

<b>Subject: Exchange vs NonExchange Transactions</b>	Author: Anne Rademaker
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### **Background:**

GASB Statement 33 *Accounting and Financial Reporting for Nonexchange Transactions* creates a designation between exchange and non-exchange transactions. This difference is important in deciding the classification on the Statement of Revenues, Expenses, and Changes in Net Assets as to if the activity is operating or non-operating.

### **Definitions:**

The university will use the following definitions to determine if a transaction is an exchange or non-exchange transaction:

**Non-exchange transaction** – In a non-exchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. Examples of non-exchange transactions are gifts and the appropriations.

**Exchange transaction** – Differs from a non-exchange transaction in that each party receives and gives up essentially equal values. Tuition revenue, clinical services, and grants and contracts are examples of material exchange transactions. For sponsored programs, the university is required to perform research in exchange for funding and, in most cases, must provide a technical report to the sponsor. These represent the minimum requirements. Voluntary support, by definition, is non-exchange and is classified as a gift to the university.

### **Applicability**

This policy is applicable to those entities governed by the Governmental Accounting Standards Board. These primarily include:

- University of Louisville
- University of Louisville Research Foundation Inc.
- University of Louisville Athletic Association Inc.
- University of Louisville Medical School Fund Inc.

This policy does not apply to the University of Louisville Foundation Inc. or any of its subsidiaries.