

2010

FIRS Balance Sheet Report Users' Guide

This Guide is designed to provide Department Heads, Budget Managers and Coordinators with information and instructions on how to generate and interpret information on the Balance Sheet report, now available in the Fiscal Information Reporting System (FIRS).



FIRS BALANCE SHEET REPORT

USERS’ GUIDE

I. INTRODUCTION

The Fiscal Information Reporting System (FIRS) offers Department Heads, Budget Managers and Coordinators an on-demand balance sheet report for non-state accounts¹. The report provides real-time information and is available using the same WebAdvisor login currently used view budget availability of revenue and expenses.

Fiscal Services understands the importance of monitoring the cash available balances in non-state accounts. Up-to-date information is needed to make strategic and tactical decisions to remain competitive and provide superior service to our students and clients. This is particularly true for departments and Centers that rely heavily on revenue from private gifts, grants and contracts.

Making this information available also supports Fiscal’s efforts in transparency. Users need to be confident that financial transactions are processed timely and accurately and are properly managed and accounted for. The balance sheet report provides users with information to help them confirm this. If at any time users find there to be an error or do not understand the information presented they should contact the Controller or one of Fiscal’s Associate Directors.

Finally, users should be aware that the balance sheet report is unaudited and is not designed to provide current or potential grantors with certified financial information. Contact the Controller for a copy of the College’s most recent audited financial statement.

¹ Non-state accounts: Accounts with a fund number other than 00. Non-state account numbers begin with fund 09, 11, 12, and 30. The activities in these accounts are funded by sources other than State Appropriations and tuition and fee revenues.

II. HOW TO USE THIS MANUAL

This Manual is organized into the following sections:

1. Accessibility – Who can access a balance sheet report and how access is secured.
2. Balance Sheet Selection – This section describes how to select the general ledger account to produce a balance sheet.
3. Reading the Balance Sheet – This section describes what a balance sheet is and why it is important. It also describes the various kinds of accounts that are displayed on the report.
4. Frequently Asked Questions

III. ACCESSIBILITY

Users who have authorized access to FIRS will also be given access to the balance sheet report function. Users will be able to produce a balance sheet for the same authorized accounts they can view in FIRS.

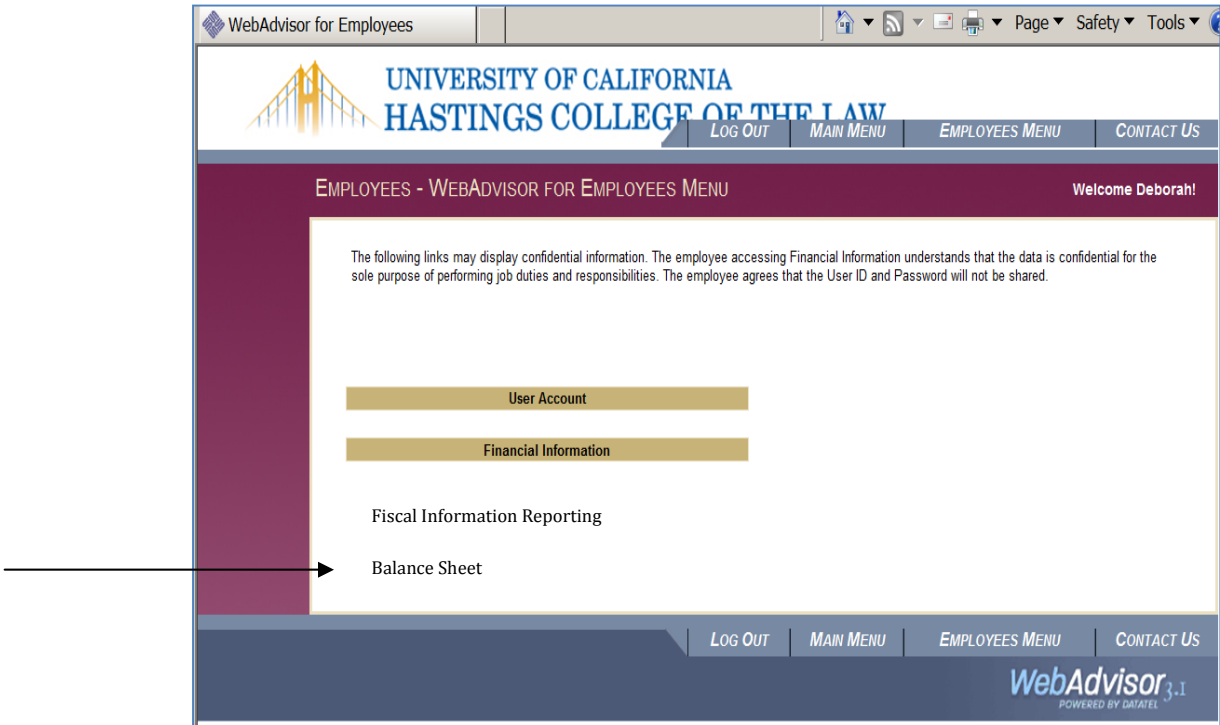
To initiate access to FIRS, users should contact the Budget and Planning Analyst in the CFO’s office.

