Accounting 100.140 Revenue (Resource) Recognition

Office:	**Business Services**
Procedure Contact:	**Business Services Accounting Manager**
Related Policy or Policies:	**05.800-0 Revenue Account Codes**
	05-800-7 Internal Sales Codes

Distribution:

Revision History

Revision Number:	Change:	Date:
001	Update content and format	12-12-2018

A. Purpose

The purpose of this procedure is to clarify the accounting recognition used to record the receipt, or transfer of resources, whether that be from an outside person/organization, or from a source that is internal to SOU.
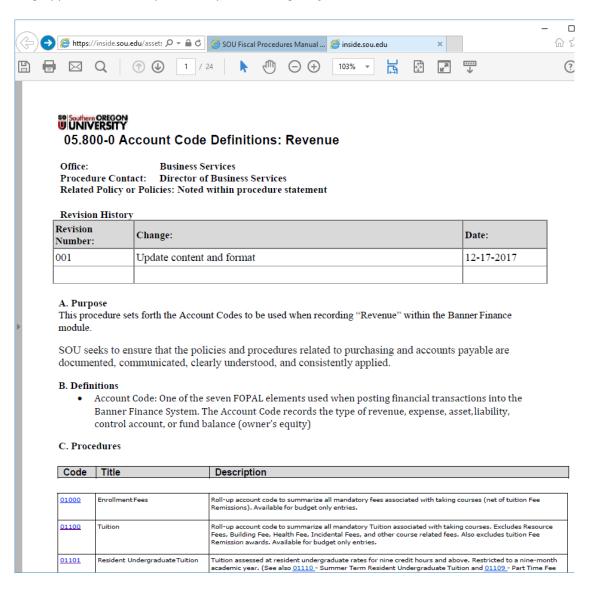
B. Definitions

- Agency Fund = Represent funds belonging to someone other than SOU, and are being managed in an SOU Index/Fund simply as a convenience for that outside organization. A payment from an agency fund to another SOU campus fund will result in the recognition of revenue to the university.
- Budget = Establishing revenue and expenditure targets throughout the university.
- Budget Redistribution = Reallocation of resources "within" a given fund.
- Expense Redistribution = Moving an expense to reside within the department unit that is responsible for the expense.
- External Source = Individuals, or organizations, that do not share the same Tax ID as SOU.
- Internal Sales = Exchange of services, or sale of items, between two departments within SOU. These arrangements do not represent revenue to the institution, and are to be recorded as an "Internal Sale" (09xxx) or "Internal Reimbursement" (79xxx).
- Proprietary Funds = Used to describe funds falling into the Service Center Fund Grouping (Fund Type 13), or Auxiliary Enterprise Fund Grouping (Fund Type 20)
- Restricted Funds = Revenues received from an outside party which contain limitation on how the funds are to be used, and these limitations are set by the outside party.
- Revenue = Receipt of funds from an external source, in exchange for providing goods or services to individuals or organizations.
- Revenue Redistribution = Moving of revenue from one index to another. Either to correct a deposit made in error, or to move funds collected by one department on behalf of another department (example: Athletic Sport Camps collect fees from participants, which includes housing costs for participants to stay in the Residence Halls during the camp).
- Spending Authority = Resources available to spending, represented by approved budgets.
- Transfer = Reallocation of resources "between" funds, where there is no exchange of services being provided (restricted in certain funds).

C. Procedures

Several mechanisms that are used to recognize the receipt of <u>resources</u> within a department's index/fund. The circumstances of each situation will dictate the mechanism that should be used to recognize the receipt of funds, or the adjustment of "spending authority" across campus departments.

Accounting processes include:

- Revenue Recognition = The receipt of funds from an outside individual or organization. Revenue is to be recognized using accounting code ranging from 00000 to 08999 (Refer to procedure **05.800-0 =Revenue Account Codes).**
  - o https://inside.sou.edu/bus-serv/sou-fiscal-policy.html

Within the screenshot:

05.800-0 Account Code Definitions: Revenue

Office: Business Services
Procedure Contact: Director of Business Services
Related Policy or Policies: Noted within procedure statement

Revision History

Revision Number:	Change:	Date:
001	Update content and format	12-17-2017

A. Purpose
This procedure sets forth the Account Codes to be used when recording "Revenue" within the Banner Finance module.

