

This document reflects the result of analyses, discussions and review by UCOP staff and PricewaterhouseCoopers (PwC) to date. The document is subject to change pending additional discussions with PwC; however, it represents the best information available to date.

**University of California
GASB 35 Financial Statement Presentation**

Issues Resolution Memo No. 126

GASB Statement No. 33—Accounting and Reporting for Nonexchange Transactions

Define Issues

The University must develop procedures to support the recording requirements for nonexchange transactions in accordance with GASB Statement No. 33.

Background

In December 1998, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. The Statement gives guidance on nonexchange transactions, which are transactions “in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange.”

The University must comply with the reporting standards for the fiscal year beginning July 1, 2000, with comparative information for the prior year.

Recommended Approach

The attached memo issued to the campuses May 12, 2000, outlines the requirements and details the approach adopted by the University to comply with GASB Statement No. 33.

Next Steps—Required Actions

Responsibility (C, OP)	Required Completion Date	Action Item/Task
C	18-Aug-00	Calculate Pledges —Complete Attachment 3 of the May 12, 2000 memo by calculating the amount of pledges outstanding and the present value of those pledges and identifying the fund source.
OP	16-Feb-01	Provide Accounting Entries —Provide campuses with accounting entries to adopt the changes in accounting principles based on information received from campuses on August 18, 2000 (refer to IRM No. 126, Addendum A).
OP	30-Apr-01	Develop IRM No. 126, Addendum B —Develop and implement the processes to adopt the change in accounting principles for state capital claims (IRM No. 126, Addendum B).
OP	30-Apr-01	Develop IRM No. 126, Addendum C —Develop and implement the processes to adopt the change in accounting principles for restricted receipts in excess of expenditures (IRM No. 126, Addendum C).



VICE PRESIDENT—FINANCIAL MANAGEMENT

OFFICE OF THE PRESIDENT
1111 Franklin Street, 10th Floor
Oakland, California 94607-5200
May 12, 2000

CONTROLLERS
ACCOUNTING OFFICERS
DEVELOPMENT OFFICERS

Subject: GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions

In December of 1998, the Governmental Accounting Standards Board issued Statement No. 33 (GASB 33), Accounting and Financial Reporting for Nonexchange Transactions. This statement gives guidance on nonexchange transactions, which are transactions “in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange.” Most guidelines focus on exchange and exchange-like transactions, but there has been little guidance for nonexchange transactions.

GASB 33 applies to transactions involving financial or capital resources, and not to other resources such as contributed services. The implementation of GASB 33 takes place in fiscal year 2000-2001. However, we will need to accumulate the information for the 1999-2000 year in order to present the comparative information in the University’s Annual Report.

Nonexchange Transaction Classes

As indicated in GASB 33, there are four classes of nonexchange transactions:

- a. Derived tax revenues – assessments imposed by governments on exchange transactions. Some examples are personal income tax, corporate income tax, sales tax. The University does not impose taxes and thus does not have this type of revenue.
- b. Imposed nonexchange revenues – assessments by governments on nongovernmental entities, including individuals, other than assessments on exchange transactions. In this class are included fines and penalties, such as parking fines. Changes in accounting for parking fines would be immaterial and we will not change the process at this time.
- c. Government-mandated nonexchange transactions – a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose or purposes established in the provider’s enabling legislation. The University does not have this type of revenue.
- d. Voluntary nonexchange transactions – legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties. Endowments and private gifts are included in this class.

Attachment 1 is a chart that can be used to identify the types of revenue transactions affected by GASB 33. The chart identifies sources of University revenue and whether they are considered to be exchange or nonexchange types

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of transactions. For accounting purposes, fund sources have been divided into categories and each category will be treated as an exchange or a nonexchange transaction.

In the past, there has been some confusion as to whether certain awards should be classified as gifts or grants. Attachment 2 is a July 8, 1980 memo from President David S. Saxon, which provides guidelines in determining the correct classification of these awards. We have classified grants as exchange transactions and as such, they are not covered by GASB 33. Gifts are considered nonexchange transactions, and the accounting treatment is discussed below.

For fiscal year 1999-2000, there will be no change in the recording of revenue. However, as mentioned above, when we prepare statements for the 2000-2001 fiscal year, we will need to restate the 1999-2000 financial statements to provide comparative information.

