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TITLE: REPORTING STUDENT FINANCIAL AID AND SCHOLARSHIP ALLOWANCES

LOANS

Loans, which do not include the Federal Direct Loan Program and the Federal Family Education Loan Program (FFELP), are accounted for in separate funds called the loan funds group. The purpose of this fund group is to account for the resources available for loans to students for which the institution has collection responsibilities. This would normally mean that the student's promissory note is payable to the institution.

Loan funds are derived from many different sources such as:

1. Gifts of funds that are to be operated on a revolving basis, whereby repayments of principal and interest may be loaned to other individuals.
2. Gifts and grants which provide that, on repayment of principal and interest, the proceeds are to be refunded to the donors or grantors.
3. Endowment fund income restricted to loan fund purposes.
4. Refundable grants by the U.S. Government to be matched with institutional funds for loans to students.
5. Institutional funds transferred from current funds to match refundable U.S. Government grants.
6. Unrestricted current funds designated by the governing board to function as loan funds.
7. Income and gains from investments of loan funds.
8. Interest earned on loans.
9. Federal reimbursements returned to institutions for service cancellations.

FEDERAL DIRECT LOAN PROGRAM

The Federal Direct Loan Program was created under the Student Loan Reform Act of 1993 and signed into law in August 1993. These loans are disbursed by the College/University. However, the College/University is neither the lender nor a party in the promissory note, and therefore, it has no collection responsibilities. Correspondingly, repayments are not made to the institution to provide resources for loans to students.

NACUBO Advisory Report 2000-05 states that the institution serves only as a conduit for the Direct Lending program and classifies the Direct Lending Program as a balance-sheet-only transaction./1 The

NACUBO GASB 35 Implementation Guide supports this classification./2 Therefore, Direct Lending shall be accounted for as a deposit held in custody in the agency funds group.

FEDERAL FAMILY EDUCATION LOAN PROGRAM

The FFELP is very similar to the Direct Lending Program. The FFELP will continue to be accounted for in the agency funds group.

ASSISTANTSHIPS

Assistantships, like fellowships, usually include tuition remission for graduate students. Assistantships that require performance of services should be charged as benefit expenses of the department in which the work is performed, regardless of the basis on which recipients are selected. Assistantships that do not require the performance of services should be reported as scholarships and fellowships expense.

WORKSTUDY FUNDS

The Federal College Work Study Program is addressed in Accounting Standard #12.

SCHOLARSHIPS AND FELLOWSHIPS EXPENDITURE CATEGORY

Scholarships, often referred to as grants, are usually based on scholastic achievement and financial need. However, some scholarships are awarded for academic excellence or special talents in specific areas, regardless of financial need./3

Fellowships are a common form of aid awarded to graduate students and may pay all educational expenses as well as a stipend. Traditionally, applicants have not been required to demonstrate financial need to be eligible for fellowships. Scholastic excellence has been the primary criterion, but some institutions also consider need./3

The criteria to be used in determining which moneys to include in the "Scholarships and Fellowships" expenditure category are the following:

1. The moneys must represent expenditures of the Current Funds group.

2. To record a scholarship and fellowship expense the institution must have significant administrative or direct financial involvement with the funds that were used to make the award. The institution has administrative involvement if, for example, it (a) monitors secondary recipients for compliance with program-specific requirements, (b) determines eligible secondary-recipients, even if using grantor-established criteria, or (c) has the ability to exercise discretion in how the funds are allocated./4 An institution has direct financial involvement if, for example, it

is required by the grantor to finance some direct program costs or is liable for disallowed costs. Current financial reporting for PELL grants based on GASB 19 (that was superseded by GASB 35) is consistent with these requirements.

3. Third-party payments are not reported as scholarship and fellowship expenses. Third-party payments are payments received from a third-party that are applied directly to satisfy the charges of a specific student designated by the third-party. If the institution is not allowed to select the recipient of the award and does not have administrative or direct financial involvement (e.g., full year Colorado Fiscal Managers' Scholarship, or a check forwarded to a university from a community Rotary Club on behalf of a specific student), any amount not credited to the student's account should be reported as a deposit held in custody in the agency funds group. The amount credited to the student's account should not be reported as revenue and expenditure in any fund.

