

# Accounting

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## Purpose

As an auxiliary organization of the California State University system, the Associated Students, Incorporated is entrusted with the management and operation of a wide variety of student programs, services, and facilities. Critical to the management of a comprehensive student services program is the effective management of the corporation's financial assets. The primary purpose of ASI's Policy on Accounting is to prescribe major features of ASI's general accounting system so that resources are accounted for in accordance with policies and objectives established by the CSU Board of Trustees, CSULB administration, the ASI Board of Directors, donors, government agencies, and others.

## Policy Statement

It is the policy of the Associated Students, Incorporated that the ASI Business Office shall be responsible for the accounting for all ASI financial activity in accordance with Generally Accepted Accounting Principles (GAAP) outlined by the Financial Accounting Standards Board and regulations of the California State University Office of the Chancellor. Primary responsibility for oversight and management of ASI's accounting system shall reside with the ASI Controller under the supervision of the ASI Executive Director and the CSULB Associate Vice President for Financial Management.

## Who Should Know This Policy

- |  |  |   |
|--|--|---|
| <input checked="" type="checkbox"/> Budget Area Administrators | <input checked="" type="checkbox"/> Elected/Appointed Officers | <input type="checkbox"/> Grant Recipients |
| <input checked="" type="checkbox"/> Management Personnel       | <input type="checkbox"/> Program Advisors                      | <input type="checkbox"/> Staff            |
| <input type="checkbox"/> Supervisors                           | <input type="checkbox"/> Volunteers                            |   |

## Definitions

For purposes of this policy, the terms used are defined as follows:

Term	Definition
Accounting	The recording and reporting of financial transactions, including the origination of the transaction, its recognition, processing, and summarization in the financial statements
Accrual basis	Method of accounting that recognizes revenue when earned, rather than when collected. Expenses are recognized when incurred rather than when paid.
Debt instrument	A written promise to repay a debt. Examples include bills, bonds, notes, CDs, commercial paper, and banker's acceptances.
Marketable securities	Stocks and other negotiable instruments which can be easily bought and sold on either listed exchanges or over-the-counter markets.
Net assets	The excess or deficiency of assets over liabilities classified according to the existence or absence of donor-imposed restrictions. There are three classes of net assets: permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. Permanently restricted and temporarily restricted net assets are restricted by the donor and can only be used for the specific purpose intended. Unrestricted net assets are not subject to donor-imposed restrictions but can be designated by a governing board for a specific purpose.

## Regulations

### 1.0 ASI Funds

ASI funds subject to ASI accounting and control shall be any monies received from any ASI funding source including, but not limited to: state and federal appropriations; grants and contracts; mandatory student fees; gifts; and income from ASI operations. Restricted funds shall only be used in accordance with the purposes established by the external source of funds. Unrestricted funds shall only be used as designated in the approved Annual Operating Budget as subsequently amended by the Board of Directors.

### 2.0 Accrual Basis

Associated Students, Incorporated shall maintain its accounts on an accrual basis.

### 3.0 Fiscal Year

Associated Students, Incorporated shall operate on a fiscal year basis of July 1 through June 30.

### 4.0 Financial Statements

Financial statement presentation shall follow the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting (SFAS) No. 117, Financial Statements of Not-for-Profit Organization. Under SFAS 117, ASI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### 4.1 Financial Reports

The Business Office shall prepare monthly financial reports, which include the following: statement of financial position, statement of cash flows, consolidated income statement, consolidated statement of program operations, and income statements by department comparing budget to actual. Interim financial statements shall be reviewed by the Controller and approved by the Executive Director before release. Associated Students, Incorporated shall submit to a full scope audit of its year-end financial statements by a qualified public accounting firm (refer to Policy on Audit).

### 5.0 Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of available resources, unrestricted net assets shall be maintained in accordance with the principles of "fund accounting." Resources shall be classified for accounting and reporting purposes into fund groups that characterize the sources of revenue and specific activities or objectives. Separate accounts shall be maintained for each fund, and transfers between funds shall comply with ASI's Policy on Reserves and Fund Balances.

All financial transactions shall be recorded and reported by fund group. Major fund groups are as follows:

#### 5.1 General Fund

The General Fund is maintained to classify for those transactions related to all activities not covered in another specific category and which relate in general to the full scope of operations of the auxiliary organization. Sub-funds shall be established within the General Fund to account for funds established for particular programs or purposes as mandated by student fee referenda.

#### 5.2 Plant Fund

The Plant Fund is maintained to account for funds designated for the acquisition of physical properties and funds expended and invested in physical properties.

#### 5.3 Campus Programs Fund

The Campus Programs Fund is maintained as a service to University-affiliated organizations and projects to account for funds held in trust by ASI. These funds are held by ASI but are owned by outside entities (e.g., student organizations).

