



# NACUBO Advisory 2026-02

PUBLIC INSTITUTIONS

CHANGES TO THE FINANCIAL REPORTING MODEL—  
GASB STATEMENT NO. 103

## AR 2026-02

# Public Institutions: Changes to the Financial Reporting Model—GASB Statement No. 103

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## Introduction

This Advisory reviews changes to the financial reporting model (FRM) for public institutions. These changes were made by the Governmental Accounting Standards Board (GASB) in Statement No. 103, *Financial Reporting Model Improvements*, Implementation Guide No. 2025-1, *Implementation Guidance Update—2025* (IG 25-1), collectively referred to herein as “Statement No. 103”. For convenience, this Advisory refers to the Statement No. 34/35 model as “the prior FRM” and the Statement No. 103 model as “the new FRM”.

As of this writing, IG 26-1 is in exposure draft form. After the comment period, GASB will re-deliberate the questions and answers in the exposure draft before issuing a final update. The discussion in this AR is based on the exposure draft. If the final update contains significant changes, NACUBO will issue an update of the AR.

Statement No. 103 is effective for fiscal year 2026 and subsequent periods. This advisory presents some background information about the new FRM, as well as more detailed information on the significant changes made. Under the GAAP hierarchy established by the GASB, this Advisory does not establish GAAP in and of itself. Rather, it presents preferred practice guidance for public institutions to consider when interpreting and applying certain reporting provisions of the statement.

## Background

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. This was followed in November 1999 by Statement No. 35, *Basic Financial Statements—and*

*Management’s Discussion and Analysis—for Public Colleges and Universities*. Statement No. 35 brought public institutions into the scope of Statement No. 34.

The major impact of these statements on public institutions’ financial statements was that, except in specific situations, public institutions were required to report as special purpose governments engaged only in business-type activities (BTA). Among other things, this had the effect of shifting the focus to institution-wide activities using a single column presentation.

Because Statements No. 34 and 35 had been in effect for many years, GASB added a project to reexamine the prior FRM. After determining that it was more appropriate to identify specific improvements to the FRM than to take a “clean slate” approach that could result in a completely new FRM, GASB narrowed the scope of the project to exclude governmental funds, addressing proprietary funds and BTA.

GASB’s objectives for the project were to (a) improve the effectiveness of the FRM in providing essential information, and (b) address certain application issues. As a result, only the following components of the FRM are addressed in Statement No. 103:

- Management’s Discussion and Analysis (MD&A)
- Unusual or infrequent items
- Presentation of the statement of revenues, expenses, and changes in net position (SRECNP)
- Information about major component units in basic financial statements
- Budget comparison information
- Financial trends information in statistical section of the Annual Comprehensive Financial Report (ACFR)

The discussion that follows presents these components in order of their importance to financial reporting for public colleges and universities.

## Summary of Changes

	Statement No. 34	Statement No. 103	NACUBO Advisory Guidance
<b>SRECNP</b>	Required distinction between operating and nonoperating revenues/expenses but definitions were vague.	Defines <b>nonoperating items</b> (subsidies, endowment contributions, financing, disposal of assets, investment income/expenses).  Requires <b>subtotal for operating income (loss) and noncapital subsidies</b> before	Pell Grants are reported as <b>operating revenue</b> .  Treat reimbursement-basis grants as exchange-like; <b>report as operating revenue</b> .

	Statement No. 34	Statement No. 103	NACUBO Advisory Guidance
		other nonoperating items.	<p><b>Rely on the guidance in Statement No. 9</b> for transactions that support primary operations.</p> <p>Report all noncapital gifts received, including distributions from an affiliated foundation, <b>as noncapital subsidies.</b></p>
<b>MD&amp;A</b>	Required narrative MD&A before financial statements; often lengthy, repetitive, and boilerplate.	<p>Streamlined into <b>five sections</b> (overview, financial summary, detailed analyses, capital/financing activity, known facts).</p> <p>Must explain <i>why</i> changes occurred, avoid duplication, and distinguish primary government vs. component units.</p>	<p><b>Label all sections of MD&amp;A</b> using the captions in Statement No. 103.</p> <p>Required information can be presented <b>in a different order</b> (for example, by strategic priorities). NACUBO encourages this if an institution believes that communicating its story using MD&amp;A is enhanced.</p> <p>Discuss prospective items based only on <b>currently known</b> facts, decisions, or conditions.</p> <p><b>Exclude speculative discussion</b>, e.g., “if X happens, we expect the effect to be Y.”</p>

