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To: Assistant Vice Presidents for Administration/Finance
Financial Standards Advisory Committee

From: George V. Ashkar
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Financial Services, Accounting

Subject: Accounting Guidance for Moving University Funds from Auxiliaries to the University in Accordance with Executive Order 1052 and Financial Services Coded Memo FS 2010-03

To assist campuses in moving towards compliance with the policy described in the documents above, we provide the following recommendations:

The movement of funds should be recorded in a way that minimizes distortion of current year operations (i.e., current year revenues and expenses), and therefore distinction needs to be made between funds accumulated in prior years and funds from the current year activity. If the funds being moved represent net assets accumulated from prior years, then such movement is not the result of an exchange transaction and therefore should be treated as a non-operating expense by the auxiliary and a non-operating revenue by the university, regardless of the original funding source.

FIRMS object code 590006, Movement of Prior Year Auxiliary Collections, has been created to record movement of the university funds collected in a prior year by an auxiliary to the university. The credit (revenue) recorded by the university must equal the debit (expense) recorded by the auxiliary so that the object code nets to zero on the GAAP financial statements. Object code 590006 will map to GASB Natural Class Code 723006, Other Nonoperating Revenue (Expenses) and to state GL 80900000, Other Revenue.

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If funds being moved come from current year activity recorded by the auxiliary since July 1, 2010 and detailed information is available regarding the source of revenue, then a specific revenue account (e.g., gift income, rental income, fee revenue, etc.) should be used. Journal entries in this case would be similar to what the university and the auxiliary would have recorded in the first place (i.e., grossing up of revenues and expenses by the university, and reversal of revenues by the auxiliary that should have been recorded by the university and cost recovery to the auxiliary). Examples of journal entries of specific situations can be provided later, if necessary.

If the university funds held by an auxiliary had previously been recorded appropriately and exist as receivables/payables between the university and the auxiliary, then only those balance sheet accounts need to be cleared when the funds are moved to the university.

Please note that the movement of funds from an auxiliary to the university cannot be recorded as a transfer on the books of either since auxiliaries are legally separate entities outside the university that are not using any state fund.

Any questions regarding this document may be directed to Sedong John, Director, Systemwide Financial Standards & Reporting, at sjohn@calstate.edu or 562-951-4577.

GVA:SJ;gs

Cc: Vice Presidents