Exchange Transactions

For exchange transactions, we will continue to report revenue as earned. For restricted funds, revenue will equal expenditures. We will continue to report receipts on the Statement of Changes in Funds Balances, and revenue on the Statement of Current Funds Revenue, Expenditure and Other Changes. The excess of restricted receipts over restricted expenditures will be shown on the Statement of Current Funds Revenue, Expenditure and Other Changes on a separate line. This will change with the implementation of GASB 34 and GASB 35 on July 1, 2001. More information will be distributed at a later date on the changes in reporting required by these two GASB statements.

Nonexchange Transactions

For nonexchange transactions, revenue should be recognized when all eligibility requirements are met. The providers of the resources establish the eligibility requirements, which are:

- a. Required characteristics of recipients – this eligibility requirement is necessary to identify the recipient of certain programs, i.e., a state, a school district, etc.
- b. Time requirements – recognition is required in the period when the resources are required to be sold, disbursed, or consumed, or the provider first permits use, or when resources can be invested for a specified term or in perpetuity. The time requirement may change the recognition of revenue from the current process.
- c. Reimbursements – the resources are provided on a reimbursement basis and allowable costs have been incurred.
- d. Contingencies – the provider has required some action on the part of the recipient and that action has occurred. An example is a requirement for matching funding. No revenue will be recorded until the matching requirement is met.

In some nonexchange transactions, the provider gives cash or assets with the requirement that the resources received cannot be sold, disbursed, or consumed until after a certain time, after a specific event has occurred, or in perpetuity. Examples are additions to endowments and funds functioning as endowments. For these types of contributions, the University will recognize revenue when the assets are received because the time requirement cannot be met until the assets can be invested. Therefore, no pledges will be recorded for endowment funds.

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As can be seen from the attached chart, the accounting treatment must change for State appropriations for capital outlay, funds functioning as endowments designated by UC, gifts, including installment gifts and Foundation gifts, and pledges.

Recording of State Appropriations for Capital Outlay

Currently, we record State appropriations for capital outlay as revenue when the funds are claimed from the State. Beginning with fiscal year 2000-2001, we will defer any income claimed from the state and not yet expended at June 30. The information to make this entry will be gathered centrally from the Corporate Financial System, and the entry will be made at UCOP. At 6/30/00, UCOP will gather the information needed for comparative purposes.

Recording of Funds Functioning as Endowments designated by UC

UC designates certain gifts received as funds functioning as endowments. The gift should be recorded in accordance with the guidance for gifts below. The transfer of the gift to a fund functioning as endowment will not occur until the gift is actually received. The revenue will be recorded in Current Funds.

Recording of Gifts

Gifts should be recognized as revenue when all eligibility requirements have been met. See below for the recording of pledges.

Installment gifts should be recognized as revenue at the beginning of the period in which the time requirement is met. For example, if a gift is to be paid in 3 annual installments and each installment is required to be spent in the fiscal year in which it is received, each installment will be recorded as revenue in the appropriate fiscal year. If the gift is to be paid in 3 annual installments, but there is no requirement as to the time period of use, the discounted value of the pledge (see below) is to be recorded as revenue when verifiable, measurable, and probable of collection.

Foundation gifts are presumed to have a time requirement. They are not available for expenditure until received from the Foundation. The gifts should be recognized as revenue when received. No pledges will be recorded.

Deferred gifts are currently not recorded as revenue until the death of the donor, even if the University receives advance notice that a gift is intended. There will be no change to this procedure.

Recording of Pledges

Currently, pledges are reported in the University's annual financial statements as a footnote item only. There is no discounting of pledges in the footnote, and no allowance for uncollectible amounts. GASB 33 requires that promises of private donations should be recognized as receivables and revenue provided they are verifiable, measurable, probable of collection, and all applicable eligibility requirements have been met.

The recording of pledges will involve a major change in accounting for the University. The following guidelines will assist in the determination of which pledges to record, how to calculate the discounted pledge amount and the accounting entries that are necessary. All pledges should be recorded as restricted revenue; recording the pledges as unrestricted revenue, even if they will be unrestricted when received, may lead financial statement users to incorrectly conclude that these funds are currently available.