	Statement No. 34	Statement No. 103	NACUBO Advisory Guidance
<b>Unusual or Infrequent Items</b>	Used “special” and “extraordinary” items terminology.	Replaces with “ <b>unusual or infrequent items.</b> ”  Must <b>present inflows/outflows separately</b> (gross basis) as last flows before net change.  Requires <b>disclosure</b> of related program / function and whether the change was within management’s control.	Consider <b>gross presentation</b> in the statement of cash flows.  If material, the <b>loss on final Perkins Loan Program liquidation</b> and assignment would be one line on the SRECNP.  Discuss <b>materiality</b> with auditors. If not material, most likely a nonoperating item.
<b>Component units</b>	Allowed note disclosure or aggregation.	Requires <b>separate presentation</b> of each major component unit in statements of net position and activities, unless readability is reduced. If combined, must present immediately after the institution’s statements.	For stand-alone financial statements, if the institution has not used the note disclosure option in the past, it should <b>continue presenting component unit information like it has in the past.</b>  <b>Follow state guidance</b> for financial statements that roll up into the state’s ACFR.
<b>Budgetary comparison information</b>	Required presentation of original and final budget amounts, often in schedules.	Presented as <b>Required Supplementary Information (RSI)</b> only. Must show variances (original budget vs. final budget, final budget vs. actual) and explain	If the institution was <i>not</i> required to report this information under the prior FRM, it <b>does not have to report it under the new FRM.</b>

	Statement No. 34	Statement No. 103	NACUBO Advisory Guidance
		significant variances in notes to RSI.	
<b>Financial trends information</b>	Introduced statistical section in ACFRs.	Present revenues <b>by major source</b> , distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses.	<b>Restate the statistical section so that the years corresponding to the years presented in the financial statements conform to the new FRM.</b> For example, if FY26 and FY25 financial statements are presented, the financial trend information previously reported for FY25 must be restated. Restating prior years is not allowed under Statement No. 100.

### Statement of Revenues, Expenses, and Changes in Net Position

The SRECNP changes of Statement No. 103 affect presentation only. Existing recognition and measurement standards remain in effect.

Changes to the SRECNP are the most significant change affecting public institutions. In the prior FRM, a subtotal from net gain (loss) from operations was required. Because state appropriations were reported as nonoperating revenues, public institutions almost always reported large losses from operations.

Because of this, in 2009, NACUBO asked GASB, during a liaison meeting, to consider a SRECNP display with (1) two categories of revenue (operating and nonoperating) that support primary mission activities (operating and nonoperating, respectively) and (2) an additional total that would address the relationship between both revenue categories and operating expenses.

Statement No. 103 attempts to honor the spirit of NACUBO’s request by introducing the notion of noncapital subsidies. **The standard defines noncapital subsidies received** as resources received from another party or fund (1) for which the proprietary fund does not provide goods and services to the other party or fund and (2) that directly or indirectly keep

the proprietary fund's current or future fees and charges lower than they would be otherwise (**paragraph 14a**).

The guidance also uses the newly defined subsidy notion within the definition of nonoperating transactions. Specifically, five broad types of transactions are considered nonoperating and everything else, other than infrequent or unusual items, is considered operating. The nonoperating transaction types are:

- Subsidies received and provided (see further discussion below)
- Contributions to permanent and term endowments
- Revenues and expenses related to financing
- Resources from disposal of capital assets and inventory
- Investment income and expense

Noncapital subsidies are reported after the gain (loss) from operations subtotal. To reflect the fact that these noncapital subsidies provide resources institutions use to pay operating expenses, Statement No. 103 introduces a new subtotal: Net gain (loss) from operations and noncapital subsidies. This new subtotal provides a better picture of the results of an institution's operations than the prior FRM did.

### Important Nonoperating / Operating Distinction

Paragraph 13 of Statement No. 103 notes that in some instances, revenues or expenses that would otherwise be nonoperating should be classified as operating. This is the case when those transactions constitute the primary principal operations. Paragraph 13 specifically refers to guidance in Statement No. 9 addressing the classification of cash flows between operating, investing, noncapital financing, and capital financing.