### 6.0 Investments

Investments in marketable securities with readily determinable fair values and all investments in debt instruments shall be recorded at their approximate fair values. Investments in cash equivalents (certificates of deposit, money market shares, etc.) shall be recorded at cost at the date of purchase.

### 7.0 Depreciation Method

Property and equipment, excluding real property and art collections, shall be stated at cost and depreciated by the straight line method over estimated useful lives ranging from three to ten years for furniture and fixtures.

Expenditures for maintenance and repairs shall be expensed directly to program operations. Betterment and extraordinary repairs shall be capitalized.

Due to the likelihood that lease renewal options will be exercised, building improvements to the University Student Union, Soroptimist House, Recycling Center, and Child Development Center shall be amortized over the expected useful life of the improvement.

Real property and art collections shall be recorded at appraised value and updated periodically to account for asset appreciation.

The capitalization threshold for purchased or donated property shall be \$1,500 with a useful life longer than 3 years. Donated property shall be recorded at estimated or appraised value.

## 8.0 Encumbrances

Funds shall be encumbered when a legally binding obligation in excess of \$1,000 is incurred. Exceptions exist for fixed asset purchases and personal service agreements (refer to Policy on Procurement). Recording of encumbrances will occur only when a valid purchase order has been prepared and entered into the accounting system.

## 9.0 Accounting System Design

To establish a coding structure that supports financial reporting and decision-making, cost and other data shall be designed to support budget area responsibility assignments at the department, division, and final cost objectives level, as necessary.

### 9.1 Establishment of Control Accounts

In order to perform reconciliations, subsidiary account detail shall be aggregated to General Ledger control accounts.

### 9.2 Use of Contra Accounts

The coding structure shall provide for offsetting contra accounts (e.g., allowance for bad debt, accumulated depreciation) to adjust historical cost to current levels for financial reporting purposes.

## 10.0 Chart of Accounts

Associated Students, Incorporated shall utilize account numbers for all general ledger accounts. The account numbers shall be formatted in such a way as to readily identify any transaction. At a minimum, account numbers shall be coded for account classification (i.e. asset, liability, fund balance, revenue, and expense), object of expenditure (line item), organizational unit, and sub-unit (if applicable).

### 10.1 Account Number Configuration

Current ASI account numbers follow a nine-digit configuration, segmented into three sections, as illustrated below:

AAA - BBBB - CC

The first segment (AAA) identifies the account type and object classification. The second segment (BBBB) identifies the group number (e.g., department, unit, or organization). The third segment (CC) identifies the cost center or activity

#### 10.1.1 Account Type/Object Classification

The first of the three digits identifies the type of account and is coded as follows:

- |                 |                   |
|-----------------|-------------------|
| 1 - Assets      | 2 - Fixed Assets  |
| 3 - Liabilities | 4 - Fund Balances |

- |                          |                               |
|--------------------------|-------------------------------|
| 5 - Revenues             | 6 - Cost of Goods Sold        |
| 7 - Expenses             | 8 - Funds Allocated to Others |
| 9 – Capital Expenditures |                               |

The second and third digits identify the object classification (line item number) within each Account Type. The “Line Item Listing” document provides the complete codes for all revenue, cost of goods, and expenditure types.

**10.1.2 Group Number**

The first digit of the Group Number represents the primary function of the department or organization for which the account transaction is being made. Available codes are:

- |                                    |                                     |
|------------------------------------|-------------------------------------|
| 0 – Special Interest Organizations | 1 - Community Service Organizations |
| 2 - Cultural Organizations         | 3 - Student Activities              |
| 4 – Student Government             | 5 - Academic Organizations          |
| 6 – Facility Operations            | 7 – Financial Aid                   |
| 8 - Recreation Operations          | 9 – General Administration          |

The second, third and fourth digits of the group code shall be used to maintain the alphabetical order of group names within each group. According to the following alphabetical conversion chart, groups shall be assigned a numeric code based on the first, second, and third letter of the group name:

<u>First Letter</u>	<u>Numeric Code</u>	<u>First Letter</u>	<u>Numeric Code</u>
A	00-09	B	10-19
C	20-29	DEF	30-39
GHI	40-49	JKL	50-59
MNO	60-69	PQR	70-79
S	80-89	TUVWXYZ	90-99

**10.1.3 Service Center/Activity Code**

The two digits of this segment shall be used to identify unique activities or service centers or for cost accounting purposes within a particular group. It is currently reserved for use by those departments of the ASI that have sub-functions for which separate accounting is desired or mandated.