4. Payments to students are not reported as scholarship and fellowship expense if the recipients are required to render service to the institution as consideration for the award, or they are expected to repay the amount of the award to the funding source.

Aid to students in the form of tuition and fee remissions also should be included in the scholarship and fellowship expenditure category. However, remissions of tuition and fees granted because of faculty or staff status, or family relationship of students to faculty or staff should be recorded as staff benefit expenditures in the appropriate functional expenditure category./5

Trainee non-compensatory stipends awarded to individuals not enrolled in formal course work should be charged to Instruction, Research, or Public Service, as appropriate./5

The scholarship and fellowship expense reported will be net of any scholarship allowances. See the section below on Scholarship Allowances.

SCHOLARSHIP ALLOWANCES

Introduction

Paragraph 100 of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (as amended by GASB Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities) states: "The operating statement for proprietary funds is the Statement of Revenues, Expenses and Changes in Fund Net Assets. Revenues should be reported by major source[41] and should identify revenues used as security for revenue bonds." Footnote 41 further states: "Revenues should be reported net of discounts and allowances with the discount or allowance amount parenthetically disclosed on the face of the statement or in a note to the financial statements. Alternatively, revenues may be reported gross with the related discounts and allowances reported directly beneath the revenue amount."

NACUBO Advisory Report 2000-05 – Accounting and Reporting Scholarship Discounts and Allowances to Tuition and Other Fee Revenues by Public Institutions of Higher Education defines discounts and allowances for purposes of GASB Statement No. 34, paragraph 100, footnote 41. All preparers of financial statements for public institutions of higher education should be fully knowledgeable of these two documents.

The impact of this requirement is that some transactions traditionally reported as scholarship and fellowship expense will now be reported as a reduction in certain types of revenue, up to a limit.

The following information is based on the NACUBO Advisory Report 2000-05 (the Advisory).

Scholarship Allowance Definition
A scholarship allowance is the difference between the stated charge for goods and services provided by the institution and the amount that is paid by students and/or third parties making payments on behalf of students. (paragraph 8)

Scholarship Allowance Determination
The Advisory provides guidance on calculating the scholarship allowance on a student-by-student basis or by using the Alternate Method. Colorado institutions should elect the method that is best for it.

Institutions choosing the student-by-student basis must assume that any scholarship and fellowship expense previously recorded as revenue and that is posted to a student's bill during the fiscal year, is applied against the total charges to the student for that fiscal year. See attachment A for an example student-by-student method.

The Alternate Method requires the calculation of total refunds made to students from all sources of funding (item E). Total refunds may include immaterial amounts for a dropped class or total withdrawal from the institution in addition to refunds for application of financial aid in excess of total charges. Material refunds for dropped classes or withdrawal from the institution should be excluded. Refer to the Advisory for an example of the Alternate Method.

Revenues to be Discounted
The types of revenue to be discounted are those material revenues that are charged to students and to which scholarship and fellowship financial aid is applied to relieve all or part of the accounts receivable generated from student charges. This typically will be, but is not limited to, tuition, fees and auxiliary enterprise revenue.

It may not be practical to identify each type of revenue student-by-student, when the alternate method has been used to determine the scholarship allowance. Therefore, scholarship allowances will be prorated across the material revenue categories generated by the student billing process and to which the student aid was applied to pay all or part of the student bill.

If the institution has elected the student-by-student method, the scholarship allowance should be applied:

- First to tuition and fees,
- Second to auxiliary enterprise revenue, and
- Third to other material revenues.