Public institutions will need to use this guidance when assessing revenue transactions that constitute primary principal operations and are exchange-like. Any transactions reported as nonoperating under the prior FRM that do not fall into one of the five types of nonoperating transactions listed in Statement No. 103 should be reclassified either as operating or as a noncapital subsidy, as appropriate.

### Noncapital Subsidies Defined

Because colleges and universities are unlikely to provide subsidies to outside parties, this section addresses only subsidies received.

#### *Definition*

The definition of a subsidy received comes from paragraph 14.a. of Statement No. 103 and has two embedded criteria:

Resources received from another party or fund (1) for which the proprietary fund does not provide goods and services to the other party or fund and (2) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise

**First criterion:** If a transaction has been determined to be exchange or exchange-like, it involves the provision of goods and services. If this is the case, the transaction is reported as operating revenue.

**Second criterion:** If the transaction is determined to be nonexchange, the first criterion is met, and the institution must then assess the second criterion and determine whether receipt of the payment keeps current or future fees and charges **lower than they would otherwise be**.

This is a subtle, yet key point to keep in mind. A subsidy does not need to result in lower current or future fees and charges in absolute terms. If the resources received allow the institution to maintain fees and charges at current levels or allows it to increase fees and charges by less than it would have to if it did not receive the resources, the receipt should be reported as a noncapital subsidy.

## Subsidy Considerations for Specific Transactions

**Pell Grants.** With the new definition of subsidies received, Pell Grant revenue will be recategorized as operating revenue. Although Pell Grants are nonexchange, they do not meet the second criterion. Pell Grants are awarded to named students and are used by those students to pay tuition and other costs. As such, Pell does not directly or indirectly keep the institution's current or future fees and charges lower.

Even though Pell Grants are awarded to individually named students, they are reported as revenue under the guidance of Statement No. 24. GASB clarified in their 2007 IG (Q7.72.10) that because the grants are nonexchange revenue they are nonoperating. With the release of Statement 103, GASB has updated their answer and indicated that Pell Grants are operating.

The prior FRM resulted in a very visible disconnect between nonoperating Pell revenue and a tuition discount in the operating section of the SRECNP. Many public institutions have a large population of Pell-eligible students; decreased operating revenue (through the tuition discount) and increased nonoperating Pell revenue resulted in larger reported losses from operations.

With both Pell Grant receipts and awards now reported as operating, institutions may want to consider changing how the tuition and fee discounts relating to Pell grants are displayed. Alternative presentations of the discount in the SRECNP are possible; examples of alternative presentations are presented in Appendix A.

**State appropriations.** This is likely the most significant noncapital subsidy that public institutions receive. It is also perhaps the most obvious example of a subsidy received. State appropriations are nonexchange transactions; this support keeps fees and charges lower than they otherwise would be.

**Restricted and unrestricted contributions.** It is important to keep in mind that GASB views the second criterion at a high conceptual level. How an individual institution approaches its price setting is not the relevant factor. Rather, additional support, such as

contributions (and appropriations and philanthropic grants) enhance the institution's ability to cover operating expenses without raising fees. Conceptually such support keeps fees and charges lower and is thus a subsidy.

**Research grants.** Under the prior FRM, there was a great deal of diversity in practice. Some have taken the view that these reimbursement grants are nonexchange transactions per Statement 33 and therefore nonoperating. Others have identified these as exchange-like transactions because the institution is required to perform some activity in order to receive the resources, and the activities provide an indirect benefit to the grantor through knowledge advancement, strengthening national defense, disease prevention, and so forth.

Statement No. 33 defines an exchange-like transaction as one “in which the values exchanged, though related, may not be quite equal or **in which the direct benefits may not be exclusively for the parties to the transaction.**” [emphasis added] NACUBO believes that federal and other research grants to public institutions are exchange-like or exchange transactions. These grants would not be subsidies because they do not meet the first criterion in Statement No. 103.