For more information on access into FIRS, refer to the [Fiscal Information Reporting Users’ Manual](#).

IV. BALANCE SHEET SELECTION

The balance sheet is available through the FIRS. Users can access FIRS through WebAdvisor under the Employee’s Menu. The following set of screen shots display how users access the report once they are logged into WebAdvisor. The final screen shot provides an outline of the data contained on the Balance Sheet report.

STEP 1: SELECT “BALANCE SHEET” FROM THE FISCAL INFORMATION MENU



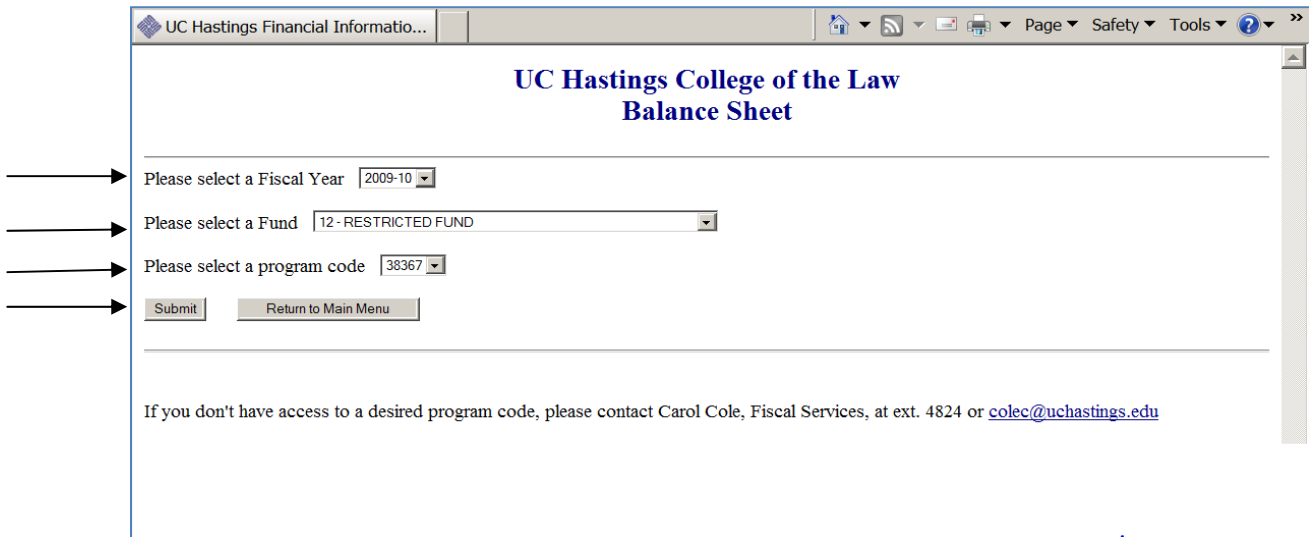
STEP 2: SELECT BALANCE SHEET CRITERIA

Users are now in the main Balance Sheet selection page. On this page, three selections are required:

- 1) Fiscal year (the default is the current fiscal year). To choose a prior fiscal year, select from the drop down menu.
- 2) Fund; these are the first two digits of the general ledger account and
- 3) Program associated with the fund; these are the next five digits of the general ledger account following the fund.

Once the three items are selected, click **SUBMIT**. The screen shot below displays the data fields the user must select to produce the report.

ERROR MESSAGE: *If you select a fund and program that when taken together are not authorized, you will be given the following error message: “The general ledger account you selected does not exist”. Use the back arrow on your browser to return to the previous menu to make another selection.*



STEP 3: THE BALANCE SHEET REPORT

The report has three sections:

- 1) **Header** – The header contains the date the balance sheet was produced along with the general ledger account number (fund and program) followed by the name of the program.