SOU seeks to ensure that the policies and procedures related to purchasing and accounts payable are documented, communicated, clearly understood, and consistently applied.

B. Definitions
- Account Code: One of the seven FOPAL elements used when posting financial transactions into the Banner Finance System. The Account Code records the type of revenue, expense, asset, liability, control account, or fund balance (owner's equity)

C. Procedures

Code	Title	Description
01000	Enrollment Fees	Roll-up account code to summarize all mandatory fees associated with taking courses (net of tuition Fee Remissions). Available for budget only entries.
01100	Tuition	Roll-up account code to summarize all mandatory Tuition associated with taking courses. Excludes Resource Fees, Building Fee, Health Fee, Incidental Fees, and other course related fees. Also excludes tuition Fee Remission awards. Available for budget only entries.
01101	Resident Undergraduate Tuition	Tuition assessed at resident undergraduate rates for nine credit hours and above. Restricted to a nine-month academic year. (See also 01110 - Summer Term Resident Undergraduate Tuition and 01109 - Part Time Fee

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- o The Account Code Hierarchy Code Report (FGRACTH) also provides the placement of the account codes within the reporting structures, and reflects the relationship between the Account Types used for additional financial reporting.

Account Hierarchy

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REPORT FGRACTH                              SOUTHERN OREGON UNIVERSITY
CHART: F                                       Account Hierarchy Report
                                                  AS OF 28-NOV-2018
                                                               DATA            POOL
    TYP     ACCOUNT              DESCRIPTION                   ENTRY   STATUS   ACCT
    50                      Revenue
      51                      Student Fees
           01000                Enrollment Fees                  B       A
             01100               Tuition                         B       A
             01200               Study Resources Fees            B       A
             01300               Building Fees                   B       A
             01350               Other Mandatory Enrollment Fees B       A
             01400               Incidental Fees                 B       A
             01450               Student Health Fee              B       A
             01700               Other Student Fees              B       A
             01900               Fee Remissions                  B       A
      52                      Government Resources & Allocations
           02100                Appropriations                   B       A
           02500                Resource Redistribution          B       A
      53                      Gift Grants and Contracts
           03000                Gifts Grants & Contracts         B       A
             03100               Governmental Grant/Contract     B       A
             03200               Non-Governmental Grant/Contract B       A
             03300               Overhead Cost Recovery          B       A
             03500               Refunds to Grantors             Y       A
             03600               Gifts                           B       A
             03700               State or Oregon Capital Grants  B       A
      54                      State Agency Tfrs In
           04000                Transfers From Ore State Agencies B      A
             04001               Loan Proceeds From State Agencies Y     A
             04107               Tfr from Dept. of Admin Serv     Y       A
             04141               Tfr from State Lands            Y       A
             04575               Tfr From Student Assist Commission Y     A
      55                      Investment/Debt/Debt Service
           05100                Investment                       B       A
           05200                Debt & Debt Service Related      B       A
      56                      Sales and Services Revenue
           06000                Sales & Services                 B       A
           07000                Medical/Hospital Services Income B       A
      57                      Other Revenue
           08000                Other Revenues                   B       A
      58                      Student Loan Revenues
           08800                Loan Fund Revenues               B       A
      59                      Internal Sales
           09000                Internal Sales                   B       A
```

- o NOTE: The "09xxx" category of "revenue" account codes does not represent the recognition of "true" revenue. 09xxxx revenue is not reflected a revenue on the University financial statements. As financial statements are produced, any revenue recorded under the 09xxx codes is instead reclassified as an offset to the University expenses. 09xxx Revenue Account Codes should only be used in situations described in the Revenue Account Code Procedure statement (05.800-0)

Accounting 100.140 Revenue (Resource) Recognition

- o NOTE: Use of Banner SIS Detail Codes is often the tool used to record Student Fees, given that typically all student fees are recovered by placing charges directly onto student accounts. To this end, the ability to control the use of the account code it managed through the use of the Detail Codes being placed onto student accounts. Example:

Accounting 100.140 Revenue (Resource) Recognition

- Internal Sales & Internal Sales Reimbursements = The exchanging of services "between" SOU departments. Excludes services provided by an "agency" fund (example: North Campus "Raider" Village).


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REPORT FGRACTH                                SOUTHERN OREGON UNIVERSITY
CHART: F                                        Account Hierarchy Report
                                                   AS OF 28-NOV-2018

                                                                DATA              POOL
  TYP      ACCOUNT              DESCRIPTION                      ENTRY   STATUS    ACCT

  50                        Revenue
    59                        Internal Sales
         09000                   Internal Sales                  B         A


  70                        General Expense
    77                        Internal Sales Reimbursements
         79000                   Internal Sales Reimbursement    B         A
```