Charges Not Resulting in Revenue to the Institution

Some charges to the student's bill result in a credit to a liability rather than revenue. For example, the institution provides a health insurance program for the students. The insurance premium is added to the student's bill and insurance payable is credited. Amounts collected from the students are passed on to the insurance provider. The institution is merely a conduit for the student to pay the insurance premium. Since the insurance premium is added to the student's bill, student aid applied to the student's bill will relieve these charges rather than being paid directly by the student. This aid should be considered as a payment of aid to the student and not a scholarship allowance since the charges did not result in any revenue to the institution.

Timing of transactions

The Advisory states, "In considering what is or is not revenue, the following guiding rule applies: amounts received to satisfy student tuition and fees will be reported as revenue only once . . .." Based on this guidance, the scholarship allowance should be calculated assuming that any scholarship and fellowship financial aid that has previously been reported as revenue will be applied first against any student charges. Following NACUBO guidance, this assumption prevents a double reporting of revenue. For example:

Student A has charges of $1,000 on the bill. Student aid of $1,200 is applied to the student's bill resulting in an over application of $200. The $200 is paid to the student. This results in a scholarship allowance of $1,000 and scholarship/fellowship expense of $200.

Student B has charges of $1,000 on the bill. The student pays the bill in full. Student aid of $1,200 is later applied to the student's bill resulting in an over application of $1,200 since the student has already paid the bill in full and there are no outstanding charges on the student's bill. The $1,200 is paid to the student. This results in a $1,000 scholarship allowance and a scholarship/fellowship expense of $200. The assumption is that the refund includes $1,000 of the student payment and $200 of financial aid.

/1 NACUBO Advisory Report 2000-05, National Association of College and University Business Officers, Washington, D.C., 2000, Example Student V, and Alternate Method Item (A).

/2 GASB 35 Implementation Guide, National Association of College and University Business Officers, Washington, D.C., 2001, Question 83.

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/3 College and University Business Administration - Fifth Edition, National Association of College and University Business Officers, Washington, D.C., 1992, Volume 3, Chapter 22, page 1152.

/4 Governmental Accounting Standards Board, (GASB) Statement No. 24 - Accounting and Financial Reporting for Certain Grants and Other Financial Assistance, paragraph 5.

/5 Audits of Colleges and Universities, American Institute of Certified Public Accountants, New York, N.Y., 1993 Edition, Statement of Position 74-8, Page 62.

Attachment A
Example Student-by-student Method

1. Start with all student billing accounts for each term. These terms may not coincide with the exact fiscal year. For example, a traditional academic year may pick up terms spanning the months of June through May.

2. Eliminate all accounts, within a term, with no scholarship and fellowship financial aid applied. This eliminates term accounts with no financial aid of any kind, or those with only loans or 3rd party payments.

3. This now has reduced the scope of student accounts to only those (by term) with scholarship and fellowship financial aid transactions. This represents accounts with financial aid that would have been previously recorded as revenue on the accounting records. This would include activity such as Pell Grants, SEOG, state student aid, institutional scholarships, and Foundation scholarships.

4. A report is generated with the following columns.

Student ID	Last Name	Term Code	Total Charges	Total Financial Aid	Scholar Allow	Tuition & Fees	Auxiliary Charges

5. The Total Charges are the student charges that generated revenue to the institution. This would typically include tuition, mandatory fees, matriculation fee, room, board, special course fees, and continuing education tuition and fees. Do not include charges that generated a liability to the institution such as for health insurance. These should be net of any revenue refunds.

6. The Total Financial Aid is the scholarship and fellowship financial aid expense applied to each student account for items such as Pell Grants, SEOG, state student aid, institutional scholarships, and Foundation scholarships. These are financial aid amounts previously recorded as revenue on the accounting records. These should be net of any adjustments for changes in financial aid.

7. The "Scholarship Allowance" column is simply the lesser amount for each student of "Total Charges" or "Total Financial Aid."

8. The "Tuition & Fees" column adds the total tuition and fees revenue charges (net of refunds and other adjustments) and compares that total to the "Scholarship Allowance" amount. The lesser amount is put in the "Tuition & Fees" column.

9. Any remaining amount of "Scholarship Allowance" over "Tuition & Fees" is then put in the "Auxiliary Charges" column.