

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**

**Addendum A to
Issues Resolution Memo No. 126**

Adopting the Change in Accounting Principle for Pledges

Define Issues

The University must develop the entries to adopt the changes in accounting principles for pledges 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. In order to comply with the standards for reporting pledges, the University must establish the entries to record the June 30, 2000 balances for pledges in the general ledger in FY 2000-2001, as well as the June 30, 2001 balances for pledges.

Recommended Approach

Establish New Accounts

- Campuses will establish the following new accounts:

Account Title	CF	UP	LF
Pledges Receivable—Current Asset	✓	✓	✓
Pledges Receivable—Noncurrent Asset	✓	✓	✓
Allowance for Uncollectible Accounts—Current Asset	✓	✓	✓
Allowance for Uncollectible Accounts—Noncurrent Asset	✓	✓	✓
Pledges Receivable – Discount—Noncurrent Asset	✓	✓	✓
Revenue Account - Gifts	✓		
Revenue Account - Contra—Discount on Pledges	✓		
Revenue Account - Contra—Uncollectible	✓		
Fund Balance - Gifts	✓	✓	✓

CF—Current Funds; UP—Unexpended Plant Funds; LF—Loan Funds

Record the June 30, 2000 Balances for Pledges as of July 1, 2000

- Campuses will record the June 30, 2000 entries by May 31, 2001 so that PricewaterhouseCoopers and campuses may discuss and resolve potential issues during the interim audit and prior to year-end.
- Campus entries are provided by UCOP in Attachment 1.

Modify Local Fiscal Closing Process

- Campuses will incorporate procedures to record pledges into the local fiscal closing process.

Record the June 30, 2001 Balances for Pledges as of June 30, 2001

Note: In the following entries, asset and fund balance accounts are listed once, but campuses should make separate entries by fund group, as appropriate.

- Campuses will record Gross Pledges as of June 30, 2001:
 - Debit* Pledges Receivable—Current
 - Debit* Pledges Receivable—Noncurrent
 - Credit* Revenue Account—Gifts
 - Credit* Fund Balance—Gifts
(UP Transaction Code 1100, LF Transaction Code 8000)

- Campuses will record the Allowance for Uncollectible Accounts as of June 30, 2001:
Debit Revenue Account—Contra–Uncollectible
Debit Fund Balance—Gifts
 (New Codes: UP Transaction Code 1101, LF Transaction Code 8001)
Credit Allowance for Uncollectible Accounts—Current
Credit Allowance for Uncollectible Accounts—Noncurrent
- Campuses will record the Discount on Pledges Receivable as of June 30, 2001:
Debit Revenue Account—Contra–Discount on Pledges
Debit Fund Balance—Gifts
 (New Codes: UP Transaction Code 1102, LF Transaction Code 8002)
Credit Pledges Receivable—Discount

Next Steps—Required Actions

Responsibility (C, OP)	Required Completion Date	Action Item/Task
OP	16-Feb-01	Develop June 30, 2000 Balances for Pledges —Develop the entries for campuses to record the June 30, 2000 balances for pledges as of July 1, 2000 (see Attachment 1 to this IRM).
OP	28-Feb-01	Establish New Transaction Codes —Establish new transaction codes to record pledge activity.
C	30-Apr-01	Modify Local Closing Process —Modify local annual closing process to incorporate changes in accounting principles for pledge activity.
C	31-May-01	Open New Accounts —Open new accounts as outlined in the <i>Recommended Approach</i> section of this IRM.
C	31-May-01	Record June 30, 2000 Entries —Record the June 30, 2000 balances for pledges entries provided by UCOP (see Attachment 1 in this IRM).
OP	30-Jun-01	Restate Prior-Year Financial Statements —Restate FY 1999-2000 financial statements to include pledge activity to prepare comparative statements for the FY 2000-2001 Annual Report.
C	3-Aug-01	Record June 30, 2001 Pledge Balance —Record the June 30, 2001 balance for pledge activity using the format provided in Attachment 3 of the May 12, 2000 memo.

IRM No. 126, Addendum A

Attachment 1—Entries to Record the June 30, 2000 Balances for Pledges (as of June 8, 2001)

Journal Entry	San						Santa	Santa	Irvine	Systemwide	Total
	Berkeley	Francisco	Davis	Los Angeles	Riverside	San Diego	Cruz	Barbara			
Record Beginning Entry for Gross Pledges											
Debit Revenue Accounts--Gifts	19,702,388	3,724,063	2,354,252	6,817,803	n/a	4,962,570	n/a	2,450,000	220,689	n/a	40,231,765
Debit Fund Balance--Gifts UP 1100	23,250,802	n/a	182,938	52,243,034	n/a	8,550,000	n/a	n/a	200,000	n/a	84,426,774
Debit Fund Balance--Gifts LF 8000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
Credit Fund Balance--Gifts CF 0990	(19,702,388)	(3,724,063)	(2,354,252)	(6,817,803)	n/a	(4,962,570)	n/a	(2,450,000)	(220,689)	n/a	(40,231,765)
Credit Fund Balance--Gifts UP 6000	(23,250,802)	n/a	(182,938)	(52,243,034)	n/a	(8,550,000)	n/a	n/a	(200,000)	n/a	(84,426,774)
Credit Fund Balance--Gifts LF 8600	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
Record Beginning Entry for Allowance for Uncollectible Accounts											
Debit Fund Balance--Gifts CF 0990	985,119	n/a	n/a	205,400	n/a	n/a	n/a	n/a	n/a	n/a	1,190,519
Debit Fund Balance--Gifts UP 6000	1,162,540	n/a	n/a	50,000	n/a	n/a	n/a	n/a	n/a	n/a	1,212,540
Debit Fund Balance--Gifts LF 8600	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
Credit Revenue Account--Contra--Uncollectible	(985,119)	n/a	n/a	(205,400)	n/a	n/a	n/a	n/a	n/a	n/a	(1,190,519)
Credit Fund Balance--Gifts UP 1101 (new code)	(1,162,540)	n/a	n/a	(50,000)	n/a	n/a	n/a	n/a	n/a	n/a	(1,212,540)
Credit Fund Balance--Gifts LF 8001 (new code)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
Record Beginning Entry for Discount on Pledges Receivable											
Debit Fund Balance--Gifts CF 0990	2,753,023	115,449	537,755	532,385	n/a	194,330	n/a	110,094	n/a	n/a	4,243,036
Debit Fund Balance--Gifts UP 6000	646,911	n/a	18,769	6,291,926	n/a	1,189,414	n/a	n/a	5,660	n/a	8,152,680
Debit Fund Balance--Gifts LF 8600	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-
Credit Revenue Account--Contra--Discount on Pledges	(2,753,023)	(115,419)	(537,755)	(532,385)	n/a	(194,330)	n/a	(110,094)	n/a	n/a	(4,243,006)
Credit Fund Balance--Gifts UP 1102 (new code)	(646,911)	n/a	(18,769)	(6,291,926)	n/a	(1,189,414)	n/a	n/a	(5,660)	n/a	(8,152,680)
Credit Fund Balance--Gifts LF 8002 (new code)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-