Internal "sales" or "reimbursements" DO NOT represent "revenue to the institution. These codes are typically used only in situations where it is not practical to reallocate individual expenses. Example: Print & Copy Services (PCS)…The fee they charge to campus to provide services encompasses all expenses needed to provide those services:

- o Labor
- o Supplies
- o Facility Rent
- o Utilities
- o Other Overhead

It is not practical for the PCS to "reallocate" expenses when recording charges to campus departments. To this end, the PCS will charge the department, and record the credit back to the PCS as an Internal Sale (09xxx, given the PCS is a 09xxxx Service Center department). The other benefit for doing this, is that the PCS is able to keep all of its expenses intact, in order to generate its own profit/loss statements which will aid in the ability to run the operation and contribute towards the setting of prices going forward.

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The "09xxx" and the "79xxx" Account Code groupings effectively represent the same thing: The reimbursement from one campus department to another.

The "09xxx" account code grouping was created previously by the OUS (Oregon University System) when SOU was part of that system. The general structure for those codes has continued. It may change in the future, but for now, it's essential function and use is being continued.

The use of the use of the two types of codes is limited based upon <u>the fund, and location within the Fund structure</u>.

- o "09xxx" = Only used in Proprietary funds. This is where the receiving department is either a Service Center" (Fund Type 13, typically funds beginning with "09xxxx"), or an Auxiliary Enterprise (Fund Type 20, typically funds beginning with "1xxxxx").
- o "79xxx" – To be used with any other department not falling into the Service Center or Auxiliary designations.
- o Neither of these Account Code categories may be recorded in a "restricted" fund, or any other fund that falls outside of <u>current</u> "unrestricted" operating funds group (i.e., any funds where the fund code is < 200000). If "program" revenues are being generated off a Grant, those will not be recorded directly in the Grant Fund, but instead will have a separate "operating" fund established within the SOU fund structure.
- o Reimbursements ("09xxx", "79xxx") should never be used in an "Agency" fund. Note: North Campus "Raider" Village is an agency fund (despite the "fund" code that is attached to each of the index codes for the NCV, these are not "auxiliary" funds). Refer to the Fund Code Hierarchy structure to verify the type of fund:

(Fund Hierarchy)

The 79xxx will be recorded as a direct offset to expenses. Was typically applied to funds connected to areas that experienced expenditure limitations set by an outside party (ex: State Legislature). No adjustment is needed for Financial Statement purposes when reimbursements are recorded using one of these account codes.

The 09xxx technically (in Banner) roll up to the "revenue" account code type. To this end, when it comes time to produce the financial statements for the university, adjusting entries are recorded to reclassify these items from revenue and posted as an offset to expenses.

- Budget Transfers = Budget is used to provide direction for the campus, both in terms or estimating revenue projections, as well as identify the costs necessary to run a department. Occasionally, departments may look to move funds to augment additional activities as the year progresses, or as activity deviates from original plans. Budget Transfers are used to acknowledge the reallocation of "spending authority" WITHIN the same fund. Largely used when reallocating resources between index codes residing in the General Fund, but can be applied to any index codes that are functioning within the same fund. These can represent either "permanent" or "temporary" transfers of resources. Designations are applied in the FAST budget system at the time transfers are created. Budget transfers be used using any expense account code ("data enterable", or "non-data enterable") :

```
Index   Fund    Account                                        Budget      Budget
Code    Code    Code                                           Decrease    Increase

ABCXYZ  001000  20000   Services and Supplies                  $1,000
XYZABC  001000  24612   Advertising-Inst Promo/Pub Relation                $1,000
```

- Transfer of Funds = Resources being redistributed when there is <u>no reciprocal receipt of services in exchange for the funds being provided</u>, AND the movement of funds is not occurring within the same fund. Examples:

  o General Fund providing resources to support Athletics, RVTV, and JPR. Here, the GF is not receiving any services in return for the support being provided to each of these areas.
  o Housing support being provided to Athletics.

