

Table of Contents

[Overview](#)

- [Purpose of the Accounting Policy Manual](#)
- [Information Provided in this Manual](#)
- [Audience](#)
- [Responsibilities for the Accounting Function](#)
- [Internal Controls and this Manual](#)
- [Risk Management](#)

[General Accounting Information and Policies](#)

- [Corporate Information](#)
- [Record Management](#)
- [Accounting Standards](#)
- [Losses](#)
- [Ethics, Conflict of Interest, and Fraud](#)
- [General Ledger Accounting Structure](#)

[The RF Balance Sheet](#)

- [Accounting for Assets](#)
- [Accounting for Liabilities](#)
- [Accounting for Net Assets](#)

[The RF Statement of Activities](#)

- [Accounting for Revenue](#)
- [Accounting for Expenditures](#)

[Financial Reporting](#)

[Affiliated Organizations](#)

Overview

Purpose of the Accounting Policy Manual

The Research Foundation (RF) Accounting Policy Manual is designed to help all RF staff and managers by providing guidance on proper accounting, and by explaining the accounting implications of the work they do and the decisions they make every day when conducting RF business. Although the subject matter is accounting, it is not just for accountants, but for people involved in purchasing, receiving, human resources, property control and all other staff whose work affects the financial health of the Research Foundation.

The accounting policy manual should be used as a training tool and a quick reference guide. It will help ensure that financial activity is recorded accurately and consistently across the organization and in the RF financial statements.

Information Provided in this Manual

The RF Accounting Policy Manual is organized according to the RF Finance Office's communication strategy for managing financial risks. The following sections of information are provided:

[Overview](#)

[General Accounting Information and Policies](#)

[The RF Balance Sheet](#)

[The RF Statement of Activities](#)

[Financial Reporting](#)

[Affiliated Organizations](#)

Audience

The target audience of this manual includes all staff at all locations whose work includes RF transactions.

Responsibilities for the Accounting Function

Research Foundation management, both at central office and the campuses, is responsible for the integrity of the financial information that is presented in the RF's financial statements. Every RF staff member plays a part in this responsibility. Specific responsibilities of all parties are described below:

- The RF Board of Directors is responsible for the organization's fundamental approach to managing financial risk.
- The central office Finance Office is responsible for compiling and delivering the RF financial statements in conformity with generally accepted accounting principles. The RF Chief Financial Officer is responsible for identifying financial risks and informing the RF Board of Directors on the current risk environment.
- Campus Operations Managers are responsible for ensuring the transactions conducted at the campuses are performed with an understanding of the underlying accounting implications behind them.
- RF administrative staff is responsible for conducting RF business and performing tasks in compliance with RF policies and procedure, and with a general understanding of how their tasks impact the financial statements and support the financial integrity of the corporation.

Internal Controls and This Manual

The Accounting Policy Manual also serves to document the RF's internal control structure over accounting practices. This demonstrates for external constituencies such as sponsors and regulatory bodies that our control environment and financial practices are strong, and that all staff receive information that they need to maintain and improve the procedures in place throughout the RF. Throughout the policies contained in this manual are descriptions of controls. RF management requires that the controls that exist at Central Office and the campuses be documented and monitored for effectiveness, with regular updates back to management on the health of the controls.

Risk Management

Financial policies are an important part of managing financial risks, as they provide a common reference tool and a documented set of ground rules for the RF's financial transactions. For more on risk management please refer to [Enterprise Risk Management](#) on the RF website.

General Accounting Information and Policies

The Research Foundation has developed a comprehensive set of policy and procedure documents that detail the policies and related administrative procedures for all areas of sponsored program administration and corporate activity.

These documents are provided through the [Policies and Procedures](#) link on the Research Foundation Web site. Links to general categories of policies and procedures that promote consistent financial practices, compliance, and accounting best practices across the Research Foundation are provided in the **Policies and Procedures** section below.

RF Staff Responsibilities

Research Foundation staff at the campuses and central office should be familiar with these policies and procedures to promote compliance with applicable laws, regulations, and accounting reporting standards.

[Policies and Procedures](#)

Corporate Information

- [Corporate Fact Sheet](#)

Record Management

- [Electronic Record Management Policy](#)
- [Record Management Policy](#)

Accounting Standards

The financial statements of the RF are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States. Management is required to make significant estimates and assumptions that affect the reported amount of net assets and disclosures of contingent assets and liabilities as of the date of the financial statements.

Accounting standard references are to specific authoritative literature. Typically, the accounting references that are cited in this manual include an Accounting Standards Codification (ASC) number in the format of "ASC Topic XXX" (for example, Contingencies are ASC 450) and new pronouncements are generally called Accounting Standards Updates (ASU's). Before codification took effect, the most common form of accounting standards were the FASB Statements- commonly in the format of "FAS YYY" (for example, the standard governing Non Profit Organizations was FAS 117). Other accounting literature acronyms in use in this manual will be defined as needed.

Regulations

- [Implementing Federal Cost Accounting Standards](#)
- [Office of Management & Budget \(OMB\) Uniform Guidance](#)

Losses

- [Responsibility for Losses](#)
- [Establishing and Maintaining Campus Reserves to Cover Losses](#)

Ethics, Conflict of Interest, and Fraud

- [Conflict of Interest Policy](#)
- [Fraud and Whistleblower Policy](#)
- [Code of Conduct](#)

General Ledger Accounting Structure

- [Account Classification](#)

The RF Balance Sheet

The RF balance sheet is a statement of the book value of all of the corporation's assets and liabilities (including net assets) at a particular date, such as the end of a quarter or a fiscal year.

The components of the balance sheet must be equal, or in balance. The net assets must equal the RF's assets minus the RF's liabilities.

Accounting Basis

Lines on one balance sheet may be stated on a different basis of accounting than another. There are four different ways to state an asset or a liability:

- **Historical cost** – defined as the amount of cash, or its equivalent, paid to acquire an asset.
- **Net realizable value** – defined as the nondiscounted amount of cash, or its equivalent, into which an asset is expected to be converted in due course of business less direct costs.
- **Current market value** – defined as the amount of cash, or its equivalent, that could be obtained by selling an asset in orderly liquidation.
- **Present value of future cash flows** – defined as the present or discounted value of future cash inflows into which an asset is expected to be converted in due course of business minus the present value of cash outflows necessary to cause that conversion into cash. Some liabilities are stated based on discounted value of cash outflows minus the discounted value of reimbursements and other inflows.

Components of the RF Balance Sheet

The components of the RF balance sheet are listed below. Click a link for a description of each item and links to RF policies and procedures that relate to the item.

- [Assets](#)
- [Liabilities](#)
- [Net Assets](#)

Accounting for Assets

An asset has economic value to its owner and includes real property such as land or buildings and personal property such as cash and investments.

The RF's current assets include the following items that can be converted to cash:

- [Cash and Cash Equivalents](#)
- [Accounts Receivable and Advances to Others](#)
- [Investments](#)
- [Fixed and Intangible Assets](#)

Click an asset type above for a complete description of the asset type, RF staff responsibilities for preserving the asset, accounting standards references, where applicable, and links to RF policies and procedures that guide and support sound accounting decisions.

RF Staff Responsibilities

RF staff is responsible for preserving the RF's assets.

Cash and Cash Equivalents

The RF's cash and cash equivalents consist of funds held in banks used to pay for goods and services. This includes checking accounts, money market accounts and the line of credit.

To appropriately manage cash, idle cash balances are swept from the checking account to money market funds daily. The line of credit is issued to pay bills and minimize the transfer of operating pool investments.

Cash equivalents can include short-term, highly liquid investments, and investments can also include some liquid funds. As a result sometimes cash, cash equivalents and investments are considered together when analyzing cash position and ability to cover cash needs. However, for the most part cash and investments are reported and analyzed separately.

The RF uses a central bank account with Key Bank for our daily banking activity including all deposits and disbursements. The RF uses the "positive pay" service from Key Bank, whereby files are transferred daily between the RF and Key Bank to update records for previous day paid checks and any new check issues for the current day. In the event that the information on a check presented for payment does not agree to the list of checks issued, the bank notifies the RF, with the option to accept or reject the check for payment.

All outgoing wires/ACH payments are made at central office. Deposits are made daily by several campus locations and central office by remote deposit or in limited cases as a physical deposit to the bank.

Cash received on federal awards coded as "letter of credit awards" on the RF's grants system are reported quarterly to the Federal Government by the RF Central Office Treasury staff, via Federal Financial Report 425 (FFR-425). (FFR-425 replaced the former OMB Federal Cash Transactions Report 272). Fund receipts that are in excess of expenditures must be remitted to the sponsor along with calculated interest, in accordance with the terms and conditions of the award. For more information on Federal Financial Reports, see the [Letter of Credit Payments Procedure](#).

RF Staff Responsibilities

RF management and functional staff is responsible for following RF policies and procedures (see below) for cash management to prevent misappropriation of cash, other theft and fraud, unexpected liquidity shortfalls, and losses due to foreign currency exchange.

Accounting Standards References

[Accounting basis](#): Current market value

Accounting Standard References: ASC-230

Policies and Procedures

General Cash Procedures

- [Balancing Cash receipts](#)
- [Cash Awards: Reconciling and Applying Cash Receipts](#)
- [Cash Receipts Function](#)
- [Identifying Cash Receipts](#)
- [Monitoring Controls Over Cash Management Key Processes](#)

Bank Accounts

- [Bank Account Establishment Policy](#)
- [Establishing and Maintaining Credit Card/Merchant Accounts](#)

Accounts Receivable and Advances to Others

Accounts Receivable A/R) mainly represents funds due to the RF for Sponsored Awards. Grants awarded for research and other sponsored activities include four main funding sources: Federal, Federal Flow through, New York State, and Private and Other.

A/R represents the “deficit” amounts where the RF has made payments for sponsored program activities before receiving reimbursement from sponsors, and is therefore a function of the payment terms agreed to with the sponsors. When the RF receives cash from a sponsor before making payments, it is known as a “surplus” and is accounted for as Deferred Revenue. (See the Liabilities section of this Accounting Manual for more on Deferred Revenue.)

Funding Methods, Award Status, and their impact on A/R:

Cost Reimbursement - Payments are made based upon the terms of the award. The following are typical payment mechanisms:

- Periodic billings are submitted to the sponsor as soon as practical (usually monthly) after the costs are incurred by the RF, unless the terms of the award dictate otherwise.
- An advance may be provided to the RF to cover working capital needs, followed by periodic billings for costs incurred that have been paid. The advance is applied in accordance with the contract or based on a mutual agreement between both parties.
- The entire award amount may be prepaid in advance and any unused funds returned to the sponsor at the conclusion of the award.
- Amounts are paid on scheduled dates. The sponsor may automatically send payments or the RF may invoice the sponsor on the scheduled dates as determined in the award.
- Sponsor reimbursement may occur upon completion of established milestones. The Principal Investigator (PI) works with the campus or CO Sponsored Programs staff to notify the sponsor of milestone or progress information necessary for reimbursement.

