB staff Accounting academics



2,000+ GASB Clients





Agenda

- GASB 96 Overview
- Determine which parts of subscription-based costs should be capitalized
- Disclosure Requirements
- Plan for GASB 96 implementation
- How to Enter SBITA into the software



New Standard Effective Dates

GASB 87 - Leases Fiscal years starting after 6/15/21

GASB 96 - SBITAs

Fiscal years starting after 6/15/22

Implement for Fiscal Years Ending

l Years inning June 15, 022	June 30	September 30	December 31	March 31	
	2023	2023	2023	2024	

GASB 96 Overview

GASB 96 Overview

What does GASB 96 accomplish?

- GASB 96 establishes a definition for Subscription Based Information Technology Arrangements
- Provides uniform guidance for accounting and financial reporting for transactions that meet the definition
- Greater consistency in practice
- Establishes capitalization criteria for implementation costs
- Enhances relevance and reliability of a government's financial statements
- Disclosures tell users the scale and importance of SBITA activities for a government

SBITA Defined

Subscription-Based Information Technology Arrangements

- Contract that conveys **control** of the **right to use** another party's **IT software**, alone or in combination with tangible capital assets, as specified in the contract, for a **period of time** in an **exchange or exchange-like transaction**.
- **Types of SBITAs:** Software as a Service (SaaS), Platforms as a Service (PaaS) and Infrastructure as a Service (IaaS)
- **Examples:** Canvas, Skyward, Dropbox, OneDrive, Google, Zoom, ERP systems, PeopleSoft, GET Mobile, LeaseCrunch.
- SBITAs include contracts that meet the definition above, even if they are called something different.

SBITA Defined

Control

- To have control, the government must have both:
 - Right to obtain the present service capacity from use of the underlying IT assets as specified in the contract.
 - The right to determine the nature and manner of use of the underlying IT assets as specified in the contract.

Period of Time

• This is the term that the government has a noncancellable right to use the underlying IT assets

Exchange or Exchange-like transaction

• An exchange or exchange-like transaction is one that occurs in an orderly fashion.

SBITA Term

Subscription Term

- Period in which a government has a **noncancellable** right to use the underlying IT assets plus:
 - Government's option to extend if it is reasonably certain
 - Government's option to terminate if it is reasonably certain it *will not* exercise
 - SBITA vendor's option to extend if it is reasonably certain
 - SBITA vendor's option to terminate if it is reasonably certain it *will not* exercise
- Periods where the government and SIBTA vendor have an option to terminate without permission from the other party are cancellable and are excluded from the term.

SBITA Term

Subscription Term

- Fiscal funding or cancellation clause
- Rolling Monthly SBITA
- At commencement, access all relevant factors
 - Contract based
 - Underlying IT Asset based
 - Market based
 - Government Specific
 - Economic incentive

SBITA Term

Short-Term SBITAs

- Maximum possible term of 12 months or less
- Cancellable periods excluded
- If not in scope for GASB 96, recognized as outflows of resources
- If payments are made in advance record SBITA Asset
- If payments are made after reporting period record SBITA Liability

SBITA Exclusions

- No such thing as Lessor accounting for GASB 96
- Perpetual contracts
- Cancellable terms
- Cloud-based storage may not always be SBITA (Pay attention to Control)
- Does not apply when the IT software component is insignificant when compared to the costs of the tangible capital asset.
- Tangible Assets that fit the definition of a lease (GASB 87)
- Contracts that meet the PPP definition (GASB 94)
- SBITAs below materiality threshold
- Contracts specifically for IT Support Services

Components

Components

- Contracts containing multiple components
- Allocate the contract price to the different components using stand alone prices
- If the contract does not include prices for individual components or if the prices appear to be unreasonable use professional judgment to determine best estimate
- If not practicable to determine a best estimate, account for all the components as a single SBITA

SBITA Stages of Implementation

Stages of Implementation

- Preliminary Project Stage: Includes conceptual formulation and evaluation of alternatives, determination of existence of needed technology and final selection of alternatives (Expense as incurred)
- Initial Implementation Stage: Ancillary charges related to configuration, coding, testing and installation of chosen subscription asset. This stage is completed when the subscription asset is placed into service. (Capitalized as part of the Subscription Asset)
- Operation and Additional Implementation Stage: This stage includes maintenance, troubleshooting and other activities associated with the government's ongoing access to the IT assets. (Expense as incurred)
 - Increase in functionality or efficiency of the subscription asset. (Capitalized as addition to Subscription Asset)
- Training Costs: Expensed as incurred.



