
STATE OF COLORADO
HIGHER EDUCATION
ACCOUNTING STANDARDS

Issued by the State Controller's Office
Original Issue 12/31/75
Last Revised 03/09/01
Revision Effective 07/01/01

Standard # 3
Page: 1 of 2

Approved: Arthur J. Bamhart

Date: 3/9/01

TITLE: RECORDING AND REPORTING OF INDIRECT COST (FACILITIES AND ADMINISTRATIVE COST) REVENUES OF SPONSORED PROGRAMS

INTRODUCTION

The recognition of both direct and indirect costs (Facilities and Administrative Costs, F&A) associated with sponsored programs is essential. The revenues associated with these costs are an integral part of the funding structure of institutions and have become increasingly important to policy makers and financial statement users.

DEFINITIONS - Refer to OMB Circular A-21.

RECORDING OF DIRECT AND INDIRECT COST REVENUES

Colorado colleges and universities generally record revenues and expenditures related to sponsored programs in the restricted current funds. Revenues in these funds should be separately recorded by source (federal, state and local, nongovernmental grants or contracts). Expenditures are recorded by function (instruction, research, public service, institutional support, etc.). The initial recording of direct and indirect cost (F&A) revenues in the restricted current funds should follow the guidance provided in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and Colorado Higher Education Accounting Standard #4, *Nonexchange Transactions*.

The expenses associated with indirect cost (F&A) charges to sponsored programs are generally recorded in the unrestricted current fund. Therefore, it is necessary to move the indirect cost (F&A) revenue recognized in the restricted current funds to the unrestricted current fund. In order to get indirect cost (F&A) revenues moved to the unrestricted current fund, a charge is made to the restricted current fund to reflect a fund deduction equal to indirect costs (F&A) borne by the unrestricted current fund. These revenues are then recorded in the unrestricted current fund.

REPORTING OF INDIRECT COST REVENUES

In order to prepare financial statements following the guidelines for special-purpose governments engaged only in business-type activities, pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and Colorado Higher Education Accounting Standard #1, *Accrual Accounting and Financial Reporting*, institutions must eliminate the duplication of revenues and expenses. This is accomplished by eliminating the indirect cost (F&A) revenue recorded in the unrestricted current fund and the indirect cost (F&A) expenses recorded in the restricted current funds when funds are consolidated for financial reporting purposes. This entry

STATE OF COLORADO

Issued by the State Controller's Office

Standard # 3

Original Issue 12/31/75

Page: 2 of 2

HIGHER EDUCATION

Last Revised 03/09/01

ACCOUNTING STANDARDS

Revision Effective 07/01/01

TITLE: RECORDING AND REPORTING OF INDIRECT COST (FACILITIES AND ADMINISTRATIVE COST) REVENUES OF SPONSORED PROGRAMS

must be posted to the State's accounting system prior to the final close each fiscal year. This financial statement entry should not increase or decrease net assets nor should it impact the classification of net assets between unrestricted and temporarily restricted. The purpose of this entry is to eliminate reporting indirect cost (F&A) revenue that is also reported as federal, state, local or nongovernmental grant or contract revenue and to eliminate indirect cost (F&A) expense that is also reported by function as academic support, institutional support, operations and maintenance of plant, etc. on the Statement of Revenues, Expenses and Changes in Net Assets.

The provisions of this Standard need not be applied to immaterial items. For further discussion of indirect costs (F&A), the NACUBO *Financial Accounting and Reporting Manual*, State of Colorado Fiscal Rules and applicable federal cost principles should be consulted.

EFFECTIVE DATE

This standard is effective for fiscal years beginning after June 30, 2001.