**Capital subsidies.** Statement No. 103 does not specifically address capital subsidies. Institutions sometimes use subsidies to purchase capital assets.<sup>1</sup> IG 25-1 has a question addressing this situation. If the subsidy an institution uses to purchase capital assets is—

- Not restricted by the resource provider to capital purchases – considered a noncapital subsidy
- Restricted **by the resource provider** to capital purchases – considered a capital subsidy

For example, if an institution receives an operating appropriation from the state that can be used for both noncapital and capital expenses, the appropriation is reported as a noncapital subsidy, even if capital assets are purchased with the funds. If the institution receives a state appropriation that can only be used for capital or capital-related purposes (such as debt service for capital debt), the amount is a capital subsidy, reported as a nonoperating item.

The determining factor is not what is purchased, it is whether the resource provider has restricted the subsidy to capital and capital-related expenditures.

## 2026 Implementation Guidance Update: Exposure Draft

At the time of this writing, the exposure draft for an IG dealing solely with subsidies was outstanding. The comment period for the IG ends on April 27, 2026; see NACUBO's comment letter [here](#).

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<sup>1</sup> In this context, “capital assets” means long-lived assets, whether those assets are capitalized and depreciated or not.

Once the comment period closes, the Board will redeliberate the IG prior to final issuance. NACUBO does not know what provisions will be contained in the final IG, scheduled for issuance in the third quarter of 2026 and effective in FY27.

When the final IG is issued, NACUBO will update this advisory with more information on the topics addressed. A brief description of the provisions in the exposure draft that would have the most impact on higher education is presented below.

**Research grants.** Whether a research grant received is a subsidy or an operating revenue depends on the substance of the transaction; for example, reimbursement for expenses that would not exist in the absence of the grant are operating revenues. Other reimbursements are reported as noncapital subsidies.

**Scholarship gifts received.** All contributions restricted for the provision of scholarships, including distributions from an affiliated foundation, should be reported as noncapital subsidies. This is true even if the institution does not consider scholarship gifts/awards when setting its tuition and fee rates.

**Supplemental Medicaid payments.** Supplemental Medicaid payments are reported as noncapital subsidies. NACUBO believes that these payments are operating revenues, following the guidance of Statement No. 9 (paragraph 17c) and Statement No. 103 (paragraph 13; basis for conclusions paragraphs B39 and B41).

### SRECNP Comparison — Statement No. 34 / 35 vs. Statement No. 103

A comparison of a SRECNP prepared under Statement No. 34 /35 with one prepared following Statement No. 103 is presented on the next page. Note that although various items have moved to new locations and subtotals differ, the bottom line is the same. The change in net position and ending net position are the same regardless of the FRM.

	<u>Stmnt 34 / 35</u>	<u>Stmnt 103</u>
<b>OPERATING REVENUES</b>		
Tuition and fees, net of institutional aid of \$250,000	\$ 2,000,000	\$ 2,000,000
Financial aid grants (primarily Pell Grants)	-	315,000
Research grants and contracts	630,000	725,000
Auxiliary enterprises, net of institutional aid of \$10,000	285,000	285,000
Other operating revenues	<u>135,000</u>	<u>135,000</u>
<b>Total operating revenues</b>	<b><u>3,050,000</u></b>	<b><u>3,460,000</u></b>
<b>OPERATING EXPENSES</b>		
Education and general (functional expenses)	3,528,000	3,528,000
Auxiliary enterprises	260,000	260,000
Depreciation and amortization	245,000	245,000
Other operating expenses	<u>-</u>	<u>18,000</u>
<b>Total operating expenses</b>	<b><u>4,033,000</u></b>	<b><u>4,051,000</u></b>
<b>Income (loss) from operations</b>	<b><u>(983,000)</u></b>	<b><u>(591,000)</u></b>
<b>NONCAPITAL SUBSIDIES</b>		
State appropriations		410,000
Nonendowment gifts		55,000
Distribution from related foundation		<u>200,000</u>
<b>Total noncapital subsidies</b>		<b><u>665,000</u></b>
<b>Income (loss) from operations and noncapital subsidies</b>		<b><u>74,000</u></b>
<b>OTHER NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	410,000	-
Financial aid grants	315,000	-
Grants and contracts	95,000	-
Nonendowment gifts	55,000	-
Distribution from related foundation	200,000	-
Net investment income	140,000	140,000
State capital appropriations	-	27,000
Capital grants and gifts	-	8,400
Additions to permanent endowments	-	100
Interest on debt	(105,000)	(105,000)
Other nonoperating revenues (expenses)	<u>(28,000)</u>	<u>-</u>
<b>Total nonoperating revenues (expenses)</b>	<b><u>1,082,000</u></b>	<b><u>70,500</u></b>
<b>Income before other revenues, expenses, gains, or losses</b>	<b><u>99,000</u></b>	<b><u>144,500</u></b>
State capital appropriations	27,000	-
Capital grants and gifts	8,400	-
Additions to permanent endowments	100	<u>-</u>
<b>Income (loss) before unusual or infrequent items</b>		<b>144,500</b>
<b>UNUSUAL OR INFREQUENT ITEMS</b>		
Hurricane loss		(13,000)
Hurricane loss insurance recoveries		<u>3,000</u>
<b>Increase (decrease) in net position</b>	<b>134,500</b>	<b>134,500</b>
Net position, beginning of year	<u>2,200,000</u>	<u>2,200,000</u>
<b>Net position, end of year</b>	<b><u>\$ 2,334,500</u></b>	<b><u>\$ 2,334,500</u></b>

