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# Intangible Assets Reporting Form

# *Please complete this form for each department and return to the address referenced above.*

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| --- | --- |
| Name: | |
| Phone: | |
| Fax: | E-mail: |

***Department Name***

***Dept ID(s)***

**Background / How Intangible Assets will be Reported**

**Purpose / Objective:**

To capture and properly record intangible assets not currently reflected in the University’s financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51). To be in compliance with GASB 51, departments are requested to report any known intangible assets.

Change from Prior Year: Effective FY23, software license costs should be reported on the GASB 96 RRC Questionnaire Form. Do not include software license rental agreements paid by the departments here.

**Definition:**

An asset that possesses all the following characteristics\*:

* Lack of physical substance.
* Non-financial nature (excludes: cash, investments, receivables, and prepaid expenses).
* Initial useful life extending beyond a single reporting period (fiscal year).

*\*Exception*: Assets that meet the above characteristics, and are acquired or created primarily for the purpose of directly obtaining income (e.g., copyright that is primarily used to generate royalty income); result from capital leases; and/or involve goodwill created through a combination of an entity, are excluded.

Intangible assets can be purchased, licensed, donated, and/or internally generated (created or produced by the University or an entity contracted by the University).

**Examples of Intangible Assets:**

* Computer software: The ownership of, or right to use, computer programs that control, integrate, or help manage computer hardware or other software applications. Software can be purchased, licensed, and/or internally generated. Only report purchased software costs here. Software license costs should be reported on the GASB 96 RRC Questionnaire Form.
* Patents: A set of exclusive rights granted by the government that allows the creator or the assignee of an invention the sole right to make, use, and sell that invention, or prohibit others from importing the invention into the United States for a set period of time.
* Trademarks: A name, word, symbol, or other device indentifying a product, officially registered and legally restricted to the use of the owner or manufacturer.
* Copyrights: A form of protection granted to a creator of an original work by giving exclusive rights for a certain time period in relation to that work, including its publication, distribution, and adaptation.
* Licenses and Permits: Legal permission to do something otherwise unauthorized. Licenses to use software should be reported on the GASB 96 RRC Questionnaire Form.
* Easements: A legal right to access or use another’s land or waterway, or to prevent an owner from using their land in a particular way.
* Water rights: The right to use water from a water source (e.g., river, stream, pond, or source of groundwater).
* Timber rights: The right to existing uncut or growing timber from the property of another party.

The type of intangible assets reported will depend on the department and has the potential to vary across the University.

**Threshold:**

* Please report any potential intangible assets valued (or to be valued when completed) at $500,000 or greater. One exception is land easements—they have no dollar threshold. Note, Licenses to use software should be reported on the GASB 96 RRC Questionnaire Form.

**Useful Lives:**

Intangible assets will be considered for amortization (depreciation) using the following guidelines:

* **Contractual or Legal Rights:**

Should not exceed the period to which the service capacity of the asset is limited by contractual or legal provisions.

Renewal periods may be considered if there is evidence that the University will seek and be able to achieve renewal and that any anticipated outlays (expenses) to be incurred as part of achieving the renewal are nominal in relation to the level of service capacity expected to be obtained through the renewal. Consent of a third party and satisfaction of conditions should be considered, where applicable.

* **Indefinite Useful Lives:**

Any intangible asset that has no legal, contractual, regulatory, or other factors that limit the useful life of the asset (e.g., permanent right-of-way easement). Intangible assets with indefinite useful lives will not be amortized.

* **Service Capacity Period Not Known:**

The precise length of the useful life of the intangible asset may not be known; however, if it is known that at some time it will become obsolete and need to be replaced at some future time period, a uniform (University-wide) useful life will be established for the particular intangible asset class.

* **Impairment:**

If changes in factors and conditions affect the useful life of an intangible asset, the asset should be tested for impairment (e.g., stoppage of development of computer software due to a change in management priorities).

Consistent with all other capital assets, Accounting Services will establish useful lives according to each particular intangible asset class, unless limited by variables such as contractual agreements or impairment. If your department has any benchmarks or history in establishing a useful life for a particular intangible asset or asset class, Accounting Services will take these recommendations into consideration.

**Measurement / Valuation:**

Depending on the type of intangible asset and how it was acquired or created, the following guidelines will be considered:

* **Internally Generated Intangible Assets:**

All Internally Generated Assets: Only outlays (expenses) are capitalized after a specific objective/purpose has been identified; technical or technological feasibility has been demonstrated; and current intention, ability, and presence of effort to complete project has been demonstrated.

Internally Generated Computer Software: In addition to the criteria listed above, “All Internally Generated Assets,” only outlays (expenses) related to the “Application Development Stage”—activities that include the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase—are capitalized.

Internally Generated Modifications of Computer Software: In addition to the criteria listed above, “All Internally Generated Assets” and “Internally Generated Computer Software”, outlays (expenses) that result in an increase in computer software functionality, efficiency, and/or extension of estimated useful life.

* **Intangible Asset Received as Gift/Donation:**

Recorded at fair market value at time of being received.