Accounting 100.140 Revenue (Resource) Recognition

Transfers are to be made using Account Codes falling into the 9xxxx Account Code grouping:

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REPORT FGRACTH                          SOUTHERN OREGON UNIVERSITY
CHART: F                                Account Hierarchy Report
                                          AS OF 28-NOV-2018

                                                        DATA          POOL
  TYP      ACCOUNT              DESCRIPTION             ENTRY  STATUS  ACCT
  80                      Transfer
    81                        Interfund Transfers In
         91000                    Transfers In            B      A
         91001                    Tfr In- w/in FTYP Lvl 2 (not FT11)    Y      A
         91005                    Tfr In- between FTYP Lvl 2            Y      A
         91105                    Tfr In- Incidental Fee Resources      Y      A
         91250                    Tfr In- w/in FT11 Budgeted Ops        Y      A
         91255                    Tfr In- from FT11 Budgeted Ops        Y      A
         91501                    Tfr In- for Cost Sharing              Y      A
    82                        Interfund Transfers Out
         92000                    Transfers Out           B      A
         92001                    Tfr Out- w/in FTYP Lvl 2 (not FT11)   Y      A
         92005                    Tfr Out- between FTYP Lvl 2           Y      A
         92105                    Tfr Out- Incidental Fee Resources     Y      A
         92250                    Tfr Out- w/in FT11 Budgeted Ops       Y      A
         92255                    Tfr Out- from FT11 Budgeted Ops       Y      A
         92501                    Tfr Out- to Cost Sharing Funds        Y      A
```

Index Code	Fund Code	Account Code		Debit	Credit
ABCXYZ	001000	92255	Tfr Out – From FT11 Budgeted Ops	$1,000	
XYZEFG	101119	91255	Tfr In – From FT11 Budgeted Ops		$1,000

o Additionally, the use of an "Activity Code" is required for all Transfers using the 9xxxxx Account Codes (excludes budget entries). Activity Codes help clarify the reason for the "transfer" and pulled in to a larger report that will be provided to the Board of Trustees (Finance Committee), to help provide a better understanding of the funds being moved from department to department. All Activity Codes to be used for recording transfers begin with the number "9......." Examples of Activity Code include:

o All transfers must be "balanced" across the campus (net transfers should always be $0.00). This includes at the budget level as well.

o Transfer activity is reported to the Board of Trustees as part of the Periodic Management Report. Below is a sample of the year-end FY2018 Summary of Transfers (Subsidies):

Periodic Report

- Expense Redistributions = Used in situations to better reflect the "owner" of the expenditure. When an expenditure is incurred, it should be reflected in the department who incurred the expense, to better match the expenditures to the revenues being generated as a result of those expenditures (excludes situations where the "Internal Sales/Reimbursements" may be a more practical approach). Often, these may be done when the expense was charged to the wrong index, or when it was not practical to break out the payment on an invoice.

- Revenue Redistributions: Funds collected on behalf of another department on campus, or funds deposited to the wrong index. All deposits are coming into Banner via CashNet. If funds were deposited into the wrong index/account, the correction should be made in the same source database where the error took place. In other word, a correction of funds deposited into CashNet should be generated by processing a receipt correction in the CashNet system. If it's not a "correction", and instead involves a department simply collecting funds as a convenience for another department, the transfer of the funds can be made by JV, as a ''revenue redistribution". Back up to the JV should contain sufficient documentation to support the entry being made.

Agency Funds = the following transactions should never be recorded within an agency fund:

- o Internal Sales, or Internal Reimbursements
- o Transfers
- o Revenues falling in the 01xxx through 05xxx Account Code groupings.

NCV Fund
Structure

Accounting 100.140 Revenue (Resource) Recognition

Restricted verses Unrestricted Funds

Most "operating" resources coming into the campus will fall under the "unrestricted" designation. Limitation set by the university, or the State, to not constitute a "restriction" on the use of the funds. Limitations set by the university, or the State, constitutes internal "designations" on the use of funds, which do not rise to the level of being designated as a "restriction". "Restricted" funds come about when organization/individual, who is not connected to the university/State, place a limitation on how the funds can be used. These typically come about from two sources:

- Grants: Funds provided by outside organization, or individuals, whereby the funds are being provided to support an instructional, or research, project, with a set performance duration period. Any funds remaining at the end of the project are returned to the outside organization/individual.
  - o All Grants are accounted for in the Restricted Fund group (Fund Type 31 through 35)


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REPORT FWRFNDH 8.4.A                         SOUTHERN OREGON UNIVERSITY
CHART: F                                         Fund Hierarchy Report
                                                    AS OF 31-OCT-2018

                                                      FUND              BANK DATA
    TYPE   FUND            DESCRIPTION               MANAGER            CODE ENTR S

    30              Restricted Funds - I
      31              Federal Funds - Restricted
        200000          Federal Grant Direct                              N

      32              State of Oregon Funds - Restricted
        300000          Oregon Grant Direct                               N

      33              Other Government Funds - Restricted
        360000          Other States                                      N

      34              Private Funds - Restricted
        400000           Individual Grant Contracts                       N

      35              Foundation Funds - Restricted
        430000           Affiliated Foundations Grant Contr               N
```

