



# New York Medical College Policy and Procedure Manual

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| <b>Section:</b> CONTROLLER'S OFFICE<br>RESTRICTED FUNDS         | <b>No.:</b> CO.618         |
| <b>Subject:</b> GUIDELINES FOR REVENUE RECOGNITION<br>ON GRANTS | <b>Date:</b> Aug. 15, 2006 |
|   | <b>Page</b> 1 <i>of</i> 4  |
|   | <b>Supersedes:</b>         |

## Purpose

To establish guidelines for revenue recognition on grants.

## II. Scope

This policy applies to all grants: Fund Groups – 41 xx xx; United States Public Health Service (USPHS), 42 xx xx; National Science Foundation (NSF), 43 xx xx; Department of Education (DOE), 45 xx xx; other Federal agencies and NIH subcontracts; 46 xx xx; industry sponsored, 47 xx xx; state and local government, 48 xx xx; non-profit organizations, 49 xx xx; miscellaneous donors.

## III. Definition

Definition is included as part of Policy (Section IV).

## IV. Policy

### Fund Groups 41, 42 & 43 (Federal Awards)

These fund groups consist of grants from the USPHS (41), National Science Foundation (42), and the Department of Education (43). It is the policy of New York Medical College to record revenues monthly as expenditures are posted. The amount of revenue recognized can not exceed the grant award.

Pre-Award Costs (expenditures incurred in advance of formal notification of award) are allowable under these fund groups. In the case of pre-award costs, revenue will be recorded and a receivable will be established for all costs incurred while awaiting formal notification.

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Fund Group 45 (Other Federal Awards and NIH Subcontracts)

Fund group 45 consists of 1) awards from federal agencies other than noted above (identified in the financial system (Fundware) by sequence numbers between 45 00 00 and 45 79 99) and 2) NIH subcontracts – pass-through awards from other entities (identified in the financial system (Fundware) by sequence numbers between 45 80 00 and 45 90 00).

It is the policy of New York Medical College to record revenue from other federal agencies as expenditures are posted. If payment has not yet been received by the College a receivable will be established. If the College receives cash in advance revenue will be deferred until actual expenditures are posted.

In the case of NIH subcontracts either an invoice of expenditures is sent according to the terms of the award or payment is received based on data submitted by the PI as outlined in the terms and conditions of the award. Once an invoice has been submitted it is the policy of New York Medical College to record revenue and establish a receivable.

Fund Group 46 (Industry Sponsored Awards)

Fund group 46 consists of 1) Clinical Trials and 2) Basic Science studies. Both types of awards are fixed price contracts. In Clinical Trials, the per subject amount is fixed and in Basic Science studies the total contract amount is fixed.

Revenue received on clinical trials is tied to subject enrollment. Occasionally the sponsor of a clinical trial will send a payment in advance of subject enrollment. This advance payment is initially recorded as deferred revenue until such time as payment for subject enrollment is received.

Revenue received on Basic Science studies is frequently tied to progress reports submitted by the Principal Investigator. If an invoice is required based on the terms and conditions of the award, a receivable will be established. Final payment is held until the investigator satisfies the conditions of the grant.

With the exception of advanced payments from Clinical Trials, it is the policy of New York Medical College to record all payments in this fund group as revenue upon receipt of cash.

Fund Group 47 (State and Local Government Awards)

Fund group 47 consists of awards from the state and local government. An invoice of expenditures is sent according to the terms of the award or quarterly activity reports are submitted to the agency by Restricted Funds. If an invoice is submitted it is the policy of New York Medical College to record revenue and establish a receivable. If payment received from the state or local government is greater than expenditures posted, revenue will be deferred until such time as additional expenditures are posted.

Fund Group 48 (Non-profit organization awards)

Fund group 48 consists of awards from non-profit organizations. The revenue recorded on these awards is based on signed agreements for research support. The College is paid according to the award amount. It is the policy of New York Medical College to record revenue as expenditures are posted. If payment received from the organization is greater than expenditures posted, revenue will be deferred until such time as additional expenditures are posted.

Fund Group 49 (Miscellaneous Donor awards)

Fund group 49 consists of miscellaneous donor grants that are awarded to support ongoing research. These are essentially unrestricted awards. It is the policy of New York Medical College to record all payments in this fund group as revenue upon receipt of cash.

**V. Procedure**

Fund Groups 41, 42, & 43

As part of the monthly closing process in Finance, general accounting will run a Revenue Recognition Program (REV1) in fundware for federal grants. This allocation program looks at each grant and compares expense to budget. Revenue will be recorded to the extent of monthly expenditures up to the award amount. (Pre-award Costs revenue recognition is covered under a separate policy.)

Fund Groups 45, 47 & 48

On a monthly basis, the Director of Restricted Funds will prepare an analysis of grant activity in these three fund groups. This analysis will be done on a grant by grant basis. A determination will be made with respect to deferring revenue or establishing a receivable.

Fund Group 46

On a monthly basis, the Director of Restricted Funds will prepare an analysis of grant activity in this fund group. This analysis will be done on a grant by grant basis. A determination will be made with respect to establishing a receivable for Basic Science research studies. In general, any cash received during the month will be recorded as revenue. However, if funding is received in advance this funding will initially be recorded as “deferred revenue”.

Fund Group 49

Any cash received during the month will be recorded as revenue.

Responsibility

It is the responsibility of Restricted Funds to ensure that funds are received as outlined in the Notice of Award/Agreements and Contracts. It is also the responsibility of Restricted Funds to ensure that the awards do not incur deficits.