

Revenue and Deferred Revenue Policy

Prepared By: Ken Johnston

Approved By: Brian Laffey

Effective Date: 06/01/2010

Purpose

To ensure the Controller’s Office can manage the stewardship of the university’s funds, produce financial statements per Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standards (FASB) and federal and non-federal funding agency regulations.

Policy

The university recognizes revenue when cash is received or when the tuition calculation process has been completed and fed to banner finance. Payments received for activities or services occurring in future fiscal years are recorded as deferred revenue and are recognized as revenue when the goods or services have been provided.

Definitions

Tuition calculation process – A banner process initiated by the Bursar’s Office based on student class registration.

Procedures

The Grant and Contract Accounting Office or the Controller’s Office makes the determination of revenue or deferred revenue based on Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standards (FASB) and federal and non-federal funding agency regulations.

Guidelines

The university receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements in the following manner:

1. **Tuition, net of scholarships** – Revenue based on courses registered for and application of scholarship to student account. The data is then fed to the finance system through the posting process.
2. **Government grant and contracts**– Revenue is recognized monthly based on incurrence of allowable costs.
3. **Private grant and contracts**– Revenue is recognized monthly based on incurrence of allowable costs.
4. **Private gifts** – Recognized as either unrestricted, temporarily restricted or permanently restricted revenue based on the terms provided by the donor when received. Refer to the Gifts Policy for additional information.

5. **Endowment spending distribution** – Recognized as revenue to the extent of expenses distributed based on 5% of twelve quarter rolling average.
6. **Sales and services of auxiliary enterprises** – Room and board is recognized when charges are applied to student account and then posted to finance. Other revenue in this category is recognized as income when received.
7. **Other sources** – Category includes continuing legal education, information technology programs, memberships, sponsorships, rental, utility and investment income. The revenue is recognized when received as well as deferred for when necessary, and is dependent within each category.
8. **Net Assets Released** – Revenue is recognized quarterly as a transfer from temporarily restricted net assets based upon the incurrence of costs in gift, endowment or program support funds.

References

GA-502 Journal Entries Policy.

Responsibilities

The IIT departments must work closely with the Controller’s Office to help insure accurate recording of revenue.

Required Forms

Intentionally left blank.