<u>Type of Gift</u>	<u>Record Pledge</u>	<u>Recognition</u>	<u>Minimum</u>	<u>Restriction</u>
Current/Plant/Loan	Yes	Record in full	\$50,000	Restricted
Endowment	No	Record when received	---	Restricted
Funds Functioning as Endowment— Donor Designated	No	Record when received	---	Restricted
Funds Functioning as Endowment— UC Designated	Yes	Record in full (in Current Funds). Non-mandatory transfer to endowment occurs after the receipt of cash.	\$50,000	Restricted

When to record a pledge

A pledge is defined as an unconditional promise to give. The rules for inclusion of pledges in the financial statements will differ from those followed for the Council for Advancement and Support of Education (CASE) standards. For the accounting treatment, a pledge need not be considered legally binding, but one in which the organization has a reasonable expectation that the donor will honor his commitment.

In order for a gift to be recorded prior to receipt of funds, all eligibility requirements must be met. Of the four eligibility requirements mentioned above (characteristics of recipient, time requirements, reimbursements, and contingencies), two primarily affect recording of gifts: time requirements and contingencies. Time requirements specify the period when resources are to be used or when use may begin, or as in endowment gifts, specify that the resources are required to be maintained intact either in perpetuity or until a specified date/event has occurred. Contingencies require the recipient to satisfy a specified action in order to be eligible for the gift. An endowment gift is an example of a pledge that would not be recorded until received because of the time requirement. A matching gift is an example of a pledge that would not be recorded if it were contingent on a total amount being received from other entities before the match was earned.

Attachment 3 is a sample of a worksheet that is needed to calculate the amounts to be used for recording pledges.

Step 1 - Determine the gross pledge revenue

Determine the gross pledges to be recorded and the expected fiscal year of payment. Pledges for gifts under \$50,000 will not be included in the calculation. In this step, list all pledges over \$50,000 that have been made to the University, regardless of collectibility. The pledges should be separated by fund group and show an amount due each year for each pledge. Totals for each year will then be used for the calculation.

Step 2 – Determine the Allowance for Doubtful Accounts

There is no prescribed formula for the calculation of the Allowance for Doubtful Accounts. The intention must be to review the gross pledges to determine the ultimate collectibility of those amounts, much like is done for any receivable on our balance sheet. Campuses will base the calculation on historical data available locally.

Step 3 - Calculate the discounted pledge amount

Because pledges represent payments made in future periods, it is important to determine the present value of the future income when recording pledges in the financial statements. Three variables are needed in order to perform the calculation: rate, number of periods, and payment amounts. There are financial calculators that will perform this function; Excel also has the capability of performing this function. The steps required are as follows:

In order to perform the calculation in Excel, click on Function key f(x). Select NPV (Net Present Value). This will open a window that prompts you for the variables. The rate to be used is the investment rate the University would earn if similar funds were invested. For this calculation, the rate will be based on the annual STIP rate, approximately 6.0%. Therefore, enter "6%". For ease of calculation, pledges expected to be paid in Year 1 will not be discounted, pledges in Year 2 and beyond are assumed to be paid at the beginning of each year. The system will prompt you to enter each year's net pledged amount, i.e., for Payment 1 enter the amount pledged for 2002, etc.

Once you have completed entering the payment amounts, the system will calculate a total present value for the pledged amounts. Campuses should list the amount for Year 1 separately from Year 2 and beyond so that the amounts for current receivables and noncurrent receivables will be available separately. This separation between current and noncurrent is necessary for the implementation of GASB 34 and GASB 35.

Accounting entries necessary to record a pledge

It is envisioned that recording the pledges will be an annual calculation done by each campus at year-end. There will be entries made to accounts in each fund group (loan, plant, current) for which there are pledges. The campus should record the gross pledges receivable from Step 1 (1). The campus should determine the collectibility of the pledges, and if necessary, record an allowance for doubtful accounts at year-end from Step 2 (2). Calculate the amount of the discount and record a reduction of revenue and a contra-receivable from Step 3 (3). Rather than track pledge payments made against the receivables throughout the year, we recommend that these entries be reversed in their entirety in July (4). As pledge payments are received they will be recorded as gifts (5). At the subsequent year-end, outstanding pledges will need to be identified, totaled, discounted, and recorded, once again using Steps 1 through 3 (6-8). Once a pledge is discounted at a particular rate, the rate will not change for the life of the pledge, but the rate may change each year for new pledges received in that year. The interest component of the pledge payment previously received and discounted does not need to be recorded separately.

