

April 2022 GASB* Update

GASB 96 – Subscription Based IT Arrangements

GASB 87 - Leases

* GASB = Governmental Accounting Standards Board

Team Information

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- Lease focal
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GASB 96 – Subscription Based IT Arrangements (SBITAs)

GASB 96 – Subscription based IT arrangements

Overview

- New trend to use software and/or data storage in the cloud
- In the past limited accounting guidance available
 - Various ways of recording, including expensing or capitalizing
- Systematic, comparable accounting treatment
 - Capitalized



GASB 96 – Subscription based IT arrangements

- **Definition**

- Contract to use third party's software,
 - Alone or in combination with underlying IT assets
 - For a period of time, longer than 12 months
 - In an exchange or exchange like transaction
- Note: SBITAs for a duration of 12 months or shorter are Short-term SBITAs and are expensed

- **When**

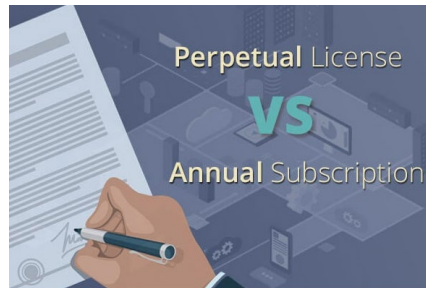
- FY23 – start July 1, 2022

GASB 96 – Subscription based IT arrangements

Perpetual license

- One time fee
- Can use the software after expiration date, but
 - No maintenance
 - No security patches and updates
- Example

PeopleSoft



Subscription based

- Yearly or monthly fee
- Right to use expires after certain amount of time
- After expiration software cannot be used until it is renewed
- Example



GASB 96 – Subscription based IT arrangements

- **Software as a Service (SaaS)**

- Cloud based software system



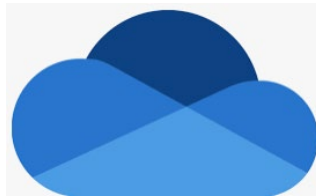
- Cloud based conferencing system



GASB 96 – Subscription based IT arrangements

- **Infrastructure as a Service (IaaS)**

- Cloud-based data storage



- **Platform as a Service (PaaS)**

- Environment for Software Development



GASB 96 – Subscription based IT arrangements

• Immediate Action Items

- Identify significant SBITAs
 - Challenge: UNC has decentralized IT infrastructure
- Use SBITAs accounts
 - 527261 Subscr-based Cloud Software
 - 527262 Subscr-based Cloud Infrastr
- Change the accounting treatment

• How can you help?

- Review software accounts sent out by Financial Reporting
- Update SBITA P.O.s with appropriate SBITAs accounts – see page 64 in [Purchase Requisition Guide](#)
- New SBITA P.O.s should use appropriate SBITAs accounts
- Add requested information to spreadsheet and return to Financial Reporting by May 27th to Pecaut@email.unc.edu
- If P.O.s cannot be updated before May 27th wait until July 1st to update

GASB 96 – Subscription based IT arrangements



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GASB 87 – Leases

GASB 87 – Leases

- **Overview**

- New accounting treatment and disclosure requirements for leases
- In the past, operating leases were expensed as paid (where the University is the lessee) and revenue recorded as received (where the University is the lessor) and thus only reflected on the P&L.
- Now, operating leases will be capitalized, meaning they will be on the P&L and the balance sheet.



GASB 87 – Leases

- **Definition**

- Contract that conveys control of the right to use a nonfinancial asset in an exchange or exchange-like transaction.
- Maximum possible term at commence must be more than 12 months.
- Control requires both of the following:
 - The right to obtain the present service capacity from use of the underlying asset.
 - The right to determine the nature and manner of use of the underlying asset.
- Includes:
 - Subleases.
 - Contracts that are not specifically identified as a lease but meet the definition of a lease.
 - Lease component within a contract containing multiple components (embedded leases).

GASB 87 – Leases

- **What's not a GASB 87 lease**

- Intangible assets
- Biological assets, including timber, plants, and animals
- Inventory
- Service concession arrangements
- Supply contracts, such as power purchase agreements
- Subscription based IT arrangements (SBITAs)

GASB 87 – Leases

- **How the accounting is changing**

- Leases will now be capitalized for financial reporting
 - Leases where University is lessee: expense recognized via interest expense and amortization expense. ROU Asset and Lease Liability on the balance sheet.
 - Leases where University is lessor: revenue recognized via interest revenue and straight-line revenue recognition. Deferred Inflow of Resources and Lease Receivable.

- **Department-level reporting**

- Rent expense will still be reported at a department level. GASB 87 accounting will be reported at a financial report level.

GASB 87 – Leases

- **When**

- FY22

- **How can you help?**

- Please be aware of the new criteria for leases so that new leases or contracts with components that meet the criteria for a lease are identified.
- If a new lease/contract is identified that might be subject to GASB 87, please contact Financial Reporting for further analysis.

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