## MD&A

For the most part, the changes to MD&A requirements are straightforward. Statement No. 103 emphasizes that MD&A is required supplementary information (RSI), intended to provide an objective and easily readable analysis of the institution’s financial activities based on currently known facts, decisions, or conditions. GASB also emphasized that MD&A should be fact-based and discuss activities that had a significant impact (whether positive or negative) on the institution’s current year balances and results of operations.

Specifically, Statement No. 103 states that MD&A should assist users in understanding **why** changes from the previous year occurred; MD&A should not simply present the amounts or percentages of the changes. Another requirement added in Statement No. 103 is that, if possible, MD&A should avoid unnecessary duplication. Whether to repeat explanations within multiple sections of MD&A is a matter of professional judgment.

The required information in MD&A has not changed significantly from the existing FRM. Titles describing the five sections of MD&A were added, and Statement No. 103 reflects various GASB statements issued after GASB 34/35. For example, deferred inflows and assets are part of the financial summary elements, as is the term “net position”.

There are five sections of MD&A information that must be presented:

- Overview of the financial statements
- Financial summary
- Detailed analyses
- Significant capital asset and long-term financing activity
- Currently known, facts, decisions, or conditions.

All the elements listed in the statement must be addressed, if applicable. Most institutions will likely choose to present these sections in the order shown in Statement No. 103. However, they are **not required to do so**. That said, institutions should consider using some or all the titles/captions used in Statement No. 103.

During its deliberations for IG 25-1, GASB decided not to require that MD&A be presented in the specified order, largely in response to questions and comments from NACUBO. As long as the required content is presented, the order of presentation is a matter of professional judgment. For instance, an institution may choose to organize its MD&A by strategic priority. See the [University of Utah’s FY 2025 financial statements](#) for an example.

MD&A changes are summarized below:

Area	Statement No. 34	Statement No 103
Structure	MD&A often varied in length and content, with no strict format.	Includes <b>five sections</b> : (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term

Area	Statement No. 34	Statement No 103
		Financing Activity, (5) Currently Known Facts, Decisions, or Conditions.
Focus of Analysis	Frequently descriptive, with amounts or percentages but little explanation.	Requires <b>explanations of why balances and results changed</b> , not just numerical changes.
Duplication	Information often repeated across sections, leading to boilerplate language.	Must <b>avoid duplication</b> to the extent possible; explanations relevant to multiple sections should not be repeated.
Boilerplate Content	Generic, standardized language common.	<b>Boilerplate discouraged</b> ; MD&A should present only the most relevant, government-specific information.
Primary Government vs. Component Units	Sometimes blurred or aggregated.	Must <b>distinguish clearly</b> between the primary government and discretely presented component units.
Currently Known Facts	Often inconsistently presented, sometimes speculative.	Requires <b>discussion of actual known facts, decisions, or conditions</b> at the time of issuance (e.g., new contracts, budget amendments, pension changes), excluding speculation.

### Information About Major Component Units

Statement No. 103 does not change guidance on how to determine whether an entity is a component unit, or whether a component unit should be presented discretely or blended with the institution’s financial statements. Rather, it clarifies various presentation and disclosure requirements for discretely presented component units (DPCU).