How many GASB 96 arrangements do you expect to have?

- A. 1-10
- B. 11-50
- C. 51-100
- D. 101-250
- E. 250+

Subscription Liability

• Present value of payments expected to be made during the subscription term

Discount Rate

- The rate the SBITA vendor charges the government, which may be implicit.
- If not implicit or readily determined, use the government's estimated incremental borrowing rate.

Payments

- Fixed Payments
- Variable payments that depend on an index or rate, measured using the index or rate as of the commencement of the term
- Variable payments that are fixed in substance
- Payments for penalties for terminating the SBITA if government expects to execute an option to terminate or a fiscal funding or cancellation clause
- Subscription contract incentives receivable from the SBITA vendor
- Other Payments to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required



Subscription Asset

Subscription Liability

- + Payments made at or before commencement
- + Capitalizable Initial Implementation Costs
 - Incentives Received from SBITA Vendor
 - Subscription Asset

Subsequent Measurement

Subsequent Measurement

After Initial Recording

- Amortize the asset in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.
- This amortization is recorded as an outflow of resources
- Record interest on remaining liability
- Record short and long term liability adjustments to account for the liability due in the next 12 months.

Modifications & Terminations

Includes amendments and partial terminations

Footnote Disclosure Requirements

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Include the following information about SBITAs

- General Description of SBITAs
- Basis, terms and conditions on which variable payments not included are measured
- Total amount of subscription assets and related accumulated amortization, disclosed **separately from other capital assets**

Footnote Disclosure Requirements

Include the following information about SBITAs

- Amount of Outflows of Resources recognized in the reporting period for variable payments not included in Subscription Liability
- Termination penalties not included in 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
- Commitments under SBITAs before the commencement of the subscription term
- Components of any loss associated with an impairment.
- For FY23 only, include balance restatement details

Footnote Disclosure Example

GASB Footnote						
	Year Ending					
Lease expense	2023-06					
Amortization expense by class of underlying asset						
SBITA	278,225.46					
Total amortization expense	278,225.46					
Interest on lease liabilities	34,489.11					
Variable lease expense	0.00					
Total	312,714.57					
Lease Assets	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Withi One Year
SBITA	424,234.64	499,270.78	0.00	0.00	923,505.42	
	424,234.64	499,270.78	0.00	0.00	923,505.42	
Less: Accumulated Amortization						
SBITA	0.00	(278,225.46)		0.00	(278,225.46)	
	0.00	(278,225.46)	0.00	0.00	(278,225.46)	
Total Lease Assets, net	424,234.64	221,045.32	0.00	0.00	645,279.96	
Lease Liabilities	424,234.64	485,782.78	0.00	(266,651.86)	643,365.56	301,421.7
Maturity Analysis	Principal	Interest	Total Payments			
Year Ending 2024-06	301,421.75	31,289.25	332,711.00			
Year Ending 2025-06	290,622.87	14,688.13	305,311.00			
Year Ending 2026-06	51,320.94	1,506.06	52,827.00			
Year Ending 2027-06	0.00	0.00	0.00			
Year Ending 2028-06	0.00	0.00	0.00			
Total Future Payments	643,365.56	47,483.44	690,849.00			

SBITA Organization and Data Review

- Start now!
- Educate the departments involved EARLY!
 - Accounting, Internal Audit, Treasure/Finance, IT, Legal, Purchasing and more!
- Identify all contracts
- Evaluate each agreement and extract data
- Identify capitalizable implementation costs

Planning for Implementation

- Centralize the processing for the agreements
- Enlist the CTO or similar people to help understand the complex contracts
- What did you learn from GASB 87?

What software subscriptions might you have? Plan Ahead!



Data Entry

- Budget for and select software
 - Implementation Costs
- Create new GL Accounts
- Data Entry
- Report Creation

Tips for Implementation – Transition

- Use the facts and circumstances that existed at the beginning of the fiscal year.
 - Measure using the remaining subscription term and discount rate as of the beginning of the fiscal year
- Implementation costs of transition subscriptions is allowed to be included in the initial Subscription Asset but not required to be capitalized
- Restatement of prior periods If practicable

LeaseCrunch Software How to enter a SBITA



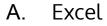
Request a Demo leasecrunch.com/request-a-demo

Thanks for joining us!



Question 1

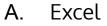
What platform did you use for GASB 87 implementation?



- B. Software through our CPA Firm
- C. Software on our own
- D. We didn't have leases!
- E. Other

Question 2

What platform will you use for GASB 96 implementation?



- B. Software through our CPA Firm
- C. Software on our own
- D. Not Sure Yet!