1. Dr. Pledges receivable-current	1,890,000		Step 1
Dr. Pledges receivable-noncurrent	3,110,000		Step 1
Cr. Gift Revenue		5,000,000	Step 1
To record year-end gross pledges			
2. Dr. Gift Revenue	81,000		Step 2
Cr. Allowance for Doubtful Accounts		81,000	Step 2
To record allowance for uncollectible accounts			
3. Dr. Gift Revenue	490,345		Step 3
Cr. Discount pledge receivable-noncurrent		490,345	Step 3
To record discount on pledge receivables			

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<u>New fiscal year</u>			
4. Dr. Gift Revenue	5,000,000		
Cr. Pledges receivable-current		1,890,000	
Cr. Pledges receivable-noncurrent		3,110,000	
To reverse pledges recorded at previous year-end			
Dr. Allowance for Doubtful Accounts	81,000		
Cr. Gift Revenue		81,000	
To reverse allowance for uncollectible accounts			
Dr. Discount pledge receivable-noncurrent	490,345		
Cr. Gift Revenue		490,345	
To reverse discount on pledge receivables			
5. Payment is received			
Dr. Cash	1,000,000		
Cr. Gift Revenue		1,000,000	
To record pledge payment			
6. Dr. Pledges receivable-current	1,000,000		Step 1
Dr. Pledges receivable-noncurrent	3,000,000		Step 1
Cr. Gift Revenue		4,000,000	Step 1
To record year-end gross pledges			
7. Dr. Gift Revenue	60,000		Step 2
Cr. Allowance for Doubtful Accounts		60,000	Step 2
To record allowance for uncollectible accounts			
8. Dr. Gift Revenue	485,000		Step 3
Cr. Discount pledge receivable-noncurrent		485,000	Step 3
To record discount on pledge receivable			

After the entries are recorded, the accounts will appear as follows:

GASB 33
Accounting and Financial Reporting for Certain Transactions
Effective 2000-2001

ATTACHMENT 1
(revised March 5, 2002)

Fund Source	1999 Budg (Mill.)	Exchange or Non- exchange (Tentative)	Class	Eligibility Requirements	GASB33 Par.#	Treatment			GASB 34 Classification (Tentative)	
						Current	Prospective	Change	Operating Statement	Cash Flow
State Appropriations:										
Operating Budget	\$ 2,426.9	Non- exchange	N/A		N/A	Revenue recorded as claimed. Accrued at year end to reflect amount that can be claimed	Same	No change	Nonoperating Revenue	Noncapital Financing Activities
Capital Outlay	218.3	Exchange	N/A	Cost Reimbursement	N/A	Revenue recorded as claimed	Record as revenue as spent. Any amount claimed but not spent is an advance.	Record deferred revenues at year end for excess claimed.	Other Changes in Net Assets	Capital Financing Activities
Ongoing Programs:										
Charles R Drew	8.9	Exchange	N/A	\$500K contingent upon equal amt. matching UC	N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Podiatry Program	0.9	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
MESA	3.6	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
AIDS Research	11.0	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Inst. Global Conflict & Coop.	0.6	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Student Financial Aid	69.2	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Loan Repayments (Def. Maint)	5.1	Exchange	N/A	Cost Reimbursement	N/A	Record as revenue as spent and claimed	Record as revenue as spent.	No change	Non- Operating Revenue	Capital Financing Activities
SD Supercomputer	4.0	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Math, Sci, Arts Outreach	3.0	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Subject Matter Projects	15.8	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Breast Cancer	17.5	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Institute for Trans. Studies	1.0	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities

GASB 33
Accounting and Financial Reporting for Certain Transactions
Effective 2000-2001

ATTACHMENT 1
(revised March 5, 2002)

