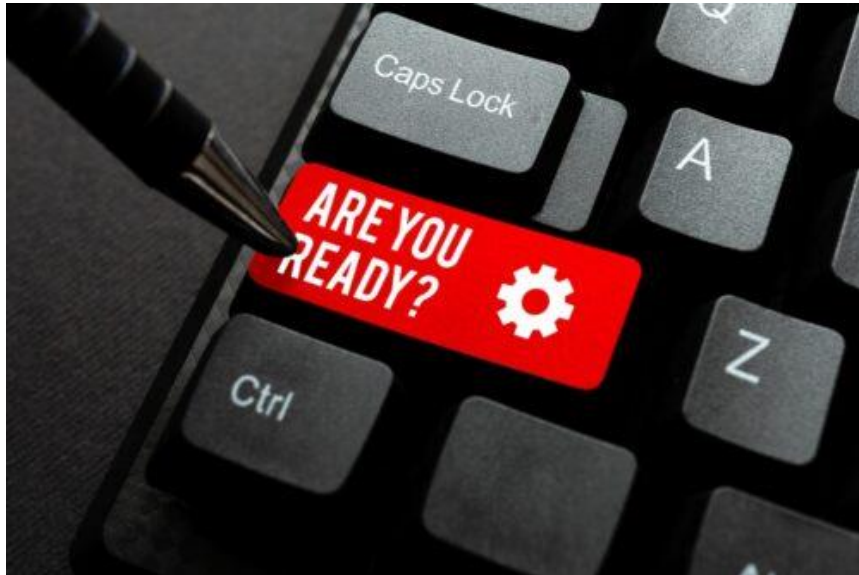


Deja Vu! – GASB 96

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Posted on August 4, 2022



Many are currently working through the implementation of GASB 87, the new lease standard required to be implemented in fiscal year 2022. The net result of the standard is more lease agreements carried on the balance sheet, additional disclosures, and of course a lot of work. Reach out to someone at the firm if you need help implementing the standard.

By the time you have completed GASB 87 implementation, GASB 96 will be waiting for you. GASB 96 is titled Subscription-Based Information Technology Arrangements, or SBITA for short. This standard is required to be implemented in fiscal year 2023. The good news is that GASB 96 methodologies are consistent with GASB 87. It is also consistent with GASB 51, which some may be familiar if you have capitalized software implementation costs in the past.

With the increasing popularity of subscription-based technology in lieu of owned or perpetually licensed software and other technology, GASB felt it necessary to issue this standard to ensure these arrangements are appropriately recognized in the financial statements. So, what is a SBITA? Here is GASB's definition in paragraph 6 of the standard:

SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

For many organizations, this will be cloud-based software that is licensed for a specified period of time. This could include ERP systems, subsidiary systems, food service software, student information systems, transportation software, and the list goes on. Infrastructure as a Service (IaaS) such as cloud-based servers/backups may also be SBITA.

It will be critical to work with your departments, and especially the IT department, in identifying these arrangements. Reviewing the general ledger accounts that would likely contain these types of expenditures, searching board minutes for approved contracts, and searching contracts for key words would be good detection tools.

Once potential SBITA contracts are identified, key components of the agreements will need to be pulled out to determine whether they qualify as SBITA, and if so, how they will be measured. Immaterial SBITAs do not have to be recognized; however, a government must go through the steps in determining the subscription-based asset and liability before a materiality decision can be made. Also, SBITAs determined to be immaterial individually must also be evaluated for materiality in the aggregate.

My recommendation is to start early and keep this new standard in mind when combing through those lease agreements. Inevitably, during the implementation of GASB 87, you will unearth some SBITA contracts. Set them aside for further evaluation or consider implementing the standard early as the process of measurement is akin to leases. In some cases, a contract will have leased hardware accounted for under GASB 87 and a subscription-based software component accounted for under GASB 96. As always, this will not be the last time you hear from us on SBITA. We will be offering trainings and additional tools to help our clients implement this new standard.

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