As noted previously, the new FRM requires MD&A to clearly distinguish when it is discussing the institution and when it is discussing a DPCU. Note that there is no requirement to discuss matters relating to a DPCU in MD&A. Whether to include discussions about DPCUs is a matter of professional judgment. When a DPCU matter is addressed in MD&A, the institution should refer readers to the component unit’s **separately issued** financial statements.

Statement No. 103 removes one of the DPCU presentation options available in the prior FRM. This option, to present condensed financial statements in the notes to the

institution's financial statements, is no longer allowed. The other two options remain in place.

Each major component unit should be presented separately in the institution's statement of net position and SRECNP. No statement of cash flows is required for DPCUs. Columnar presentation of the DPCU financial information next to the institution's information is the typical way governments meet this requirement. There are two exceptions to this general rule:

- If presenting each major DPCU separately in the institution's financial statements would reduce the readability of the statements
- One or more major DPCUs is a nongovernmental entity. This is often the case when a public college or university has an affiliated endowment foundation that is reported as a DPCU.

Statement No. 103 addresses the first exception, allowing combining statements of major components to be included immediately following the institution's financial statements. Each major component unit is presented in its own column, with a combined total column as either the first or last column in the combining statements.

In this situation, the institution should include a combined DPCU column on the same page as the institution's information. This combined column should agree to the total presented in the combining statements.

The second exception presents some additional considerations. The reporting model used by nongovernmental component units is significantly different from the GASB BTA reporting model. In addition to presentation differences, there can be differences in recognition and measurement guidance.

Neither Statement No. 34 nor Statement No. 103 specifically address what should be done in this circumstance. The applicable guidance is found in GASB's [Comprehensive Implementation Guide, section 4.33](#). This section contains four Q&A relating to nongovernmental component units. Q4.33.1 states that the financial data of a nongovernmental component unit should be presented in the same manner as governmental component units: in a separate column to the right of the institution's financial information.

However, if it is impractical to reformat operating statement data, the DPCU information can be reported on a separate following page. This presentation, sometimes referred to as the "bolt-on" method, is followed by most colleges and universities for presenting their affiliated foundation component units.

The Q&A in section 4.33 require that when a DPCU is included with the institution's financial statements, its financial statements must be reformatted to follow GASB's presentation and disclosure requirements. Common reformatting in this case includes:

- Assets and liabilities—classified as current and noncurrent.

- The two net asset categories—apportioned among the GASB net position categories.
- Revenues and expenses—distinguished between operating and nonoperating.
- Revenues—may need to be reduced by related discounts and allowances.

Statement No. 103 did not amend or supersede section 4.33, except to add references to the new FRM. Thus, **if an institution has been using the “bolt-on” method, it may continue to do so** in stand-alone financial statements. For financial statements that roll up into the state’s ACFR, follow the state’s guidance for presentation of component unit information.

## Unusual or infrequent items

Guidance for presentation of unusual and/or infrequent items is contained in [Statement No. 62](#). Following that guidance, items that were unusual *or* infrequent were reported as “special items” if they were within the control of management. If an event was both unusual *and* infrequent, it was reported as an “extraordinary item.” Because identifying whether an item met any or all of these criteria resulted in diversity in practice, GASB changed the presentation requirements.

***Note: The definitions of “unusual in nature” and “infrequency of occurrence” in Statement No. 62 remain unchanged.***

To address the shortcomings of the Statement No. 62 guidance, GASB removed the “special” and “extraordinary” terminology, as well as using “within the control of management” as a presentation criterion. In their place, the terms “unusual” and “infrequent” are used in the SRECNP. These events and transactions are reported individually in a section titled “Unusual or Infrequent Items”.

Unusual or infrequent items are reported as the last items preceding the net change in net position. Each unusual or infrequent item should be presented separately and not netted. Inflows and outflows resulting from the same event should be shown separately, not netted. In the notes to the financial statements, the institution should disclose the program, function, or identifiable activity to which the item relates. In addition, the institution must disclose whether the item was within the control of management.

