



GASB-96 Policy

I. Purpose. The purpose of this policy is Coral Community Charter School will follow the Governmental Accounting Standards Board (GASB) guidelines for GASB-96 when classifying Subscription-Based Information Technology Arrangements. GASB-96 establishes a definition for SBITAs and provides uniform guidance for accounting and financial reporting. GASB-96 improves the comparability, relevance, and reliability of financial statements. GASB-96 states that a SBITA is defined as a contract that conveys control of the right to use another party's 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. All Software Contracts meeting GASB-96 criteria must report a liability and an intangible right to use asset as of July 1, 2022. Additionally, essential information about the arrangement must be disclosed on the financial statements.

II. Terminology

- a. "Control of the right to use" – requires both a right to obtain present service capacity from the use of the underlying IT assets and the right to determine the nature and manner of use of the underlying IT assets.
- b. "IT software" – subscription-based information technology arrangements (SBITA) commonly include provisions such as remote access to software applications or cloud data storage and allows for temporary use that ends when the subscription expires.
- c. "Period of time" – the subscription term is the period of time that the government has a noncancellable right to use the underlying IT assets plus any periods that the government or vendor have the option to extend the contract and it is reasonably certain that the option will be exercised.
 - i. Subscription Term includes:
 1. Noncancelable period during which the School has a right to use the underlying asset
 2. Any periods in which either the School or the Vendor have the option to extend the contract, if reasonably certain the option will be exercised by that party.
 3. Any periods in which either the School or the Vendor have the option to terminate the contract, if reasonably certain the option will not be exercised by that party. The assessment of whether an option to extend or terminate the contract will be exercised should occur at the commencement of the contract.
 - ii. Subscription Term excludes:
 1. Cancelable periods: Periods for which either the School or the Vendor have an option to terminate the contract without permission from the other party OR if both parties have to agree to extend.

- d. "Exchange or exchange-like transaction" – both parties to the contract receive or give up essentially equal value or not quite equal value.

III. Exclusions

- a. Standalone IT Support/ Maintenance service contracts that do not include the right to use an underlying IT asset.
- b. Contracts that convey control of right to use IT software and tangible assets that meet the definition of a lease in GASB Statement 87, where the software component is insignificant compared to the cost of the underlying tangible capital asset (for example, a computer with operating software or a smart copier that is connected to an IT system).
- c. Contracts that meet the definition of a public-private and public-public partnership and availability payment arrangements in GASB Statement 94.
- d. Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software, which are subject to GASB Statement 51. A perpetual agreement gives the buyer the right to use the software for an indefinite amount of time (in perpetuity).
- e. Short-term SBITA contracts, under 12 months including exercised renewal periods.
- f. Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs.
- g. The School will have an annual review of the lease to determine if needed and funding available to purchase.
- h. The lease does not renew automatically without a newly signed agreement from the School.
- i. The lease had been paid as a one-time payment for one year.
- j. The School will not continue the lease into the future.
- k. The lease liability would not exist if we did not have any leases to record, such as LeaseCrunch LLC.
- l. The lease liability would not exist without any accounts as the lease would not exist without any accounts.

IV. Determination Criteria

- a. Determine if the software contract is excluded or not. See section above.
- b. Determine the contract length.
- c. Determine the beginning date of the contract after July 1, 2022.
- d. Determine the payment amounts.
- e. Determine the Discount Rate.
- f. Determine if the software contract is significant and should be account for under GASB-96 criteria.
 - i. Subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term.
 - ii. Subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the vendor at the commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the vendor at or before the commencement of the subscription term. Separately identifiable costs for maintenance and service contracts are not included.

V. SBITA Recording

- a. If the contract is determined to be a SBITA then the School will record the lease immediately in LeaseCrunch LLC or other GASB-96 templates that the School uses for reporting following the guidelines below.
 - i. **Components**

(GASB 96: Paragraphs 44-49, B51-B53): the School may elect to account for individual components as a single combined lease component if it is not practicable to determine a best estimate for price allocation for some or all components in the contract.

- a. Components of a contract include only those items or activities that transfer a good or service to the lessee. An example of non-lease components includes a separate perpetual licensing arrangement attached to a subscription-based IT asset.
 - b. The School shall allocate the consideration in the contract (i.e., payments) on a relative standalone price basis to the separate components of the contract. If observable standalone prices are not readily available, the lessee shall estimate the standalone prices, maximizing the use of observable information.
- i. Lease Recording Terms
1. The School will record the asset type as SBITA – GASB-96.
 2. The School will use the effective date of the lease as the start date for GASB-96 recording, which must be after July 1, 2022.
 - a. **Initial Application Date**
 - i. (GASB 96: Paragraph 63, B78-79): the School must apply the Lease Standard to all reporting periods presented, unless it is deemed not practicable. Reasonable efforts should be employed before a government determines that restatement of all prior periods presented is not practicable. In other words, inconvenient should be considered equivalent to not practicable.
 3. The School will record the payment amounts and the end date/terms in full months to reflect the lease asset life that must be after July 1, 2022.
 - a. Taxes will not be recorded for payments in future fiscal years as tax rates are entirely variable.
 4. The ‘Discount Rate’ for the lease will be determined by what the current schedule of IBR’s are according to the New Mexico Department of Finance and Administration.
 - a. <https://www.nmdfa.state.nm.us/financial-control/gasb-87and96-resources/>
 - b. This rate is only determined once when the lease is initially recorded.
- c. The School will not record SBITAs as Prepaid Expenses on auditing templates to avoid duplicate information for financial statements, as that information will be recorded and provided through GASB-96 reports with LeaseCrunch LLC or other GASB-96 templates that the School uses.
- d. All SBITAs financial information are reporting to the Auditors annually to be disclosed on the financial statements.

Adopted by the Governance Council this day of August 8, 2023.