* **Intangible Asset with Installment Payments:**

The intangible asset will be equal to the total installment payments with a corresponding liability setup for the remaining unpaid installments.

* **All Other Intangible Assets** (i.e., ***not*** internally generated, donated, require installment payments)**:**

Total outlays (expenses) incurred.

**Where Intangible Assets will be Tracked and Recorded:**

They will be recorded in the capital assets module or the lease software that are centrally maintained by Accounting Services. Amortization will be run and an amortization charge will appear in the same manner as depreciation. How does this affect carry-forward reports? Cash basis, there is no effect; whereas, accrual basis, in place of the cash basis impact (intangible asset related outlays (expenses) that were incurred); an amortization expense will take its place.

**Reporting on Intangible Assets on an On-Going Basis:**

Please contact Accounting Services if your department has completed a project (or in the process of completing); if a reported intangible asset has a change in primary purpose of directly obtaining income versus supporting general operations; or if your reported intangible asset has a potential impairment or change in useful life.

**Questions to be Answered by Department**

1. Based on the definition of intangible assets and the examples given in pages 1-2, are you aware of any intangible assets that were acquired or internally generated within your department that would be valued at $500,000 or greater, cumulative over time? (Cumulative costs may apply to an intangible asset that is a work in process or an intangible asset subject to upgrades / enhancements.)

Yes:  No:

1. Do you have any assets that fit the definition and examples given in pages 1-2, but would be excluded based on the fact they were acquired or created primarily for the purpose of directly obtaining income (e.g., copyright that is primarily used to generate royalty income)?

Yes:  No:

1. If you answered “Yes” to Question #1 or #2, what asset(s) are you aware?

1. What is the primary purpose of this asset?

1. Of the asset(s) indicated (responses to Question #3), do one of the following apply:

a. Asset is separable—capable of being separated or divided from the University and sold, transferred, licensed, rented, or exchanged

OR

b. Asset arises from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the entity or from other rights and obligations.

1. Of the asset(s) listed, have they been recorded and/or identified with the Office of Investment and Banking, Real Estate Office, Facilities Management, Office of Technology Commercialization, and/or Inventory Services?
2. If you answered ”Yes” to Question #6, what office has been notified, and what asset numbers have been established, if known or applicable?
3. Of the asset(s) listed, are any attached, or considered part of another capital asset?

For example, a piece of land that is already reported happens to have water rights. In this case, the water rights are attached to a tangible capital asset and would not be reported under GASB 51.

1. When was the asset acquired, generated, or donated to the University?

1. If the asset was donated, was it donated from a related party or component unit (e.g., University of Minnesota Foundation)?

1. Were there contracts or other legal agreements signed associated with the asset(s), including renewals?

1. Is there a renewal clause associated with this asset?
2. If you answered “Yes” to Question #12, what are the terms:

Renewal time period (how many years does the renewal cover).

Cost of renewal.

Expense of the original/start-up agreement.

Has management committed to signing the renewal?

1. How many years do you expect to use the asset in your departmental operations without it becoming obsolete or having the potential to be replaced?

(e.g., land = indefinite useful life; computer software license = # of years per signed contract)

1. Is the asset being paid for in installments over multiple fiscal years?
2. Do you currently have a liability (balance sheet account series 2xxxxx) setup for any unpaid installments / amounts related to this asset?
3. Was the asset internally generated (created or produced by the University or an entity contracted by the University)?
4. If you answered “Yes” to Question #17, can you identify the associated transactions without estimating and confirm that the following criteria exist?

A specific project objective and nature of the service capacity expected upon completion of the project has been determined.

Demonstration of technical or technological feasibility for completing the project in conjunction with its service capacity.

Demonstration of the current intention, ability, and presence of effort to complete.

19. Is the asset internally generated (or modified) computer software?

20. If you answered ”Yes” to Question #19, can you readily identify the particular time periods associated with the following stages listed:

Preliminary Project Stage: Activities include the conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the development of the software.

Application Development Stage: Activities in this stage include the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase.

Post-implementation/Operation Stage: Activities in this stage include application training and software maintenance.

\*Only the “Application Development Stage” is considered for capitalization.

21. Have there been any upgrades and/or enhancements made to the asset(s) from the date it was acquired, generated, or donated to the University?

1. Are you aware of any impairment issues related to the asset(s)?

Asset impairment is defined as a significant, unexpected decline in the service utility of a capital asset.

Common indicators of impairment include:

* Evidence of physical damage.
* Enactment or approval of laws or regulations or other changes in environmental factors.
* Technological development or evidence of obsolescence.
* Change in the manner or expected duration of use of a capital asset.
* Construction stoppage.

\*A common indicator of impairment for internally generated intangible assets is development stoppage, such as stoppage of development of computer software due to a change in the priorities of management.

1. In support of helping establish a valuation for each asset, what PeopleSoft transactions have been recorded and the total amount(s)? Please attach separate transaction support with this completed form.

**Important:** For all internally generated assets, please only include transactions that have met the criteria as indicated in Question #18. In addition, for internally generated software, only the “Application Development Stage” is considered for capitalization as indicated in Question #20.