The sponsored program staff is responsible for managing the cash position of the respective awards to ensure the RF maintains the maximum proper cash balance. See the “Cash and Cash Equivalents” page of this guide for description of how cash receipts on the awards are reported.

Type of Sponsor- It should be noted that the type of sponsor has much to do with receivable timing and risk. Governmental entities, for example, are not considered as high risk for uncollectibility of receivables. While there have been instances of municipalities that have declared bankruptcy, they are the exception to a general rule that an amount owed by an entity with the power to tax, will generally be realizable, if perhaps more slowly during difficult economic conditions. For that reason, among the RF’s mix of sponsors that include Federal, New York state, local government, and private entities, the governmental entities are viewed as good credit risks, while within that category there are large differences among those entities in terms of receivable turnover.

Generally, amounts to be reimbursed to the RF on Federal direct-sponsored awards are paid timely through the drawdown process (described in the Cash section of this guide), while amounts owed to the RF on New York state-sponsored awards as well as awards that flow through New York state from Federal sources are paid significantly more slowly. The private category of sponsors is diverse in that it includes domestic and foreign for-profit companies, institutions of higher education, and foundations, so the speed of collections cannot be generalized; however most privately sponsored awards are reimbursed to the RF after the fact, and subject to greater inherent risk to ultimate collectibility than a governmentally sponsored award.

Fixed Price - Predetermined payments are provided upon completion of tasks, periods of time or some other basis. Invoicing schedules are established in accordance with the terms specified in the award. Final payment is normally based upon submission of the final work product.

At Risk- Spending on awards that are pending a final contract or agreement is categorized as “At Risk” and that status is assigned in the Grants Module to these awards for tracking purposes. Once the contract has been signed by the sponsor and the RF, then the award status is changed from At-Risk to “Active.” A/R on At-Risk awards is monitored by Central Office Finance Office and Sponsored Programs staff. Additionally, At-Risk **balances are part of the process of monitoring campus-level Risk Tolerance by Central Office.**

A/R Adjustments (Accruals)- Sponsored Program Receivables

At the end of each quarterly or annual accounting period, the RF Central Office Finance staff computes the impact on the financial statements of unrecorded salaries and other payments. Some of the accrued salaries, goods and services would be for awards paid in advance, and for the rest of the accrued amounts, there would be additional billings to the sponsor- therefore a manual accrual would be needed to record additional accounts receivable.

The RF records this accrual at the end of each quarter and fiscal year. . See also the Accounts Payable section of this manual.

Accounts Receivable Bad Debt Review for Annual Financial Statements:

Periodic analysis of receivables is performed by Central Office Sponsored Programs) staff during the year. Additionally, an annual analysis is performed by Central Office Sponsored Programs, campus staff and Central Office Finance in the last quarter of the fiscal year and is used to calculate the financial statement bad debt reserve.

The methodology in place to calculate this reserve includes analysis of aged balances and other indicators of collections risk.

Advances to Others represents deficit amounts related to contracted services, known generally as “agency” activity at the campus locations. While technically an entity with an agency relationship with the RF should have paid the RF before the RF paid any human resources, payroll, accounts payable or purchasing expenses on its behalf, that is not always the case in practice.

This activity includes campus-based foundations or campus-based clinical practice plans that use RF-provided human resources/payroll and purchasing /payables administration services. When cash balances from a campus’s contracted services accounts are negative (i.e. the RF has paid out on behalf of the contracting agency and is therefore “in deficit”), it is reported as Advances to Others and a Current Asset on the RF balance sheet. When this balance is positive (i.e. the contracting agency has paid out in advance of the RF and therefore the RF has a “surplus”), it is considered Deposits Held for Others and is reported as a Current Liability.

Similar to as noted for sponsored program receivables above, some accounting adjustments are needed for accurate reporting of Advances to Others, to properly match cash received against outstanding balances and reflect the net balances as either assets or liabilities to the RF.

RF Staff Responsibilities

RF management and functional staff is responsible for following RF policies and procedures for accounts receivable and advances to ensure that sponsors are billed and that appropriate procedures are followed in cases where the RF cannot collect on expenditures that have already been made.

Accounting Standards References

[Accounting basis](#): Net realizable value. The balance sheet amounts for A/R and Advances represents billings made, plus accruals required for timing reasons, less bad debt reserves needed.

Accounting Standard References: ASC 310 Receivables, ASC 958-310 Not-for-Profit Entities Receivables.

Policies and Procedures

Policies and procedures that govern this responsibility are listed below:

Monitoring Accounts Receivable Activities

- [Financial Risk Accountability Policy](#)
- [Monitoring Controls Over Accounts Receivable Key Processes](#)

Losses and Bad Debt

- [Responsibility for Losses](#)
- [Write-offs](#)
- [Establishing and Maintaining Campus Reserves to Cover Losses](#)

Investments

As the fiscal administrator of sponsored programs and other related activities for SUNY, the RF receives funds from several sources. The RF, a separate, private non-for-profit corporation, has fiduciary and compliance responsibility for approximately \$1.6 billion in investment assets. These assets include the RF's operational pool, the Retirement Plan, the Optional Retirement Plan and the Voluntary Employee Benefit Association (VEBA) trust investments.

Operational Pool

The RF's operational pool investments include short-term investments (liquid and funds that are maintained for specific purposes; e.g. certain funds from CNSE sponsors; funds received by a campus for a long-term project), medium-term securities (also known as "medium duration") and long-term investments, held in a "long-duration" fund. The structure of the funds, and the risk profile and investment results for all of these investments, are reviewed with the Investment Subcommittee of the Audit and Finance Committee of the RF Board of Directors.

The different "duration" segments of the RF operational portfolio are kept distinct so that assets can be allocated with the proper time horizon driving a logical risk profile for each segment. For example, the liquid and separately invested funds are kept in lower risk, lower-return investments because of the need for ready liquidity. The time horizon on these investments is quite short. The longer duration portfolio segments have greater return and risk expectations, and it is in those segments that typically have greater concentrations of equity holdings and alternative investments.

The medium and long duration pools are managed by an outside investment consultant, providing update reports to the Investment Subcommittee during the periodic board meetings. At these meetings, the Subcommittee reviews the portfolio's rate of return as compared with benchmarks and previously set targets. The RF's investment consultant and RF Finance Office Treasury staff are charged with implementing changes approved by the board members, within guidelines outlined in the RF's investment policy.

The Subcommittee develops that policy, making changes every several years as the RF's portfolio grows and its time horizon changes with sponsor mix and business cycle changes.

VEBA Trust

Like the operational pool, the assets held by the Voluntary Employee Benefit Association (VEBA) trust for funding the RF Postretirement Benefits Plan, are also managed by the investment consultant and reviewed by the Investment Subcommittee. The VEBA trust fund is added to each year by contributions from the RF fringe pool, calculated by an actuarial analysis, and the RF has a policy to reimburse the VEBA trust for benefits paid out. As a result of this funding along with investment gains, the VEBA trust balance has a long-term time horizon similar to the Operational Pool's "Long Duration" segment; the VEBA portfolio is concentrated in higher return investments with greater tolerance for risk such as global equities, hedged equities and global real estate.

Pension Plans

The RF is the Plan Sponsor to the Retirement and Optional Retirement plans and has the fiduciary duty of timely submitting the retirement plan contributions for each participant to the custodian. TIAA-CREF, the custodian of the plans, annually certify to the completeness and accuracy of the investments reflected in the statements of assets available for benefits and the related investment activity reflected in the changes in assets available for benefits. The contributions and the investments held are allocated by the plan participants into annuities and/or mutual fund accounts offered by the each respective plan. The RF files annual Forms 5500 and audited financial statements for these plans, including information on the valuation and liquidity of the assets available for benefits.

RF Staff Responsibilities

RF Central office Finance staff is responsible for liaising with custodian, investment managers and consultant to ensure routine activities are properly performed and that the RF receives quality and timely information. These routine activities include:

- Monthly and annual reports;
- Investment transfers;
- Monitoring of investment managers;
- Rebalancing the portfolio;
- Assisting with budgeting;
- Support audit requests and
- Compliance with government and internal control program requirements.

Other activities include due diligence processes for valuation of alternative investments, and custody over technology transfer stocks received in lieu of royalties.

Accounting Standards References

[Accounting basis:](#) Fair market value

Accounting Standard References: ASC 320, 323, 325, 820, 825 and 958-320

Policies and Procedures

The following document governs the RF investment activities:

- [Investment Policy and Guidelines](#)

Fixed and Intangible Assets

Fixed and Intangible Assets represent important asset values of an organization and the physical presence of fixed assets, and the valuation of an intangible asset, must be reviewed periodically. Evidence must be retained of these reviews, in accordance with the RF's Records Management Policy and related policies.

Fixed Assets include:

- Office furniture
- Equipment with a useful life of more than 1 year and an acquisition cost of \$5,000 or more. This includes:
 - Equipment purchased with Research Management Support (RMS funds,
 - Central Office equipment,
 - Equipment donated to the RF,
 - Sponsored program equipment used for economic development or research infrastructure, and
- Corporate office building and improvements.

Intangible Assets include:

- Capitalized Software;
- Licenses; and
- Certain intellectual property

Capitalization is the result of deferring a cost until a later period, This is generally done when a cost provides benefits over more than one year, and when the cost meets certain other criteria. Capitalized items are reported using their historical cost, less accumulated depreciation or amortization that has been recorded so far.

Under RF Equipment Capitalization Policy, equipment purchased under economic development programs or for the purpose of creating research infrastructure, and for which title transfers to the RF, is capitalized. Other equipment purchased under sponsored programs that do not meet those criteria, are not capitalized, however SUNY's accounting policies require those to be recorded as fixed assets.

Upon sale or retirement of capital assets, the cost and the related accumulated depreciation or amortization are removed from the accounts and the resulting gain or loss is recorded to the "Other Income" line of the Statement of Activities.

RF Staff Responsibilities

RF staff at central office and at campuses are responsible for tracking the RF's capital assets and for mitigating the accuracy, completeness and valuation risks associated with those assets. Tracking of assets is done through SUNY's Real Asset Management system.

