

## Mark Armijo Academy Policy on GASB 96: Subscription-Based Information Technology Arrangements (SBITAs)

### Purpose

The purpose of this policy is to establish guidelines and procedures for the identification, classification, and financial reporting of Subscription-Based Information Technology Arrangements (SBITAs) in accordance with GASB Statement No. 96. This policy ensures that the Charter School's financial statements accurately reflect SBITAs and comply with accounting standards.

### Scope

This policy applies to all personnel involved in the procurement, use, and financial reporting of subscription-based software and cloud-based technology services at Mark Armijo Academy (MAA).

### Definitions

- **SBITA:** A contract that conveys control of the right to use another party's software or cloud-based services (the underlying IT resource) for a period in exchange for consideration (payment).
- **Subscription Asset:** An intangible asset representing the right to use the underlying IT resource.
- **Subscription Liability:** A liability recognized for the obligation to make payments under the SBITA.

### Policy

#### 1. Identification of SBITAs

- MAA must evaluate IT-related contracts to determine if they qualify as SBITAs under GASB 96.
- A contract qualifies as an SBITA if:
  - The Charter School has control over the right to use the software or service.
  - The term of the subscription is longer than 12 months, including any options to extend.
  - Payments are made periodically over the term of the contract.

#### 2. Classification

- SBITAs must be classified as intangible assets and liabilities on the financial statements.
- The subscription asset and liability should be recognized at the commencement of the subscription term.
- The value of the subscription asset and liability is based on the present value of the expected subscription payments.

#### 3. Recognition and Measurement

- **Subscription Asset:** Recorded at the present value of the subscription payments expected to be made during the term of the SBITA, including any options that are reasonably certain to be exercised.
- **Subscription Liability:** Initially recognized at the present value of payments due over the term of the SBITA.
- **Amortization:** The subscription asset should be amortized over the shorter of the subscription term or the useful life of the underlying IT resource.
- **Interest Expense:** Interest on the subscription liability should be recognized as it accrues, based on the discount rate used to measure the liability.

#### 4. Contract Review and Approval

- Prior to entering into any SBITA, the contract must be reviewed by the Business Manager to determine the appropriate accounting treatment under GASB 96.
- Business Manager should provide all relevant information, including contract terms, payment schedules, and any options for renewal or termination.

## 5. **Financial Reporting**

- The Business Manager is responsible for ensuring that SBITAs are accurately reflected in the Charter School's financial statements.
- The subscription asset and liability should be reviewed annually to determine if any changes in the contract terms require remeasurement.
- Disclosures related to SBITAs, including the nature of the arrangements, the amount of the subscription assets and liabilities, and the impact on the financial statements, should be included in the notes to the financial statements.

### **Effective Date**

This policy is effective as of July 1, 2022 and applies to all SBITAs entered into on or after this date.

**Approval Date: September 5, 2024**

### **Review and Amendments**

This policy will be reviewed annually by the Finance Department and updated as necessary to reflect changes in accounting standards or operational practices.