

The background of the slide is a photograph of a modern, multi-story building with a complex, angular facade. The building features a mix of light-colored concrete or stone and dark window panels. The architecture is characterized by overlapping horizontal and vertical planes, creating a sense of depth and geometric complexity. The lighting suggests an overcast day, with soft shadows and highlights on the building's surfaces.

March 2008 UNM Fiscal Agents
Meeting
Non-endowed Spending
Accounting Changes

Presented by Keith Mellor
Associate Controller for
Health Sciences Center

UNIVERSITY OF NEW MEXICO
HEALTH SCIENCES CENTER

Non-Endowed Spending

Reasons for the Change

- To Comply with GASB and Audit Findings
- To implement stronger internal controls and improve financial reporting, The purpose is to develop:
- A more accurate accounting for non-endowed spending transactions.
- A process with budgetary spending controls utilizing the BANNER NSF function.
- In general, a process with improved internal controls and oversight that reports budgeted available balances and prevents overspending of non-endowed funds.

Non-Endowed Spending

Summary of Proposed Changes

- Eliminate the offset/contra indices. By eliminating the Foundations monthly posting of income to the Departments, the need for an offsetting index is eliminated.
- The contra indices used to cross-walk data from FRS to Banner will be closed to the Department indexes, thus reversing the original cross-walk entry and eliminating the artificial department fund balance.
- Fund balance or net assets should equal zero; net assets should be recorded in the Foundation only.

Non-Endowed Spending

Summary of Proposed Changes - Continued

- Income will be recognized via a monthly accrual based on Department actual expenses. The debit side of the entry will be posted to a balance sheet “Due From” receivable.
- The “Due From” will be zeroed out at year-end when the Foundation transfers cash.
- Departments will budget in Budget Planner, (1901 account code and an expense account code for each index), the amount of their FY08 ending balance they expect to spend in FY09.
- NSF will be set to warning in FY08 and reject in FY09, so there will be time to evaluate the new process and how NSF checking will impact departments once the switch is flipped.

Non-Endowed Spending

Summary of Proposed Changes - Continued

- The goal is that Main Campus and Health Sciences Campus work together on the implementation so the transition is seamless and we are consistent with procedures and communications to each other.
- FY09 gifts, bequests and investment income received during the current year will be processed as monthly budget revisions (BD4) by the Development Office

Non-Endowed Spending

Summary Accounting Entries

	ACTIVITY	Resp Dept	CURRENT	PROPOSED
(1)	Clean up entry	FSD		Dr. 1903 - Offset Index Cr. 1903 - Contra Act
		FSD		Dr. 1903 - Dept Index - Actual Cr. 1903 - Offset index
(2)	Balance Forward	Dept	A/C 1900 - Dept Index - Actual	Dr. 3100 - Dept Index - Budget Cr.1901 - Dept Index - Budget
(3)	Receipt of Gifts from the Foundation	FDN	Dr. 1000 - Offset Index Cr. 1000 - Dept. Index Actual	Dr. 3100 - Dept Index - Budget Cr. 1000 - Dept Index - Budget
(4)	Receipt of Investment Income	FDN	Dr. 1000 - Offset Index Cr. 1000 - Dept. Index Actual	Dr. 3100 - Dept Index - Budget Cr. 1000 - Dept Index - Budget
(5)	Monthly Revenue Accrual (= Prior month Expenses)	FSD	Dr. A226 - Balance Sheet Cr. 1000 - Offset Index	Dr. A226 - Balance Sheet Cr. 1000 - Dept Index - Actual
(6)	EOY Reversal of Monthly Revenue Accrual		Dr. 1000 Offset Index Cr. A226 - Balance Sheet	No Entry
(7)	EOY Entry for Transfer of Cash	FSD	Dr. Main Campus Cash Cr. Foundation Cash	Dr. Main Campus Cash Cr. A226 Balance Sheet

Non-Endowed Spending

Explanation of Accounting Entries

(1)	This entry eliminates the actual balances in the offset index and the Departmental index and eliminates the need for offset indices. Per auditors; the GASB ruling states that Non-endowed net assets (balance forwards) belong to the University Foundation not the University campuses. This entry brings us into compliance with the ruling.				
(2)	Departments will budget in Budget Planner the amount of their FY08 ending balance they expect to spend. The new process moves the balance forward and the revenue recognition in items (3) & (4) into the budget rather than actual. This change allows the Departments to see their entire available balances as budgeted amounts. Also under the new method, the receivable A226 becomes the account through which cash is transferred at the end of the year, instead of the offsets.				
(5)	This entry keeps revenues = expenses in the actual ledgers.				
(6)	Since the monthly accrual of revenues is based on actual expense the need for this entry is eliminated.				
(7)	Under the new method the receivable is zeroed out at year end, thus following accrual accounting methodology.				