



• National Association of College and University Business Officers
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August 23, 2019

David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: Project No. 38

Dear David:

On behalf of the National Association of College and University Business Officers (NACUBO), we submit the following comments on the Exposure Draft (ED) of the Governmental Accounting Standards Board, *Subscription-Based Information Technology Arrangements* (SBITAs). NACUBO's comments on the ED were developed with input from our member institutions and our Accounting Principles Council (APC). The APC consists of experienced business officers from various types of institutions who, collectively, possess a thorough knowledge of higher education accounting and reporting issues and practices.

NACUBO is a nonprofit professional organization representing chief financial and administrative officers at approximately 2,000 colleges and universities. In its capacity as a professional association, NACUBO issues accounting and reporting "best practice" guidance for higher education and educates more than 2,000 higher education professionals annually on accounting and reporting issues and practices.

Overall Observations and Conclusions

We appreciate the time and effort that the staff have devoted to this project and agree with the parallels to the new Lease standard. We also appreciate the similarities to Statement 51 when considering costs associated with implementing software.

Specific Provisions

Within the details of the standard, we agree with the proposed definition, the assessment of the subscription term and the recognition methodology. However, as a practical matter, we would like the Board and staff to know that several public institutions already have a large right-to-use asset (as a result of significant software implementation costs) and a smaller subscription liability (because the subscription is a shorter term than a three to five year practical life of the software use,

or the subscription price is substantially discounted).

We also agree with the guidance on when to remeasure the liability, the amortization of the asset, the accounting for implementation costs, the outlays after implementation, and the treatment of vendor incentives.

Regarding the notes to the financial statements, described in paragraphs 57 and 58 of the ED, NACUBO believes that the proposed disclosure requirements exceed those for other capital assets. While we acknowledge the parallel to disclosures required for leases, we wonder why SBITAs would be called out and disclosed separately from either capital assets or other leased assets. The detail will appear on auditor “disclosure checklists” and will have to be addressed even if the subscription asset is immaterial to the institution. Also, the information requested in item e, “principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter”, is often proprietary and confidential between the reporting entity and the vendor. We suggest that the right-to-use assets and subscription liabilities for SBITAs be included in the amounts reported for leased assets and the corresponding liabilities.

Concerning transition, we question the value of going back and capitalizing outlays that were previously expensed (whether full retrospective or cumulatively adjusting beginning net position). We suggest that transition requirements be solely on a prospective basis only, applied to

- future outlays for currently active subscription agreements for the remainder of the agreement’s term;
- new implementations; and,
- contract modifications or upgrades to existing implementations that meet the requirements in paragraph 38 of the ED.

In closing, we wish to express our appreciation for the opportunity to comment. We welcome the opportunity to participate at any of your public hearings and look forward to answering any questions the Board or the staff may have about our response. Please direct your questions to me at 202-861-2542 or smenditto@nacubo.org.

Sincerely,

Susan M. Menditto
Senior Director, Accounting Policy