Accounting Standards References

Accounting basis: Historical cost

Accounting Standard References: ASC 350, ASC 360

Policies and Procedures

The following procedures govern the management of the RF's fixed assets:

- [Overview of Property Management Function](#)
- [Capitalization Policy](#)
- Fixed Assets Capitalization Procedure
- [Property Insurance Policy](#)

Accounting for Liabilities

A liability is a financial obligation, or the cash outlay that must be made at a specific time, to satisfy the contractual terms of such an obligation. The RF's current liabilities (liabilities that must be paid within one year) are listed below.

Click a link below for a complete description of the liability type, RF staff responsibilities, accounting standards references, where applicable, and links to RF policies and procedures that guide and support sound accounting decisions.

- [Accounts Payable and Accrued Expenses](#)
- [Accrued Compensation](#)
- [Accrued Vacation](#)
- [Deferred Revenue](#)
- [Deposits Held for Others](#)
- [Post-retirement Benefit Obligation](#)
- [Line of Credit](#)
- [Long Term Debt](#)
- [Other Liabilities](#)

RF Staff Responsibilities

RF staff is responsible for knowing how much each liability is and ensuring that the RF has funds or plans to cover it.

Accounting Standards References

Federal Accounting Standard (FAS) reference: FAS5

Accounts Payable and Accrued Expenses

This line of the financial statements includes the amounts the RF owes for vendor payments, taxes, abandoned property, and vacation time saved. It also includes the IBNR (incurred but not recorded) balance reflecting potential claims for benefit costs above and beyond those known by the RF. The IBNR components include worker's compensation, health care, prescription drugs, dental and vision. Additionally, the Accounts Payable/Accrued Expenses line includes amounts for potential legal case losses.

RF Staff Responsibilities

RF finance staff is responsible for ensuring that there are funds to cover accounts payable costs, and for properly computing amounts owed, particularly to ensure this amount does not get under-reported. The Finance staff performs a quarterly calculation of the amount required to report accounts payable to vendors.

As of any balance sheet date, there will be significant payments outstanding that have not yet been processed in Oracle. The A/P calculation is based on the number of days that it ordinarily takes to process a payment, multiplied by the amount of processing that takes place in a typical day. For example, if it takes 30 days on average to process a typical payment from the date of the invoice until the date of the payment, and about \$1 million in vendor payments get processed in a typical day, then the A/P accrual would be \$30 million.

Since most spending done by the RF is for sponsored program expenses, the A/P accrual is recorded to reflect how other spending is recorded across the RF. For example, if the A/P accrual is \$30 million, and if 80% of all activity is sponsored activity, then about \$24 million in sponsored expenses will be recorded, along with \$ 6 million in unrestricted expenses. Additional adjustments are then made to revenues, and to receivables from sponsors, since both revenues and receivables can be triggered by spending events.

Finance staff is responsible for calculating the average number of days for processing payments and to properly compute the impact of this calculation on RF-wide financial statements.

Accounting Standards References

[Accounting basis](#): Accounting basis: Net realizable value

[Accounting Standard References](#): ASC 405-10, ASC 450

Policies and Procedures

The following procedures govern the management of the RF's accounts payable and accrued expenses liabilities:

General

- [Payments in Excess of \\$25,000 Policy](#)
- [Officer and Senior Executive Accountability Policy](#)

Regulations

- [A-110 Excerpts: Procurement Standards](#)
- A-21 Excerpts: Unallowable Costs

Bids and Vendor Selection

- [Procurement Policy](#)
- [Guidelines for Vendor or Independent Contractor Selection](#)

Payment Methods

- [Credit Card Programs Policy](#)
- [Invoice and Payments Process](#)
- [Transfer of Costs Policy](#)
- [How to Obtain Wire Transfers and Foreign Drafts](#)
- [Follow-up and Cancellation Recall Procedures for Wire Transfers and Foreign Drafts](#)

Accrued Compensation

Accrued Compensation represents amounts for payroll due to employees at the end of a financial period and accrued sick leave. The RF accrues for salary, IFR and timing of withholdings.

RF Staff Responsibilities

RF staff is responsible for knowing how much each liability is and ensuring that the RF has funds or plans to cover it.

- [Risks & Controls](#)

Accounting Standards References

[Accounting basis](#): Net realizable value

Accounting Standard References: SFFAS No. 5, SFAC No. 6

Policies and Procedures

Some policies and procedures governing this area are listed below:

- Fiscal Year 2009 - 2011 Salary Plan
- [Requirements for Overtime Pay](#)
- [Compensation at Termination of Employment](#)
- Nonovernight Meal Payments Policy

Accrued compensation: pay due to employees at end of financial period and accrued sick leave

High-Level Risk: No money to pay employees what is owed to them

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define salary plan and sick leave accrual policy Define sick leave accrual policy and fringe benefit pool funding sick leave over 30 days Appoint campus operations managers Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> Define policies and procedures for human resources and payroll Maintain computerized business system Train and support campus staff Monitor 	
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures Appoint people to awards with sufficient budget Monitor sick leave accruals and payroll activity Maintain operating reserve 	<p style="text-align: center;">Monitor \$1,000 to \$100,000</p>

- Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Accrued Vacation

Vacation represents amounts for amounts for employee accumulated vacation pay.

RF Staff Responsibilities

RF staff is responsible for knowing how much each liability is and ensuring that the RF has funds or plans to cover it.

- [Risks & Controls](#)

Accounting Standards References

[Accounting basis](#): Net realizable value

Accounting Standard References: FASB 43, SFFAS No. 5, SFAC No. 6

Policies and Procedures

Some policies and procedures governing this area are listed below:

Leave Administration

- [Leave Administration Handbook](#)

Accrued vacation: funds due to employees at end of financial period for accrued but unused vacation leave

High-Level Risk: No money to pay employees what is owed to them

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define vacation accrual benefit policy Define policy on payments from fringe benefit pool to terminated employees for vacation accruals Appoint campus operations managers Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> Define policies and procedures Maintain computerized business system Train and support campus staff Negotiate fringe benefit rate with a component to cover terminated vacation 	
Campus management	<ul style="list-style-type: none"> Comply with procedures Use computerized business system or track independently Monitor activity vacation accruals for accuracy Maintain operating reserve Ensure award budgets use current fringe benefit rate 	<p>Monitor \$10,000</p>

- **Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Deferred Revenue

Deferred revenue represents surplus amounts for sponsored programs activity that occur when the RF receives money from sponsors before it has to make expenditures for those programs.

RF Staff Responsibilities

RF administrative staff is responsible for ensuring that any project for which sponsors have provided money are carried out according to the sponsored program agreement and in accordance with RF policies and procedures.

Accounting Standards References

[Accounting basis](#): Net realizable value

Policies and Procedures

Some policies and procedures governing this area are listed below:

- [Fixed Price Balance Award Administration Policy](#)
- [Fixed Price Balance Awards](#)

Deposits Held for Others

Deposits held for other under the Current Liability category represents net agency activity. "Agency" designates those university-related organizations, such as campus-based foundations or campus-based clinical practice plans that use RF-provided human resources/payroll and purchasing /payables administration services. Each year the RF subtracts it working capital uses (or deficits) from its working capital (or surpluses). When this balance is negative, it's reported as Advances to Others. When this balance is positive, it's considered Deposits Held for Others and is reported under the Current Liabilities category.

Deposits held for others under the Noncurrent Liability category represents money that was invested in the endowment pool and planned gifts donated to campus foundations.

RF Staff Responsibilities

RF administrative staff is responsible for ensuring that funds are available to cover the donor requirements.

- [Risks & Controls](#)

Accounting Standards References: FASB 136

[Accounting basis](#): Net realizable value

Deposits held for others: advances from agency funds, planned giving and endowment funds

High-Level Risk: Funds not available to cover the requirements

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Appoint campus operations managers • Define policy on responsibility for losses • Define policy on planned giving • Authorize quasi endowments 	
Central office management	<ul style="list-style-type: none"> • Define policies and procedures for planned giving administration • Require contract with agent • Maintain computerized business system 	
Campus management	<ul style="list-style-type: none"> • Comply with procedures • Maintain operating reserves • Monitor agency activities 	<p style="text-align: center;">Monitor \$1,000 to millions</p>

- [Monitor](#): Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Post-retirement Benefit Obligation

This liability represents the actuarially-determined amount incurred to pay future retiree medical benefits, net of assets set aside to fund those benefits.

Annual allocations are made by management pursuant to a funding policy established by the board of directors (see link below to board resolutions), and are based on actuarial estimates of funding need as well as current benefit cash outflows. The assets are held in a Voluntary Employee Benefit Association (VEBA) trust for the use of this benefit plan. The plan has a Form 5500 and annual financial statement filing and audit requirement, and the VEBA trust has an annual Form 990 and 990-T filing requirement.

The VEBA is treated as a separate entity for financial statement purposes, however because assets held in the VEBA are offset against the total benefit obligation on the RF's financial statements, the value of the assets, as well as the investment policy and the returns on those assets, are disclosed in the RF audited financial statement footnotes.

RF Staff Responsibilities

- RF staff is responsible for ensuring that there are funds available to pay future claims.
- RF finance and HR staff work together with the outside actuarial experts to ensure the plan is properly funded and to obtain disclosure information required under GAAP.
- RF finance staff work with the VEBA trustee, Bank of New York, as well as the investment consultant to track the funds and report to the board Finance Committee on investment performance.
- RF's internal and external legal counsel are responsible to ensure ERISA and other applicable statutes and regulations are followed.

Accounting Standards References

Accounting Standard References: ASC Topic 715 covers the accounting for the Post-retirement benefit liability for the RF's annual financial statement audit, done on the RF's June 30 fiscal year-end. Accounting for the liability on the Plan's audited financial statements, which are prepared on the Plan's calendar year-end, is done under ASC Topic 965.

Policies and Procedures

- [Board Resolutions](#)
- [Fringe Benefits Cost Recovery Policy](#)
- Procedure: Benefits Continuation After Retirement

Line of Credit

A line of credit is available to provide short-term cash to prefund expenditures on sponsored projects.

The line of credit helps mitigate the need to liquidate assets to meet liabilities. The line of credit also minimizes the impact of daily fluctuations in cash flow by allowing investment managers to maintain a steady portfolio level and enhance long-term earnings.

RF Staff Responsibilities

RF staff is responsible for ensuring that funds are available to pay interest and that campuses are able to recover funds from sponsors to pay on the project termination date. The RF staff is also responsible for executing approved draw-downs, repayments of principal and payments of interest on a timely fashion.

Accounting Standards References

[Accounting basis](#): Current market value

Accounting Standard Reference: ASC-470-Debt

Policies and Procedures

- [Research Foundation Borrowing and Loan Policy](#)

Long Term Debt

This liability comprises amounts borrowed to finance the corporate office building located at 35 State Street in Albany, the RF information system, and capital leases from Xerox and Sun for equipment used to support the Oracle applications.