## 11.0 General Ledger Activity

To ensure that all General Ledger entries are current, accurate, and complete, entries shall be made as soon as possible after the underlying accounting event and posted in the same month that the underlying event occurred, as often as possible. The official designated on the current Signature Authorization Card shall authorize each transaction and entry in writing. All entries shall be supported by adequate documentation that clearly shows the justification and authorization for the transaction. A complete audit trail shall be maintained by the use of reference codes from source documentation to the books of original entry, to the General Ledger, and finally to periodic reporting. Each entry in the accounting system shall be reviewed and approved by the Controller or designee. On an automated basis, totals in the books of original entry shall be posted to the General Ledger on a daily basis. General Ledger control accounts shall be periodically re-totaled based upon any updated posting.

### 11.1 General Journal Entries

All general journal entries shall be supported by Journal Entry forms that have supporting documentation attached and are approved by the authorized budget area representative or Controller. The Staff Accountant shall review all journal entries for their numerical sequence and for supporting documentation.

When initializing a repetitive general journal entry, consideration shall be given for setting up Recurring Journal entries for such transactions as recording amortizations, accruals of interest income on investments, fixed monthly income, fixed recurring expenses, and prepaid expenses.

Non-recurring general journal entries, such as for correcting entries, recording accruals and recording non-cash transactions, shall be prepared by the Staff Accountant on a monthly basis or as circumstances warrant. All such entries shall be approved by the Controller.

## 12. General Ledger Close-Out

### 12.1 Trial Balance

To ensure the accuracy of financial records and reports, a trial balance shall be prepared monthly to ensure the accuracy of the General Ledger account balances.

### 12.2 Reconciliation of General Ledger Control Accounts

Reconciliations of General Ledger Control Accounts to the subsidiary ledger shall be prepared on a monthly basis. At the end of each month, the Staff Accountant shall prepare a trial balance of all General Ledger accounts. Accounting Technicians shall complete reconciliations between the General Ledger control accounts and their respective subsidiary ledgers.

### 12.3 Period End Closing

Period end closing shall be conducted subsequent to completion of all data entry for a specific month. Period-end closing shall be completed no later than fifteen working days following the month end. Upon completion of period end closing, financial statements shall be generated and distributed.

#### 12.4 Year-End Closing

At fiscal year end, all income and expense accounts shall be closed out. The fiscal year's financial reports shall be prepared by the Controller no later than August 31 and shall be subject to examination by an independent auditor in accordance with ASI's Policy on Audits.

### 13.0 Taxes

The Internal Revenue Service has granted ASI exemption from federal income tax under section 501( c)(3) of the Internal Revenue Code. In compliance with the Internal Revenue Code, ASI shall file Form 990, Return of Organization Exempt from Income Tax no later than November 15, unless an extension to file has been requested and granted. Annual returns shall be made available for public inspection without charge for a minimum of three years after the due date of the return.

ASI shall be liable for taxes under the Federal Insurance Contributions Act (FICA) on remuneration of \$100 or more paid to each employee during a calendar year. ASI is not liable for taxes imposed under the Federal Unemployment Tax Act.

#### 13.1 Tax Preparation

The Controller shall periodically compare the data requirements of all new tax return forms with ASI reporting capabilities and seek revisions, as appropriate, to its coding structure/chart of accounts in order to report all required tax data. ASI shall maintain a "tickler" system to remind accounting staff of required filing due dates for:

- IRS Form W-2 - Wage and Tax Statement
- IRS Form W-3 - Transmittal of Income and Tax Statements
- IRS Form 941 - Employer's Quarterly Federal Tax Return for Federal Income Tax Withheld from Wages and FICA Taxes
- IRS Form 990 - Information Return of Organization Exempt or Claiming Exemption for Income Tax
- IRS Form 990-T - Return for Reporting Unrelated Business Income of Exempt Organizations, if needed
- IRS Form 1099 MISC (also 1099-DIV, 1099-INT, 1099-OID) - U.S. Annual Information Return for Recipients of Miscellaneous Income
- Quarterly and annual state(s) unemployment tax return(s)
- Quarterly State, local, & district sales and use tax filings
- Form 199- California Exempt Organizations annual information return
- Form DE3 - Quarterly California Employee Wage Report
- Form RRF-1 - Registration/Renewal Fee Report.

13.2 Tax Counsel

ASI shall retain its certified public accountant to prepare the entity's annual income returns.

13.3 Approval of Tax Returns

Before submission, all tax returns and the supporting schedules shall be reviewed by the Controller and approved by the Executive Director for accuracy and completeness.

Forms

The following forms are to be used in the execution of this policy.

Form Name	Purpose	Responsible Office	Approved By	Timeline for Submission
Journal Entry	To record transactions to the general ledger that are not entered through any subsidiary ledger	A.S. Business Office	ASI Controller	Within ten days of the end of the month during which the underlying accounting event occurred
Signature Authorization Card	To identify and provide specimen signatures of those persons authorized to make transactions on an ASI budgetary account	A.S. Business Office	Authorized budget area signatory	At or near the beginning of the fiscal year (July 1) and revise anytime signature authority changes