

**GASB #34/35 Issue Paper #5**  
**Reporting Restricted Assets on the SNA**  
**ON GOVERNING BOARD & INSTITUTION STAND-ALONE STATEMENTS**  
September 13, 2001

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There has been considerable discussion about whether GASB #34 requires that assets reported on the SNA be classified as restricted or non-restricted. There appears to be general agreement that Cash and Cash Equivalents should be presented in this manner. However, there is neither agreement within Colorado's financial management community nor clear direction from GASB or NACUBO about presentation of all other assets. Therefore, it appears that the GASB Implementation Team must make a recommendation based on its best judgment and current information from one of the following possibilities.

1. Report all assets as either restricted or unrestricted. This is the extreme interpretation of the unclear literature and would greatly increase the volume of the financial statements and the work required to prepare them without any clear benefit. In fact, many strongly believe that this presentation would make the statements harder for the user to understand.
2. Report selected assets as restricted or unrestricted. The most likely candidate for this presentation is Investments though some would carry the presentation further. Those against this approach cite the same reasons as those given for option 1 and state that there is no clear guidance requiring this presentation. Additionally, they point out that the determination of which assets to present as restricted would be purely arbitrary and would imply a level of accuracy or uniqueness that does not exist.
3. Report only material externally restricted non-current assets as restricted. This is a compromise option that does not require full classification of restricted versus unrestricted assets but would separate those assets, particularly investments, in the endowment and plant funds that are not available for current operations. This distinction would not be obvious from the SNA itself but could be explained in the footnotes to mitigate concerns about the user's understanding of the statement.
4. Report no restricted assets until further guidance is provided or a common practice is established. GASB is scheduled to issue a second implementation guide in the 4<sup>th</sup> quarter of 2001 that might provide clarification in this area. Over the next few years common practices will be developed and a review of other higher education entities' financial statements could provide direction in this area. Conversations with higher education financial management in other states and at the GASB-sponsored training sessions currently being held indicate that reporting of restricted assets is neither the intent of the new reporting model nor the approach being taken outside of Colorado. Therefore, this option has the smallest chance of requiring Colorado to change its approach in future years.

**RESOLUTION:**

If there are cash, cash equivalent & investment account balances in a non-current fund that meet the GASB definition of restricted and that will not be used to meet current obligations, those amounts will be reported as restricted assets.