RF Staff Responsibilities

RF staff is responsible for ensuring that there are funds available to pay future claims.

- [Risks & Controls](#)

Accounting Standards References

Accounting Standard References: FAS-5, FAS-13, APB-21, ARB-43

Long-term debt: 35 State Street mortgage and capital leases

High-Level Risk: No money to pay back money borrowed

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Authorize all debt • Approve Financial Plan 	
Central office management	<ul style="list-style-type: none"> • Perform centralized debt management • Develop and implement Financial Plan • Monitor central office budget for funds to make payments 	<p style="text-align: center;">Monitor \$1 million/year</p>
Campus management	<ul style="list-style-type: none"> • Not applicable 	

- [Monitor](#): Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Other Liabilities

Other liabilities is a catch-all category where organizations can consolidate their miscellaneous liabilities. At the RF, this comprises funds maintained as part of a deferred compensation plan set up in accordance with section 457(b) of the Internal Revenue Code.

RF Staff Responsibilities

RF administrative staff is responsible for ensuring that there are funds available to pay future claims.

- [Risks & Controls](#)

Accounting Standards References

[Accounting basis](#): Net realizable value

Accounting Standard References: FAS109, FIN48

Policies and Procedures

Some policies and procedures governing this area are listed below:

- [Deferred Compensation Plan Summary](#)

Other liabilities: Deferred compensation plan 457 & contingent liabilities

High-Level Risk: For 457 plans: assets don't equal liability. For contingent liabilities: no funds available to pay potential claims

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Approve benefit plan • Define authority and document in investment policy and guidelines • Define authority for Risk Management 	
Central office management	<ul style="list-style-type: none"> • Manage vendor • Establish investment decision-making framework to carry out board policies • Purchase insurance to cover potential claims for any contingent liabilities • Annually monitor all outstanding legal issues for potential liability to be recorded in the Audited Financial Statements 	<p style="text-align: center;">Monitor \$100 - \$1 million</p>
Campus management	<ul style="list-style-type: none"> • Comply with policies and procedures 	

- [Monitor](#): Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Accounting for Net Assets

The net assets of the RF include a fund balance that primarily consists of campus unexpended balances, corporate reserves, and investment reserves as outlined in the RF's board-approved financial plan. In addition, certain expenditure accruals are not fully funded, particularly post-retirement benefit obligations.

The RF's ability to support current operations from all available expendable resources without relying on additional net assets is demonstrated through the primary reserve ratio, which is net assets divided by total expenses.

RF Staff Responsibilities

RF staff is responsible for not spending more than the RF earns and setting aside some funds for contingencies.

- [Risks & Controls](#)

Accounting Standards References

[Accounting basis](#): All four bases

Policies and Procedures

- [Corporate Funding Reserve Policy](#)
- RF Funded Awards

Net Assets

Objective: Not spend more than the RF earns and set aside some funds for contingencies.

1. Net assets

High-Level Risk: No working capital

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define corporate reserve funding policy Define investment reserve policy Approve Financial Plan 	Manage \$ millions
Central office management	<ul style="list-style-type: none"> Develop and implement Financial Plan Manage working capital Maintain reserves Develop policies and procedures for RF-funded awards Maintain computerized business system Train and support campus staff 	
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures Maintain campus reserves Support central office with cash flow forecasting 	

- Manage:** Risks that either have a large impact but are not likely to happen - or - are likely to happen but have a low impact must be managed by implementing controls, buying insurance or entering into financial contracts.

Reference: [Managing Financial Risks at the Research Foundation](#)

The RF Statement of Activities

The RF statement of activities presents the nature of overall profit and loss over a period of time and gives the corporation a sense for how well it is operating. The statement outlines how much money the corporation has earned (the RF's revenue) and subtracts how much the corporation has spent (the RF's expenses), resulting in the total of the corporation's unrestricted net assets.

Components of the Statement of Activities

The components of the Statement of Activities are listed below. Click a link for a description of each item and links to RF policies and procedures that relate to the item.

- [Revenue](#)
- [Expenses](#)

Accounting for Revenue

The RF's primary source of revenue is grants and gifts awarded for sponsored research activities. This includes revenue awarded for sponsored program activities and includes facilities and administrative (F&A) cost recoveries, non-program gift income, non-sponsored income, and agency fee income.

Specific revenue sources are listed below. Click a link for a description of each item and links to RF policies and procedures that relate to the item.

- [Revenue Recognition](#)
- [Sponsored Program Direct Revenues](#)
- [Sponsored Program Facilities and Administrative \(F&A\) Revenues](#)
- [Investment Income](#)
- [Inventions and Licenses Income](#)
- [Other revenue](#)
- [Agency Direct Revenue](#)

RF Staff Responsibilities

RF staff is responsible for ensuring that revenue is recognized in the appropriate business period.

Accounting Standards References

Accounting Standard References: FAS-6, FAS-117

Revenue Recognition

Background

The Research Foundation's (RF's) primary source of revenue is grants and gifts awarded for sponsored research activities. The Oracle system recognizes revenue based on two important fields: *Award Purpose Code* and *Revenue Distribution Rule*.

Responsibility for Revenue Recognition

RF staff is responsible for ensuring that revenue is recognized in the appropriate business period.

Sources of Revenue

The following sources of revenue must be recognized according to the procedures outlined in this document:

- Sponsored revenue
- Inventions and license income
- Investment income
- Other income
- Service and facility
- Agency revenue

Sponsored Revenue

Grants awarded for research and other sponsored activities represent exchange transactions derived from restricted grants, cost reimbursement contracts, and cooperative agreements that provide for the recovery of direct and indirect costs. Grants and contracts awarded for research and other sponsored activities are recognized only to the extent of direct costs incurred or when such costs become eligible for reimbursement.

In short, sponsored program revenue equals sponsored program expense. The RF funds its operations primarily from recoveries of indirect costs provided from grants and contracts. Such recoveries are recorded concurrent with the direct costs incurred or when such costs become eligible for reimbursement.

Step	Action
1	<p>Revenue distribution rule: Cost Award purpose codes include:</p> <ul style="list-style-type: none"> • Clinical Trials • Conference • Contract • Cooperative Agreement • Gift Cash Program Support • Gift Non Cash Corporate Restricted • Gift Non Cash Non Program Support • Gift Non Cash Program Support • Grant, Intergov Personnel Act • Miscellaneous Support • Program Income Restricted • Program Income Unrestricted • Program Support Non Cash • Subcontract • Subgrant • University Service Accounts
2	Allowable costs are collected in the Oracle grants system and charged to appropriate sponsored awards – RF staff monitors allowability.
3	The award facilities and administrative rate is applied to direct costs and charged to individual awards.

4	A revenue process is run daily in the Oracle system to generate revenue equal to expense. Sponsored revenue is auto accounted to general ledger classes: 431010 - 431030, 432010 - 432050, 433010 - 433050, 434010 – 434050.
5	Finance staff reconciles sponsored revenue to sponsored expense on an award basis and investigates any discrepancies.

Inventions and License Income (Royalties)

Inventions and license income derives from inventions that result from sponsored research. The RF is responsible for protecting the intellectual property and commercializing these technologies as part of its technology transfer service. Inventions and licenses revenue is recorded as earned per each applicable qualifying event billing.

The following procedure should be followed to recognize inventions and license income:

Step	Action
1	Revenue distribution rule: Event Award purpose code: Campus Royalties
2	An accounts receivable invoice is issued in the Oracle Accounts Receivable module for the amount of the qualifying event: cash received, amount earned, etc.
3	A billing event and a revenue event equal to the amount of the qualifying event are created in the Oracle Grants module.
4	Cash received related to an RF invention or license agreement is applied to the applicable accounts receivable invoice.
5	An installment equal to the amount of cash received is added or augmented to the applicable “Campus Royalty” award in the Oracle Grants module.
6	Inventions and licenses revenue is auto accounted to general ledger class 450020 in the Oracle General Ledger application.
7	Finance staff reconciles General Ledger inventions and licenses revenue to cash and event billing in grants, and investigates any discrepancies.

Investment Income

Investment income is comprised of dividends and interest, realized and unrealized gains, and income from investment in equity partnerships.

The following procedure should be followed to recognize investment income:

Step	Action
1	Revenue distribution rule: Event Award purpose code: RF Funded Revenue Organization: 650 Investment Services
2	Awards are established to track investment pool balances in the Oracle General Ledger application only. Manual entries are posted to general ledger classes 447020-447030, 447090, 453020-453030.
3	Activity for the following is summarized and posted manually to the Oracle General Ledger module: <ul style="list-style-type: none"> • Liquid investment entry: Activity is downloaded from Federated.com. This website summarizes interest earned on sponsor required separately invested mutual funds. • Monthly cash entry: Represents interest earned from balance in Key Bank money market account after nightly sweeps.

	<ul style="list-style-type: none"> • Interest, dividends, and realized and unrealized gains and losses: BNY Mellon is the custodian for all significant RF investment accounts. BNY Mellon prepares individual managers statements and a consolidated statement which summarize interest, dividends, and realized and unrealized gains and losses. • TTO stock: TTO stock represents equity in lieu of royalty for RF developed technology. Stocks are held at BNY Mellon and at the RF. Stock value is adjusted to a readily determinable market value on an annual basis. <p>Investment income from equity partner Brookhaven Sciences Association (BSA) is summarized for the audited financial statements of BSA on an annual basis. The RF share of income from BSA is summarized and posted manually to the Oracle General Ledger module.</p>
4	<p>A TIAA-CREF deposit account is maintained for potential errors in reporting to TIAA-CREF. Activity is summarized periodically and posted manually to the Oracle General Ledger application as interest income and as a gain or loss due to reporting error.</p>

Other Income

Revenue recorded on other income categories is recorded as earned per each applicable qualifying event billing (exception: balance accounts and agency fees). Other income categories are:

- Third party service center revenue - when outside parties utilize the services of an RF service center
- Balance accounts – where funds remain unexpended after completion of a project supported by a fixed price contract and after the acceptance of the final technical report by the sponsoring agency
- Unrestricted gift income - funds received as gifts for the general benefit of the campus
- Non-sponsored income – unrestricted activity not classified as sponsored program. A SUNY program can be run by the RF in accordance with the 1977 agreement and it would be classified as non-sponsored income.
- Agency fees – fees earned for administering agency funds (such as fiscal and personnel staffing agreements). Revenue recorded from agency funds administration is based on the calculation of the applicable agency fee rate applied to direct expenditures.

