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GOVERNOR



ANGELE DAVIS
COMMISSIONER OF ADMINISTRATION

State of Louisiana
Division of Administration
Office of Statewide Reporting and Accounting Policy

March 10, 2009

OSRAP MEMORANDUM 09-21

TO: Fiscal Officers
All State Agencies

FROM: Afranie Adomako, CPA
Director

SUBJECT: Implementation of GASB 52

In November 2007, the Governmental Accounting Standards Board (GASB) issued Statement No. 52 (GASB 52), "*Land and Other Real Estate held as Investments by Endowments*", which is effective for periods beginning after June 15, 2008 or effective for fiscal year 2009 and it applies to all state and local governmental entities. GASB 52 establishes consistent standards for the reporting of land and other real estate held as investments by similar entities. Formerly, accounting standards required endowments to report land and other real estate held as investments at their *historical cost*, while other entities that exist for similar purposes (such as pensions that invest resources for the purpose of generating income) reported land and other real estate held as investments at their *fair value*. GASB 52 requires that land and other real estate held as investments by endowments be reported at fair value at the time of reporting. In addition, this statement requires governments to report changes in fair value as *investment income*. Endowments include permanent and term endowments, and permanent funds. This statement does not apply to quasi-endowments or to lands granted by the Federal government in connection with a state being admitted to the United States.

GASB 52, also, amends the scope of GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" to apply the disclosure requirements of paragraph 15 of that statement to land and other real estate held as investments by endowments. Accordingly, endowments should disclose "the methods and significant assumptions used to estimate the fair value of investments, if that fair value is based on other than quoted market prices." In addition, paragraph 15 explains that external investment pools that elect to report—and other entities that disclose—realized gains and losses should also disclose that:

- 1) The calculation of realized gains and losses is independent of a calculation of the net changes in the fair value of investments.
- 2) Realized gains and losses on investments that had been held in one or more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Endowments that meet the GASB 52 criteria must be reported at fair value with adequate note disclosure, as described above, in the 2009 Annual Fiscal Report. If you have any questions regarding this standard, please call me at 342-0708 or Mark Rhodes at 342-0711.

AA:TB