General Accounting
Policy

Business Policy: Accounting Policy-Overview **Effective Date:** 05/01/2009

PURPOSE: To provide an overview of the University's financial reporting guidelines to management, and other interested parties.

POLICY:

- ✓ **Governing Accounting Guidelines**-The Business Office is responsible for accounting for University financial activity in accordance to the comprehensive set of accounting and financial reporting principles for all types of private sector not-for-profit organizations contained in the following documents:

    - the AICPA *Audit and Accounting Guide: Not-for-Profit Organizations* (the NFP Guide)
    - FASB and AICPA guidance that does not specifically exclude not-for-profit organizations
    - NACUBO

- ✓ **Reporting Basis**-Accounts will be maintained and reports prepared on the accrual basis of accounting.

- ✓ **Revenues-**Revenues will be recorded when earned, regardless of when the related cash flows take place. Non exchange transactions, in which the University receives value without directly giving equal value in exchange, include grants, and private donations. On an accrual basis, revenues from these transactions are recognized in the fiscal year in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection

- ✓ **Expenses-** Expenditures are recorded when incurred and measurable, regardless of when the related cash flows take place

- ✓ **Internal Controls**- The Business Office is responsible for maintaining a system of internal controls adequate to safeguard University assets.

- ✓ **Funds Held in Trust by Others** -Assets of funds held by trustees for the benefit of the University are not presented in the University's Financial Statements. The University has irrevocable rights to all or a portion of the income of these funds, but the assets of the funds are not under the management of the University.

- ✓ **Funds Held in Trust for Others**-Assets controlled by the University under Trust Agreements are recorded at the fair value at the date of gift.

- ✓ **Inventories**-Inventories are valued at cost

- ✓ **Investments**-Investments in corporate stocks and marketable bonds are recorded at market value. Certain less marketable investments, principally real estate and private equity investments, are generally carried at estimated values as determined by management but in accordance to FASB 157.

- ✓ **Interest Expense**-interest costs are recorded in accordance with the applicable financial accounting pronouncements. Generally these standards provide that all interest costs will be recorded as an expense when incurred, except when capitalized as part of the historical cost of acquiring certain assets.

- ✓ **Capital Assets & Depreciation**- Capital assets are stated at cost at date of acquisition, or fair market value at date of donation in the case of gifts. The University capitalizes construction costs that have a value or cost in excess of $25,000 at the date of acquisition. Renovations in excess of $25,000 are capitalized if they significantly extend the useful life of the existing asset. Maintenance or renovation expenditures of $25,000 or more are capitalized only to the extent that such expenditures prolong the life of the asset or otherwise enhance its capacity to render service. Equipment and furniture in excess of $5,000 is capitalized
  - Depreciation of buildings, improvements other than buildings, and infrastructure is provided on a straight-line basis over the estimated useful lives ranging from ten to fifty years.
  - Depreciation of equipment and capitalized software is provided on a straight-line basis over estimated useful lives ranging from one to twenty years.
  - Depreciation of library books is calculated on a straight-line basis over ten years.
  - Fixed assets related to construction are capitalized as projects are complete. Projects that have not been completed as of the date of the statement of net assets are classified as Construction in Process. Construction period interest cost in excess of earnings associated with the debt proceeds is capitalized as a component of the fixed asset. .
  - In accordance with AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the University capitalizes computer software developed or obtained for internal use. Capitalization begins at the application development stage, which consists of the design, coding, installation, and testing of the software and interfaces

- ✓ **Plant & Equipment Leases**-Leases are classified in the year of their origination as either operating or capital leases in accordance with the applicable financial accounting pronouncements. Leases are accounted for during the life of the lease in accordance with the applicable financial accounting pronouncements. Generally, those standards provide that:
    - Lease payments for leases classified as operating leases shall be recorded as an expenditure paid over the life of the lease.
    - Leases classified as capital leases shall be recorded as an asset and a liability equal to the lesser of either the fair market value of the asset at the inception of the lease or the present value of the lease payments during the life of the lease.

- ✓ **Long Term Debt**- Long-term debt is reported in accordance with the applicable financial accounting pronouncements.
    - Resources borrowed in support of capital projects will be recorded as a liability and an asset of the Plant Fund until such time that the funds are expended and the project cost capitalized. Any realized gains (losses) or interest income earned on investments will be recorded in the Plant Fund.
    - Resources borrowed in support of current operations will be recorded as a liability of the Current Unrestricted Fund. Debt service for such borrowings will be funded from Current Unrestricted Funds.
    - Resources borrowed and expended for land, buildings, and equipment will be recorded as a liability of the Plant Fund. Unless otherwise provided for, debt service on such borrowings will be funded from unrestricted funds.

- ✓ **Non Cash Gifts**-Non Cash gifts will be recorded in the Financial Accounting System at the fair market value at the date of the gift to the University.
    - Securities received by gift shall normally be sold by Treasury at the earliest convenient date if deemed appropriate for sale.
    - Valuations assigned to noncash contributions must be in accordance with Internal Revenue Service regulations.
    - Depreciation is recorded in accordance to capitalization policy

- ✓ **Cash Gifts-**Cash gifts will be reported on an accrual basis of accounting
    - Irrevocable, written agreements to pledge an amount will be reported on an accrual basis of accounting in accordance to SFAS 116