The following procedure should be followed to recognize other income (except agency fees):

Step	Action
1	<p>Revenue distribution rule: Event Award purpose codes:</p> <ul style="list-style-type: none"> • Gift Cash Corporate Restricted • Gift Cash Non Program Support • Nonsponsored Income • Third Party Recharges
3	<p>An accounts receivable invoice is issued in the Oracle Accounts Receivable module for the amount of the qualifying event: cash received, amount earned, etc.</p>
4	<p>A billing event and revenue event equal to the qualifying event are created in the Oracle Grants module.</p>
5	<p>Other income is auto accounted to the general ledger classes 434010, 442010, 443010, 489020, 491010, 494010 and 498010 in the Oracle General Ledger module.</p>
6	<p>Finance staff reconciles General Ledger other income to cash and event billing in grants, and investigates any discrepancies.</p>

Service and Facility (S&F)

Services and Facility (S&F) awards are established to record activity at recharge facilities and centers. The RF does not recognize service center revenue or expense in its' financial statements. Service facilities and centers are supported by recharges to sponsored programs or third party users. Revenue is recognized at the time of recharge on a sponsored project and at the time of invoicing on a third party recharge. Service centers are operated on a cost reimbursement basis and rates charged are monitored and adjusted as appropriate.

Step	Action
1	Revenue distribution rule: Cost Award purpose codes: Service and Facility
2	Service center revenue auto accounts to GL class 431010 in the Oracle General Ledger module.
3	A manual entry is made to eliminate S&F revenue and expense for financial statement purposes.

Agency Revenue

Agency awards cover support services to campus-related organizations (such as campus-based foundations) and affiliate corporations that are integrally connected to the mission of SUNY. Under an agency award, an agreement is signed between the RF and the campus related organization or affiliate corporation to provide staffing and/or fiscal services. The organization reimburses the RF for all associated costs.

The RF records agency activity in a separate fund and does not include direct agency revenue or expense in its financial statements. Agency activity is, however, reportable to the Internal Revenue Service (because agency W2s are issued under the RF's Tax Identification Number), and is therefore included as program service revenue on Form 990.

The following procedure should be followed to recognize agency revenue:

Step	Action
1	Revenue distribution rule: Cost Award purpose codes: <ul style="list-style-type: none"> • Clinical Practice Plans • Other Agency • Staffing Services
3	Allowable costs are collected in the Oracle grants module and charged to appropriate Agency awards. RF staff monitors allowability.
4	The award agency fee rate is applied to direct costs and charged to individual awards. Agency fees are included as 'Other Income' on the financial statements.
5	A revenue process is run daily in the Oracle system to generate revenue equal to expense. Agency revenue is auto accounted to general ledger classes: 434010, 434030 and 491010.
6	Finance staff reconciles agency revenue to agency expense on an award basis and investigates any discrepancies.

Sponsored Program Direct Revenue

Sponsored program direct revenue includes revenue from projects sponsored by the federal government and revenue from projects sponsored by nonfederal sources, including federal flow-through funding. Revenue is recorded when expenditures are made from sponsored program awards.

RF Staff Responsibilities

RF staff is responsible for ensuring that expenditures made during each defined business period are allowable to maintain the accuracy of the corporation's financial reports.

- [Risks & Controls](#)

Policies and Procedures

- [Determining Direct and Facilities & Administrative \(F&A Costs\)](#)

Sponsored Program Direct Revenue: Revenue recorded when expenditures made from sponsored program awards.

High-Level Risk: Expenditures made during defined business period later identified as unallowable.

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define revenue recognition policy 	
Central office management	<ul style="list-style-type: none"> Define sponsored program expenditure criteria Maintain computerized business system Monitor recorded revenue and account classifications Train and support campus staff 	
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures, use appropriate account classifications for accurate revenue recording Develop direct and indirect costing policies Review direct expenditures for reasonableness, allowability and allocability 	Monitor

- Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Sponsored Program F&A Revenue

Facilities and administrative (F&A) costs are expenses associated with the use of University facilities and various administrative costs that cannot be directly and uniquely assigned to any particular project.

F&A cost recoveries are sought from sponsors to pay for the physical plant maintenance and operations costs, and general University facilities in which the sponsored projects are carried out. F&A recovery monies must be spent according to Research Foundation guidelines and can provide for operation, maintenance, and replacement of the physical plant and global facilities of the University.

The funds can provide a means for replacing these items as they age. They can also support library costs and various administration costs.

RF Staff Responsibilities

RF staff is responsible for ensuring that the correct rate is applied and that expenditures made during each defined business period are allowable.

- [Risks & Controls](#)

Policies and Procedures

The following procedures govern F&A administration:

- [Facilities & Administrative Costs Primer](#)
- [Facilities & Administrative \(F&A\) Cost Recovery Policy](#)

Sponsored Program F&A Revenue: Revenue recorded when expenditures made from sponsored program awards.

High-Level Risk: Incorrect rate applied or expenditures made during defined business period later identified as unallowable

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define revenue recognition policy 	
Central office management	<ul style="list-style-type: none"> Maintain computerized business system Maintain burdening schedules Monitor recorded revenue Train and support campus staff 	
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures Develop direct and indirect costing policies 	Monitor

- Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reserves: [Managing Financial Risks at the Research Foundation](#)

Investment Income

The RF invests the cash it receives from sponsors, agencies, and its own operating reserves in its operational pool to earn income. The money is invested according to the RF's investment policy and guidelines.

RF Staff Responsibilities

RF investment staff is responsible for ensuring that the market value of investments is correctly stated and that gains are accurately recorded.

- [Risks & Controls](#)

Policies and Procedures

The following documents govern investment activity:

- [Investment policy and guidelines](#)
- [Interest Income and Quarterly Interest Allocations](#)

Investment Income: Revenue recorded based on change in market value (gains/losses), dividend or interest payable date.

High-Level Risk: Misstatement of market value of investments, under or over recorded unrealized gains

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define revenue recognition policy & investment guidelines Hire custodian, investment consultants and investment managers 	
Central office management	<ul style="list-style-type: none"> Implement investment guidelines Monitor investment performance & recorded revenue Maintain computerized business system 	Monitor
Campus management		

- Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Inventions and Licenses Income

Inventions that result from sponsored research belong to the RF, which is responsible for protecting the intellectual property and commercializing these technologies as part of its technology transfer service. Royalty revenue is recorded based on cash received.

RF Staff Responsibilities

RF staff is responsible for ensuring that only cash received from royalties is recorded (receivables or intangible assets should not be recorded as revenue). RF staff is also responsible for ensuring that no patent infringements are made.

- [Risks & Controls](#)

Policies and Procedures

- [Royalty Awards](#)

Inventions and Licenses Income. Revenue recorded is based on cash received (don't record receivables or intangible assets)

High-Level Risk: Licensee not paying royalties, patent infringements

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define revenue recognition policy Patent Policy Board, defines TTO policies 	
Central office management	<ul style="list-style-type: none"> Develop and implement Technology Transfer procedures Engage legal counsel for infringement cases Maintain computerized business system Monitor recorded revenue Train and support campus staff 	Monitor
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures Support TTO activities Decentralized campus comply with Patent Policy 	

- Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Other Revenue

Definition

Other revenue includes agency fees, equity distributions from limited liability corporations (LLCs), gifts, third party service center, and non-sponsored revenue.

Non-sponsored revenue, in turn, is defined as an award established for funds received in support of activities not related to sponsored programs and not covered by another more specific award purpose. It is generally to be used when the RF provides a service (not a sponsored program service) and receives cash that offsets administrative costs.

Examples include: Fees received from an affiliated entity to offset campus costs for providing a service (i.e., payroll or IS service) to the affiliated entity; the proceeds from the sale of obsolete equipment; or the reimbursement of previously expended patent costs.

Recognition

Revenue recorded on agency fees is based on the calculation of the rate applied to direct expenditures. Revenue recorded on the other items is based on cash receipts.

RF Staff Responsibilities

RF staff is responsible for ensuring that revenue is properly recorded and is related to the corporation's mission.

Policies and Procedures

- [Facilities and Administrative \(F&A\) Rates](#)

Gifts

- [Gift Acceptance Policy](#)

Equity Participation

- Equity Participation Guidelines

Service Centers

- [Service Center Policy](#)
- [Service, Facilities, and Third-party Recharge Award Administration](#)

Agency Direct Revenue

Agency direct revenues are not recorded on the RF's financial statements. These costs are recorded in the RF Internal Revenue Service (IRS) 990, Return of Organization Exempt From Income Tax.

Accounting for Expenditures

RF expenditures include sponsored program expenses, administration and support expenses, and agency direct expenses. Each expenditure type is listed below. Click a link for a description of each item and links to RF policies and procedures that relate to the item.

- [Sponsored Program Expenses](#)
- [Administration and Support Expenses](#)
- [Agency Direct Expenses](#)

RF Staff Responsibilities

RF staff is responsible for ensuring that legitimate business expenses are recorded in the appropriate business period.

Sponsored Program Expenses

Sponsored program revenue is driven by sponsored program expenses.

RF Staff Responsibilities

RF staff is responsible for ensuring that direct expenditures are reasonable, allowable, and allocable.

- [Risks & Controls](#)

Policies and Procedures

- [Correcting Overexpended Awards, Projects, and Tasks](#)
- [Transfer of Costs process](#)
- A-133 Monitoring of Subrecipients

Letter of Credit

- [Overview of the Letter of Credit Payment Process](#)
- [Administering Letter of Credit Sponsored Program Accounts](#)
- Financial Reporting for Letter of Credit Sponsored Program Accounts

Sponsored Program Expenses

High-Level Risk: Expenditures made during defined business period later identified as unallowable.

Controls

Level	Controls	Primary risk manager/level/materiality
Board		
Central office management	<ul style="list-style-type: none"> • Develop policies and procedures • Maintain computerized business system • Maintain cash management system to comply with OMB Circular A110 	•
Campus management	<ul style="list-style-type: none"> • Ensure direct expenditures are reasonable, allowable and allocable 	Monitor

- **Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Administration and Support Expenses

The RF's campus and central office locations incur costs to have their infrastructure and staff in place to administer sponsored programs and other services. The RF uses the money it receives from F&A cost recovery, investments, and agency fees to pay for these expenditures.

RF Staff Responsibilities

RF staff is responsible for ensuring expenses are appropriate and allowable for the F&A proposal.

- [Risks & Controls](#)

Policies and Procedures

- RF Funded Awards

Administration and Support Expenses

High-Level Risk: not appropriate business expenses, reputation risk, misclassified costs

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Develop RF funded policies to comply with 1977 agreement 	
Central office management	<ul style="list-style-type: none"> Maintain computerized business system Develop policies and procedures for RF funded expenditures 	<ul style="list-style-type: none">
Campus management	<ul style="list-style-type: none"> Scrub accounts to ensure allowable for the F&A proposal 	Monitor

- Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.