In some cases, insurance recoveries offset some or all of a loss reported as unusual or infrequent. Such recoveries fall under the guidance of [Statement No. 42](#), paragraph 21. When the recovery occurs in the same period as the loss, it is reported as a separate item under the related unusual or infrequent item. If an insurance recovery occurs in a subsequent period, it should be reported as a noncapital subsidy or a nonoperating revenue, depending on the nature of the insured loss.

## Budget Comparison Information



**If the institution was not required to provide budget comparison information under the prior FRM, it is not required to provide this information under the new FRM.**

Budget comparison information is still required to be reported as RSI. Under the prior FRM, explanation of significant budget variances could be included in MD&A. In the new FRM, the RSI schedule must show separate columns presenting the variance between (a) original and final budget amounts, and (b) final budget amounts and actual results. An explanation of significant variances is required to be presented as notes to RSI.

## Financial Trends Information in ACFR Statistical Section

If a public college or university prepares an ACFR, it is required to include a statistical section. One of the items presented in the ACFR statistical section is a summary of revenues. Statement No. 103 specifies that revenues should be presented by major source, distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses.

The institution should restate the statistical section so that the years corresponding to the years presented in the financial statements conform to the Statement No. 103 reporting model. For example, if FY26 and FY25 financial statements are presented, the trend information for FY25 must be restated to conform to the new FRM. Earlier years may not be restated, according to Statement No. 100. Going forward, the trend information will drop a prior FRM column as new FRM years are added, until all 10 years follow the new FRM.

## Appendix A- Examples of Institutional Aid (Discount) Presentation

Some alternative presentations of institutional aid applied to tuition and fees (tuition discount) are presented below. These are for illustrative purposes only; **there is no preferred sector practice**. However, NACUBO believes that Examples 2, 3, and 4 best explain the relationship between Pell Grants and institutional aid, with Example 3 being the most streamlined. Each institution should use the presentation format that best meets its needs. **NACUBO has discussed these examples with GASB staff, who expressed no objections.**

The examples use the information shown as “Current Presentation”:

### Current Presentation

**Operating Revenues:**

Student tuition and fees (net of institutional aid of \$11,820,183)	\$ 28,244,619
Other operating revenues	<u>10,710,172</u>
Total operating revenues	<u><u>\$ 38,954,791</u></u>

**Nonoperating Revenues:**

Pell grant revenue	<u><u>\$ 10,819,567</u></u>
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### Example Presentation Under Statement No. 103

#### 1. Simple Move of Pell to Operating

**Operating Revenues:**

Student tuition and fees (net of scholarship allowances of \$11,820,183)	\$ 28,244,619
Pell grants	10,819,567
Other operating revenues	<u>10,710,172</u>
Total operating revenues	<u><u>\$ 49,774,358</u></u>

#### 2. Show Subtotal for Tuition and Fees and Pell

**Operating Revenues:**

Student tuition and fees (net of institutional aid of \$11,820,183)	\$ 28,244,619
Pell grants	<u>10,819,567</u>
Net student tuition and fees and Pell grants	39,064,186
Other operating revenues	<u>10,710,172</u>
Total operating revenues	<u><u>\$ 49,774,358</u></u>

### 3. Show Institutional Aid as a Separate Line

**Operating Revenues:**

Student tuition and fees	\$ 40,064,802
Pell grants	10,819,567
Less institutional aid	<u>(11,820,183)</u>
Net student tuition and fees and Pell grants	39,064,186
Other operating revenues	<u>10,710,172</u>
Total operating revenues	<u><u>\$ 49,774,358</u></u>

### 4. Show Tuition and Pell Institutional Aid Separately

**Operating Revenues:**

Student tuition and fees (net of institutional aid of \$2,082,573)	\$ 40,064,802
Less institutional aid	<u>(2,082,573)</u>
Net student tuition and fees	<u>37,982,229</u>
Pell grant revenues	10,819,567
Less institutional aid	<u>(9,737,610)</u>
Net Pell grant revenues	1,081,957
Other operating revenues	<u>10,710,172</u>
Total operating revenues	<u><u>\$ 49,774,358</u></u>

“Net Pell grant revenues” essentially represents the portion paid out to students, which is reported as part of financial aid expense. This example provides perhaps the most useful information to financial statement users, but it takes up a lot more space on the printed page.

## Appendix B – References

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