

University of California

Statement No. 51 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Intangible Assets*, June 2007

Addendum to Issues Resolution Memorandum No. 51.1: *June 30, 2009 Update to the University's Approach for Implementation of GASB Statement No. 51* (Issued February 9, 2010)

This addendum updates the University's approach for implementation of GASB Statement No. 51, as previously described in IRM 51.1. The update reflects the known facts as of June 30, 2009.

GASB Statement No. 51 requires intangible assets to be classified and reported as capital assets. The University must implement the requirements of the Statement for the fiscal year beginning July 1, 2009, with restatement of the previous fiscal year.

University's Implementation Approach

IRM 51.1, issued in August 2008, identified necessary procedures for implementation of GASB Statement No. 51, including the identification and establishment of historical and transitional information required for by the Statement. The following chart summarized the historical and transitional information required by Statement No. 51.

Classification of Intangible Assets	Capitalized by UC Prior to GASB 51	Need to Identify Acquisition Cost History Back to 7/1/1980	Need to Identify FY 2008-09 Comparative Year Information
Easements	No	No, if indefinite life <u>Yes, if limited life</u>	<u>Yes</u>
Land Rights	No	No, if indefinite life <u>Yes, if limited life</u>	<u>Yes</u>
Patents – Purchased	Yes	No, already capitalized	No, already capitalized
Patents – Internally Generated	No	No, not required for internally generated	<u>Yes</u>
Trademarks – Purchased	Yes	No, already capitalized	No, already capitalized
Trademarks – Internally Generated	No	No. not required for internally generated	<u>Yes</u>

Classification of Intangible Assets	Capitalized by UC Prior to GASB 51	Need to Identify Acquisition Cost History Back to 7/1/1980	Need to Identify FY 2008-09 Comparative Year Information
Software > \$5M-10M, Purchased	Yes	No, 7 years life, capitalized since 2001	No, already capitalized, except <u>Yes for Software Between \$5M and \$10M</u>
Software > \$5M-10M, Internally Generated	Yes	No, not required for internally generated	No, already capitalized, except <u>Yes for Software Between \$5M and \$10M</u>
Software = < \$5M-10M, Purchased	Yes	No, 3 years life, capitalized since 2001	No, already capitalized
Software = < \$5M-10M, Internally Generated	No	No, not required for internally generated	No, UC will not capitalize internal development costs for software = < \$5M

In FY 2008-09, campuses were required to examine their records to gather the necessary historical and transitional information on existing and newly acquired intangible assets. Upon completion of these examinations, the following information was reported:

- **Historical Information (July 1, 1980 – June 30, 2008)**

Information required: Acquisition dates and acquisition values of easements with limited lives and land rights with limited lives acquired during the period July 1, 1980 through June 30, 2008.

None were identified by the campuses.

- **Restatement Year Information (July 1, 2008 – June 30, 2009)**

Information required: Acquisition dates and acquisition values of easements, land rights, internally generated patents, internally generated trademarks, purchased software with acquisition value between \$5 million and \$10 million, and internally generated software with total acquisition value between \$5 million and \$10 million; acquired during the period July 1, 2008 through June 30, 2009.

None were identified by the campuses, except for negligible amounts for easements at one campus that was included in the value of land acquired and capitalized during the year.

The implementation procedures were greatly simplified by the historical and transitional information gathered and confirmed by the campuses. Shown below is the Schedule of Steps for Implementation from IRM 51.1, with update comments based on the facts known as of June 30, 2009.

Schedule of Steps for Implementation – GASB Statement No. 51

Step No	Scheduled Date of Completion	Implementation Task	By
1	Jan. 7 2008	UCOP-FM will develop draft IRM 51.1 with implementation plan and approach for Statement 51 for discussion with PwC.	UCOP-FM
2	March 12, 2008	UCOP-FM will develop and issue IRMs 51.2 and 51.3 on software, and copyrights, patents and trademarks. The IRMS will be used to discuss the approach for these assets with PwC.	UCOP PwC
3	July 31, 2008	UCOP-FM will complete discussion of IRM 51.1 with campus Controllers and PwC. UCOP-FM will finalize the IRM and distribute to campuses. <u>Completed August 2008</u>	UCOP-FM PwC
4	July 31, 2008	UCOP-FM will finalize IRMs 51.1, 51.2 and 51.3 and send to campuses. It will include worksheet templates (Attachments 4 and 5) for use by campuses to identify and gather historical information for intangible assets (for the period 7/1/1980 – 6/30/2008 and 7/1/08 – 6/30/09). <u>Completed August 2008</u>	UCOP-FM Campuses
5	August 1, 2008	Using the worksheet templates to be provided by UCOP, campuses will begin to accumulate information on intangible asset transactions to: a) establish the 6/30/08 balances (due Nov. 24, 2008 to UCOP-FM) b) begin to track IA transactions for FY 2008-09 (due Oct. 5, 2009 to UCOP-FM).	Campuses
6	Oct. 31, 2008	UCOP-FM and UCOP-IRC will develop specification for modification of the UCOP DPR system to begin discussion of program modifications. UCOP-FM will also develop specifications for modification of the UCOP CFR system as required for the implementation of Statement 51 and send to UCOP-IRC	UCOP-FM UCOP-IRC