Reference: [Managing Financial Risks at the Research Foundation](#)

Agency Direct Expenses

Agency direct volume is tracked within the RF's financial statements using the fund AG. Since the RF is acting as a flow-through only, the "revenue" recorded is equal to the expenditures for the period.

This activity is recorded in the RF Internal Revenue Service (IRS) 990, Return of Organization Exempt From Income Tax, as revenue, but it is not included as revenue in the RF's annual audited financial statements.

However, fees paid to the RF by the contracting agency to reimburse the RF's costs of supporting this activity, are reported in the RF's financial statements, as other income.

Financial Reporting

RF campus and Central Office staff can access many useful reports through the [RF Reports Center](#). These include the Sponsored Program Activity Report (SPAR), the Allocation Expenditure Report, RF Activity Interface Reporting and more.

The RF also issues the following financial reports for compliance and governance purposes. All are issued annually, unless otherwise noted:

Report	Description
Annual audited financial statements	Prepared under Generally Accepted Accounting Principles (GAAP). Incorporated into the posted copies of the Single Audit Report, as well as either integrated into or linked from the Annual Report.
Single Audit Report	Report of Independent Accountants on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards. This report includes the audited financial statements, typically certified by the external audit firm in the several months after the RF's June 30 year-end. It also includes required schedules providing details on the RF's Federally-sponsored programs along with any findings from the external audit of those programs.
Single Audit Certification	Statement from an outside audit firm certifying that they reviewed our financial statements and federal programs and that the programs are in compliance with government auditing standards.
IRS Form 990, Form 990T, Readers Guide	Form 990 is an IRS information return used by tax-exempt organizations. It is required to be filed annually, and includes financial status as well as extensive questions on corporate governance. The Form 990 is accompanied by a "Reader's Guide" providing guidance on the form and answers to frequently asked questions. Also filed is the Form 990T, which is a form used to report on any taxable activities as well as certain transfers to and from foreign-based investment funds.
Annual Report	The RF Annual Report provides an overview of major activities and accomplishments during the fiscal year as well as key financial information. There is also a link to the audited financial statements.
Campus Allocation Reports	Provides an annual accounting of income distributed to campuses. A detailed final revenue allocation and cost distribution (based on actual results) is provided to the campuses after fiscal year end. A preliminary estimate is provided prior to the fiscal year.
Operating Plan	The RF's annual Operating Plan sets forth the strategy, specific action steps and supporting budget that will move the RF strategic plan forward to serve SUNY.
Treasury Reports	Provides a monthly accounting of cash and investments.

Affiliated Organizations

The RF has affiliated organizations that have been established to facilitate university-industry-government partnerships and accelerate the growth of sponsored program and applied research opportunities at SUNY. The RF does not have a financial interest in, nor is it contingently liable to, these affiliated organizations.

- [Affiliated Organizations](#)

Policies and Procedures

- [Affiliated Corporation Policy](#)
- [Joint Venture Policy](#)

Managing Financial Risks at the Research Foundation

Introduction

The Research Foundation faces risk in every transaction it processes and every decision it makes. It is important to understand the financial risks inherent in the RF's business in order to mitigate and manage the risks. This document describes the roles of the people responsible for managing financial risks, describes the various categories of risk, and identifies strategies in place for mitigating and managing financial risks.

The Treasurer periodically releases a "Financial Risk Assessment" that helps bring to light those financial activities that require action to eliminate the risk or transition it away from the organization.

Roles

The key roles involved with managing financial risk at the RF are:

1. The Board of Directors
2. Central Office Management
3. Campus Management

The *Board of Directors* is responsible for the organization's fundamental approach to managing financial risk.

Central office management is responsible for implementing internal controls to mitigate, manage and monitor risks. The CFO/treasurer is responsible for identifying financial risks and informing the board finance committee on the current risk environment.

Campus management is responsible to implement policies and procedures defined by the board and central office management.

Financial Risks

Each category of financial activity carries its own objective and risks.

Balance Sheet

- **Assets.** Objective: Preserve the RF's assets.
- **Liabilities.** Objective: Know how much the liability is and ensure the RF has funds or plans to cover it.
- **Net Assets.** Objective: Not spend more than the RF earns and set aside some funds for contingencies.

Statement of Activities

- **Revenue.** Objective: Recognize revenue in appropriate business period.
- **Expenditures.** Objective: Record legitimate business expenses in the appropriate business period.

Statement of Cash Flows

- **Cash Flow.** Objective: Manage cash to comply with OMB circular A110, manage day-to-day requirements, maximize investment return and minimize debt.

All Financial Statements

- **Affiliated Corporations.** Objective: Support related entities while mitigating risk to the RF and accurately report financial relationships.
- The section below describes the risks and the controls put in place at each level: board, central office management and campus management to mitigate, manage, monitor or make do with the risk.
- **Mitigate:** Risks that are likely to happen and have a high impact must be eliminated or transferred away from the RF.
- **Manage:** Risks that either have a large impact but are not likely to happen –or– are likely to happen but have a low impact must be managed by implementing controls, buying insurance or entering into financial contracts.
- **Monitor:** Risks that have a moderate impact and moderate likelihood must be monitored. For these risks, controls are in place and failures are covered by self-funded reserves.
- **Make do with:** Risks that have a low likelihood of occurring and a low impact are accepted; failures are covered with operating funds.
- *Source:* "Risk Management, A Risk Mapping Guide from AFP" produced by the Association for Financial Professionals.

Balance Sheet

Assets

Objective: Preserve the RF's assets.

1. Cash and Cash Equivalents: funds maintained in the checking account to pay for payroll and accounts payable.

High-Level Risks: Lose cash, lack of liquidity, lose assets due to foreign currency exchange.

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define authority for establishing bank accounts Define investment policy and guidelines Require double signature on checks exceeding \$100,000 Appoint campus operations managers Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> Perform centralized banking Define policy and procedure for establishing RF bank accounts Maintain computerized business system Train and support campus staff Review daily cash sheet Process all wires centrally 	
Campus management	<ul style="list-style-type: none"> Comply with policy and procedures Authorize project bank accounts Monitor bank accounts Maintain operating reserves 	<p style="text-align: center;">Monitor \$5,000 to \$100,000</p>

2. Accounts receivable: sponsored expenditures in advance of cash receipts

High-Level Risk: Don't bill and/or can't collect on expenditures made.

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Appoint campus operations managers Define policy on responsibility for losses Define "at risk" policy 	
Central office management	<ul style="list-style-type: none"> Define policies and procedures for decentralized location award establishment and billing/collections Perform centralized award establishment and billing/collections Maintain computerized business system Train and support campus staff Monitor aged and unbilled awards 	

Campus management	<ul style="list-style-type: none"> Assess creditworthiness of sponsors when establishing awards Authorize award establishment and budget Monitor billed, aging, and unbilled awards Maintain an operating reserve Negotiate contracts with advances 	<p>Manage \$20,000 to millions</p>
-------------------	--	--

3. Advances to others: agency fund (campus-related organizations such as affiliated corporations, clinical practice plans, campus foundations) expenditures in advance of cash receipts

High-Level Risk: Campus-related organizations don't reimburse RF for expenditures made

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Appoint campus operations managers Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> Require contract with agency Establish policies governing agency awards (cash-driven) Maintain computerized business system Train and support campus staff 	
Campus management	<ul style="list-style-type: none"> Authorize award establishment and budget Monitor activity Maintain an operating reserve Negotiate contracts with advances 	<p>Monitor \$1000s to \$1 million</p>

4. Fixed Assets: 35 State Street building, central office and campus administrative equipment

High-Level Risk: Lose asset

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Appoint campus operations managers Define policy on responsibility for losses Approve purchases of real property 	
Central office management	<ul style="list-style-type: none"> Define policies and procedures for property management Define policies and procedures for insurance Contract with Construction Fund for computerized business system to track fixed assets Train and support campus staff Buy insurance policies 	

Campus management	<ul style="list-style-type: none"> • Comply with policies and procedures • Pay for insurance coverage • Perform inventory • Monitor activity 	<p style="color: green;">Make do with</p> <p>\$1,000 to \$100,000</p>
-------------------	--	---

5. Other Assets: Deferred compensation 457 plan and interest rate swap

High-Level Risk: Loss of asset

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Approve benefit plan • Define authority and document in investment policy and guidelines 	
Central office management	<ul style="list-style-type: none"> • Manage vendor • Monitor activity and develop policies and procedures • Establish investment decision-making framework to carry out board policies 	<p style="color: blue;">Monitor</p> <p>\$1,000 - \$50,000</p>
Campus management	<ul style="list-style-type: none"> • Comply with policies and procedures 	

Liabilities

Objective: Know how much the liability is and ensure the RF has funds or plans to cover it.

6. Accounts payable and accrued expenses (AP)

High-Level Risks: Pay for goods and services not received or no money to cover expenditures

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Appoint campus operations managers • Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> • Define policies and procedures for purchasing and accounts payable • Maintain computerized business system • Train and support campus staff • Estimate liability on financial statement based on statistics 	
Campus management	<ul style="list-style-type: none"> • Comply with policies and procedures • Authorize purchases and expenditures • Review all expenses exceeding \$25,000 • Monitor activity • Maintain a reserve 	<p style="color: green;">Make do with</p> <p>\$1,000 to \$500,000 (some campuses have larger materiality)</p>

7. Accounts payable and accrued expenses: self-funded benefit cost incurred but not recorded (IBNR) for graduate student health, prescription drugs, dental and vision insurance costs

High-Level Risk: No money to pay claims

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define benefit policy Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> Establish fringe benefit cost recovery policy Manage fringe benefit pool Manage vendor Define policies and procedures Monitor unpaid claims activity Purchase insurance (stop loss for individual claims above \$200,000) Negotiate fringe benefit rate Maintain a Letter of Credit of \$4.2 million as collateral for Health Insurance 	Monitor \$200,000
Campus management	<ul style="list-style-type: none"> Follow policies and procedures Support employees with benefit administration Ensure award budgets use current fringe benefit rate 	

8. Accounts payable and accrued expenses: cost of potential claims under self-funded workers' compensation plan

High-Level Risk: No money to pay claims

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> Establish fringe benefit cost recovery policy Manage fringe benefit pool Manage vendor Define policies and procedures Monitor unpaid claims activity Purchase insurance (stop loss for claims above \$100,000) Negotiate fringe benefit rate Maintain two Letters of Credit for \$1 million and \$1.6 million as collateral for claims 	Monitor \$10,000 to \$100,000
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures Support employees and resolve issues Ensure award budgets use current fringe benefit rate 	