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- Donations: Fund provided by outside organizations, or individuals, whereby the funds are being provided to support university activities, and contain limitations on the use of the funds (the donor sets the terms on how the funds can, or can't, be used). Distinction from a Grant: there's no time limit associated with the use of the funds (funds are not returned to the donor), and there are typically no reporting requirement back to the individual donors.
  - All donation funds are recorded in Fund Type 36, representing restricted gift funds
  - Donations are then categorized by "purpose", as it relates to the restrictions placed onto the funds by the donor.

- Revenues in Restricted Funds should be posted using a "03xxx" Gift/Grants revenue account code. Exception: Interest earnings on the funds will still be posted using a "05xxx" interest income revenue account code.
- Restricted funds may not be transferred to be used for other purposes. Some exceptions do occur, examples:
  - Moving funds between Federal SEOGrants and CWSP, or from one year to the next. Federal regulations provide for the latitude to carryback, or carryforward, funds from one year to the next, or to reallocate funds between the two programs. When done, these will be recorded as transfers.
  - Moving donation funds provided to support a construction project.

Accounting 100.140 Revenue (Resource) Recognition

- Other <u>non-operating</u> funds also carry "limitations" on the use of the funds, and include funds falling into the following fund types:

- Capital Donations Intended for Construction

Donations for construction projects are not recorded directly into the construction fund itself. Instead, the donation is initially recorded in an Operating Fund, and then transferred to then transferred to the Non-Operating Construction Fund. Note: This is an exception to the rule that restricted funds may not be transferred", since it is moving the funds to the support the project for which it is being given.

In-kind Contributions – Revenue Recognition

Occasionally, an outside organization/individual will provide services, or products, free of charge or at a substantial discount above their normal practices. To this end, SOU will recognize the value of the donated services/products. To do this, we would first recognize the value of the donation as "revenue", as well as reflecting an offsetting expense, using the expense code that would have been used to pay the vendor had the vendor not be supplying the items as an in-kind donation.

In-kind donations are still "donations". The revenue account codes will be found in Account Type 53 ("03…" grouping). Example: Commercial Business donations:

```
03620            Commercial Business Gift
 03621              Commercial Business Gift
 03622              Commercial Business In-Kind Gift
```

Cash donations will be posted using "03621", whereas in-kind donations under "03622".

Example: A commercial business donates $1,000 of free advertising to the university. This would be documented and then recognized by posting the following entry:

		Debit	Credit
03622	Commercial Business In-Kind Gift		$1,000
24612	Advertising-Inst Promo/Pub Relation	$1,000	