Fund Source	1999 Budg (Mill.)	Exchange or Non-exchange (Tentative)	Class	Eligibility Requirements	GASB33 Par.#	Treatment			GASB 34 Classification (Tentative)	
						Current	Prospective	Change	Operating Statement	Cash Flow
Tobacco Related Disease	38.7	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Ctr for Earthquake Engr Res	1.5	Exchange	N/A	Federal matching funds from NSF - \$2 million/year	N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Oiled Wildlife Care Network	1.3	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
Lottery	20.9	Exchange	N/A		N/A	Record budgeted amount as revenue, adjust in new year	Same	No change	Operating Revenue	Operating Activities
Deferral of appropriation	(55.0)	Non-exchange	N/A	Not payable before 7/1/2000	N/A	Accrued at 6/30, claimed in July	Same	No change	Nonoperating Revenue	Noncapital Financing Activities
Lease Purchase Payments	90.6	Exchange	N/A	Cost Reimbursement	N/A	Record as revenue as spent and claimed	Record as revenue as spent.	No change	Non-Operating Revenue	Capital Financing Activities
UC Merced	10.3	Exchange	N/A		N/A	Record as revenue as spent and claimed	Same	No change	Operating Revenue	Operating Activities
State Contracts		Exchange	N/A		N/A	Record revenue as spent	Same	No change	Operating Revenue	Operating Activities
Federal Funds										
Appropriations		Exchange	N/A		N/A	Record revenue as spent	Same	No change	Operating Revenue	Operating Activities
Grants		Exchange	N/A		N/A	Record revenue as spent	Same	No change	Operating Revenue	Operating Activities
Contracts		Exchange	N/A		N/A	Record revenue as spent	Same	No change	Operating Revenue	Operating Activities
Local Government										
Contracts & Grants		Exchange	N/A		N/A	Record revenue as spent	Same	No change	Operating Revenue	Operating Activities

GASB 33
Accounting and Financial Reporting for Certain Transactions
Effective 2000-2001

ATTACHMENT 1
(revised March 5, 2002)

Fund Source	1999 Budg (Mill.)	Exchange or Non-exchange (Tentative)	Class	Eligibility Requirements	GASB33 Par.#	Treatment			GASB 34 Classification (Tentative)	
						Current	Prospective	Change	Operating Statement	Cash Flow
Endowment Funds										
Endowments		Non-exchange	7d	Invest funds in perpetuity	Paragraph 22	Record revenue when received	Same	No change	Non-Operating Revenue	Noncapital Financing Activities
Funds Functioning as Endowments - Donor Designated		Non-exchange	7d	Invest funds	Paragraph 22	Record revenue when received	Same	No change	Non-Operating Revenue	Noncapital Financing Activities
Funds Functioning as Endowments - UC Designated from Gift		Non-exchange	7d		Paragraph 21	Record revenue when received in Current Funds, nonmandatory transfer recorded to endowment	Record in Current Funds when eligibility requirements are met, if promise is verifiable and the resources are measurable and probable of collection	Pledges will be recorded rather than footnoted. Nonmandatory transfer will not occur until gift is received.	Non-Operating Revenue	Noncapital financing activities
Private										
Gifts										
Gifts		Non-exchange	7d		Paragraph 21	Record as revenue when spent if restricted, recorded as revenue when received if unrestricted	Record when eligibility requirements are met, if promise is verifiable and the resources are measurable and probable of collection	Pledges will be recorded rather than footnoted.	Non-Operating Revenue or Other Changes in Net Assets	Noncapital or capital financing activities
Installment Gift - Requirement to use installment in period paid		Non-exchange	7d		Paragraph 21 and Example 21	Record as revenue when spent if restricted, recorded as revenue when received if unrestricted	Record as revenue when time requirement for period is met	Record revenue at the beginning of the period in which expenditure is required.	Non-Operating Revenue or Other Changes in	Noncapital or capital financing activities
Installment Gift - no requirement to use installment in period paid		Non-exchange	7d		Paragraph 21 and Example 21	Record as revenue when spent if restricted, recorded as revenue when received if unrestricted	Record as revenue when pledged in the amount of the discounted present value of the installments	Change in the amount and timing of recording revenue.	Non-Operating Revenue or Other Changes in	Noncapital or capital financing activities

GASB 33
Accounting and Financial Reporting for Certain Transactions
Effective 2000-2001

ATTACHMENT 1
(revised March 5, 2002)