9. Accrued compensation: pay due to employees at end of financial period and accrued sick leave

High-Level Risk: No money to pay employees what is owed to them

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define salary plan and sick leave accrual policy Define sick leave accrual policy and fringe benefit pool funding sick leave over 30 days Appoint campus operations managers Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> Define policies and procedures for human resources and payroll Maintain computerized business system Train and support campus staff Monitor 	
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures Appoint people to awards with sufficient budget Monitor sick leave accruals and payroll activity Maintain operating reserve 	<p style="text-align: center;">Monitor \$1,000 to \$100,000</p>

10. Accrued vacation: funds due to employees at end of financial period for accrued but unused vacation leave

High-Level Risk: No money to pay employees what is owed to them

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define vacation accrual benefit policy Define policy on payments from fringe benefit pool to terminated employees for vacation accruals Appoint campus operations managers Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> Define policies and procedures Maintain computerized business system Train and support campus staff Negotiate fringe benefit rate with a component to cover terminated vacation 	
Campus management	<ul style="list-style-type: none"> Comply with procedures Use computerized business system or track independently 	<p style="text-align: center;">Monitor \$10,000</p>

	<ul style="list-style-type: none"> • Monitor activity vacation accruals for accuracy • Maintain operating reserve • Ensure award budgets use current fringe benefit rate 	
--	---	--

11. Deferred revenue: advances from sponsors

High-Level Risk: Can't carry out project for which sponsor has provided money

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Appoint campus operations managers • Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> • Define policies and procedures for sponsored programs administration • Maintain computerized business system • Train and support campus staff 	
Campus management	<ul style="list-style-type: none"> • Comply with policies and procedures • Review all proposals to ensure campus can meet sponsor requirements • Authorize awards and budgets • Monitor surplus accounts activity 	<p>Monitor \$1,000 to millions</p>

12. Deposits held for others: advances from agency funds, planned giving and endowment funds

High-Level Risk: Funds not available to cover the requirements

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Appoint campus operations managers • Define policy on responsibility for losses • Define policy on planned giving • Authorize quasi endowments 	
Central office management	<ul style="list-style-type: none"> • Define policies and procedures for planned giving administration • Require contract with agent • Maintain computerized business system 	
Campus management	<ul style="list-style-type: none"> • Comply with procedures • Maintain operating reserves • Monitor agency activities 	<p>Monitor \$1,000 to millions</p>

13. Post-retirement benefit obligation: funds to pay cost of health insurance for RF retirees

High-Level Risk: No money to pay future claims

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define retiree health benefit and contributions levels Define retiree health insurance funding policy 	Manage \$60 million unfunded
Central office management	<ul style="list-style-type: none"> Define fringe benefit cost recovery policy Manage fringe benefit pool Manage the vendor providing the benefit Monitor claims for accuracy Negotiate fringe benefit rate 	
Campus management	<ul style="list-style-type: none"> Ensure award budgets use current fringe benefit rate 	

14. Long-term debt: 35 State Street mortgage and capital leases

High-Level Risk: No money to pay back money borrowed

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Authorize all debt Approve Financial Plan 	
Central office management	<ul style="list-style-type: none"> Perform centralized debt management Develop and implement Financial Plan Monitor central office budget for funds to make payments 	Monitor \$1 million/year
Campus management	<ul style="list-style-type: none"> Not applicable 	

15. Line of credit: \$80 million authorized line of credit (LOC) to support sponsored program activities

High-Level Risk: No funds available to pay interest, campus unable to recover funds from sponsors to pay on termination date

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Authorize all debt Authorize maximum for line of credit Appoint campus operations managers Define policy on responsibility for losses 	
Central office management	<ul style="list-style-type: none"> Define policies and procedures for borrowing on line of credit Manage banking relationship and cash flow Monitor activity Produce quarterly report 	Manage \$80 million

Campus management	<ul style="list-style-type: none"> • Authorize awards and budgets • Request borrowing from LOC • Comply with policies and procedures 	
-------------------	---	--

16. Other liabilities: Deferred compensation plan 457 & contingent liabilities

High-Level Risk: For 457 plans: assets don't equal liability. For contingent liabilities: no funds available to pay potential claims

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Approve benefit plan • Define authority and document in investment policy and guidelines • Define authority for Risk Management 	
Central office management	<ul style="list-style-type: none"> • Manage vendor • Establish investment decision-making framework to carry out board policies • Purchase insurance to cover potential claims for any contingent liabilities • Annually monitor all outstanding legal issues for potential liability to be recorded in the Audited Financial Statements 	<p>Monitor \$100 - \$1 million</p>
Campus management	<ul style="list-style-type: none"> • Comply with policies and procedures 	

Net Assets

Objective: Not spend more than the RF earns and set aside some funds for contingencies.

17. Net assets

High-Level Risk: No working capital

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Define corporate reserve funding policy • Define investment reserve policy • Approve Financial Plan 	<p>Manage \$ millions</p>
Central office management	<ul style="list-style-type: none"> • Develop and implement Financial Plan • Manage working capital • Maintain reserves • Develop policies and procedures for RF-funded awards • Maintain computerized business system • Train and support campus staff 	
Campus management	<ul style="list-style-type: none"> • Comply with policies and procedures • Maintain campus reserves 	

	<ul style="list-style-type: none"> Support central office with cash flow forecasting 	
--	---	--

Statement of Activities

Revenue

Objective: recognize revenue in appropriate business period

1. Sponsored Program Direct Revenue: Revenue recorded when expenditures made from sponsored program awards.

High-Level Risk: Expenditures made during defined business period later identified as unallowable.

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define revenue recognition policy 	
Central office management	<ul style="list-style-type: none"> Define sponsored program expenditure criteria Maintain computerized business system Monitor recorded revenue and account classifications Train and support campus staff 	
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures, use appropriate account classifications for accurate revenue recording Develop direct and indirect costing policies Review direct expenditures for reasonableness, allowability and allocability 	Monitor

2. Sponsored Program F&A Revenue: Revenue recorded when expenditures made from sponsored program awards.

High-Level Risk: Incorrect rate applied or expenditures made during defined business period later identified as unallowable

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define revenue recognition policy 	
Central office management	<ul style="list-style-type: none"> Maintain computerized business system Maintain burdening schedules Monitor recorded revenue Train and support campus staff 	
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures Develop direct and indirect costing policies 	Monitor

3. Royalties: Revenue recorded is based on cash received (don't record receivables or intangible assets)

High-Level Risk: Licensee not paying royalties, patent infringements

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define revenue recognition policy Patent Policy Board, defines TTO policies 	
Central office management	<ul style="list-style-type: none"> Develop and implement Technology Transfer procedures Engage legal counsel for infringement cases Maintain computerized business system Monitor recorded revenue Train and support campus staff 	Monitor
Campus management	<ul style="list-style-type: none"> Comply with policies and procedures Support TTO activities Decentralized campus comply with Patent Policy 	

4. Investment Income: Revenue recorded based on change in market value (gains/losses), dividend or interest payable date.

High-Level Risk: Misstatement of market value of investments, under or over recorded unrealized gains

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define revenue recognition policy & investment guidelines Hire custodian, investment consultants and investment managers 	
Central office management	<ul style="list-style-type: none"> Implement investment guidelines Monitor investment performance & recorded revenue Maintain computerized business system 	Monitor
Campus management		

5. Other Revenue: Includes agency fees, equity distributions from LLC, gifts, third party service center, and sale of assets. Revenue recorded on agency fee based on calculation of rate applied to direct expenditures. Revenue recorded for all other on cash receipts.

High-Level Risk: Unrecorded or over recorded, unrelated to the mission

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Define revenue recognition policy 	
Central office management	<ul style="list-style-type: none"> Monitor recorded revenue and account classifications Maintain computerized business system Support campus develop of rates Monitor for relationship to mission 	•

Campus management	<ul style="list-style-type: none"> Comply with policies and procedures Develop & apply appropriate rates UBIT review 	Monitor
-------------------	---	---------

Expenditures

Objective: record legitimate business expenses in the appropriate business period.

6. Sponsored program expenses

High-Level Risk: Expenditures made during defined business period later identified as unallowable.

Controls

Level	Controls	Primary risk manager/level/materiality
Board		
Central office management	<ul style="list-style-type: none"> Develop policies and procedures Maintain computerized business system Maintain cash management system to comply with OMB Circular A110 	•
Campus management	<ul style="list-style-type: none"> Ensure direct expenditures are reasonable, allowable and allocable 	Monitor

7. Administration and support expenses

High-Level Risk: not appropriate business expenses, reputation risk, misclassified costs

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Develop RF funded policies to comply with 1977 agreement 	
Central office management	<ul style="list-style-type: none"> Maintain computerized business system Develop policies and procedures for RF funded expenditures 	•
Campus management	<ul style="list-style-type: none"> Scrub accounts to ensure allowable for the F&A proposal 	Monitor

8. Agency direct expenses: Agency direct expenditures are NOT recorded on the RF's financial statement. These cost are recorded in the RF IRS 990

High-Level Risk: reputation risk, related party transactions

Controls

Level	Controls	Primary risk manager/level/materiality
Board		
Central office management	<ul style="list-style-type: none"> Maintain computerized business system Develop boilerplate contracts 	•

Campus management	<ul style="list-style-type: none"> Use boilerplate contracts Comply with agency specific cost policies per contract 	Monitor
-------------------	---	---------

Statement of Cash Flows

Objective: Manage cash to comply with OMB Circular A-110, manage day –to-day requirements, maximize investment return and minimize debt.

1. Cash Flow from Operations

High-Level Risk: insufficient cash to cover payments

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Develop annual financial budget to ensure working capital, availability of capital 	
Central office management	<ul style="list-style-type: none"> Develop an annual cash flow plan for sponsored programs, corporate expenditures, agency activity and fringe benefit pool Maintain computerized business system to support the treasury function Maintain cash management system to comply with OMB Circular A110 	•
Campus management	<ul style="list-style-type: none"> Monitor cash disbursements to ensure budget exists Monitor sponsors' advances and timely billing Monitor agency advances and minimize receivables Monitor corporate expenditures to ensure allocation exists and actual vs. forecasted revenue is sufficient to cover cash disbursement 	Monitor

2. Cash Flow from Financing Activities

High-Level Risk: debt capacity is insufficient to cover capital needs

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Develop annual financial budget to ensure working capital, availability of capital 	
Central office management	<ul style="list-style-type: none"> Develop an annual cash flow plan for sponsored programs, corporate expenditures, agency activity and fringe benefit pool Maintain computerized business system 	Monitor

	<ul style="list-style-type: none"> • Maintain cash management system to monitor capital requirements • Manage relationship with bond rating agencies • Identify appropriate debt instrument to meet capital need • Develop financial plan to cover debt costs 	
Campus management	<ul style="list-style-type: none"> • Comply with debt policies and procedures 	

3. Cash Flow from Investing Activities

High-Level Risk: insufficiently managing investment risk and insufficient investment return to meet cash requirements.

