

**LOUISIANA STATE UNIVERSITY
HEALTH CARE SERVICES DIVISION
BATON ROUGE, LA**

POLICY NUMBER: 2534-16

CATEGORY: Fiscal Services

CONTENT: Land and Other Real Estate Held as Investments by
Endowments


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Deputy Chief Executive Officer
LSU Health Care Services Division

2/19/2016

Date



Comptroller
LSU Health Care Services Division

2/17/2016

Date

I. Policy

This document provides guidance related to the application of GASB Statement No. 52 to LSU HCSD's financial statements assuming LSU HCSD is in the position of possessing land or other real estate held as investments by endowments.

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.

This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It not only requires endowments to report their land and other real estate investments at fair value but governments also are required to report the changes in fair value as investment income and disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

II. Purpose

Accounting standards previously required permanent and term endowments, including permanent funds, to report land and other real estate held as investments at their historical cost. Endowments exist to invest resources for the purpose of generating income. Other entities that exist for similar purposes—pension and other postemployment benefit plans, external investment pools, and Internal Revenue Code Section 457 deferred compensation plans—however, report land and other real estate held as investments at their fair value.

Statement 52 eliminates the reporting inconsistency by requiring permanent and term endowments, including permanent funds, to report these assets at fair value. It also requires the changes in fair value to be reported as investment income and the methods and significant assumptions employed to determine fair value to be disclosed. Governments should also disclose other information that they currently present for other investments reported at fair value.

Statement 52 is effective for periods beginning after June 15, 2008, with earlier application encouraged.

III. Applicability

This policy applies to the HCSD offices and facilities. The Chief Financial Officers will implement internal procedures to comply with this policy.

IV. Implementation

This policy and subsequent revisions to this policy shall become effective upon approval of the Deputy CEO of HCSD.

V. Exceptions

Any exceptions to this policy must be approved by the Deputy CEO of LSU HCSD. Requests for exception shall be submitted to the HCSD Director of Finance for review and forwarding to the Deputy CEO.

VI. Scope

GASB 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." Appendix B, paragraph 18 states the following: "Respondent to the Exposure Draft generally agreed with fair value reporting for investments in land and other real estate held by endowments. Some respondents requested that the Board provide additional guidance on methods and significant assumptions that are appropriate for determining fair value. 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. "

It is the policy of HCSD Headquarters Finance Division baring any catastrophic event, a formal appraisal, shall be completed every five (5) years.

Between formal appraisals, financial statements will be adjusted for any estimated changes during the year. This information can be obtained by contacting the person/firm that did the last appraisal and requesting an informal update of the appraisal based on the person/firm observing the market. The appraisal will not be a full appraisal and there will be no charge for the appraisal. Another source for appraisal shall be through the parish assessor's office. By law, the parish assessor's office must reappraise every four (4) years and are certainly aware of industry and market trends. The results of the update shall be in writing for audit purposes.

The State Land Office shall be available to perform appraisals. There is no charge for this service or for updating the appraisals annually. For more information call 225-342-5459.

VII. 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. LSU HCSD System implemented GASB Statement No. 52 in fiscal year 2009.