



UT System Administration Policy Library – Policy UTS142.11

Land and Other Real Estate Held as Investments by Endowments

Responsible Officer: Randy Wallace
Sponsoring Office: Office of the Controller
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CONTENTS

Policy Statement

Rationale

Scope

Website Address For This Policy

Related Statutes, Policies, Requirements Or Standards

Contacts

Definitions

Responsibilities

Procedures

Special Instructions for Initial Implementation

Forms Tools/Online Processes

Appendix

POLICY STATEMENT

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, requires endowments to report their land and other real estate investments at fair value, not historical cost. This statement amends paragraph 2 of GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

RATIONALE

This document provides guidance related to the application of GASB Statement No. 52 to the University's financial statements assuming the University is in the position of possessing land or other real estate held as investments by endowments. If applicable, please contact the UT System Office of the Controller at controllersoffice@utsystem.edu for assistance in determining the appropriate accounting and reporting.

GASB Statement No. 52 may be ordered from the GASB's website at www.gasb.org. There is no Implementation Guide at this time from the GASB for this Statement.

SCOPE

All institutions and UT System Administration

WEBSITE ADDRESS FOR THIS POLICY

http://www.utsystem.edu/policy/policies/UTS142_11.html

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Policies & Standards
	<ul style="list-style-type: none"><li data-bbox="873 1795 1372 1890">• GASB Statement No. 52, <i>Land and Other Real Estate Held as Investments by Endowments</i>

	<ul style="list-style-type: none"> • GASB Statement No. 31, <i>Accounting and Financial Reporting for Certain Investments and for External Investment Pools</i>
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CONTACTS

If you have any questions about UT System Administration Policy UTS 142.11 Policy Name, contact the following office:

Subject	Office Name	Telephone Number	Email/URL
	Office of the Controller	512-499-4527	controllersoffice@utsystem.edu

DEFINITIONS

None

RESPONSIBILITIES

UT System Real Estate Office

- Annually reviews and determines value of all real estate held as investments in endowments.

UT System Office of the Controller

- Comply with GASB Statement No. 52 reporting requirements including footnote disclosures. Interprets this policy and is responsible for revising it as necessary to meet the changing needs of The University of Texas System and any statutory requirements.

PROCEDURES

Application to Permanent and Term Endowments, and Quasi Endowments

Paragraph 2 in GASB Statement No. 52 states:

This Statement establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. This Statement applies to all state and local governments.

While GASB 52 states that it does not apply to quasi-endowments, paragraph 22 of GASB Statement No. 31 defines an investment as “a security or other asset acquired primarily for the purpose of obtaining income or profit.” UT System’s approach is if land or other real estate is being held as a quasi-endowment, the purpose should be considered to determine if the land or other real estate should be recorded at fair value. If held for the purpose of obtaining income or profit, the real estate should be recorded at fair value. If the real estate is used in operations and that real estate is listed in the institution’s Schedule S-11a in its annual financial report, it should be recorded at historical cost or gift value at date of donation.

Paragraph 4 in GASB Statement No. 52 states:

Land and other real estate held as investments by endowments should be reported at fair value at the reporting date. Changes in fair value during the period should be reported as investment income.

The change in the fair value of land or other real estate will be included in unrealized gains or losses in the Statement of Revenues, Expenses, and Changes in Net Assets.

Valuation Determinations

Paragraph 18 in GASB Statement No. 52 states:

The fair value of real estate investments often is determined by a periodic appraisal of the property by a certified real estate appraiser. In periods in which an appraisal is not obtained, governments should consider the extent to which changes in the real estate market may have affected the value of its properties since the last appraisal and adjust the reported fair value accordingly. Further, some entities use other methods to determine the fair value of real estate – for example, an estimate of fair value based on the present value of expected future cash flows.

Paragraph 19 in GASB Statement No. 52 goes on to say:

The Board notes that there are many factors that can be considered when estimating the fair value of land and other real estate, making the estimation of fair value dependent on the unique facts and circumstances of the specific land or other real estate. Therefore, the Board did not believe that a global methodology, or even alternative methodologies, for estimating the fair value of land and other real estate should be developed for the Statement. The Board notes that methods and significant assumptions should consider cost-benefit constraints.

The level of expertise and sophistication that should be considered in valuing land or other real estate at the end of each year should, in part, depend on the materiality of land or other real estate in the portfolio, including the effect of the change in value of land or other real estate on the change in net assets for the year. A review of the fair value of land or other real estate held by the Board of Regents in endowments shall be conducted annually by personnel in the UT System Real Estate Office. The Real Estate Office shall determine the method of valuation for each real property asset, which may include use of the tax-appraised value, use of external, third party appraisals, adjustments based on the market knowledge of the Real Estate Office staff, or other credible evidence of value. The Real Estate Office may balance the cost of external appraisals against the benefit to be obtained from such appraisals.

Investments in real estate through publicly traded funds or partnerships held by UTIMCO have previously been reported at fair value based upon quoted market prices or valuations.

Disclosures

Paragraph 20 in GASB Statement No. 52 states:

This Statement amends the scope of Statement No. 31 to apply the disclosure provisions of paragraph 15 of that Statement to land and other real estate held as investments by endowments. Accordingly, endowments should disclose “the methods and assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices.” These are the disclosure provisions that already apply to investments in real estate held by external investment pools. The Board believes that these disclosures are appropriate and sufficient.

EFFECTIVE DATE AND TRANSITION

While the provisions of this statement are effective for financial statements for periods beginning after June 15, 2008, earlier application is encouraged. UT System early implemented GASB Statement No. 52 prior to fiscal year 2008.

SPECIAL INSTRUCTIONS FOR INITIAL IMPLEMENTATION

None

FORMS AND TOOLS/ONLINE PROCESSES

None

APPENDIX

None

Keywords: accounting
