



# LEASE@RUNCH

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

22,000+ Companies



600+ CPA Firms



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          |         |              |             |          |
|--|---------|--------------|-------------|----------|
| Fiscal Years Beginning After June 15, 2022 | 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

A photograph of two people in business attire shaking hands, overlaid with a semi-transparent blue filter. The image is decorated with orange concentric circles in the corners. The word "Components" is centered in white text.

# 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

A blue-tinted photograph of two business people shaking hands. The image is overlaid with a semi-transparent blue filter. In the top right and bottom left corners, there are decorative orange concentric circles of varying sizes. The text 'SBITA Stages of Implementation' is centered in white, bold font.

# 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+

A blue-tinted photograph of two people shaking hands in a business setting. The image is overlaid with a semi-transparent blue filter. In the top right and bottom left corners, there are decorative orange concentric circles of varying radii. The text 'Initial Measurement' is centered in white, bold font.

# Initial Measurement



# Initial Measurement

## 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.



# Initial Measurement

## 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



# Initial Measurement

## Subscription Asset

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

A blue-tinted photograph of two business people shaking hands. The image is overlaid with a semi-transparent blue filter. In the top right and bottom left corners, there are decorative orange concentric circles of varying radii. The text 'Subsequent Measurement' is centered in white, bold font.

# 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





# Footnote Disclosure Requirements

## 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              |                   |   |                     |                    |                                    |
|   | 2023-06                  |                   |   |                     |                    |                                    |
| <b>Lease expense</b>                              |                          |                   |   |                     |                    |                                    |
| 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                     |                   |   |                     |                    |                                    |
| <b>Total</b>                                      | <b>312,714.57</b>        |                   |   |                     |                    |                                    |
|   |                          |                   |   |                     |                    |                                    |
|   |                          |                   |   |                     |                    |                                    |
| <b>Lease Assets</b>                               | <b>Beginning of Year</b> | <b>Additions</b>  | <b>Modifications &amp; Remeasurements</b> | <b>Subtractions</b> | <b>End of Year</b> | <b>Amounts Due Within One Year</b> |
| 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         |                                    |
| <b>Less: Accumulated Amortization</b>             |                          |                   |   |                     |                    |                                    |
| SBITA   | 0.00                     | (278,225.46)      |   | 0.00                | (278,225.46)       |                                    |
|   | 0.00                     | (278,225.46)      | 0.00                                      | 0.00                | (278,225.46)       |                                    |
| <b>Total Lease Assets, net</b>                    | <b>424,234.64</b>        | <b>221,045.32</b> | <b>0.00</b>                               | <b>0.00</b>         | <b>645,279.96</b>  |                                    |
|   |                          |                   |   |                     |                    |                                    |
| <b>Lease Liabilities</b>                          | <b>424,234.64</b>        | <b>485,782.78</b> | <b>0.00</b>                               | <b>(266,651.86)</b> | <b>643,365.56</b>  | <b>301,421.75</b>                  |
|   |                          |                   |   |                     |                    |                                    |
|   |                          |                   |   |                     |                    |                                    |
| <b>Maturity Analysis</b>                          | <b>Principal</b>         | <b>Interest</b>   | <b>Total Payments</b>                     |                     |                    |                                    |
| 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                                      |                     |                    |                                    |
| <b>Total Future Payments</b>                      | <b>643,365.56</b>        | <b>47,483.44</b>  | <b>690,849.00</b>                         |                     |                    |                                    |

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# **GASB 96 Implementation**



# GASB 96 Implementation

## 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



# GASB 96 Implementation

## 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!**



- Financial systems
- Metrics/billing
- Timekeeping/scheduling
- Grid monitoring
- Communications
- Treatment plan
- Maintenance
- Others



# GASB 96 Implementation

## Data Entry

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





# GASB 96 Implementation

## 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



Q&A

Request a Demo

[leasecrunch.com/request-a-demo](https://leasecrunch.com/request-a-demo)

Thanks for joining us!



# What platform did you use for GASB 87 implementation?

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

# What platform will you use for GASB 96 implementation?

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