Fund Source	1999 Budg (Mill.)	Exchange or Non-exchange (Tentative)	Class	Eligibility Requirements	GASB33 Par.#	Treatment			GASB 34 Classification (Tentative)	
						Current	Prospective	Change	Operating Statement	Cash Flow
Deferred gifts		Non-exchange	7d	Death of donor	Paragraph 25 and Example 23	No revenue recorded before death of donor. Record as revenue when spent if restricted, recorded as revenue when received if unrestricted.	Same	No change	Operating Revenue or Other Changes in Net Assets	Noncapital or capital financing
Foundation Gifts		Non-exchange	7d	Use permitted after receipt of funds	Paragraph 21	Record as revenue when spent if restricted, recorded as revenue when received if unrestricted	Record as revenue when received	Change in the timing of recording revenue	Operating Revenue or Other Changes in Net Assets	Noncapital or capital financing activities
Pledges		Non-exchange	7d		Paragraph 25	Not recorded until rec'd. Disclosed in footnote.	Record when eligibility requirements are met, if promise is verifiable and the resources are measurable and probable of collection	Pledges will be recorded as revenue rather than footnoted.	Operating Revenue or Other Changes in Net Assets	Noncapital or capital financing activities
Grants		Exchange	N/A	If cost reimbursable, after spent	N/A	Record revenue when spent	Same	No change	Operating Revenue	Operating Activities
Contracts		Exchange	N/A	If cost reimbursable, after spent	N/A	Record revenue when spent	Same	No change	Operating Revenue	Operating Activities
Medical Centers										
SB855		Exchange	N/A		N/A	Record revenue when earned	Same	No change	Operating Revenue	Operating Activities
SB1255		Exchange	N/A		N/A	Record revenue when earned	Same	No change	Operating Revenue	Operating Activities
Medical Education		Exchange	N/A		N/A	Record revenue when earned	Same	No change	Operating Revenue	Operating Activities

UNIVERSITY OF CALIFORNIA SYSTEMWIDE ADMINISTRATION

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Office of the President

BERKELEY, CALIFORNIA 94720

July 8, 1980

CHANCELLORS
VICE PRESIDENT KENDRICK
EXECUTIVE ASSISTANT WILSON

Subject: Review of Gift/Grants for Research

In a review of the University's gifts/private grants for research, the State Auditor General concluded that in many cases monies awarded to the University which should have been classified and processed as grants were classified and processed as gifts.

To clarify this situation and to insure greater consistency among campuses, the following guidelines shall be observed:

In general, classify funds as gifts when the following characteristics exist:

- donor does not impose contractual requirements;
- funds are awarded irrevocably.

In general, classify funds as grants when the following characteristics exist:

- provision for audits by or on behalf of the grantor;
- the grantor is entitled to receive some consideration such as a detailed technical report of research results or a report of expenditures;
- testing or evaluating of proprietary products is involved;
- the research is directed to satisfying specific grantor requirements (e.g., terms and conditions stating a precise scope of work to be done rather than a general area of research);
- a specific period of performance is prescribed or termination is at the discretion of the grantor;

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July 8, 1980
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- funds unexpended at end of period shall be returned to the grantor;
- patent rights requested by grantor.

Since in many situations all of the above characteristics will not be present, judgement must be exercised in order to classify the gift/grant in accordance with the intent of this policy. The decision as to whether a particular award should be considered a gift cannot be made based upon the presence or absence of a single characteristic or criterion. Rather, one must look at the award in toto in order to make a judgement as to its proper classification.

Regardless of the designation of an award for research as a gift or grant, it will be subject to the research review process as well as to the administrative rules and procedures which apply to all University Funds. The processing of gifts will not include the application of indirect costs. The processing of grants will include the application of indirect costs in accordance with University policy.

The above guidelines are not intended to indicate whether processing of gifts/grants occurs in the Contract and Grants Office or the Development Office. Report governmental grants to Systemwide Administration for inclusion in the contracts and grants EDP system and report all other gifts/grants to Systemwide Administration according to stated Gift and Development reporting needs. However, organization of the processing/acceptance/administration of gift/grant funds is a local matter.