Step No	Scheduled Date of Completion	Implementation Task	By
7	Nov. 24, 2008	Campuses will complete gathering historical data (7/1/1980 – 6/30/2008) and send to UCOP-FM. <u>Completed March 2009.</u> <u>No items requiring historical adjustments were identified.</u>	Campuses
8	Jan. 2009	Using the historical data submitted by the campuses, UCOP-IRC will introduce IA historical data into the DPR system. <u>Modification to the DPR system was not needed since no items requiring adjustments were identified.</u>	UCOP-IRC
9	July 1, 2009	Campuses will begin using the new definitions for intangible asset transactions.	Campuses
10	July 2009	UCOP-IRC will send to campuses revised CFS AST and EFA file specifications including how to treat the historical data collected by the campuses. The new specs will apply beginning with the files due February 2010. <u>Not needed since no items requiring adjustments were identified.</u>	UCOP-IRC
11	Oct. 5, 2009	Campuses will complete and send worksheets with FY 2008-2009 intangible assets transaction data to UCOP-FM. UCOP-IRC will introduce the submitted data into the modified DPR system. <u>Completed August 2009.</u> <u>Campuses were requested to complete this step earlier for possible early implementation of GASB 51. No items requiring restatement of 2008-2009 in 2009-2010 were identified, other than negligible amounts for easements included in the land value acquired and capitalized in 2008-2009. These amounts were not reclassified as IA.</u>	Campuses UCOP-FM
12		UCOP-IRC will send to campuses the history data to be included in the 12/31/09 CFSAST file. <u>Not needed since no items requiring adjustments were identified.</u>	UCOP-IRC
13	Dec. 2009	UCOP-IRC will complete the DPR system modifications and testing. <u>Not needed since no items requiring adjustments were identified.</u>	UCOP-FM UCOP-IRC

Step No	Scheduled Date of Completion	Implementation Task	By
14	Dec. 2009	UCOP will develop verification procedures to reconcile the beginning balances in the Dec. 2009 AST file to the historical data (7/1/80—6/30/08 and 7/1/08—6/30/09) previously submitted by the campuses. <u>Not needed since no items requiring adjustments were identified.</u>	UCOP-FM UCOP-IRC
15	Feb. 2010	Campuses will submit the Dec.31, 2009 CFS AST file with intangible asset data as specified by UCOP-IRC. <u>No change in file specifications. No additional accounting codes were established. Intangible assets must include all items defined by GASB Statement No. 51 and clarified in IRM 51.1.</u>	Campuses
16	April 2010	UCOP will process the Dec. 2009 CFS AST file with intangible asset data into the DPR system. This process will calculate the amortization amounts for FY2009-2010 and identify journal entries to be made by the campuses.	UCOP-IRC
17	May 2010	UCOP-FM will send the journal entries identified by the DPR system to the campuses. Campuses will record the entries to: a) record the accumulated depreciation at 6/30/08 and the corresponding adjustment to net asset, b) record the expense for FY08-09, and c) record the expense for FY 09-10. <u>There will be no additional recording of accumulated depreciation at 6/30/08, or depreciation expense for FY 08-09, since no items were identified that required such adjustments.</u>	UCOP-FM Campuses

Account Group Codes – Intangible Assets

The following Account Group Codes designate the various classifications of capital assets at the University. Codes 120710 and 120720 are currently designated for use for intangible assets. No additional codes were added for GASB Statement No. 51 implementation; however, note the change in the description of the codes for software. CFR reports have been modified to group software as a category of intangible assets.

Valid Account Group Codes for the CFSAST Balance Records

Account Group Code	Account Group Title
120110	Real Estate - Campus
120120	Real Estate - Medical Center
120210	Buildings and Structures - Campus
120220	Buildings and Structures - Medical Center
120230	Fixed Equipment - Campus
120240	Fixed Equipment - Medical Center
120310	General Improvements - Campus
120320	General Improvements - Medical Center
120440	Software > 10M \$5M Campus
120450	Software > 10M \$5M Medical Center
120460	Software < = 10M \$5M Campus
120470	Software < = 10M \$5M Medical Center
120480	Equipment-Medical Center
120490	Equipment-Campus
120510	Library Mat & Library Collections(exc. Rare Books)
120520	Library Rare Books & Rare Book Collections
120610	Construction in Progress - Campus
120620	Construction in Progress - Medical Center
120710	Intangible Assets - Campus
120720	Intangible Assets - Medical Center
120810	Infrastructure Assets - Campus
120820	Infrastructure Assets - Medical Center
120910	Special Collections-Excl Lib-Campus
120920	Special Collections-Excl Lib-Medical Center

Next Steps

- *Beginning July 1, 2009:*

Campuses must use the new definition of intangible assets, to include easements, land rights, copyrights, patents (purchased and internally generated), trademarks (purchased and internally generated), computer software (purchased and internally generated; classified as \$5 million and below and over \$5 million), goodwill and covenants not to compete.

Each intangible asset must be associated with a CAAN number as specified in IRM 51.1 (page 13), and included in the annual AST file submitted to UCOP.

- *Consolidated financial statement presentation and disclosure beginning FY 2009-2010:*

Intangible assets will be disclosed in the financial statement footnotes as a classification of capital assets in the University's consolidated financial statements. Currently, intangible assets including software are reported as equipment.

The UCOP CFR and DPR system reports have been modified to present the intangible assets as a separate line, consistent with their presentation required in the consolidated financial statements and footnotes.

- *Restatement of 2008-2009:*

Since no items were identified that required adjustments at June 30, 2008 or for the year 2008-2009, there will be no changes need for GASB Statement No. 51 for the comparative statements to be reporting with the 2009-2010 statements.