UC Hastings College of the Law	
Balance Sheet as of March 27, 2010	
12-38367 ANDREW G PAVLOVSKY SCHOLARSHIP	
<u>ASSETS</u>	
Cash	\$1,210.66
Total Assets	\$1,210.66
<u>LIABILITIES</u>	
<u>NET ASSETS</u>	
Total Net Assets	\$1,210.66

[See DETAILS](#)
[User Guide](#)
[Return to Balance Sheet Selection](#)

*** Contact Fiscal Services If You Have Any Questions ***

- 2) **Body of the Report** – The body contains the financial information for the selected general ledger account number. The report is categorized as follows:
 - Assets in order of liquidity and subtotaled;
 - Liabilities in order of current due date and subtotaled;
 - Net Assets – The equation is: Assets – Liabilities = Net Assets.
- 3) **Footer** – The footer contains several active links:
 - See Details – Click on this link to view Level 1² details.
 - User Guide – Click on this link to view this *Balance Sheet Users’ Guide*.
 - Return to Balance Sheet Selection – Click on this link to return to the selection screen where you will be able to return to the main FIRS menu.

² Level 1 Detail: This will display a list of the specific account numbers which comprise the balance on the displayed on the body of the report. It does not provide transaction level detail.

V. READING THE BALANCE SHEET

A balance sheet is a summary of the financial balances of a non-state account at a particular point in time. It can also be described as a “snapshot” of the account’s financial condition.



The balance sheet does not reflect requisitions, encumbrances, budgeted revenue or budgeted expenses.

The standard balance sheet has three components: 1) Assets, 2) liabilities and 3) the difference between assets and liabilities, which are net assets or net worth. In a balance sheet, net assets must always equal assets minus liabilities. The graphic below depicts these three components and common assets and liabilities.

Assets	Liabilities	Net Assets
<ul style="list-style-type: none">•Cash•Investments•Accounts Receivable•Prepaid Expense•Deferred Revenue•Inventory•Capital Equipment•Buildings	<ul style="list-style-type: none">•PCard Expenses•CA State Sales and Use Tax•Accrued Vacation and Compensatory Time	<ul style="list-style-type: none">•Assets minus•Liabilities =•Net Assets

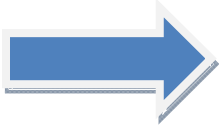


Note: The balance sheet presented is not audited. Contact the Controller for a copy of the College’s most recent audited financial statement.

ASSETS

Assets are economic resources. They represent ownership of value that can generate cash (although cash is also an asset). Following is a list and a description of the common types of assets that an account may hold.

- Cash is the most common and often the only asset in most non-state accounts. Think of this balance as the account’s checkbook balance.



The cash balance should always be positive. A negative cash balance means the account is overdrawn. The Department Head and/or Budget Manager must take action immediately to resolve a negative cash balance.

Fiscal Services regularly monitors accounts for negative cash balances and will contact the Department Head/Budget Manager if it finds this situation. Further, Accounts Payable verifies that the cash balance is sufficient before invoices are paid. If the cash balance is negative, invoices **will not** be processed for payment until the cash balance is sufficient.

Accounts Payable does not verify the cash balance for non-invoice expenses like recharges (i.e., telephone, copy charges, mail) and P-Card expenses. The Department Head/Budget Manager has primary responsibility for ensuring cash is sufficient in the account to fund all expenses.

- Investments. The College invests excess cash with the Treasurer’s office of the University of California. Unless authorized by CFO’s office, the accounts which generally hold investments and receive investment income are limited to state funds, auxiliary enterprise funds, endowment funds, and restricted funds where required by the donor.
- Accounts Receivable. An accounts receivable means that the department has earned or provided goods and/or services to a third party but the payment for those goods and/or services has not been received. Accounts receivables cannot be substituted for cash.
- Prepaid Expense. A prepaid expense is one that has been paid for but for which the department has not yet received the goods or the benefit of the service. A common prepaid expense is the deposit the College pays to hold the venue for graduation. A deposit is typically paid one year in advance of graduation. A prepaid expense is later reclassified as an expense when the expense is incurred or in this example, after graduation takes place.
- Deferred Revenue. Is common for symposium or conference accounts. It represents monies that have been received for goods and/or services that the department will provide in a subsequent accounting period or fiscal year. Deferred revenue is later reclassified as revenue in the fiscal year in which the revenue is earned.

LIABILITIES

Liabilities are obligations that arise from past transactions or events, the settlement of which may result in the transfer or use of assets. Following is a list and a description of the common types of liabilities an account may hold.

- P-Card (Procurement card). A P-Card liability will usually display during the first ten days of the month. This means that the P-Card expenses have been charged to the department but the cash to pay the expense has not yet been deducted from the non-state account. The P-Card liability will be reversed and the cash balance reduced around the 15th of the month which is when the College pays the PCard invoice.
- Sales and Use Tax. This liability may be incurred when additional taxes must be paid by the College for goods and services purchases.
- Vacation and compensatory time. This liability may be incurred in non-state accounts where an employee(s) salary and wages are being charged. If the employee(s) is eligible for vacation accrual or has incurred comp., time, the value of the time the employee has earned over a period of time is recorded as this liability. The balance is adjusted annually at fiscal year end and may be adjusted upon separation of the employee from the College.

