	POLICY: CMP 146
NAU NORTHERN ARIZONA UNIVERSITY	Section: 100 General
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	Responsible office: Comptroller
	Origination date: 03/01/2023
Subject: Subscription-Based Information Technology Arrangements (SBITA)	Effective date: 07/01/2022
	Revision date:

PURPOSE

To enhance the relevance and consistency of the university's reporting of subscription-based information technology arrangements (SBITA) under GASB statement 96.

SOURCE

University Policy, GAAP, GASB 96

CMP 146: Subscription-Based Information Technology Arrangements (SBITA)

146 –SBITA Reporting

Effective fiscal year 2023 (7/1/22), SBITAs greater than 12 months in duration (SBITA Term) that meet established dollar thresholds (SBITA Thresholds) will require the recognition of a SBITA asset and SBITA liability.

A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor'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 for agreed upon payment terms. SBITA software is typically hosted by the vendor and is not installed on the University's servers on premise. Software purchased through a perpetual license and installed on university servers are treated differently. Software of this nature may be required to be reported under the University's intangible asset policy CMP 140 - Intangible Assets

SBITA Term
The SBITA term includes a non-cancelable term plus:
- Periods covered by the university's option to extend the SBITA agreement if it is reasonably certain, based on all relevant factors, that the university will exercise that option.
- Periods covered by a university's option to terminate the SBITA agreement if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option.
- Periods covered by the SBITA vendor's option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the vendor will exercise that option.
- Periods covered by the SBITA vendor's option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that the vendor will not exercise that option.
- Periods for which both the university and the vendor have an option to terminate SBITA agreement without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the SBITA term.

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Short Term SBITAs
This policy does not apply to short-term SBITAs which are defined as a SBITA that, at the commencement of the SBITA term, has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Excluded SBITAs
- SBITAs combined with the right to use a tangible asset that meets the definition of a Lease under GASB Statement No. 87 (see CMP 145 – Lease Reporting), in which the software component is insignificant compared to the tangible asset.
- Contracts that meet the definition of public-private and public-public partnerships under GASB 94.
- Software licensing arrangements that provide a perpetual license to a vendor's computer software under GASB 51 (see CMP 140 - Intangible Assets).

SBITA Threshold
This policy applies to software SBITAs where the present value of minimum SBITA payments is $1M or more (SBITA liability) over the life of the contract, or where the SBITA asset exceeds $1M.

SBITA Assets
The measurement of the SBITA asset value includes the initial measurement of the SBITA liability, upfront payments to the SBITA vendor, and any initial implementation costs incurred as part of the implementation stage of the SBITA project. Implementation costs generally include activities related to readying the software for its intended use, such as configuration, coding, testing, and security/access control. This includes direct and indirect costs. Direct cost may include payments to consultants and indirect costs typically include the capture of salary/ere for university employees involved in the implementation phase of the project. The initial implementation stage for SBITA asset is completed when the SBITA asset is placed into service.

Data conversion should be considered an activity of the initial implementation stage only to the extent that it is determined to be necessary to place the subscription asset into service. Otherwise, data conversion should be considered an activity of the operational stage of the project.

If a SBITA asset has more than one module and the modules are implemented at different times, the initial implementation is recorded when it is placed into service regardless of whether all remaining modules have been completely. For the remaining modules, all additional implementation activities should be considered for recording as an asset improvement.

SBITA Modifications & Terminations
SBITA modifications and terminations will typically require a re-measuring of the SBITA assets/liability for the university. If the modification results in the addition of a new SBITA asset, as opposed to an addition to an existing asset, it should be treated as a new SBITA asset.

COMPTROLLER POLICY MANUAL

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CMP 146: Responsibilities

Departments:
Departments must follow all NAU Purchasing and ABOR related policies before entering into a SBITA agreement with a vendor. In addition, to ensure that software SBITAs are properly reviewed under this policy, all departmental purchase requests must be entered with an appropriate SBITA item category and account codes.

Departments are responsible for notifying Contracts, Purchasing & Risk Management of the following:
- New SBITA arrangements.
- SBITA contract modifications and terminations.
- Change in assumptions such as likelihood of exercising SBITA renewals or termination options.

Contracts, Purchasing and Risk Management:
Contracting services will oversee SBITA contracts in accordance with applicable policies, rules, and regulations. To the extent possible, SBITA agreements will be negotiated and crafted to help ensure compliance with reporting requirements in this policy. Additional documentation, such as likelihood of exercise of SBITA option, should be maintained as support for SBITA treatment. All SBITA agreements potentially meeting the SBITA thresholds should be communicated to Financial Accounting Services (FAS).

Information Technology Services:
Information Technology Services (ITS) is responsible for evaluating all new software purchases and managing the implementation projects. As part of project management responsibilities, ITS is responsible for providing budget, and direct and indirect cost information to FAS. This includes the tracking of effort (hours worked on the project) for university employees involved in the implementation phase of the project.

Comptroller's Office:
Financial Accounting Services (FAS) is responsible for reviewing applicable SBITA agreements and determining and recording appropriate accounting entries. Based on SBITA terms and additional information provided by departments and Contract Services, calculations will be made to determine whether the SBITA agreement meets the SBITA threshold. All SBITAs will be tracked, and appropriate adjustments will be made for modifications and changes in assumptions.

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CMP 146 Procedure

SBITA Purchase Request Coding and Tracking:

All SBITAs meeting the reporting requirements will be tracked in PeopleSoft Financials with a unique SBITA contract number (provided by FAS). For SBITAs paid through Purchase Order (PO), the SBITA contract number must be entered on the PO. In addition, all POs must use one of the item categories in the table below. Departments paying for SBITAs on a pcard will be required to enter the contract number in the description field and must use one of the account codes in the table below.

Category Cd	Category Desc	Acct Class	Acct Cd	Acct Cd Desc
0064	Software Subscription	730	730205	Software Subscription

CROSS-REFERENCES

- Comptroller Policy [CMP 140 - Intangible Assets]
- Comptroller Policy [CMP 145 – Lease Reporting]