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Develop annual financial budget to ensure plan for investment pools • Develop investment spending formula 	
Central office management	<ul style="list-style-type: none"> • Develop an annual cash flow plan for operations and identify funds available for investment • Maintain computerized business system • Maintain cash management system to monitor cash requirements vs. funds available for investment • Monitor annual financial budget 	Monitor
Campus management	<ul style="list-style-type: none"> • Comply with debt policies and procedures 	

All Financial Statements

Affiliated Corporations

Objective: Support related entities while mitigating risk to the RF and accurately report financial relationships.

1. Consolidation of financial activity for single member affiliated corporations

High-Level Risk: controlling interest in the entity, inaccurate financial data

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Approve all affiliated corporations 	
Central office management	<ul style="list-style-type: none"> • If single member, the entity is required to provide AFS and IRS 990 filing • Monitor entities' financial activity and ensure timely reporting of data for consolidation requirement • Review AFS and IRS tax returns • Maintain computerized system 	Monitor

	<ul style="list-style-type: none"> • Monitor activity quarterly and assess the financial transactions to ensure appropriate transparency reporting in RF financial statement • Review board minutes for commitment and contingency with potential financial risk to the RF • Review affiliated significant contracts for potential financial risks to the RF 	
Campus management		

2. Corporate expenditures (RF-funded) support entity

Note: Classified as administration and support in Statement of Activities

High-Level Risk: controlling interest in the entity, misclassification of expenditures, misclassified asset (if LLC)

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Approve all affiliated corporations 	
Central office management	<ul style="list-style-type: none"> • Monitor entity to ensure RF support is minimal 	•
Campus management	<ul style="list-style-type: none"> • Classify cost appropriately to comply with RF policies and procedures • Certify F&A cost proposals to validate cost are not in the calculation 	Monitor

3. Agency relationship

High-Level Risk: credit risk, campus ability to cover losses

Classified on Balance Sheet; deposit held for other or advances to others

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> • Approve all affiliated corporations 	
Central office management	<ul style="list-style-type: none"> • Develop boilerplate agency agreements • Monitor activity quarterly to review activity to ensure appropriate transparency reporting in RF financial statement 	•
Campus management	<ul style="list-style-type: none"> • Comply with RF policies and procedures • Ensure funds are received timely • Review all activity to ensure arms-length transactions (related party transaction requirement in RF IRS 990) 	Monitor

4. Sponsored Program Activity

Note: Classified balance sheet: deferred revenue, A/R, classified in statement of changes: sponsored revenue and expense

High-Level Risk: not an arms length transaction

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Approve all affiliated corporations 	
Central office management	<ul style="list-style-type: none"> Develop boilerplate agreements and conflict of interest policy Monitor all activity quarterly to ensure appropriate transparency reporting in RF financial statement 	•
Campus management	<ul style="list-style-type: none"> Document all contracts are arms length transactions and report any potential conflict of interest Comply with RF policies and procedures 	Monitor

5. Non-Sponsored Program Activity

Note: Classified on statement of changes: other revenue, support expense

High-Level Risk: not an arms length transaction

Controls

Level	Controls	Primary risk manager/level/materiality
Board	<ul style="list-style-type: none"> Approve all affiliated corporations 	
Central office management	<ul style="list-style-type: none"> Develop boilerplate agreements and conflict of interest policy Monitor all activity quarterly to ensure appropriate transparency reporting in RF financial statement 	
Campus management	<ul style="list-style-type: none"> Document all contracts are arms length transactions and report any potential conflict of interest Comply with RF policies and procedures 	Monitor

Board of Directors Resolution: BD2010-39

Subject: Post-Retirement Health Benefit Plan Funding Assumption

In order to ensure the long-term financial health of the Plan, in November 2010 the Board voted to increase the contributions upon retirement for eligible retirees with less than 20 years service to the RF, effective January 1, 2012. Contributions to the Plan by the retirees would be reduced for employees with greater amounts of service, so that employees with 15 years of service upon retirement would contribute less than an employee with 10 years, but more than another employee with 20 years.

Board of Directors Resolution: BD2009-04

Subject: Authorization for Research Foundation Management to Create a Voluntary Employee Benefit Association (VEBA) Trust.

In order to protect retiree health benefit funds while limiting administrative costs to the maximum extent possible, the Board authorizes management to establish a formal trust (a separate legal entity) to hold the RF's retiree health benefit funds. The establishment of a trust is the only legal instrument to fully protect contributions and interest income from creditors' claims and other external threats. Funds allocated to the retiree health account from federal sources will continue to be used in compliance with applicable regulations; however the trust option will increase the protections from the current Board-designated fund to preserve these assets.

Board of Directors Resolution: BD2008-09

Subject: Post-Retirement Health Benefit Plan Funding Assumption

The RF's post-retirement health benefit plan had a liability of \$196.1 million at June 30, 2007. A reserve fund has been established and on February 25, 2005, the board authorized management to annually fund the liability according to a funding policy.

A key component of the funding policy is the return assumption of the expected long-term rate of return on the retiree health reserve fund. This assumption impacts the FAS106 postretirement expense and the annual funding amount. Through this resolution, RF management was authorized to use a return assumption of 8% as the expected long-term rate of return on the retiree health reserve fund. In order to diverge from this assumption, which affects the funding policy, RF management must obtain board approval.

Board of Directors Resolution: BD2005-08

Subject: Retiree Health Plan Changes

Research Foundation management is authorized to implement a service-based contribution schedule for retiree benefits for current and future employees and the Board of Directors allows management discretion as to the effective date of these changes. If management determines that the most effective date for changes is later than July 1, 2007, management will come back to the Board of Directors for final approval of specific plan design.

Board of Directors Resolution: BD2005-05

Subject: Retiree Health Benefits Funding

Research Foundation management be authorized to fund the liability for future retiree health benefits beginning in fiscal year 2006 according to the funding policy outlined below, by charging current grants through the fringe benefit pool for regular employees. The money collected will be placed in the existing retiree health reserve fund. In order to diverge from this funding policy, RF management would be required to obtain board approval in any year for which a funding waiver is requested.

Research Foundation Corporate Reserve

Objective

The Research Foundation should develop guidelines to ensure that the undesignated corporate reserve is properly funded and maintained.

Background

The RF has historically maintained a corporate reserve to provide additional liquidity to cover cash flow and contingency needs. The undesignated corporate reserve has primarily been used to cover major system initiatives like the OASIS project and year 2000 compliance. In addition, the RF maintains an investment reserve that was incorporated in 1999 when the board of directors approved a spending formula concept to lessen the impact of fluctuations in rates of return.

The RF's unrestricted net assets were \$103,960,000 in the audited financial statement as of June 30, 2004. However, the majority of these funds are specified for development activity at the campuses as outlined in the RF's approved financial plan.

Over the past 10 years the RF has grown at an unprecedented rate. Sponsored program revenue increased 91 percent, climbing from \$372.6 million in 1995 to \$710.2 million in 2004. During the same timeframe, the RF used its corporate reserve to fund key corporate initiatives and, in 2002, acquired a building for \$6.5 million. To finance this acquisition, the RF incurred debt, which had a principal balance of \$6.255 million as of June 30, 2004. The RF is paying off the debt in annual payments over 30 years at a variable interest rate with a principle payment escalating from \$125,000 in 2005 to \$340,000 in 2033. The RF is charging the principle and interest to the central office budget and has established an interest reserve to cover future interest rate increases.

Growth of this magnitude, combined with funding key initiatives, has impacted the RF's corporate reserve. From 1995 to 2007, this balance decreased from \$8.8 million to the current balance of \$1.2 million. At the same time, the corporate reserve to operating revenue percentage decreased from 13.6 percent to 1 percent, and the corporate reserve to accounts receivable percentage decreased from 15.4 percent to 0.9 percent.

As stated in the RF's [Responsibility for Losses policy](#) the corporate reserve is also to be used to cover losses: "The central office is responsible for any losses incurred by the Research Foundation not attributable to any action/inaction on the part of the campuses or other designated operating locations. Any such loss will be charged against corporate reserves." In addition, the RF's annual financial statements contain an allowance of \$8 million for doubtful accounts. This amount is reflected as an expense in the RF's financial statements, but has not been funded by the RF.

All of these factors drive the need for guidelines to ensure the RF's undesignated corporate reserve is properly funded and maintained.

Process

In May 2004 the RF's board of directors requested that outside auditors conduct an analysis to determine the appropriate level of undesignated reserves for the RF. PricewaterhouseCoopers conducted research on the corporate reserve and provided liquidity factors used by major bond rating agencies for higher education and municipalities. Some common targets include:

Description	Target Calculation
One month of operating expenses	\$11,941,000 (1)
Two months of operating expenses	\$23,883,000 (1)
Five percent of operating revenues	\$6,055,000 (2)
Ten percent of operating revenues	\$12,109,000 (2)

(1) Obtained from fiscal year 2004 audited financial statements. Administration and general expenses of \$143,296,925 reported for the year.

(2) Obtained from fiscal year 2004 final Financial Plan. Facilities and Administration (F&A) cost revenue of \$121,092,427 reported for the year.

Recommendation for Corporate Reserve Level and Funding Option

Corporate Reserve level recommendation: The undesignated corporate reserve level should be 10 percent of the RF's operating facilities and administrative (F&A) revenue. F&A revenue is a stable target that allows management to adequately plan and fund the undesignated reserve, and 10 percent of the F&A revenue provides adequate undesignated reserves for the RF.

Funding recommendation: The undesignated corporate reserve for fiscal year 2005 is \$2.4 million, and the RF has an unfunded balance of approximately \$10 million. It is important to note that 2006 is the final year of the campus assessment for the OASIS (Oracle) project. This assessment totals \$2.87 million annually. The options to fund the reserve were presented for board consideration:

- Fund the reserve in eight years by funding 0.15% of sponsored program direct, facilities and administration (F&A) and distributed investment income revenues in fiscal year 2006 and 0.35% of sponsored program direct, F&A and distributed investment income revenues in subsequent years. (See Attachment C). As occurs in the central office assessment process, campuses will be assessed for the corporate reserve based upon their prior year revenues.
- Fund the reserve in four years from investment income. The funding calculation will be 1.5% of cash invested.