NET ASSETS

Net assets are the net worth of the non-state account. Net assets are calculated by deducting liabilities from assets.

The Balance Sheet report also provides a detail report which displays the account numbers are being included totals. When users view the detail of net assets, they will see that net assets are being calculated by taking the account’s net asset balance at the beginning of the fiscal year, adding in the current year’s revenue and subtracting the current year’s expense. This is another way in which to calculate net assets.

VI. FREQUENTLY ASKED QUESTIONS

Q1. I manage both State and non-state accounts. Can I use the funds interchangeably?

A1. No. For accounting and reporting purposes, Fiscal Services must keep accurate records of the uses of these funds. State funds represent those received from the State’s general fund and student tuition and fees as appropriated through the Budget Act; they cannot be co-mingled with non-state funds. Non-state funds are accounted for separately because specific restrictions are often imposed on how the funds can be spent. The College is obligated to ensure it is fulfilling these requirements and as such, such these funds must be kept in separate non-state accounts.

Q2. The non-state account we manage has a cash balance. Historically we have programmed expenses to equal expected revenue. Can we use this cash balance to enhance our program?

A2. Yes, the cash balance is available for spending if the use of such funds are included in the department’s budget plan. Department Heads/Budget Managers should work with their division or department head to propose a

spending plan for this balance. The spending plan should be presented for consideration at the budget hearings. If the non-state account is a donor restricted fund, the spending plan must comply with any donor imposed restrictions. Contact the Controller for information about such restrictions.

Q3. Our department incurred some unplanned expenses this year. Can the accumulated cash balance be used to pay for those expenses?

A3. Yes, once the spending plan is approved by your Division Head and the CFO. If your expenses are more than the established threshold as outlined in [Section 8.1.3, Purchasing and Procurement](#), of the College’s Financial Operation Policy and Procedure Manual, approval by the Board of Directors is first required before any spending commitments are made. As of this writing, this threshold is for items costing \$50,000 or more.

Q4. Can I use the Balance Sheet report to help me forecast the year-end cash balance in the non-state account? If so, how do you recommend I calculate the projected ending balance?

A4. Yes. Add to the cash balance the revenue budget balance available and subtract the expense budget balance available. Note that this calculation will only be as accurate as the budgeted revenue and expenses. Contact the Budget and Planning Analyst if budget adjustments are necessary.

Q5. What does a negative cash balance mean and what do I do about it?

A5. A negative cash balance means the account is overdrawn. Most likely it means that you are paying invoices and that the budgeted revenue has not yet been received. You need to take action to clear this balance. You can do this by transferring cash from another account (if you have another account available). You might also need to contact the source of the budgeted revenue and see if the payment can be expedited. If you have overdrawn the account and have no other resources, contact your Division Head and the CFO immediately to request a funding augmentation.

Q6. Does the cash available balance include a reduction for encumbrances/purchase orders?

A6. No. The cash available balance only reflects revenue received and expenses paid. It does not reflect encumbrances, liabilities, budget available revenue or budget available expenses.

Q7. Why do I need to pay attention to the liabilities?

A7. The liabilities are amounts that will need to be paid from the cash available balance. You must make sure you have a cash balance sufficient to pay the recorded liabilities.

Q8. How often are the liabilities updated?

A8. P-Card liabilities are updated monthly around the 12th of the month; vacation and compensatory time accruals are updated annually as part of year-end close unless the account is grant funded and the grant is expiring. In that case, the balances can be updated earlier if we are advised by the Department Head/Budget Manager. Sales and Use tax liabilities are updated as invoices are processed.

Q9. How can I project the cash balance that may be available for future or unbudgeted projects or expenses?

A9. The following formula may be helpful in projecting the account’s cash balance:

Cash Available Balance per the Balance Sheet Report

+(plus) Budget Revenue Available (as reported on the FIRS budget report)

-(less) Liabilities per the Balance Sheet Report

-(less) Budgeted Expenses Available (this figure includes encumbrances)(as reported on the FIRS budget report)

= Projected Cash Available Balance

Q10. Are there any other funds available for the non-state account that are not reflected on the Balance Sheet report?

A10. No.

Q11. If I find an error or believe there is an error in the report, whom should I call?

A11. You may contact Debbie Tran (trand@uchastings.edu), Ravi Ravindran (ravindra@uchastings.edu), Eva Lim (lime@uchastings.edu), Lisa Ton (tonl@uchastings.edu).

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