David S. Saxon
President

cc: Principal Officers of The Regents
Laboratory Directors
Members, President's Administrative Council

Campus:
 Fiscal Year:1999-2000
 Pledge Calculation
 Fiscal Year Pledge Recorded: 1999-2000
 Rate: 6% *

	Year 1**	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year X	Total
Loan Funds									
Step 1	Donor 1	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Step 1	Donor 2			30,000	30,000	30,000			90,000
Step 1	Donor 3	10,000	10,000	10,000	10,000	10,000	10,000		70,000
Step 1	Donor X	100,000							100,000
	Gross Pledges	\$ 160,000	\$ 60,000	\$ 90,000	\$ 40,000	\$ 40,000	\$ 10,000	\$ 10,000	\$ 410,000
Step 2	Estimated Uncollectible	\$ -	\$ (6,000)	\$ (9,000)	\$ (4,000)	\$ (4,000)	\$ (1,000)	\$ (1,000)	\$ (25,000)
	Total Loan Funds	\$ 160,000	\$ 54,000	\$ 81,000	\$ 36,000	\$ 36,000	\$ 9,000	\$ 9,000	\$ 385,000
Step 3	Total - Year 1	\$ 160,000							
Step 3	Discounted Total - Year 2+	\$ 194,845							
		\$ 354,845							
Plant Funds									
Step 1	Donor 1	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 90,000
Step 1	Donor 2	600,000							600,000
Step 1	Donor 3	40,000	40,000	40,000	40,000	40,000			200,000
Step 1	Donor X	500,000							500,000
	Gross Pledges	\$ 1,170,000	\$ 70,000	\$ 70,000	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ 1,390,000
Step 2	Estimated Uncollectible	\$ -	\$ (7,000)	\$ (7,000)	\$ (4,000)	\$ (4,000)	\$ -	\$ -	\$ (22,000)
	Total Plant Funds	\$ 1,170,000	\$ 63,000	\$ 63,000	\$ 36,000	\$ 36,000	\$ -	\$ -	\$ 1,368,000
Step 3	Total - Year 1	\$ 1,170,000							
Step 3	Discounted Total - Year 2+	\$ 174,245							
		\$ 1,344,245							
Current Funds									
Step 1	Donor 1	\$ 500,000	\$ 500,000						\$ 1,000,000
Step 1	Donor 2				1,900,000				1,900,000
Step 1	Donor 3		90,000	90,000					180,000
Step 1	Donor X	60,000	60,000						120,000
	Gross Pledges	\$ 560,000	\$ 650,000	\$ 90,000	\$ -	\$ 1,900,000	\$ -	\$ -	\$ 3,200,000
Step 2	Estimated Uncollectible	\$ -	\$ (6,000)	\$ (9,000)	\$ -	\$ (19,000)	\$ -	\$ -	\$ (34,000)
	Total Current Funds	\$ 560,000	\$ 644,000	\$ 81,000	\$ -	\$ 1,881,000	\$ -	\$ -	\$ 3,166,000
Step 3	Total - Year 1	\$ 560,000							
Step 3	Discounted Total - Year 2+	\$ 2,169,565							
		\$ 2,729,565							
Grand Total		Gross Pledges Year 1	Gross Pledges Year 2-X	Total Gross Pledges	Estimated Uncollectible	Total Discounted Pledge	Discount Noncurrent		
Loan Funds	\$ 160,000	\$ 250,000	\$ 410,000	\$ (25,000)	\$ 354,845	\$ 30,155			
Plant Funds	\$ 1,170,000	\$ 220,000	\$ 1,390,000	\$ (22,000)	\$ 1,344,245	\$ 23,755			
Current Funds	\$ 560,000	\$ 2,640,000	\$ 3,200,000	\$ (34,000)	\$ 2,729,565	\$ 436,435			
	\$ 1,890,000	\$ 3,110,000	\$ 5,000,000	\$ (81,000)	\$ 4,428,655	\$ 490,345			

* In future fiscal years, the discount on any pledge listed on this page will be at the same rate.
 That is, for any particular pledge, the discount rate is the same over the life of the pledge.
 ** Year 1 is the first year after the current fiscal year. Year 2 is the second year after the current fiscal year, etc.
 Note: Assumes that campus will prepare separate calculation and entry for bad debt allowances based on campus experience.